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(Translation)

(Securities Code 7004)

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Dear Shareholders

Sadao Mino, President

Hitachi Zosen Corporation

7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka

NOTICE OF THE 126TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 126th Ordinary General Meeting of Shareholders of Hitachi Zosen Corporation (“the Company”). The meeting shall be held as described below.

In connection with the convocation of this General Meeting of Shareholders, we have taken measures for providing information concerning the particulars of the Reference Documents for the General Meeting of Shareholders and other documents in electronic formats (i.e., information made available by electronic means) by publication on the following URLs for access and viewing by shareholders.

[Company Website]

<https://www.hitachizosen.co.jp/ir/stock/meeting.html> (in Japanese)

[Website for Materials for the General Meeting of Shareholders]

<https://d.sokai.jp/7004/teiji/> (in Japanese)

[TSE website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(From the TSE website, the information can be retrieved by entering the issue name (company name) “Hitachi Zosen” or the securities code “7004,” clicking on “basic information,” “Documents for public inspection/PR information,” and “Notice of General Shareholders Meeting/Informational Materials for a General Shareholders Meeting” which appear below the “Filed information available for public inspection” field.)

Shareholders not attending the meeting have the option to exercise their voting rights in advance via the Internet or in writing, and we ask those shareholders to read the Reference Documents for the General Meeting of Shareholders and exercise their voting rights **by 5:00 p.m. (JST) on Tuesday, June 20, 2023.**

1. **Date and Time:** June 21, 2023 (Wednesday), 10:00 a.m. (JST) (Doors open 9:00 a.m.)

2. **Place:** Art Hotel Osaka Bay Tower, 4th Floor, “Art Grand Ballroom”
2-1, Benten 1-chome, Minato-ku, Osaka, Japan

3. Purposes

I. Matters to be Reported:

1. The Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements for the 126th fiscal year (from April 1, 2022 to March 31, 2023)
2. The Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements for the 126th fiscal year

II. Matters to be Resolved:

Proposal 1: Appropriation of Surplus

Proposal 2: Election of Eight (8) Directors

Proposal 3: Election of One (1) Corporate Auditor

- Among the information made available by electronic means, the following items are omitted from a document to be delivered to shareholders who submitted a request for the delivery of information in written form, pursuant to the relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company (Japanese only).

- 1) “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements
- 2) “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements

These matters are included in the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Accounting Auditor and Corporate Auditors for the preparation of the Accounting Audit Report and Audit Report, respectively.

- Any modification to the information made available by electronic means will be announced on the websites mentioned above, together with the information before and after the modification.
 - If there are any changes in the arrangements, response methods or other related operations of the General Meeting of Shareholders, we will give notice on the Company’s website.
 - Shareholders are invited to view the meeting by way of real-time live streaming on the Internet. After the meeting, the proceedings will be available in part for viewing on demand (in Japanese). In addition, shareholders may make inquiries with respect to the purposes of the General Meeting of Shareholders before the meeting.
 - Please kindly note that we will not provide souvenirs to shareholders attending the meeting in person. We appreciate your understanding.
- **Treatment of Voting Rights Exercised Multiple Times**
 - If the voting rights are exercised multiple times both via the Internet and in writing: The exercise of the voting rights via the Internet will be deemed effective.
 - If the voting rights are exercised multiple times via the Internet: The last exercise of the voting rights will be deemed effective.

Instructions on Exercising Voting Rights via the Internet

Scanning QR code®

You can simply login to the website for exercising voting rights without entering your login ID and temporary password printed on the right side of the voting form.

1. Please scan the QR code® located on the right side of the voting form.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Entering login ID and temporary password

Site for exercising voting rights:
<https://evote.tr.mufg.jp/> (in Japanese)

1. Please access the site for exercising voting rights.

2. Enter your “login ID” and “temporary password” printed on the right side of the voting form.

3. Please register a new password.

4. Indicate your approval or disapproval by following the instructions on the screen.

In case you need instructions for how to operate your PC/smartphone in order to exercise your voting rights via the Internet, please contact the helpdesk, for which the details are provided below.

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division (helpdesk)

Telephone: 0120-173-027 (toll free and available from 9:00 a.m. to 9:00 p.m.; within Japan only)

Cautionary matters

- (1) When exercising voting rights via the Internet, please be aware that the website is not available from 2:00 a.m. to 5:00 a.m. (JST) each day.
- (2) Exercising voting rights via PC or smartphone may not be possible depending on your Internet usage environment, for example if you use a firewall for your Internet connection, if you have anti-virus software installed, if you use a proxy server, or if you are communicating without TLS encryption.
- (3) Any fees for accessing the website for exercising voting rights (Internet connection fees, etc.) shall be borne by the shareholder.

Platform for Exercise of Voting Rights

The Company participates in the Electronic Voting Platform for Institutional Investors managed by ICJ, Inc.

For shareholders registered in the name of a custodian trust bank, etc. (including permanent agents), by making prior application for the said platform's use, it is possible to exercise one's voting rights for the Company's General Meeting of Shareholders using the said platform as a method for exercising one's voting rights by electronic method, separate to the exercising of one's voting rights via the Internet mentioned above.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

With respect to the year-end dividend for fiscal year 2022, as the Company reported the profit attributable to shareholders of Hitachi Zosen exceeding that of fiscal year 2021 and has attained the level of profits sufficient to increase dividend payment, we propose to increase the dividend per share by 6 yen from the year-end dividend for fiscal year 2021 and pay the dividends according to the following conditions, in light of such factors as the Company's future business development.

- (i) Dividend to be paid by cash
- (ii) Items concerning allocation of dividend property to shareholders and total amount thereof
Dividend per share of the Company's common stock: 18 yen
Total amount: 3,033,498,024 yen
- (iii) Effective date of commencement of payment: June 22, 2023

Proposal 2: Election of Eight (8) Directors

The term of office of all nine (9) present Directors will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, we propose to elect eight (8) Directors, decreasing the total number of Directors by one (1) and increasing the number of Outside Directors by one (1) to ensure strategic and flexible decision-making of the Board of Directors and to strengthen supervisory functions.

The candidates for Directors are as follows:

| No. | Name | | Position and Areas of Responsibility at the Company | Attendance at Board of Directors meetings (FY 2022) | Tenure as Director (at the conclusion of the General Meeting of Shareholders) |
|-----|-------------------|---|--|---|---|
| 1 | Sadao Mino | Reappointed | Representative Director, President and Chief Executive Officer | 14/14 | 8 years |
| 2 | Tatsuji Kamaya | Reappointed | Managing Director, General Manager of Carbon Neutral Solution Business Headquarters, and Responsible for Machinery & Infrastructure Business Headquarters and Production Engineering Dept. | 14/14 | 6 years |
| 3 | Tadashi Shibayama | Reappointed | Managing Director, General Manager of R&D Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters and Global Headquarters | 14/14 | 6 years |
| 4 | Michi Kuwahara | Reappointed | Managing Director, General Manager of Environment Business Headquarters and Responsible for Procurement Headquarters | 14/14 | 2 years |
| 5 | Richard R. Lury | Reappointed Outside Independent | Director | 14/14 | 7 years |
| 6 | Tetsuya Shoji | Reappointed Outside Independent | Director | 14/14 | 2 years |
| 7 | Shinoi Sakata | Newly appointed Outside Independent | — | — | — |
| 8 | Akiko Horiguchi | Newly appointed Outside Independent | — | — | — |


Newly appointed Candidate for newly appointed Director


Reappointed Candidate for reappointed Director


Outside Candidate for Outside Director


Independent Independent Director


Note: The gender and expertise (skills) of each candidate for Director are provided on page 22.


| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|---|--|-------------------------------------|
| 1 | <p><u>Reappointed</u></p>  <p>Sadao Mino (August 27, 1957)</p> <p>Attendance at Board of Directors meetings (FY 2022) 14/14</p> <p>Tenure as Director 8 years (at the conclusion of the General Meeting of Shareholders)</p> | <p>April 1982 Joined the Company</p> <p>June 2015 Managing Director, the Company</p> <p>April 2017 Representative Director, Executive Vice-President, the Company</p> <p>April 2017 President's Assistant (Responsible for Production Engineering Dept., Wind Power Business Promotion Office and Functional Materials Business Promotion Office), the Company</p> <p>April 2018 President's Assistant (Responsible for Sales and Production Engineering Dept.), the Company</p> <p>April 2019 President's Assistant (Responsible for Sales and Procurement Headquarters), the Company</p> <p>October 2019 President's Assistant (Responsible for Sales, Procurement Headquarters, and Yumeshima Area Development Promotion Dept.), the Company</p> <p>April 2020 Representative Director, President and Chief Operating Officer, the Company</p> <p>April 2022 Representative Director, President and Chief Executive Officer, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Since assuming the office of the top manager, Representative Director, President from April 2020, Mr. Mino has been working to make the corporate philosophy of the Company a reality, drive sustainable growth and improvement of the corporate value of the Hitachi Zosen Group, and promote stronger corporate governance. The Company has determined, based on this experience and track record, that Mr. Mino is well-qualified to play a key role in further developing the Hitachi Zosen Group and that he will adequately fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Therefore, once again, the Company has designated Mr. Mino as a candidate for Director.</p> | 80,967 |

| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|---|---|-------------------------------------|
| 2 | <p style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Tatsuji Kamaya (September 2, 1961)</p> <p style="text-align: center;">Attendance at Board of Directors meetings (FY 2022) 14/14</p> <p style="text-align: center;">Tenure as Director 6 years (at the conclusion of the General Meeting of Shareholders)</p> | <p>April 1984 Joined the Company</p> <p>June 2017 Director, the Company</p> <p>August 2017 General Manager of Corporate Planning Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for General Administration Headquarters and Procurement Headquarters, the Company</p> <p>April 2018 Managing Director, the Company (current position)</p> <p>April 2019 General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Production Engineering Dept., the Company</p> <p>April 2020 General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, the Company</p> <p>July 2020 General Manager of Machinery Business Headquarters, General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Infrastructure Business Headquarters, the Company</p> <p>April 2021 General Manager of Machinery & Infrastructure Business Headquarters, the Company</p> <p>June 2021 General Manager of Machinery & Infrastructure Business Headquarters and Responsible for Production Engineering Dept., the Company</p> <p>April 2022 General Manager of Carbon Neutral Solution Business Headquarters, and Responsible for Machinery & Infrastructure Business Headquarters and Production Engineering Dept., the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Kamaya has been engaged mainly in operations such as accounting & finance and corporate planning in the Company. Mr. Kamaya has extensive experience and wide-ranging insight into the Hitachi Zosen Group's company management, and others, and he has been promoting the business structure reforms and business growth as the person in charge of the Machinery Business and the Infrastructure Business since July 2020, and the Carbon Neutral Solution Business since July 2020, and the Carbon Neutral Solution Business since April 2022. Based on this experience and track record, the Company has determined that Mr. Kamaya will continue to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Therefore, once again, the Company has designated Mr. Kamaya as a candidate for Director.</p> | 34,149 |


| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|---|---|-------------------------------------|
| 3 | <p><u>Reappointed</u></p>  <p>Tadashi Shibayama (September 13, 1958)</p> <p>Attendance at Board of Directors meetings (FY 2022) 14/14</p> <p>Tenure as Director 6 years (at the conclusion of the General Meeting of Shareholders)</p> | <p>April 1982 Joined the Company</p> <p>April 2017 General Manager of Machinery Business Headquarters, the Company</p> <p>June 2017 Director, the Company</p> <p>April 2019 General Manager of Machinery Business Headquarters, and Responsible for Infrastructure Business Headquarters, the Company</p> <p>June 2019 Managing Director, the Company (current position)</p> <p>April 2020 General Manager of Machinery Business Headquarters, and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development Promotion Dept., the Company</p> <p>July 2020 Responsible for Sales, Overseas Business, General Administration Headquarters, Corporate Planning Headquarters and Yumeshima Area Development Promotion Dept., the Company</p> <p>June 2021 General Manager of R&D Headquarters, and Responsible for Overseas Business and Information and Communication Technology Promotion Headquarters, the Company</p> <p>July 2021 General Manager of R&D Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters and Global Headquarters, the Company (current position)</p> | 50,726 |
| | <p><Reasons for nominating the candidate as Director></p> <p>Mr. Shibayama has been engaged in wide-ranging operations such as engineering, sales, aftersales service, planning and development, and promotion of new businesses in departments in charge of manufacturing and engineering businesses. He has extensive experience and wide-ranging insight into business operations both in Japan and overseas, and overseas sales. Mr. Shibayama has been responsible for the Company's business development, overseas business and the promotion of ICT since June 2021, and promoted the strengthening of business competitiveness. Based on this experience and track record, the Company has determined that Mr. Shibayama will continue to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Therefore, once again, the Company has designated Mr. Shibayama as a candidate for Director.</p> | | |


| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|--|---|-------------------------------------|
| 4 | <p style="text-align: center;">Reappointed</p>  <p style="text-align: center;">Michi Kuwahara (June 18, 1963)</p> <p style="text-align: center;">Attendance at Board of Directors meetings (FY 2022) 14/14</p> <p style="text-align: center;">Tenure as Director 2 years (at the conclusion of the General Meeting of Shareholders)</p> | <p>April 1986 Joined the Company</p> <p>January 2018 General Manager of Corporate Planning Dept., the Company and Chairman of the Supervisory Board of Hitachi Zosen Inova AG</p> <p>April 2018 Executive Officer, the Company</p> <p>April 2018 Assistant to General Manager of Environment Business Headquarters, the Company and Chairman of the Supervisory Board of Hitachi Zosen Inova AG</p> <p>April 2020 Managing Executive Officer, the Company</p> <p>July 2020 General Manager of General Administration Headquarters, and General Manager of Corporate Planning Headquarters, the Company</p> <p>April 2021 General Manager of Corporate Planning Headquarters, the Company</p> <p>June 2021 Director, the Company</p> <p>June 2021 General Manager of Corporate Planning Headquarters, and Responsible for General Administration Headquarters, Quality Assurance Dept. and Yumeshima Area Development Promotion Dept., the Company</p> <p>October 2021 General Manager of Corporate Planning Headquarters, and Responsible for General Administration Headquarters, Sustainability Promotion Dept., Quality Assurance Dept. and Yumeshima Area Development Promotion Dept., the Company</p> <p>April 2022 Managing Director, the Company (current position)</p> <p>April 2022 General Manager of Environment Business Headquarters, and Responsible for Procurement Headquarters, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Kuwahara has been engaged mainly in operations such as accounting & finance and corporate planning at the Company, and has extensive experience and wide-ranging insight into the Hitachi Zosen Group's company management, including having carried out business structure reform as Chairman of the Supervisory Board of an overseas subsidiary, Hitachi Zosen Inova AG. Since April 2022, Mr. Kuwahara has been working to promote further growth of environment business as General Manager of Environment Business Headquarters. Based on this experience and track record, the Company has determined that Mr. Kuwahara will fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Therefore, once again, the Company has designated Mr. Kuwahara as a candidate for Director.</p> | 7,034 |

| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|---|---|-------------------------------------|
| 5 | <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Director</div>  <p>Richard R. Lury (January 21, 1948)</p> <p>Attendance at Board of Directors meetings (FY 2022) 14/14</p> <p>Tenure as Outside Director 7 years (at the conclusion of the General Meeting of Shareholders)</p> | <p>May 1974 Admitted to the bar of the State of New York</p> <p>September 1989 Partner, Kelley Drye & Warren LLP (retired in January 2015)</p> <p>June 2003 Admitted to the bar of the State of New Jersey</p> <p>March 2013 Outside Director, Sanken North America, Inc. (currently, Allegro MicroSystems, Inc.) (current position)</p> <p>June 2014 Outside Director, Sanken Electric Co., Ltd. (retired in June 2022)</p> <p>June 2016 Outside Director, the Company (current position)</p> <p>(Significant Concurrent Positions) Attorney-at-law in the United States (State of New York and New Jersey) Outside Director, Allegro MicroSystems, Inc.</p> <p><Reasons for nominating the candidate as Outside Director and outline of expected roles> Mr. Lury served as a partner of a law firm in the United States for many years, and has extensive experience and expertise in international corporate legal matters. As Outside Director, Mr. Lury provides appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance and the globalization of business. In addition, he has fulfilled the role of strengthening supervisory functions regarding business execution through the involvement in decisions on executive appointments and Directors' remuneration as a member of the Nomination & Remuneration Advisory Committee. The Company anticipates that Mr. Lury will continue to fulfill these roles and has therefore once again designated Mr. Lury as a candidate for Outside Director.</p> <p><Matters concerning the independency> For the past three fiscal years, no business relationship has existed between the Company and a law firm in the United States, where Mr. Lury served as partner until he retired in January 2015. Furthermore, Mr. Lury concluded a legal advisory contract as an individual with the Company's subsidiary in the United States in January 2015, which was terminated in December 2020, but the average annual value of transactions in the past three fiscal years is less than 3 million yen (with no transactions in the most recent two fiscal years). Based on the above facts, the Company has determined that Mr. Lury is independent, and has designated him as an independent director as prescribed by Tokyo Stock Exchange, Inc.</p> | None |

| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned | |
|---------------|---|--|--|---|
| 6 | Reappointed | April 1977 | Joined Nippon Telegraph and Telephone Public Corporation | |
| | Outside Director | June 2006 | Senior Vice President and General Manager of Personnel Department, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION | |
| | Independent Director | June 2009 | Senior Vice President and Head of General Affairs Department, Nippon Telegraph and Telephone Corporation | |
| |  | | June 2012 | Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation |
| | | | June 2015 | President & CEO, Representative Member of the Board, NTT Communications Corporation |
| | | June 2020 | Corporate Advisor, NTT Communications Corporation (current position) | |
| | | December 2020 | Outside Director, circlace Inc. (current position) | |
| | | March 2021 | Outside Director, Sapporo Holdings Limited (current position) | |
| | Attendance at Board of Directors meetings (FY 2022) 14/14 | June 2021 | Outside Director, the Company (current position) | |
| | Tenure as Outside Director 2 years (at the conclusion of the General Meeting of Shareholders) | June 2021 | Outside Director, Mitsubishi Logistics Corporation (current position) | |
| | March 2022 | Outside Director, Japan Tobacco Inc. (current position) | | |
| | | (Significant Concurrent Positions) Corporate Advisor, NTT Communications Corporation Outside Director, circlace Inc. Outside Director, Sapporo Holdings Limited Outside Director, Mitsubishi Logistics Corporation Outside Director, Japan Tobacco Inc. | None | |
| | | <Reasons for nominating the candidate as Outside Director and outline of expected roles> Mr. Shoji has extensive experience and wide-ranging insight in corporate management, including having served as a representative member of the board of a telecommunications carrier. Mr. Shoji has provided appropriate opinions and advice as Outside Director from an independent standpoint to the Company, which is promoting stronger corporate governance and the globalization of business and digital transformation (DX), and has fulfilled the role of strengthening supervisory functions regarding business execution through involvement in decisions on executive appointments and Directors' remuneration as Chair of the Nomination & Remuneration Advisory Committee since January 2022. Therefore, the Company anticipates that Mr. Shoji will continue to fulfill these roles and has designated him once again as a candidate for Outside Director. | | |
| | | <Matters concerning the independency> Although there is a business relationship between the Company and NTT Communications Corporation, where Mr. Shoji currently serves as Corporate Advisor and was engaged in execution of business until June 2020, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of the Company's consolidated net sales and less than 0.1% of NTT Communications Corporation's consolidated operating revenue. Additionally, although there is a business relationship between the Company and Nippon Telegraph and Telephone West Corporation, where Mr. Shoji was formerly engaged in execution of business, the average annual value of transactions between the two companies in | | |

| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|-------------------------|---|-------------------------------------|
| | | <p>the past three fiscal years was less than 0.1% of Nippon Telegraph and Telephone West Corporation's consolidated operating revenue and the Company received no sales revenue from Nippon Telegraph and Telephone West Corporation. Based on the above facts, the Company has determined that Mr. Shoji is independent, and has designated him as an independent director as prescribed by Tokyo Stock Exchange, Inc.</p> | |

| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|--|---|--|-------------------------------------|
| 7 | Newly appointed | April 1979 Joined Sumitomo Chemical Co., Ltd. (currently, SUMITOMO CHEMICAL COMPANY, LIMITED) | None |
| | Outside Director | April 2013 Executive Officer, Responsible for Intellectual Property Department, SUMITOMO CHEMICAL COMPANY, LIMITED | |
| | Independent Director | April 2016 Advisor, SUMITOMO CHEMICAL COMPANY, LIMITED | |
|  | Shinoi Sakata (March 31, 1957) | April 2016 Director & Vice President, Sumika Technical Information Service, Inc. June 2017 Representative Director & President, Sumika Technical Information Service, Inc. May 2018 Executive Director, Japan Chemical Industry Association (in charge of the chemical management and international affairs) June 2020 Outside Director, Nomura Research Institute, Ltd. (current position) | |
| (Significant Concurrent Position) Outside Director, Nomura Research Institute, Ltd. | <Reasons for nominating the candidate as Outside Director and outline of expected roles> Ms. Sakata has extensive experience and wide-ranging insight into company management. Her experience encompasses working for many years at a chemical manufacturer, serving as an Executive Officer, and serving as a Representative Director of an information company. As Outside Director, Ms. Sakata is expected to provide appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance and digital transformation (DX), and is also expected to fulfill the role of strengthening supervisory functions regarding business execution through involvement in decisions on executive appointments and Directors' remuneration as a member of the Nomination & Remuneration Advisory Committee. Therefore, the Company has designated Ms. Sakata as a candidate for Outside Director. | | |
| <Matters concerning the independency> Although there is a business relationship between the Company and SUMITOMO CHEMICAL COMPANY, LIMITED, where Ms. Sakata was engaged in execution of business in the past, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of the Company's consolidated net sales and there were no payments made to SUMITOMO CHEMICAL COMPANY, LIMITED. Additionally, there is no business relationship between the Company and Sumika Technical Information Service, Inc., Japan Chemical Industry Association or both where Ms. Sakata was formerly engaged in execution of business. Based on the above facts, the Company has determined that Ms. Sakata is independent, and will designate her as an independent director as prescribed by Tokyo Stock Exchange, Inc. | | | |

| Candidate No. | Name (Date of Birth) | Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---------------|--|--|-------------------------------------|
| 8 | <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Newly appointed</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Director</div>  <p style="text-align: center;">Akiko Horiguchi (December 29, 1962)</p> | <p>April 1985 Joined Oki Electric Industry Co., Ltd.</p> <p>April 2011 Head of Public Relations Division, Oki Electric Industry Co., Ltd.</p> <p>April 2015 Head of Human Resources Division, Oki Electric Industry Co., Ltd.</p> <p>April 2015 Director, Oki Consulting Solutions Co., Ltd.</p> <p>April 2017 Executive Officer & Head of Human Resources Department, Corporate Management Headquarters, Oki Electric Industry Co., Ltd.</p> <p>April 2017 Director, OKI Proserve Co., Ltd.</p> <p>June 2018 Director, Japan Institute for Women's Empowerment & Diversity Management</p> <p>April 2019 Associate Executive Officer, Corporate Management Headquarters, Oki Electric Industry Co., Ltd.</p> <p>April 2019 Representative Director, President and Executive Officer, Oki Workwel Co., Ltd. (current position)</p> <p>April 2020 Associate Executive Officer, Corporate Headquarters, Oki Electric Industry Co., Ltd. (retired in March 2023)</p> <p>(Significant Concurrent Position) Representative Director, President and Executive Officer, Oki Workwel Co., Ltd.</p> <p><Reasons for nominating the candidate as Outside Director and outline of expected roles> Ms. Horiguchi has extensive experience and wide-ranging insight into company management and diversity-focused management. Her experience encompasses working as an executive officer and Head of Public Relations and Head of Human Resources Division at an information and communication equipment manufacturer, serving as a Representative Director of a special affiliate subsidiary, and serving as a Director of the Japan Institute for Women's Empowerment & Diversity Management. As Outside Director, Ms. Horiguchi is expected to provide appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance, digital transformation (DX), diversity-focused management and human capital management, and is also expected to fulfill the role of strengthening supervisory functions regarding business execution through involvement in decisions on executive appointments and Directors' remuneration as a member of the Nomination & Remuneration Advisory Committee. Therefore, the Company has designated Ms. Horiguchi as a candidate for Outside Director.</p> <p><Matters concerning the independency> Although there is a business relationship between the Company and Oki Electric Industry Co., Ltd., where Ms. Horiguchi was engaged in execution of business in the past, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of the Company's consolidated net sales and less than 0.1% of the consolidated net sales of Oki Electric Industry Co., Ltd. Additionally, there is no business relationship between the Company and any of Oki Workwel Co., Ltd., Oki Consulting Solutions Co., Ltd. or OKI Proserve Co., Ltd., where Ms. Horiguchi is or formerly was engaged in execution of business. Based on the above facts, the Company has determined that Ms. Horiguchi is independent, and will designate her as an independent director as prescribed by Tokyo Stock Exchange, Inc.</p> | None |

- Notes:
1. The name of Ms. Akiko Horiguchi registered in the family registry is Akiko Hotani.
 2. The Company has concluded an agreement with Mr. Richard R. Lury and Mr. Tetsuya Shoji respectively that limits the maximum amount of their liabilities to the minimum amount stipulated by laws and regulations concerning liability for compensation for damages pursuant to the provisions of Article 423, paragraph 1 of the Companies Act. In the event that their reelection is approved, the Company intends to continue the said agreement. If Ms. Shinoi Sakata and Ms. Akiko Horiguchi are elected to the office of Outside Director, the Company intends to conclude a comparable agreement with each of them.
 3. The Company has concluded a directors and officers liability insurance agreement stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. This insurance agreement covers directors and officers for damages that may arise from accepting liability for the execution of their duties or from receiving claims related to pursuit of such liability, with certain exemption from indemnification of damages, for example, damages arising from acts conducted with the knowledge of non-compliance with the applicable laws and regulations. All the candidates for Director will be included as insureds in the said insurance agreement if the election is approved. In addition, the Company plans to renew the agreement with details of the same degree in the middle of their term of office.


Proposal 3: Election of One (1) Corporate Auditor

Mr. Yoshihiro Doi, one of the present Corporate Auditors, will resign from his office at the conclusion of this General Meeting of Shareholders.

Accordingly, we propose to elect one (1) Corporate Auditor.

The Board of Corporate Auditors has approved this proposal.

The candidate for Corporate Auditor is as follows:

| Name (Date of Birth) | Career Summary (Position at the Company and Significant Concurrent Positions) | Number of the Company's Share Owned |
|---|---|---|
| <p data-bbox="228 562 400 589">Newly appointed</p> <p data-bbox="217 622 411 674">Outside Corporate Auditor</p> <p data-bbox="217 707 411 759">Independent Corporate Auditor</p>  <p data-bbox="217 1095 411 1146">Makoto Araki (February 15, 1963)</p> | <p data-bbox="451 562 1220 1106"> April 1987 Joined The Kansai Electric Power Company, Incorporated June 2011 General Manager of Corporate Planning & Accounting Department, Corporate Reformation Headquarters, Kanden System Solutions Co., Inc. (currently, Kanden Systems Inc.) June 2012 Director & Vice General Manager of Corporate Reformation Headquarters, Kanden Systems Inc. June 2016 Executive Officer & General Manager of IT Strategy Department, The Kansai Electric Power Company, Incorporated June 2017 Vice President and Representative Director, Executive Officer, K-Opticom Corporation (currently, OPTAGE Inc.) June 2018 President and Representative Director, K-Opticom Corporation June 2021 Executive Vice President, The Kansai Electric Power Company, Incorporated (current position) </p> <p data-bbox="451 1117 1220 1178">(Significant Concurrent Position) Executive Vice President, The Kansai Electric Power Company, Incorporated</p> <p data-bbox="451 1189 1220 1599"> <Reasons for nominating the candidate as Corporate Auditor> Mr. Araki has extensive experience and wide-ranging insight into company management, along with the ICT and digital field. His experience encompasses serving as a representative director at an information and communications company, and also as a manager of corporate planning and IT department, and an executive officer at an electric power company. The Company anticipates that Mr. Araki will be able to contribute to strengthening its corporate governance and enhancing the auditing system by providing appropriate opinions and advice on the Company's management, business operations and other matters from an independent standpoint as Outside Corporate Auditor. Therefore, the Company has designated Mr. Araki as a candidate for Outside Corporate Auditor. </p> <p data-bbox="451 1610 1220 2076"> <Matters concerning the independency> Although there is a business relationship between the Company and The Kansai Electric Power Company, Incorporated, where Mr. Araki currently engages in execution of business, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of the Company's consolidated net sales and less than 0.1% of the consolidated net sales of The Kansai Electric Power Company, Incorporated. Additionally, although there is a business relationship between the Company and OPTAGE Inc., where Mr. Araki was formerly engaged in execution of business, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1 % of the net sales of OPTAGE Inc. and the Company received no sales revenue from OPTAGE Inc. Based on the above facts, the Company has determined that Mr. Araki is independent, and will designate him as an independent corporate auditor as prescribed by Tokyo </p> | <p data-bbox="1294 1308 1353 1335">None</p> |

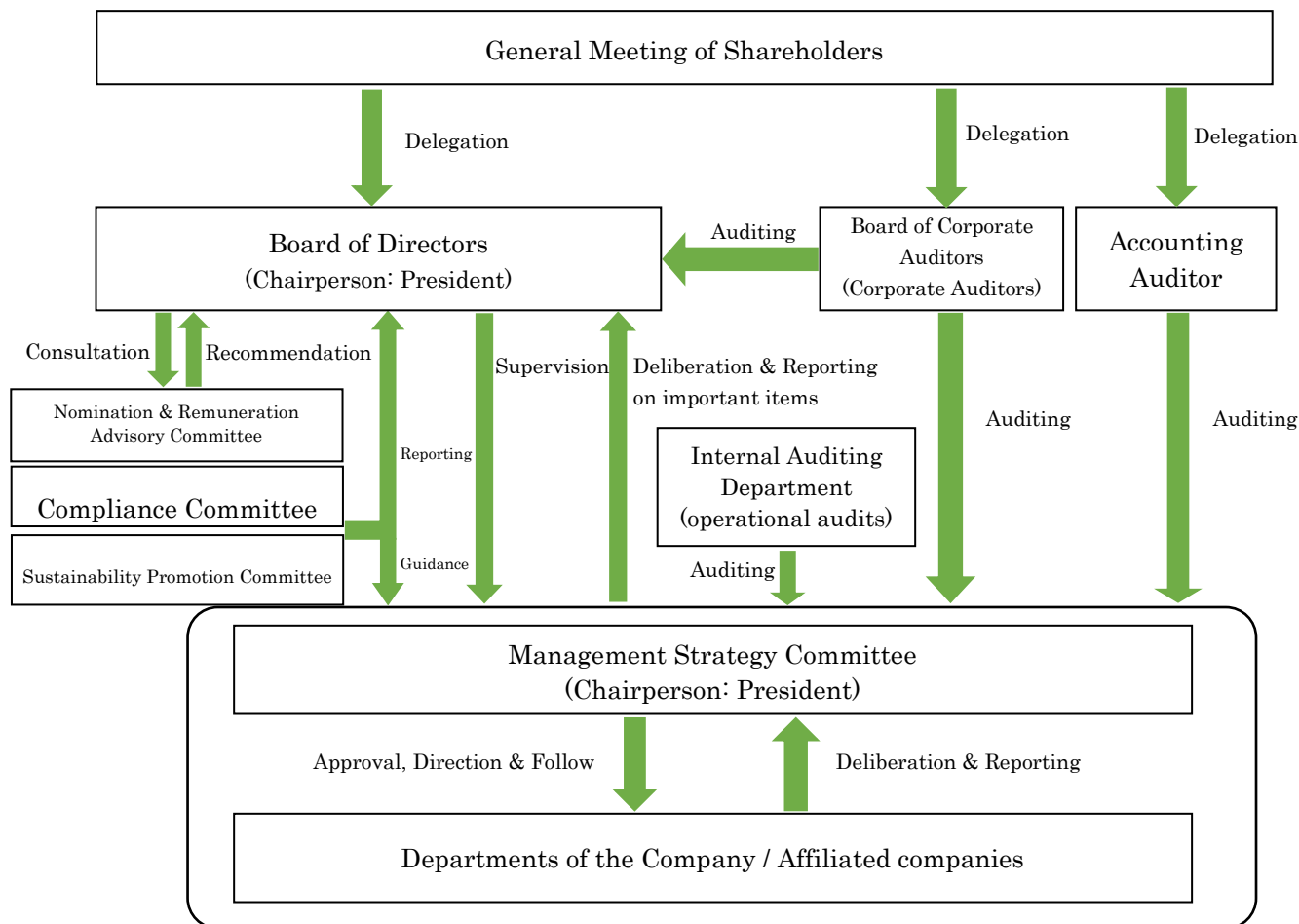
| | | |
|--|----------------------|--|
| | Stock Exchange, Inc. | |
|--|----------------------|--|

- Notes:
1. Mr. Makoto Araki will assume the position of director of The Kansai Electric Power Company, Incorporated (KEPCO) after obtaining approval at the General Meeting of Shareholders of KEPCO, which is scheduled to be held on June 28, 2023.
 2. During the term of office of Mr. Araki as Executive Officer of KEPCO, in December 2022, a fact was revealed in which employees and workers of KEPCO accessed and used, in an inappropriate manner, information on customers of third-party electricity retailers under the management of KEPCO's subsidiary, Kansai Transmission and Distribution, Inc. In this connection, KEPCO received a business improvement order from the Ministry of Economy, Trade and Industry in April 2023. Although Mr. Araki was not aware of this fact in advance, he had constantly performed his duties in a proper manner by such way as engaging in initiatives for legal and regulatory compliance in the ordinary course of his duties, and after the fact was revealed, by exercising efforts to ensure the prevention of recurrence. In addition, in March 2023, KEPCO received a finding from the Japan Fair Trade Commission that it violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade with respect to its transactions concerning extra high-voltage power and high-voltage power. Although Mr. Araki took the office of Executive Director of KEPCO after the violation ceased to exist, he has constantly performed his duties in a proper manner after the assumption of office by such way as exercising efforts in reinforcing initiatives for legal and regulatory compliance and ensuring the prevention of recurrence.
 3. If Mr. Araki is elected to the office of Corporate Auditor, the Company intends to conclude an agreement with him that limits the maximum amount of his liabilities to the minimum amount stipulated by laws and regulations concerning liability for compensation for damages pursuant to the provisions of Article 423, paragraph 1 of the Companies Act.
 4. The Company has concluded a directors and officers liability insurance agreement stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. This insurance agreement covers directors and officers for damages that may arise from accepting liability for the execution of their duties or from receiving claims related to pursuit of such liability, with certain exemption from indemnification of damages, for example, damages arising from acts conducted with the knowledge of non-compliance with the applicable laws and regulations. Mr. Araki will be included as an insured in the said insurance agreement if the election is approved. In addition, the Company plans to renew the agreement with details of the same degree in the middle of his term of office.
 5. The gender and expertise (skills) of the candidate for Corporate Auditor are provided on page 22.

Reference

(Basic Approach to Corporate Governance)

Guided by our corporate philosophy of “We create value useful to society with technology and sincerity to contribute to a prosperous future,” and recognizing that it is imperative for sustainable growth and for an increase in the corporate value of the Company over the medium to long term to conscientiously meet the expectations of all stakeholders—starting with our shareholders—and to ensure the soundness, transparency, and efficiency of management, we have adopted the basic approach of focusing on enhancement of corporate governance as our priority management issue.



(Corporate Governance System)

- The Company is a company with a Board of Corporate Auditors, and Corporate Auditors are elected to make audits on the execution of duties of Directors.
- Board of Directors
The Board of Directors consists of nine Directors including three Outside Directors (if Proposal 2 is approved, eight Directors, including four Outside Directors). They not only conduct matters stipulated by laws and regulations but also make decisions related to basic policy and important matters of the Hitachi Zosen Group, and supervise the execution of business. At the Board of Directors, effort is made to ensure the transparency and soundness of management by conducting decision-making with respect to the opinions made by the outside directors from their independent perspective.
- Management Strategy Committee
The Company has established the Management Strategy Committee comprising Executive Directors and key General Managers. The Company has adopted a business execution structure based on adequate deliberation about issues and countermeasures, etc. regarding important matters of business activities of each business segment (including Group companies).
- Nomination & Remuneration Advisory Committee
The Company has established the Nomination & Remuneration Advisory Committee as an advisory body for the Board of Directors on a voluntary basis, so as to enhance the independence and objectivity of functions as well as accountability of the Board of Directors with respect to such matters as the nomination of management and directors (including a succession plan) and their remuneration. The Committee is constituted by internal directors (Chairperson of the Board of Directors and CEO) and all independent outside directors and independent outside

corporate auditors, and is to be chaired by an independent outside officer elected by the resolution of the Committee, thereby to enhance the independence and objectivity of the Committee. Presently, the Committee has one internal director as its member as Mr. Sadao Mino, President and Chief Executive Officer, took the office of the Chairperson of the Board of Directors on April 1, 2023.

<Roles and authorities of the Committee>

Based on consultation from the Board of Directors, the Committee will deliberate on the following items and provide reports to the Board of Directors. The Board of Directors will respect the reports from the Committee.

- (1) Matters concerning the nomination of candidates for director and corporate auditor
- (2) Matters concerning the appointment and dismissal of the President
- (3) Matters concerning the appointment and dismissal of the Representative Director
- (4) Matters concerning the appointment and dismissal of directors with titles
- (5) Matters concerning succession development plan for the President
- (6) Matters concerning the total maximum amount of remuneration of Directors
- (7) Matters concerning the total actual amount of remuneration of Directors
- (8) Matters concerning calculation methods of the amount of remuneration of Directors
- (9) Matters concerning the basic policies, rules, and procedures required for deliberating the preceding items
- (10) Other important management matters deemed necessary by the Board of Directors

(Policies relating to the election of Directors and Corporate Auditors)

Candidates for Director and Corporate Auditor must have superior character and insight, as well as the knowledge, experience, and ability required to suitably perform the duties demanded of each position. Candidates for Outside Director and Outside Corporate Auditor must have extensive experience, expert knowledge and wide-ranging insight into company management, and must fulfill the Company's Criteria for Independence of Outside Directors and Outside Corporate Auditors.

The nomination of candidates for Directors and Corporate Auditors is determined by the Board of Directors after consulting with the Nomination & Remuneration Advisory Committee.

The Criteria for Independence of Outside Directors and Outside Corporate Auditors

The Company determines that an outside director or an outside corporate auditor is independent if he/she does not fall into any of the following categories.

1. A major shareholder of the Company (a shareholder who holds 10% or more of the Company's voting rights on the last day of the most recent fiscal year), or one who executes business for that major shareholder
2. A major client of the Company, or one who has executed business at a major client of the Company during the past three years
 - * A major client of the Company is defined as a party whose average annual transaction amount with the Company during the past three fiscal years is 2% or more of the Company's average consolidated sales.
3. One whose major client is the Company, or one who has executed business for that party during the past three years
 - * One whose major client is the Company is defined as a party whose average annual transaction amount with the Company during the past three fiscal years is 2% or more of that party's average consolidated sales.
4. One who is a specialist or a consultant in a legal, accounting, or taxation field, and receives a large amount of money or other properties in addition to director's or corporate auditor's remuneration paid by the Company (referring to the person belonging to the organization if the one who received the relevant property is an organization such as corporation and association)
 - * A large amount is defined as 10 million yen or more a year on average for the past three fiscal years.
5. One who executes business in an organization that receives a large amount of donation or grant from the Company
 - * A large amount is defined as 10 million yen or more a year on average for the past three fiscal years.
6. A relative within the second degree of kinship with a person who meets any of the categories below
 - (1) One falling into any of categories 1– 5 above (excluding one that is not material)
 - (2) One who was a Director, an Executive Officer, or an important employee of the Hitachi Zosen Group during the past three years

Organization of Directors and Corporate Auditors after the approval of Proposals 2 and 3 (planned)

(Basic policy for composition of the Board of Directors)

With a view to effectively fulfilling its roles and responsibilities, the Company's Board of Directors is to be composed of executive directors with expertise in the business areas of the Company's group and independent outside directors with extensive experience, specialized knowledge and wide-ranging insight concerning corporate management, such that the necessary level of knowledge, experience and skills for the Board of Directors as a whole can be achieved in a well-balanced manner and both the diversity in light of gender, international outlook and background careers and appropriate size commensurate with the nature of business and other factors can be ensured.

Independent outside directors are expected to engage in the management of the Company by leveraging their extensive experience and expertise outside the Company. In order to enhance the supervisory function of the Board of Directors and the transparency of business management, the Company elects independent Outside Directors so that they comprise at least one-third of all the Directors and at least one of whom is a person with experience of management of another company. If Proposal 2 is approved, the number of independent Outside Directors will become one-half of the total number of Directors.

(Knowledge, experience and skills necessary for the Board of Directors as a whole)

Considering the Company's corporate philosophy advocating a company built on a foundation of advanced technology, and also the Company's management strategy to expand its overseas businesses as well as service businesses leveraging information and communication technology, the knowledge, experience and skills necessary for the Board of Directors as a whole are categorized as follows: (1) Corporate Management, (2) Sales Marketing Innovation, (3) R&D, (4) Estimate, Engineering, Manufacturing, Procurement, (5) Finance and Accounting, (6) Development of Human Resources Diversity, (7) Legal Affairs and Risk Management, (8) ICT Digital, and (9) Global Experience. These categories will be reviewed as necessary.

| | Name | Outside/In-dependent | Gender | Expertise (skills) | | | | | | | | | Nomination & Remuneration Advisory Committee |
|-------------------|-------------------|----------------------|--------|----------------------|----------------------------|-----|---|------------------------|--|-----------------------------------|-------------|-------------------|--|
| | | | | Corporate Management | Sales Marketing Innovation | R&D | Estimate, Engineering, Manufacturing, Procurement | Finance and Accounting | Development of Human Resources Diversity | Legal Affairs and Risk Management | ICT Digital | Global Experience | |
| Director | Sadao Mino | | Male | • | • | • | • | | | | | | • |
| | Tatsuji Kamaya | | Male | | | | | • | | | • | | • |
| | Tadashi Shibayama | | Male | | • | • | • | | | | | | • |
| | Michi Kuwahara | | Male | • | | | | • | • | • | | | • |
| | Richard R. Lury | • | Male | | | | | | | • | | | • |
| | Tetsuya Shoji | • | Male | • | • | | | | | • | | • | • |
| | Shinoi Sakata | • | Female | • | | • | | | | | • | | • |
| | Akiko Horiguchi | • | Female | • | | | | | | • | • | | • |
| Corporate Auditor | Kazuhisa Yamamoto | | Male | | • | • | • | | | | | | |
| | Masayuki Morikata | | Male | | • | | | • | | • | | | |
| | Hirofumi Yasuhara | • | Male | • | | | | • | | | | • | • |
| | Makoto Araki | • | Male | • | • | | | | | • | • | | • |

Hitz Topics

The main topics for the Company in fiscal year 2022 were as follows.

Going forward, we will continue to contribute to creating carbon-free societies based on resource recycling through these and other products and services.

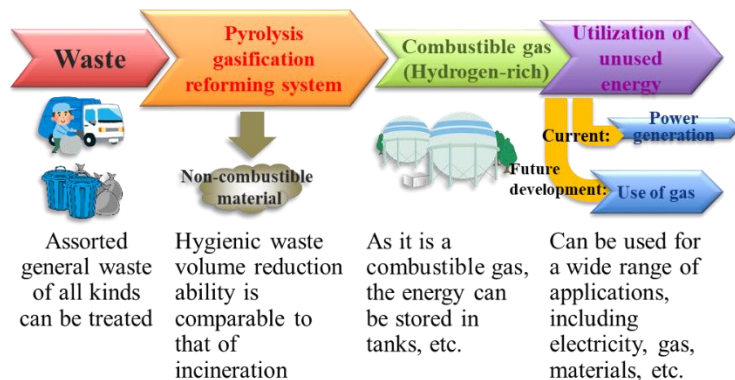
Implementing demonstration tests of a next-generation waste treatment system

Between March 2022 and December 2023, as part of a project for the development of a next-generation waste treatment system for highly efficient energy utilization commissioned by the Ministry of the Environment (MOE), we are implementing demonstration tests of a system that converts combustible materials in general waste into combustible gas.

Using a pyrolysis gasification reformer with a unique structure, this system employs pyrolysis gasification to achieve the high-efficiency conversion of energy derived from general waste into combustible gas, while maintaining a waste volume reduction performance comparable to that of conventional incineration. While the plan is to use the combustible gas obtained as a source of energy, we are also eyeing the possibility of utilizing it in future as an industrial raw material, among other applications. Moving away from combustion treatment and using pyrolysis gasification instead enables CO₂ emissions to be reduced.



[Demonstration plant for the next-generation waste treatment system (at the Maishima Works, Osaka)]



[Flow of the next-generation waste treatment system]

Demonstration of a decarbonized seawater desalination system in the Maldives adopted by MOE as a subsidized project

Our proposal for the demonstration of a decarbonized seawater desalination system using solar power generation and NAS storage batteries^{*1} in the Republic of Maldives was selected for an MOE financing program^{*2} (executive body: Global Environment Centre Foundation).

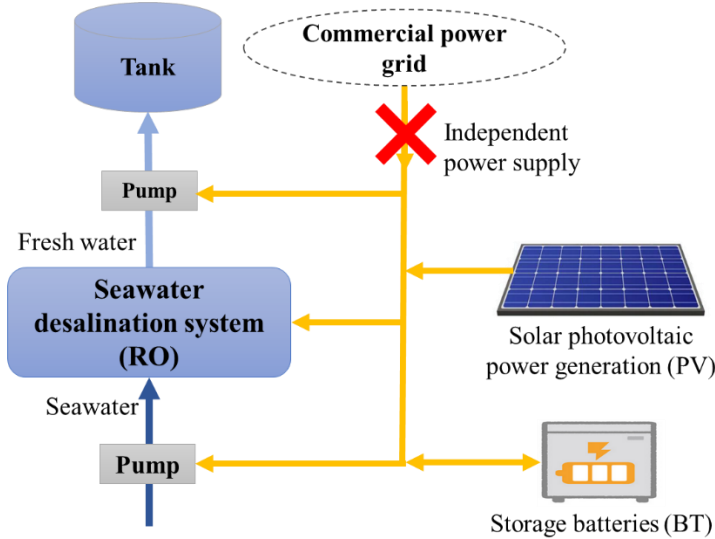
In the Maldives, seawater is desalinated using diesel power generation, but as it is an island nation in the Indian Ocean, rising sea levels and other consequences of climate change are having a major impact on the country, so the Maldives is making haste to switch to electric power based on renewable energy, in an effort to achieve carbon neutrality.

This demonstration project involves using only power from solar photovoltaic power generation

independent of the commercial power grid, with surplus power stored in storage batteries for use when there is little solar radiation; the seawater is then desalinated using reverse osmosis (RO) membrane technology without greenhouse gas (GHG) emissions. The water treatment capacity is 500 m³/day—enough to supply the daily water usage of 2,500 of the country’s inhabitants.

*1 NAS is a registered trademark of NGK Insulators, Ltd.

*2 FY2022 Financing Programme to Demonstrate Decarbonization Technology for Realizing Co-Innovation



[Illustration of the decarbonized seawater desalination system]

Implementing at-sea demonstration tests of suction bucket foundation (multi-bucket) construction technology for offshore wind power generation

In partnership with Toyo Construction Co., Ltd. and funded by a subsidy from the New Energy and Industrial Technology Development Organization (NEDO), we are demonstrating suction bucket foundation* construction technology that will deliver fixed-bottom offshore wind power generation at a low cost. Following on from the mono-bucket test in fiscal year 2021, fiscal year 2022 saw us conduct at-sea demonstration tests of a multi-bucket foundation suitable for large wind turbines with a rating of 15 MW or higher.

In this project, we took charge of design and fabrication, while Toyo Construction Co., Ltd. carried out the construction work; as a result of the demonstration test, we have confirmed that the technology not only assures removability, along with low environmental impacts in such areas as vibration, noise, and pollution, but also can ensure vertical accuracy more easily than the mono-bucket approach.

We aim to commercialize suction bucket foundations in 2026 or thereabouts.

* A type of foundation in which one or more cylindrical structures (buckets) is inserted into the sea floor by using a pump to pump out the water inside. A mono-bucket structure consists of a single foundation, while a multi-bucket structure employs multiple foundations.



[The demonstration test in progress]

HiMethz® methanation system receives Japan Machinery Federation President's Award

In its fiscal year 2022 Energy-Efficient Machinery Award program, the Japan Machinery Federation (JMF) recognized our HiMethz® methanation system for producing synthetic methane from CO₂ and hydrogen with the conferral of its President's Award, following on from the JMF's recognition of our hydrogen generation system in the previous fiscal year. The award program recognizes excellence in energy-efficient machinery and systems for industrial use and also zero-carbon machinery and systems, with the objective of contributing to the creation of a zero-carbon society. In bestowing the award, the JMF acclaimed the speed with which the catalyst used for methane synthesis produces methane, the fact that it contains no rare metals, and its high durability.



[Methanation catalyst of the Company]

Business Report

(From April 1, 2022 to March 31, 2023)

I. Matters Concerning the Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall summary

Reviewing the economic circumstances during fiscal year 2022, while the outlook remains uncertain worldwide due to the impact of price rises arising from supply side constraints in such areas as energy, components, and labor, and also monetary tightening, among others, moves toward a modest economic recovery have been evident overall, due in part to the recovery in capital investment and employment conditions in Japan as the nation transitions to a new phase in living with the novel coronavirus disease (COVID-19).

Amid this environment, the Hitachi Zosen Group (“the Group”) has, during this final year of the three-year medium-term management plan “Forward 22” that began in fiscal year 2020, sought to fully accomplish the plan, and has actively promoted various priority measures based on its basic policies, including the increase in added value of products and services, promotion of business selection and concentration and shifting of resources to growth areas, and realization of work style reform by improvement of operational efficiency and productivity.

• Status of orders, sales, and profit/loss

Total order intake for fiscal year 2022 was higher than fiscal year 2021 at 737.5 billion yen due to increased orders in the Environment Business and the Carbon Neutral Solution Business, despite decreased orders in the Machinery & Infrastructure Business. At the same time, net sales were higher than fiscal year 2021 at 492.6 billion yen, mainly due to increased sales in the Environment Business.

In terms of profit and loss, both operating income and ordinary income were higher than fiscal year 2021, at 20.0 billion yen and 17.8 billion yen respectively, mainly due to increases in the Environment Business. Profit attributable to shareholders of Hitachi Zosen increased significantly from fiscal year 2021 to 15.5 billion yen, due among others to profit on the sale of stocks of subsidiaries and affiliates recorded in extraordinary income.

(Billions of yen)

| | FY 2021 | FY 2022 | Change (year on year) |
|--|---------|---------|-----------------------|
| Order intake | 677.9 | 737.5 | 59.6 (+8.8%) |
| Net sales | 441.7 | 492.6 | 50.9 (+11.5%) |
| Operating income | 15.5 | 20.0 | 4.5 (+29.1%) |
| Ordinary income | 11.7 | 17.8 | 6.1 (+51.3%) |
| Profit attributable to shareholders of Hitachi Zosen | 7.8 | 15.5 | 7.7 (+97.2%) |

2) Summary by business segments

Environment

Major Lines of Business

- Waste to Energy (“WtE”) plants, Recycling systems
- Energy systems (Power generation facilities)
- Desalination plants and other plants
- Water and sludge treatment facilities
- Biomass utilization system,
- IPP (Independent Power Producer) business

(Billions of yen)

| Business segment | Order intake | | Net sales | | Operating income | |
|------------------|--------------|---------|-----------|---------|------------------|---------|
| | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 |
| Environment | 529.4 | 561.2 | 307.2 | 348.1 | 12.4 | 15.0 |

Total order intake increased from fiscal year 2021 by 31.8 billion yen to 561.2 billion yen due to brisk orders including in the mainstay business of WtE plant construction.

Net sales increased from fiscal year 2021 by 40.9 billion yen to 348.1 billion yen due to the completion of projects including the construction of WtE plants for Abiko City in Chiba Prefecture, Otsu City in Shiga Prefecture, and Hitachi City in Ibaraki Prefecture, and the construction of a sludge recycling and treatment center for the Kishima District Sanitation Processing Association in Saga Prefecture, along with progress in large-scale construction of WtE plants by overseas subsidiaries.

Operating income increased from fiscal year 2021 by 2.6 billion yen to 15.0 billion yen, mainly due to increased earnings from overseas subsidiaries.

The main initiatives undertaken in fiscal year 2022 are as follows.

- Orders received in Japan included the construction of WtE plants for Osaka Environment Partial Affairs Association, Hiroshima City, and Kuki City in Saitama Prefecture. Overseas, meanwhile, orders for the construction of such plants came from the likes of the UK.
- We completed the demonstration project to establish a carbon recycling model by recycling CO₂ collected from a waste treatment facility at the



Abiko Clean Center, Chiba Prefecture



Kishima District Environment Center (nickname: Clean Hitz Kishima), Saga Prefecture

Odawara City Environmental Business Center in Kanagawa Prefecture, which was commissioned by the Ministry of the Environment. In a world first, we succeeded in verifying that CO₂ collected from a waste treatment center can be used in methanation and are now using the results of this demonstration test to evaluate economic feasibility with a view to social implementation.

- As a result of collaborative research with Hitachi High-Tech Corporation, we succeeded in the long-term operation of an WtE plant using an AI control system.

Note: Abbreviation for waste incineration power generation: EfW (Energy-from-Waste) has been unified to WtE (Waste to Energy).

Machinery & Infrastructure

Major Lines of Business

- Press machines for automotive industry
- Food machinery
- Precision machinery
- Bridges
- Steel stacks
- Shield tunneling machines
- Boilers
- Plastic machinery
- Pharmaceutical machinery
- Electronics systems, control equipment
- Hydraulic gates
- Marine civil engineering
- Disaster prevention systems

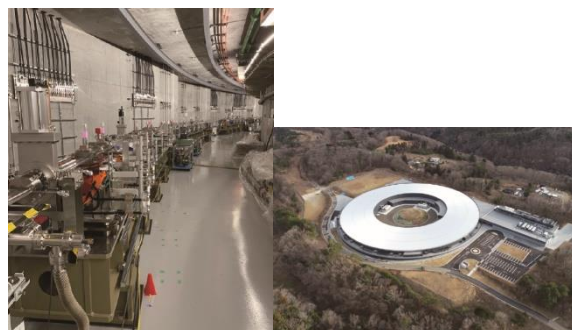
(Billions of yen)

| Business segment | Order intake | | Net sales | | Operating income | |
|----------------------------|--------------|---------|-----------|---------|------------------|---------|
| | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 |
| Machinery & Infrastructure | 97.1 | 90.2 | 86.3 | 88.2 | 2.2 | 3.4 |

Total order intake decreased from fiscal year 2021 by 6.9 billion yen to 90.2 billion yen, mainly due to decreased orders received for precision machinery, despite an increase in orders received for press machines for automotive industry. Net sales increased from fiscal year 2021 by 1.9 billion yen to 88.2 billion yen due to increased sales of press machines for automotive industry and precision machinery in the form of vacuum valves. Operating income increased from fiscal year 2021 by 1.2 billion yen to 3.4 billion yen due to increased earnings from press machines for automotive industry and precision machinery in the form of vacuum valves.

The main initiatives undertaken in fiscal year 2022 are as follows.

- We delivered our ACSTERIA space sterilizer—a device that sterilizes large spaces within a short time and circulates air to create spaces that offer safety and peace of mind—to medical institutions and numerous other facilities.
- We completed the construction of vacuum system equipment for the storage ring at a next-generation synchrotron radiation facility for the National Institutes for Quantum Science and Technology.
- In Kumamoto Prefecture, we completed the construction of the Amakusa Mirai Bridge linking central Amakusa City with Kumamoto's urban areas.



Vacuum system equipment for the storage ring and the next-generation synchrotron radiation facility to which it was delivered (Photograph of the next-generation synchrotron radiation facility courtesy of the Photon Science Innovation Center)



Amakusa Mirai Bridge (Kumamoto Prefecture)

Carbon Neutral Solution Business

Major Lines of Business

- Marine diesel engines
- Pressure vessels and other process equipment
- Electrolysis & PtG
- NOx removal catalysts
- Nuclear power generation-related equipment
- Wind power generation

(Billions of yen)

| Business segment | Order intake | | Net sales | | Operating income | |
|------------------|--------------|---------|-----------|---------|------------------|---------|
| | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 |
| Carbon Neutral | 43.0 | 76.2 | 39.9 | 46.6 | 0.4 | 0.4 |

Total order intake increased from fiscal year 2021 by 33.2 billion yen to 76.2 billion yen due to increases in orders received for pressure vessels and other process equipment, and also for nuclear power generation-related equipment, along with the order received for the wind power generation equipment, despite decreased orders received for marine diesel engines. Net sales increased from fiscal year 2021 by 6.7 billion yen to 46.6 billion yen due to increased sales of pressure vessels and other process equipment, nuclear power generation-related equipment and marine diesel engines.

Operating income increased slightly from fiscal year 2021 to 0.4 billion yen.

The main initiatives undertaken in fiscal year 2022 are as follows.

- In partnership with Tokyo Electric Power Company Holdings, Inc., we established a joint venture in which we hold a 33% stake; based in the Hamadori region of Fukushima Prefecture, Tousou Mirai Manufacturing, Inc. will manufacture products used in reactor decommissioning at nuclear power plants.
- We received an order for construction of the Mutsu Ogawara Onshore Wind Farm Project, which is the Company's first large-scale onshore wind farm project.



Pressure vessel for the Middle East



Rendering of Hamadori Plant for Tousou Mirai Manufacturing, Inc.

Other Businesses

Total order intake increased from fiscal year 2021 by 1.5 billion yen to 9.9 billion yen, while net sales increased from fiscal year 2021 by 1.4 billion yen to 9.7 billion yen. Operating income increased from fiscal year 2021 by 0.7 billion yen to 1.2 billion yen.

- Notes:
1. In fiscal year 2022, some businesses in the Machinery & Infrastructure Business segment were separated off to form the Carbon Neutral Solution Business. The total order intake, net sales, and operating income figures for fiscal year 2021 have therefore been rearranged to reflect the change in the segment structure.
 2. On October 31, 2022, the Company transferred all shares in wholly-owned subsidiary Nippon Pusnes Co., Ltd. to Imabari Shipbuilding Co. Ltd. Deck machinery for ships has therefore been removed from the list of major lines of business of the Machinery & Infrastructure Business.
 3. On February 28, 2023, the Company transferred 66.6% of the shares in the Company's wholly-owned subsidiary OHNAMI CORPORATION to SENKO Group Holdings Co., Ltd. As a result of this transaction, OHNAMI CORPORATION has ceased to be a consolidated subsidiary and has become an equity method company. Transportation, warehousing and port cargo handling have therefore been removed from the list of major lines of business of the Other Businesses.

(2) Capital Investment

In fiscal year 2022, the Company carried out total capital investments of 7,945 million yen, mainly consisting of rationalization investment for improving productivity, capital investment for developing and commercializing new products and businesses, and capital investment for strengthening production capacity.

- Major capital investment by business segment

(Millions of yen)

| Business Segment | Amount | Summary of Investment |
|----------------------------|--------|--|
| Environment | 2,701 | Upgrading equipment in power generation facilities and modifying operation support systems; upgrading dump trucks at WtE plants |
| Machinery & Infrastructure | 2,531 | Installing demonstration facility for manufacturing special films; upgrading the main wastewater pump in the plant's dock; constructing a material accountancy office at the plant |
| Carbon Neutral Solution | 736 | Installing molding equipment for the catalyst production line; upgrading pipe processing systems |
| Others/Common division | 1,975 | Constructing a dock house beside the plant; upgrading elevator equipment at Head Office; installing a land-mounted flap gate at the plant |
| Total | 7,945 | |

(Note) Capital investment not attributable to any business segment is included under Other Businesses.

(3) Funds Procurement

In fiscal year 2022, 20,665 million yen in funds was financed through long-term borrowings primarily to appropriate funds for future working capital and business investment and to repay long-term borrowings.

(4) Trends in Assets and Profit and Loss

(Billions of yen)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|--|---------|---------|---------|---------|
| Order intake | 454.1 | 429.4 | 677.9 | 737.5 |
| Net sales | 402.4 | 408.5 | 441.7 | 492.6 |
| Operating income | 13.8 | 15.3 | 15.5 | 20.0 |
| Ordinary income | 9.4 | 11.7 | 11.7 | 17.8 |
| Profit attributable to shareholders of Hitachi Zosen | 2.1 | 4.2 | 7.8 | 15.5 |
| Net income per share (Yen) | 13.04 | 25.26 | 46.87 | 92.43 |
| Total assets | 409.5 | 429.3 | 461.1 | 479.6 |

(5) Issues to be Addressed

In the final year (fiscal year 2022) of the medium-term management plan “Forward 22,” total order intake and net sales significantly exceeded forecasts. Furthermore, we achieved some positive results in our use of advanced technology based on our DX Strategy for digital transformation, our promotion of business selection and concentration and allocation of resources to growth areas, and human resource development and work style reform.

At the same time, we will strive to respond to soaring global energy and material prices, strive to strengthen the profitability of individual projects, and continue to work on strengthening synergies with domestic and overseas group companies.

There is a greater need than ever for efforts to achieve sustainability through the creation of carbon-free societies and responding to the circular economy, among others.

In light of this situation, we have sought to resolve the issues that became apparent in “Forward 22” and address changes in the external environment by formulating a new Sustainable Vision to serve as a vision for the Group in 2050 (described in the Sustainability section below); in addition, we have reviewed our long-term vision in the form of “2030 Vision,” and formulated our new medium-term management plan “Forward 25” (fiscal year 2023 to fiscal year 2025).

■ Long-term vision “2030 Vision”

In light of the Sustainable Vision, we have redefined our business domains as decarbonization, resource circulation, and safe & prosperous community. The Group will actively work to resolve social issues in these business domains as a solution partner for realizing a sustainable, safe and secure society. By expanding strategic Business and R&D investments in these domains, and creating growth and highly profitable businesses, we will aim to achieve an operating income margin of 10%, ROE in excess of 10%, and an overseas business ratio of 50% by 2030, in an effort to grow the business to achieve net sales of 1 trillion yen as early in the 2030s as possible.

■ Medium-term management plan “Forward 25” (Fiscal year 2023 to fiscal year 2025)

Positioning the period from fiscal year 2023 to fiscal year 2025 as the new first step in making dramatic progress towards bringing our 2030 Vision and Sustainable Vision to fruition, we will be guided by the following three basic policies as we engage in efforts to solve global social issues.

In terms of financial goals, by fiscal year 2025, we will aim to achieve order intake of 600 billion yen, net sales of 560 billion yen, operating income of 28 billion yen (a margin of 5.0%), and ROE of 9.5%.

1. Sustainable growth of existing businesses

(1) Expanding overseas business

Aiming to generate 40% of Group sales from overseas by fiscal year 2025 and focusing primarily on our WtE plant, nuclear-related, and water businesses, the Group will work together to grow business not only in our key existing markets of Europe and East Asia, but also in the key growth markets of Southeast and South Asia, and in North America and the Middle East, which we will target for new development. Accordingly, we plan to review our structure to ensure proactive investment and the unification of our global business strategy.

(2) Promoting structural reform

We will continue to promote portfolio management in an effort to improve profitability via business selection and concentration, and will also strive to strengthen competitiveness through strategic partnerships with other companies.

(3) Expanding O&M/Service, improving profitability of EPC/New Production

Aiming to achieve a sales ratio of 50% in O&M/Service (businesses associated with post-delivery services and long-term contracts) and make EPC/New Production (businesses delivering new goods to customers) profitable by fiscal year 2025, we will seek to enhance profitability by creating new business models and increasing value added to products and businesses through the promotion of DX, among other efforts.

2. Creation and expansion of growth businesses

(1) Promoting investment strategies (investment in business for growth and R&D)

We plan to invest a total of 140 billion yen over three years, including 75 billion yen in Business for growth, 28 billion yen in R&D, and 28 billion yen in CAPEX, along with investment associated with DX. We will create and expand growth businesses by means of strategic investments, with decarbonization, resource circulation, water businesses, and life science-related fields among the priority fields of investment.

(2) Promoting investment in priority areas

Within our decarbonization business, we will expand the business focused on the production of hydrogen using electric power from renewable energy sources and synthetic methane production using hydrogen; the Nuclear Equipment / Pressure Vessels Business, which encompasses storage vessels for spent nuclear fuel and ammonia; and the Wind Power Generation Business, which adopts various business models, including investment, construction, operation, and power sales.

In our resource circulation business, in addition to our mainstay Waste to Energy Business, we will extend the type of waste subject to processing from general waste to include industrial waste as well, and with the aid of our volume reduction technologies in the form of incineration, gasification, anaerobic digestion, and carbonization, we will create and expand our business focused on circulatory use, leveraging waste resources to create a large, diverse array of valuables, including electric power.

In our water business, we will leverage various desalination and wastewater treatment technologies, with the aim of expanding into global markets.

Moreover, given mounting interest in health and safety, we expect the life sciences field (including the manufacture of devices for use in drug discovery and medical care) to see long-term growth and therefore intend to undertake proactive investment aimed at future business creation.

3. Promoting sustainable management (enhancement of corporate value)

(1) Strengthening human capital

The Group regards human resources as part of our capital, and believes that drawing out the full value of our personnel generates a virtuous cycle of human and organizational growth, thereby promoting the growth of the company and increased corporate value. We will strive to strengthen our human capital by recruiting and securing the human resources needed to achieve our management strategy through employing diverse personnel and providing diverse work styles, as well as by training global workers and undertaking management human resource development. Other measures will focus on appropriate allocation and strategic development, and the retention of human resources. By fiscal year 2025, we will aim to achieve the goals of 50% women among new graduate hires for administrative jobs and at least 10% for technical jobs, 100% of men taking childcare leave, an employee engagement index of at least 70%, and prevalence of lifestyle diseases below 21%.

(2) Decarbonization in business activities

Aiming to achieve carbon neutrality in 2050, we will work to reduce CO₂ emissions throughout the supply chain. (For details, please refer to the Sustainability section below)

(3) Promoting DX Strategies

We will leverage digital technology in addressing Business DX (increasing the added value of products and services), Corporate DX (improving operational efficiency and productivity), and DX Infrastructure (building the digital platforms and developing the human resources required to promote DX), with the aim of achieving a production IoT ratio of 60% and development of 500 DX personnel by fiscal year 2025.

(4) Thorough risk management

We will establish an optimal risk-taking system via thorough risk management related to projects, with the aim of achieving zero accidents resulting in lost work time and defective cost ratio to sales of 0.5% or less by fiscal year 2025.

■ Sustainability

1. Sustainable Vision

Positioning our mission as “Taking on the challenge, through the power of technology, to create a world that lives in balance with nature,” the Group will make sustainability the key focus in its management practices, in order to secure new business opportunities and ensure the Group’s sustainable growth. Representing the sustainable goals the Group aims to achieve by 2050, our Sustainable Vision is as follows.

**Realize zero environmental impact
Maximize people’s well-being**

2. Sustainability promotion system

In order to achieve our Sustainable Vision, we have established the Sustainability Promotion Committee, which is chaired by the President and supervised by the Board of Directors.

In addition to discussing such matters as policies, strategies, and key measures relating to sustainability throughout the Group, the Committee receives reports on the implementation status of various measures, promotes cross-organizational sustainability activities, and engages in deliberations with and reporting to the Board of Directors.

3. Pillars of success (Materiality)

The Group conventionally established ESG topics from a medium- to long-term viewpoint, but in formulating the aforementioned Sustainable Vision, we have revised this approach and have laid down seven elements that are essential to the achievement of our vision in the form of pillars of success (materiality).

For each of these pillars of success, we have identified measures focused on challenges and recognition of associated social issues, and have formulated targets (KPIs) to be achieved by 2050 and a roadmap for getting there, and will promote various initiatives.

Seven pillars of success (Materiality)



4. Details of key initiatives

[Carbon neutrality]

In terms of targets for reducing greenhouse gas (GHG) emissions, the Group has set the goal of achieving carbon neutrality by fiscal year 2050, aiming to achieve a 34% reduction in Scope 1 and 2 GHG emissions from the Company's activities compared to fiscal year 2013 by fiscal year 2025, and a 50% reduction in Scope 1, 2, and 3 GHG emissions from the Company's activities and throughout its value chain compared to fiscal year 2013 by fiscal year 2030.

Going forward, our efforts focused on Scope 1 and 2 emissions will include reducing the use of fossil fuel energy in manufacturing processes, promoting a switch to renewable energy, and promoting efficient energy use, as well as transitioning to the use of non-fossil fuels in marine engine test operations. In the case of Scope 3 emissions, we will work with suppliers and customers, while seeking to expand and develop methanation and other products and businesses that contribute to carbon negativity.

[Complete circulation of resources]

To achieve the complete circulation of resources used in business activities, the Group will aim to achieve zero emissions (achieving a landfill ratio of as close to zero as possible) by fiscal year 2050. Specifically, our efforts will include recycling valuable metals via product recovery and ensuring thorough recycling in manufacturing processes. In addition, we will contribute to the establishment of a circular economy by promoting easy-to-recycle designs, using long-life parts, and developing long-life technologies.

[Maximization of well-being of people]

Our efforts to create workplaces in which diverse personnel can fully demonstrate their individual abilities while enjoying good mental and physical health include ensuring diversity in human resources, providing diverse work styles, achieving appropriate allocation and strategic development, and initiatives to promote retention of human resources. In particular, with the President holding ultimate responsibility for the promotion of health management, we share information about issues with parties such as occupational health physicians and health insurance societies, and are promoting various

measures.

The Group approves of and has signed up to the United Nations Global Compact, and also respects the International Bill of Human Rights, the International Labour Organization's ILO Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. The Hitz Group Charter of Ethical Behavior sets out the Group's commitment to respecting human dignity.

The Group will promote the strengthening of profitability by implementing the aforementioned priority measures and achieve steady results. Additionally, we will continue to work on rigorous safety management and compliance, which are key tasks in our efforts to achieve the Group's sustainable growth and increase corporate value. In particular, we will undertake a reorganization that brings the department responsible for safety management under the direct control of the President from fiscal year 2023 and will promote initiatives in an agile manner going forward.

We would like to thank our shareholders for their understanding of the Group's management policy and for their continued support and cooperation going forward.

(6) Significant Parent Company and Subsidiaries (As of March 31, 2023)

1) Parent company

The Company does not have a parent company.

2) Significant subsidiaries

| Name of Company | Amount of Capital | Holding Ratio (Direct) (%) | Major Lines of Business |
|--------------------------------------|-------------------|----------------------------|---|
| IMEX Co., Ltd. | ¥1,484 million | 100.0 | Design, manufacture and sale of boilers, pressure vessels, diesel engines, industrial machinery, and steel structures |
| NICHIZO TECH INC. | ¥1,242 million | 100.0 | Comprehensive examination, maintenance, checking and repair of products made of steel, concrete, etc., various types of plant equipment, piping equipment, etc., and design, creation, and on-site construction of chemical plants, industrial machinery and nuclear power generation-related equipment, etc. |
| Hitachi Zosen Fukui Corporation | ¥1,055 million | 100.0 | Manufacture and sale of various types of presses, chemical machinery, conveyance machinery, and electronic control machinery and equipment |
| SN Environment Technology Co., Ltd. | ¥200 million | 100.0 | Design, construction, operation, maintenance and management of WtE plants and recycling systems, and maintenance and management of various types of plant |
| Hitz Environment Service Co., Ltd. | ¥100 million | 100.0 | Operation and maintenance of WtE plants and recycling systems |
| Osmoflo Holdings Pty Ltd | AUD58 million | 100.0 | Design, manufacture, sale, and operation of desalination and industrial water treatment systems |
| Hitachi Zosen Inova AG | CHF40 million | 100.0 | Design, creation, sale, maintenance and operation of WtE plants and biogas generation facility |
| Hitachi Zosen Inova Steinmüller GmbH | EUR90 million | — | Design, procurement, construction, and maintenance of WtE plants, and design, procurement, and construction of flue gas treatment facilities for thermal power plants, etc. |

| Name of Company | Amount of Capital | Holding Ratio (Direct) (%) | Major Lines of Business |
|------------------------|-------------------|----------------------------|--|
| NAC International Inc. | USD43 million | — | Design, transport and consulting related to the storage and transportation of spent nuclear fuel control equipment |

- (Notes)
1. There are 124 consolidated subsidiaries, including the nine significant subsidiaries mentioned above, and 30 equity method companies.
 2. On February 28, 2023, the Company transferred 66.6% of the shares in the Company's wholly-owned subsidiary OHNAMI CORPORATION to SENKO Group Holdings Co., Ltd. As a result of this transaction, OHNAMI CORPORATION has ceased to be a consolidated subsidiary and has become an equity method company.
 3. Hitachi Zosen Inova Steinmüller GmbH is a wholly-owned subsidiary of Hitachi Zosen Inova AG, a company that is wholly owned by the Company.
 4. NAC International Inc. is a wholly-owned subsidiary of Hitz Holdings U.S.A. Inc., a holding company in the United States that is wholly owned by the Company.
 5. As of the end of fiscal year 2022, there were no specified wholly-owned subsidiaries.

3) Corporate reorganization including business transfer and merger

On October 31, 2022, the Company transferred all shares in wholly-owned subsidiary Nippon Pusnes Co., Ltd. to Imabari Shipbuilding Co. Ltd.

On February 28, 2023, the Company transferred 66.6% of the shares in the Company's wholly-owned subsidiary OHNAMI CORPORATION to SENKO Group Holdings Co., Ltd.

With a view to developing marine engine business (the manufacturing and after-sales service business of marine engines), the Company decided to enter into a collaboration with Imabari Shipbuilding Co., Ltd., and entered into an absorption-type company split agreement dated December 14, 2022, with HITZ Marine Engine Preparatory Corporation, the Company's wholly-owned subsidiary established for this purpose, so as to transfer the marine engine business to this company. By this transaction, the new company acquired the business on April 1, 2023, accepted a 35% capital contribution from Imabari Shipbuilding Co., Ltd., and started the business under a new trade name, Hitachi Zosen Marine Engine Co., Ltd.

4) Significant technology alliances

| Alliance Partner | Country | Contents of Alliance |
|-------------------------|---------|-----------------------------|
| MAN Energy Solutions SE | Germany | MAN B&W-type diesel engines |

(7) Major Sales Offices, Plants, etc. (As of March 31, 2023)

1) The Company

| | |
|-------------------|--|
| Head Office | 7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka |
| Tokyo Head Office | 26-3, Minami-ohi 6-chome, Shinagawa-ku, Tokyo |
| Domestic Offices | Sapporo Office (Sapporo), Sendai Office (Sendai), Nagoya Office (Nagoya), Hiroshima Office (Hiroshima), Fukuoka Office (Fukuoka) |
| Works, etc. | Technical Research Institute (Osaka), Ibaraki Works (Hitachi-omiya), Maizuru Works (Maizuru), Chikkou Works (Osaka), Sakai Works (Sakai), Mukaishima Works (Onomichi), Innoshima Works (Onomichi), Ariake Works (Tamana-gun, Kumamoto), Wakasa Works (Oi-gun, Fukui) |
| Overseas Offices | Taipei Branch (Taiwan), Singapore Branch (Singapore), Abu Dhabi Branch (United Arab Emirates) |

2) Subsidiaries

<Domestic subsidiaries>

| | |
|-------------------------------------|--|
| IMEX Co., Ltd. | 2293-1, Innoshimahabu-cho, Onomichi, Hiroshima |
| NICHIZO TECH INC. | 15-26, Tsuru-machi 2-chome, Taisho-ku, Osaka |
| Hitachi Zosen Fukui Corporation | 8-28, Jiyugaoka 1-chome, Awara, Fukui |
| SN Environment Technology Co., Ltd. | 1-2-1, Benten, Minato-ku, Osaka |
| Hitz Environment Service Co., Ltd. | 1-1, Minami-machi, Kawasaki-ku, Kawasaki |

- (Notes) 1. The head office functions of NICHIZO TECH INC. were relocated to 1-8, Minami-kyuhojimachi 3-chome, Chuo-ku, Osaka on November 21, 2022, but the registered head office address is provided here.
2. The head office of SN Environment Technology Co., Ltd. was relocated from 3-28, Nishikujo 5-chome, Konohana-ku, Osaka on November 21, 2022.

<Overseas subsidiaries>

| | |
|--|-------------|
| Osmoflo Holdings Pty Ltd | Australia |
| Hitachi Zosen Inova AG | Switzerland |
| Hitachi Zosen Inova Steinmüller GmbH | Germany |
| NAC International Inc. | U.S.A. |
| Hitachi Zosen U.S.A. Ltd. | U.S.A. |
| Hitachi Zosen India Private Limited | India |
| HITZ (THAILAND) CO., LTD. | Thailand |
| PT. HITZ INDONESIA | Indonesia |
| HITACHI ZOSEN VIETNAM CO., LTD. | Vietnam |
| Hitachi Zosen Trading (Shanghai) Co., Ltd. | China |

(8) Status of Employees (As of March 31, 2023)

1) Status of employees of the Group

| Business Segment | Number of Employees |
|-----------------------------|---------------------------------------|
| Environment | 7,489 |
| Machinery & Infrastructure | 2,242 |
| Carbon Neutral Solution | 797 |
| Others | 175 |
| Corporate (Common division) | 697 |
| Total | 11,400 (year-on-year decrease of 140) |

(Note) For the number of employees, the number of employees currently working at the Group is provided.

2) Status of employees of the Company

| Number of Employees | Average Age | Average Years of Service |
|-------------------------------------|-------------|--------------------------|
| 4,046 (year-on-year increase of 45) | 42.9 | 16.2 |

(Note) For the number of employees, the number of employees currently working at the Company is provided. The number includes 164 employees on loan to the Company from outside.

(9) Major Lenders (As of March 31, 2023)

| Lender | Amount (Millions of yen) |
|-----------------|--------------------------|
| MUFG Bank, Ltd. | 16,202 |

II. Matters Concerning Stock in the Company (As of March 31, 2023)

- (1) Total Number of Shares Authorized to Be Issued 400,000,000 shares
- (2) Total Number of Issued Shares 170,214,843 shares
(including 1,687,175 shares of treasury stock)
- (3) Number of Shares Constituting One Unit of Shares 100 shares
- (4) Number of Shareholders 74,480 (Year-on-year decrease of 6,303 shareholders)
- (5) Major Shareholders (Top 10)

| Name of Shareholder | Numbers of Shares Held (Thousands of shares) | Holding Ratio (%) |
|--|---|----------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 29,418 | 17.5 |
| Custody Bank of Japan, Ltd. (Trust Account) | 14,017 | 8.3 |
| MUFG Bank, Ltd. | 5,291 | 3.1 |
| STATE STREET BANK AND TRUST COMPANY 505019 | 4,067 | 2.4 |
| STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM | 3,215 | 1.9 |
| Hitachi Zosen Employee Shareholding Association | 2,658 | 1.6 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 2,445 | 1.5 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 2,373 | 1.4 |
| Sompo Japan Insurance Inc. | 2,358 | 1.4 |
| JP MORGAN CHASE BANK 385632 | 2,305 | 1.4 |

(Note) The holding ratio does not include treasury stock.

III. Matters Concerning Share acquisition rights of the Company

Not applicable

IV. Matters Concerning the Company's Directors and Auditors

(1) Status of Directors and Corporate Auditors

| Name | Position | Areas of Responsibility | Significant Concurrent Positions |
|-------------------|--|---|---|
| Takashi Tanisho | Representative Director and Chairman of the Board | | Outside Director, Sumitomo Rubber Industries, Ltd. |
| Sadao Mino | Representative Director, President and Chief Executive Officer | | |
| Toshiyuki Shiraki | Managing Director | Responsible for Environment Business Headquarters, Quality Assurance Dept. and Architect Supervision Dept. | |
| Tatsuji Kamaya | Managing Director | General Manager of Carbon Neutral Solution Business Headquarters, and Responsible for Machinery & Infrastructure Business Headquarters and Production Engineering Dept. | |
| Tadashi Shibayama | Managing Director | General Manager of R&D Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters and Global Headquarters | |
| Michi Kuwahara | Managing Director | General Manager of Environment Business Headquarters, and Responsible for Procurement Headquarters | |
| Kazuko Takamatsu | Director | | Outside Director, The Kansai Electric Power Company, Incorporated |
| Richard R. Lury | Director | | Attorney-at-law in the United States (State of New York and New Jersey) Outside Director, Allegro MicroSystems, Inc. |

| Name | Position | Areas of Responsibility | Significant Concurrent Positions |
|-------------------|-----------------------------|-------------------------|--|
| Tetsuya Shoji | Director | | Corporate Advisor, NTT Communications Corporation Outside Director, circlace Inc. Outside Director, Sapporo Holdings Limited Outside Director, Mitsubishi Logistics Corporation Outside Director, Japan Tobacco Inc. |
| Masayuki Morikata | Full-time Corporate Auditor | | |
| Kazuhisa Yamamoto | Full-time Corporate Auditor | | |
| Yoshihiro Doi | Corporate Auditor | | President, Kansai Transmission and Distribution, Inc. |
| Hirofumi Yasuhara | Corporate Auditor | | Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd. |

(Notes) 1. Positions and areas of responsibility, and significant concurrent positions both describe conditions as of March 31, 2023. Changes during fiscal year 2022 are as follows.

(1) Changes in position and areas of responsibility

| Name | After Change | Before Change | Date of Change |
|-------------------|--|--|----------------|
| Takashi Tanisho | Representative Director and Chairman of the Board | Representative Director, Chairman of the Board and Chief Executive Officer | April 1, 2022 |
| Sadao Mino | Representative Director, President and Chief Executive Officer | Representative Director, President and Chief Operating Officer | April 1, 2022 |
| Toshiyuki Shiraki | Managing Director Responsible for Environment Business Headquarters, Quality Assurance Dept. and Architect Supervision Dept. | Managing Director Responsible for Environment Business Headquarters, Procurement Headquarters and Architect Supervision Dept. | April 1, 2022 |
| Tatsuji Kamaya | Managing Director General Manager of Carbon Neutral Solution Business Headquarters, and Responsible for Machinery & Infrastructure Business Headquarters and Production Engineering Dept. | Managing Director General Manager of Machinery & Infrastructure Business Headquarters, and Responsible for Production Engineering Dept. | April 1, 2022 |

| Name | After Change | Before Change | Date of Change |
|----------------|---|---|----------------|
| Michi Kuwahara | Managing Director General Manager of Environment Business Headquarters, and Responsible for Procurement Headquarters | Director General Manager of Corporate Planning Headquarters, and Responsible for General Administration Headquarters, Sustainability Promotion Dept., Quality Assurance Dept. and Yumeshima Area Development Promotion Dept. | April 1, 2022 |

(2) Changes in significant concurrent positions

- As of March 28, 2023, Chairman of the Board Takashi Tanisho assumed the position of Outside Director of Sumitomo Rubber Industries, Ltd.
 - As of June 30, 2022, Managing Director Michi Kuwahara retired from the position of President of Hitz Holdings U.S.A. Inc.
 - As of June 24, 2022, Director Richard R. Lury retired from the position of Outside Director of Sanken Electric Co., Ltd.
2. Directors Kazuko Takamatsu, Richard R. Lury and Tetsuya Shoji are Outside Directors.
3. Corporate Auditors Yoshihiro Doi and Hirofumi Yasuhara are Outside Corporate Auditors.
4. The Company has designated all Outside Directors and Outside Corporate Auditors as independent directors and corporate auditors, as prescribed by Tokyo Stock Exchange, Inc.
5. Full-time Corporate Auditor Masayuki Morikata and Corporate Auditor Hirofumi Yasuhara possess considerable knowledge of finance and accounting as described below.
- Full-time Corporate Auditor Masayuki Morikata has many years of experience in accounting and financial operations, including experience as the General Manager of Accounting Department in the Company.
 - Corporate Auditor Hirofumi Yasuhara has many years of experience in accounting and financial operations, including experience as CFO in domestic and overseas affiliates of Panasonic Corporation.
6. Positions and areas of responsibility were changed as follows on April 1, 2023.

| Name | Position | Areas of Responsibility |
|-----------------|---------------------------------------|-------------------------|
| Takashi Tanisho | Director and Senior Corporate Adviser | |

(2) Outline of Agreements for Limitation of Liabilities

The Company has entered into an agreement with each of Outside Directors and Corporate Auditors, which limits the maximum amount of their liabilities for damages stipulated in Article 423, paragraph 1 of the Companies Act to the minimum amount stipulated by laws and regulations.

(3) Outline of Directors and Officers Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. This insurance agreement covers insureds for damages that may arise from accepting liability for the execution of their duties or from receiving claims related to pursuit of such liability, with certain exemption from indemnification of damages, for example, damages arising from acts conducted with the knowledge of non-compliance with the applicable laws and regulations. The insureds under this insurance agreement are directors and corporate auditors of the Company and its foreign subsidiaries.

(4) Remuneration, etc. of Directors and Corporate Auditors

1) Matters Concerning Resolution of the General Meeting of Shareholders Regarding Remuneration, etc. of Directors and Corporate Auditors

At the 115th Ordinary General Meeting of Shareholders held on June 22, 2012, the

amount of monetary remuneration for Directors was resolved to be ¥550 million or less per year (excluding remuneration for duties as employees by Directors who also serve as employees), and the amount of monetary remuneration for Corporate Auditors was resolved to be 100 million yen or less per year. At the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors was ten, and the number of Corporate Auditors was four (including two Outside Corporate Auditors).

2) Matters Concerning Policy for Determining Details of Remuneration, etc. for Directors and Corporate Auditors

a) Policy for Determining Details of Individual Remuneration, etc. for Directors

The outline of policy for determining the content of individual remuneration, etc. for Directors is as follows.

Said policy is decided by the Board of Directors, after consultation with the Nomination & Remuneration Advisory Committee voluntarily established by the Company (Comprised of a total of seven members, including the Chairperson of the Board of Directors, Chief Executive Officer, three Outside Directors and two Outside Corporate Auditors, with an Outside Director serving as the Chair of the Committee. Associated with the change of position of Mr. Takashi Tanisho, Chairman of the Board, Mr. Sadao Mino, President and Chief Executive Officer, replaced Mr. Tanisho as the Chairperson of the Board of Directors as of April 1, 2023. Therefore, the Committee presently consists of a total of six members). In addition, the Nomination & Remuneration Advisory Committee regularly reviews the said policy and remuneration levels to ensure that the remuneration provides a healthy incentive for directors.

(Remuneration System)

- Remuneration for Directors consists of fixed remuneration and corporate performance-linked bonus in order to further enhance the willingness of Directors to contribute toward improving corporate performance, and the remuneration of each Director is decided within the total remuneration limit determined by a resolution of the General Meeting of Shareholders. However, from the perspective of assuring independence, remuneration for Outside Directors consists only of fixed remuneration.
- The fixed remuneration is annual flat-rate remuneration set separately for each executive position, and the amount designated per month is paid every month. The amount is determined from a comprehensive perspective on the level of other companies, the Company's performance and other related factors.
- The indicator for the calculation of corporate performance-linked bonus is profit attributable to shareholders of Hitachi Zosen, which is the final profit as a result of corporate management, as a performance indicator for a single fiscal year.

Based on the amount obtained by multiplying the amount designated per month of fixed remuneration per annum by the number of months of payment (0-5 months) according to the relevant profit level, the remuneration amount is determined within the range of 50% to 150% thereof, taking into account the performance, business execution status and other related elements of each Director's division, and is paid at a specified time each year. The total amount of corporate performance-linked bonus for Directors shall not exceed the total base amount of each Director.

- The composition ratio of remuneration for individual Directors varies according to the amount of corporate performance-linked bonus. The proportion of fixed remuneration to corporate performance-linked bonus ranges from [100%: 0% (when there is no payment of corporate performance-linked bonus)] to [62%: 38% (when the number of months of payment and the assessment value of the individual Director

reaches the highest)].

(Matters Concerning Procedures for Determining the Amount of Remuneration and Delegation)

- Among individual remuneration for Directors, fixed remuneration is decided by the Board of Directors. With regard to corporate performance-linked bonus, the Board of Directors determines the total amount thereof and the Chairman of the Board (or the President, if the position of Chairman of the Board is vacant), who is delegated by the Board of Directors, determines the amount (allocation by evaluation) of corporate performance-linked bonus for each Director in accordance with the method of decision-making specified by the Board of Directors. All decisions made by the Board of Directors shall be based on deliberations and reports by the Nomination & Remuneration Advisory Committee.
- b) Policy for Determining Details of Individual Remuneration etc. for Corporate Auditors
- From the perspective of assuring independence, remuneration for Corporate Auditors is limited to fixed remuneration, and is determined through consultation with Corporate Auditors according to details of the duties of each Corporate Auditor within the total amount determined by resolution of the General Meeting of Shareholders. Said policy is decided by the Board of Corporate Auditors.

3) Total Amount of Remuneration, etc. of Directors and Corporate Auditors

| Classification | Total Amount of Remuneration, etc. (Millions of yen) | Total Amount by Type of Remuneration etc. (Millions of yen) | | Number of Applicable Officers (persons) |
|---|---|--|---|--|
| | | Base Remuneration (Fixed remuneration) | Performance-linked remuneration (Corporate performance-linked bonus) | |
| Director (of which, Outside Directors) | 382 (35) | 280 (35) | 101 (—) | 9 (3) |
| Corporate Auditor (of which, Outside Corporate Auditors) | 79 (18) | 79 (18) | — (—) | 4 (2) |
| Total (of which, Outside Directors and Outside Corporate Auditors) | 461 (53) | 359 (53) | 101 (—) | 13 (5) |

- (Notes) 1. The total amount of remuneration etc. for Directors does not include remuneration for duties as employees by Directors who also serve as employees. Among the above, there is no applicable Director who also serves as an employee.
2. The indicator for the calculation of corporate performance-linked bonus is profit attributable to shareholders of Hitachi Zosen, which is the final profit as a result of corporate management, as a performance indicator for a single fiscal year, and the actual result amounted to 15.5 billion yen. The total amount of corporate performance-linked bonus is calculated according to the profit level of the relevant profit attributable to shareholders of Hitachi Zosen. The calculation method for the amounts of corporate performance-linked bonus is provided in third point on the remuneration system in (4) 2) “a) Policy for Determining Details of Individual Remuneration, etc. for Directors” on page 46.
3. The Board of Directors determines the total amount of corporate performance-linked bonus, and delegates the President Sadao Mino to determine the amount (allocation by evaluation) thereof for each Director (excluding Outside Directors). This is because he has been deemed to be appropriate for conducting the evaluation on the performance, business execution status and other related elements of each Director’s division. In addition, in order that the said delegation is exercised properly, the remuneration amount shall be determined within the range of 50% to 150% of the base amount of corporate performance-linked bonus, in accordance with the method of decision-making specified by the Board of Directors, based on deliberations and reports by the Nomination & Remuneration Advisory Committee.
4. The Board of Directors deems that the individual remuneration for Directors for fiscal year 2022 is in accordance with the policy, because it is determined in accordance with the decision-making procedure described in the policy for determining details of individual remuneration, etc. for Directors.

(5) Matters Concerning Outside Directors and Outside Corporate Auditors

1) Concurrent positions as executive officers and outside directors for other corporations, etc. served by Outside Directors and Outside Corporate Auditors

| Classification | Name | Concurrent Positions |
|---------------------------|-------------------|--|
| Outside Director | Kazuko Takamatsu | Outside Director, The Kansai Electric Power Company, Incorporated |
| | Richard R. Lury | Outside Director, Allegro MicroSystems, Inc. |
| | Tetsuya Shoji | Corporate Advisor, NTT Communications Corporation Outside Director, circlace Inc. Outside Director, Sapporo Holdings Limited Outside Director, Mitsubishi Logistics Corporation Outside Director, Japan Tobacco Inc. |
| Outside Corporate Auditor | Yoshihiro Doi | President, Kansai Transmission and Distribution, Inc. |
| | Hirofumi Yasuhara | Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd. |

(Note) The relationships between the Company and the companies where our outside directors and outside corporate auditors hold significant concurrent positions are as follows. There is no special relationship between the other companies where the concurrent positions are held and the Company.

- Although there is a business relationship between the Company and The Kansai Electric Power Company, Incorporated, where Outside Director Kazuko Takamatsu holds a concurrent position, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of the Company's consolidated net sales and less than 0.1% of The Kansai Electric Power Company, Incorporated's consolidated net sales.
- Although there is a business relationship between the Company and NTT Communications Corporation, where Outside Director Tetsuya Shoji holds a concurrent position, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of the Company's consolidated net sales and less than 0.1% of NTT Communications Corporation's consolidated operating revenue. In addition, although there is a business relationship between the Company and Mitsubishi Logistics Corporation, where Outside Director Tetsuya Shoji holds a concurrent position, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of Mitsubishi Logistics Corporation's consolidated operating revenue and there were no sales from the Company.
- Although there is a business relationship between the Company and Kansai Transmission and Distribution, Inc., where Outside Corporate Auditor Yoshihiro Doi holds a concurrent position, the average annual value of transactions between the two companies in the past three fiscal years was less than 0.1% of Kansai Transmission and Distribution, Inc.'s net sales and there were no sales from the Company.

2) Main activities during fiscal year 2022

| Classification | Name | Attendance | | | Main Activities |
|------------------|------------------|-----------------------------|--------------------------------------|--|--|
| | | Board of Directors meetings | Board of Corporate Auditors meetings | Nomination & Remuneration Advisory Committee | |
| Outside Director | Kazuko Takamatsu | 14/14 | — | 5/5 | Based on her experience and knowledge concerning corporate management, made statements to ensure the improvement of the Group's corporate value and the validity and appropriateness of the Company's decision-making and business execution. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint. |
| | Richard R. Lury | 14/14 | — | 5/5 | Based on his experience and knowledge concerning international legal matters, made statements to ensure the improvement of the Group's corporate value and the validity and appropriateness of the Company's decision-making and business execution. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint. |
| | Tetsuya Shoji | 14/14 | — | 5/5 | Based on his experience and knowledge concerning corporate management, made statements to ensure the improvement of the Group's corporate value and the validity and appropriateness of the Company's decision-making and business execution. Also served as Chair of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint. |

| Classification | Name | Attendance | | | Main Activities |
|---------------------------|-------------------|-----------------------------|--------------------------------------|--|--|
| | | Board of Directors meetings | Board of Corporate Auditors meetings | Nomination & Remuneration Advisory Committee | |
| Outside Corporate Auditor | Yoshihiro Doi | 14/14 | 8/8 | 5/5 | Based on his experience and knowledge concerning corporate management, made statements to ensure the legality and appropriateness of the Company's decision-making and business execution. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint. |
| | Hirofumi Yasuhara | 14/14 | 8/8 | 5/5 | Based on his experience and knowledge concerning corporate management, finance and accounting, made statements to ensure the legality and appropriateness of the Company's decision-making and business execution. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint. |

V. Status of Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA LLC

(2) Amount of Remuneration, etc. of Accounting Auditor

(Millions of yen)

| Category | Amount of Remunerations, etc. |
|---|-------------------------------|
| Amount of remuneration, etc. payable by the Company | 94 |
| Total amount of cash and other financial benefits payable by the Company and its subsidiaries | 172 |

(Notes) 1. In the audit agreement between the Company and the Accounting Auditor, no differentiation is made between remuneration on the basis of the Companies Act and remuneration on the basis of the Financial Instruments and Exchange Act, and it is not possible to make a substantial differentiation between the two. As a consequence, the amount of remuneration, etc. for services as Accounting Auditor of the Company provided in the table above is the total of the two.

2. The Board of Corporate Auditors has consented to the amount of remuneration, etc. for the Accounting Auditor as a result of having verified and discussed the reasonableness of the Accounting Auditor's audit plan and the basis for the estimate of remuneration, based on a review and evaluation of reports from relevant internal departments and results of audit for fiscal year 2021.

3. Of the Company's significant subsidiaries, the auditing of Osmoflo Holdings Pty Ltd, Hitachi Zosen Inova AG, Hitachi Zosen Inova Steinmüller GmbH and NAC International Inc. is performed by audit corporations other than the Accounting Auditor of the Company (including those with equivalent status overseas).

(3) Non-audit Services

The Company pays the Accounting Auditor fees for the retained service with respect to assistance for the adoption of international financial reporting standards, which is a service (Non-audit service) other than services provided for in Article 2, paragraph 1 of the Certified Public Accountants Act.

(4) Policy for Determining Dismissal or Non-reappointment of Accounting Auditor

If it is deemed that the Accounting Auditor falls within the grounds of each item of Article 340, paragraph 1 of the Company Act and that no improvement in the situation is expected, the Board of Corporate Auditors shall dismiss the Accounting Auditor based on the agreement of all the Corporate Auditors.

If the Board of Corporate Auditors determines the Accounting Auditor is unsuitable after taking into consideration such matters as the execution of duties of the Accounting Auditor and the number of years it has been performing audits, the Board of Corporate Auditors shall determine details of a proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

VI. Matters Concerning the Development of Systems to Ensure Appropriateness of Operations, etc.

(1) Systems to Ensure Appropriateness of Operations

The following summarizes the contents of the resolutions of the Company's Board of Directors concerning the development of systems to ensure that the execution of duties by Directors is in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the appropriateness of operations.

- 1) Systems to Ensure that the Execution of Duties by Directors and Employees of the Company and Group Companies Complies with the Laws and Regulations and the Articles of Incorporation
 - a) The Company shall formulate the Charter of Ethical Behavior with which all Directors, Corporate Auditors, and employees must comply, and shall make this charter known to all Directors, Corporate Auditors, and employees. In addition, the top management shall ceaselessly and clearly demonstrate the spirit of such charter to the Directors, Corporate Auditors, and employees, thus ensuring that compliance with laws and regulations and corporate ethics forms the basis of the Company's existence and the premise of all corporate activities.
 - b) The Company shall establish the Compliance Committee, with a President and Director of the Company as Chairperson. This committee shall continuously implement measures with respect to compliance and shall make reports on its activities to the Board of Directors of the Company.
 - c) The Company shall work to prevent violations of laws and regulations, discover such violations at an early stage and deal with them promptly and effectively by establishing a whistle-blowing system that enables the opinions of Directors, Corporate Auditors, and employees regarding compliance to be reflected in company management.
 - d) The Company shall have all Directors, Corporate Auditors, and employees of the Company enter into covenants regarding compliance with laws and regulations and corporate ethics and develop disciplinary measures to be taken against violators and those who are aware of violations but conceal them.
 - e) Rules on the management of financial data and other important facts about the operations of the Company and the Group shall be formulated, and such facts shall be disclosed in a timely and appropriate manner.
 - f) To ensure the reliability of its financial reporting on the basis of the Financial Instruments and Exchange Act, the Company shall establish a department dedicated to this purpose, and shall regularly evaluate the development and management of financial reporting through a system of cooperation among departments of the Company and work to make improvements accordingly.
 - g) The department of the Company in charge of internal auditing shall perform audits of compliance and shall report to the Board of Directors.
 - h) The Charter of Ethical Behavior shall be made known to Group companies, which shall work to develop structures for compliance with laws and regulations and corporate ethics in accordance with the circumstances of each company with support from the Company. Furthermore, the Company's whistle-blowing system shall be made available for use by the Directors, Corporate Auditors, and employees of Group companies.
 - i) Internal auditing performed by the department of the Company in charge of internal auditing shall also be applicable to Group companies, and the Company's rules regarding internal auditing shall apply mutatis mutandis to the guidelines for such auditing.

- j) The Company shall determinedly eliminate and block anti-social forces, and the department in charge of general affairs shall construct and develop a system for this purpose in cooperation with external specialist bodies such as law enforcement.
- 2) Systems to Retain and Manage Information Concerning the Directors' Execution of Duties
- a) Minutes of meetings of the Board of Directors and other management bodies holding meetings shall be prepared, retained, and managed appropriately by the administrative offices of each management body in accordance with laws and regulations and internal rules.
 - b) Records of information concerning decision making and execution of duties by the Directors shall be retained and managed appropriately in accordance with the rules on the management of documents or electromagnetic records stipulated by the Company.
 - c) Rules regarding the retention and management of company secrets, significant matters that are not publicly disclosed, and personal information shall be formulated, and the relevant information shall be managed with due care.
- 3) Rules and Other Organizational Structures of the Company and Group Companies Concerning Management of Risk of Loss
- a) Risks that may occur in the course of business operations shall be evaluated and monitored continuously. Risks with the potential to have a substantial impact on the financial position and business results shall be reported to the Board of Directors of the Company.
 - b) To prevent and eliminate risks related to earnings from individual products, appropriate risk management shall be carried out through deliberations to identify and evaluate risks and formulation of avoidance measures at the Risk Examination Committee.
 - c) To promptly and appropriately deal with such a serious risk that has emerged, systems shall be developed in advance including the formulation of rules on such matters as means of transmitting information, methods of handling such events, and structures for their management.
 - d) The department of the Company in charge of internal auditing shall monitor risk management statuses at each department of the Company and each Group company. It shall also perform audits of the effectiveness and adequacy of risk management and make reports on this to the Board of Directors of the Company.
- 4) Systems to Ensure that Directors of the Company and Group Companies Execute their Duties in an Efficient Manner
- a) Meetings of the Board of Directors shall in principle be held once a month and extraordinary meetings of the Board of Directors shall be held as necessary to determine important matters and to supervise the execution of business. For meetings of the Board of Directors to be operated appropriately and efficiently, rules on the matters to be decided upon at the meetings and standards for submitting such matters for deliberation and reporting on them shall be formulated.
 - b) The Company shall establish the Management Strategy Committee comprising Directors of the Company in charge of business operations and other key management personnel, at which sufficient advance deliberations on basic strategies and important matters shall be carried out, thus putting in place a system enabling accurate managerial judgment.
 - c) The Board of Directors of the Company shall determine the Group's medium-term management plans and plans for each year. Based on such plans, all Directors of the Company shall develop detailed measures and systems for efficient business execution, and make progress reports on these measures to the Board of Directors of the Company.
 - d) The Company shall establish the Management Plan Follow-Up Committee with the President and Director of the Company as Chairperson. This committee shall monitor and inspect progress made with the measures and work towards the early discovery and

prevention of problems, thus ensuring efficient business operations.

- e) To efficiently achieve management targets, the Company shall formulate rules on organizational structure, division of duties, and decision-making authority, and clarify duties and authorities. The Company shall also formulate rules on the operation of information and communication systems and the protection of information assets, and shall utilize such rules effectively.
 - f) The department of the Company in charge of internal auditing shall perform audits to determine whether business operations at each department of the Company and each Group company are carried out efficiently in accordance with laws and regulations, the Articles of Incorporation and other internal rules, and shall report to the Board of Directors on this matter.
- 5) Systems for Reporting to the Company on the Matters regarding Execution of Duties by Directors of Group Companies
- To carry out deliberations on establishing internal control systems and to share information on Group management policies and other matters, the Company shall regularly hold conferences attended by the Directors of the Company and the President and Director of each Group company. Group companies shall report any material events at the conferences.
- 6) Other Systems to Ensure Appropriateness of Operations in the Group Consisting of the Company and the Group companies
- a) Regarding the management of Group companies, the Company shall supervise and monitor the appropriateness of operations at Group companies, while also respecting their autonomy, by assigning Directors and Corporate Auditors of the Company to work at each Group company, thus working to strengthen governance and supervisory functions under Group management.
 - b) The Company shall establish a main control division in the Company to control and guide Group companies, thus advancing efficient Group management in accordance with the standards for Group control and management. The control division shall also provide support for the establishment of internal control systems at each Group company.
- 7) Matters Concerning Employees who are Requested by Corporate Auditors to Assist in the Duties of Corporate Auditors and Matters Concerning Ensuring the Independence from Directors of Such Employees and the Effectiveness of Directions to Such Employees
- a) The Company shall put in place the Assistant to the Corporate Auditors as a body to assist the Corporate Auditors of the Company in their duties.
 - b) Employees belonging to other departments shall not be precluded from serving concurrently as staff in the Assistant to the Corporate Auditors. However, if Corporate Auditors request the assignment of dedicated staff to the Assistant to the Corporate Auditors, this shall not be refused without rational grounds.
 - c) When performing duties in accordance with the directions of the Corporate Auditors, staff in the Assistant to the Corporate Auditors shall not be under the command of Directors or other business executives.
 - d) Personnel matters relating to staff in the Assistant to the Corporate Auditors shall be determined by the Directors after deliberations with the Corporate Auditors.
- 8) Systems for Reporting to Corporate Auditors of the Company by Directors and Employees of the Company and Group Companies, Other Systems Concerning Reporting to Corporate Auditors, and Systems to Ensure that Persons who Report to Corporate Auditors Are not Treated Unfavorably as a Result of Making Such Report
- a) If a Director of the Company discovers a matter with the potential to cause substantial harm to the Company and the Group, such Director shall report such matter to the Board of Corporate Auditors of the Company immediately.

- b) To monitor important decision-making processes and the status of business execution, the Corporate Auditors of the Company shall be permitted to attend meetings of the Board of Directors and other important meetings of the Company, and shall be permitted to request explanations on such matters from Directors or employees. Furthermore, when they are unable to attend such meetings due to circumstances, Corporate Auditors shall be permitted to receive explanations of the contents of such meetings, and inspect minutes and other related documents.
 - c) Corporate Auditors of the Company shall be permitted to inspect important documents related to business execution, and to request explanations of such matters from Directors or employees of the Company and Group companies as necessary.
 - d) Representative Directors of the Company shall regularly hold talks with Corporate Auditors of the Company, make reports to the Corporate Auditors of the Company regarding important matters with an impact on the Company and the Group, and exchange opinions with the Corporate Auditors on such matters.
 - e) It is prohibited for Directors and employees of the Company or Group Companies who report to Corporate Auditors of the Company to be treated unfavorably as a result of making such report.
- 9) Matters Concerning the Policy Relating to Advance Payment of Expenses Accompanying Execution of Duties by the Corporate Auditors or Reimbursement thereof, or Other Treatments of Expenses or Liabilities Generated from Execution of those Relevant Duties When Corporate Auditors of the Company request advance payment of expenses and others on the basis of Article 388 of the Companies Act for executing their duties, those expenses or liabilities shall be processed immediately through deliberation within the department in charge, except as may be recognized as unnecessary for executing duties of the Corporate Auditor.
- 10) Other Systems to Ensure that Corporate Auditors Effectively Perform Audits
- a) The Directors of the Company shall cooperate with the Corporate Auditors of the Company to enable them to perform effective audits through cooperation with the Accounting Auditor, the department in charge of internal auditing, and the Corporate Auditors of Group companies.
 - b) The Directors of the Company shall have an awareness and understanding of the importance and usefulness of auditing by the Corporate Auditors. They shall also inform employees of the rules relating to auditing operations and auditing standards and help to establish an environment in which the Corporate Auditors can perform their audits effectively.
 - c) The department of the Company in charge of internal auditing shall provide internal audit plans, internal audit reports and other necessary information it receives in the course of performing internal auditing to the Corporate Auditors.

(2) Outline of Status of Systems to Ensure the Appropriateness of Operations

Outline of status of systems to ensure the appropriateness of operations is as follows.

1) Regarding Compliance

Within “Hitz Value,” the values at the core of the Group’s business activities, one of the management stances aimed at achieving the corporate philosophy is the “thorough implementation of compliance.” This clearly shows that “thorough implementation of compliance” is crucial to meet the expectations and gain the understanding of the stakeholders that support the Company’s business activities. Furthermore, the President himself has taken various opportunities, such as the New Year’s address and workshops, to clearly state that compliance should be the ultimate priority in company management. Each April, the Company distributes the Hitz Group Charter of Ethical Behavior (published in Japanese, English, and Chinese) to be carried by employees at all times. This features a Message from the President based on the compliance situation for fiscal year 2021 and is used as the code upon which employees carry out their work.

The Compliance Committee, on which the President serves as Chairperson, decides the basic policy and specific measures for fiscal year 2022 based on the compliance situation for fiscal year 2021, and engages in compliance activities across the entire Group. Specifically, it ensures the thorough implementation of compliance through means such as implementing e-learning, holding various workshops and lectures, and providing information through internal newsletters. It also detects improper conduct at an early stage through the whistle-blowing system and deals with this swiftly. Moreover, in addition to having set up a regular reporting system from domestic and overseas Group companies and overseas offices, the Company checks the state of compliance at each company and office once every six months, and undertakes appropriate follow-up as necessary, thereby ensuring compliance across the entire Group.

2) Regarding Risk Management

Risks related to compliance, the environment, safety, disasters, information security, and other risks that may occur in the course of business operations are continuously managed by a system established at each responsible department, in order to prevent risks.

With regard to order intake projects, in each department in charge, the Company examines the risk in each business from the project estimate stage to clarify risks associated with technologies, estimates, delivery date, and contracts and takes measures against those risks before judging whether or not to accept an order, thereby working to eliminate the risks. After order intake, the Company secures the quality and processes, etc. of projects by following up project progress in a timely way, and discovering risks and addressing them promptly.

In business investment projects that involve investing in shares, it is not only the judgment on whether to invest and follow-up after making the decision to invest that are important; establishing criteria for withdrawal and clarifying the exit strategy are also vital, so we implement thorough risk management in regard to these processes.

For our order intake projects, we have established a department within the Corporate Planning Headquarters to manage project risks, and also established an investment committee with decision-making functions for our business investment projects, to ensure thorough risk management for the entire Group, including major subsidiaries both within Japan and overseas.

The Company is strengthening its handling of country risk of its overseas projects. In particular, the Company has put in place such environmental enhancements as preparing guidelines in case of emergency, and concluding contracts with overseas safety and emergency services, in order to put in place systems for the safety and medical care of employees dispatched overseas.

Regarding the spread of COVID-19, we are continuing our efforts to monitor the situation

closely, stay abreast of the impact on project execution and respond appropriately.

3) Regarding the Execution of Duties by Directors

In fiscal year 2022, meetings of the Board of Directors were held 14 times. In these meetings, important management matters (management basic policies, the long-term vision and new medium-term management plan, budget formulation and follow-up, policies concerning selection and concentration of businesses based on portfolio management, business alliance and business reorganization plans, structural reform plans, promotion of sustainability, human resource strategies, overseas business strategies, etc.) prescribed by laws and ordinances, the Articles of Incorporation, and Rules of the Board of Directors are discussed and determined, while the execution of duties of the Directors are supervised. To further enhance and promote the efficiency of discussions by the Board of Directors, the Company conducts a questionnaire survey with individual Directors to assess and analyze the effectiveness of the Board of Directors as a whole, and uses issues identified to improve the operations of the Board of Directors.

4) Regarding the Management of Group Companies

To share information on Group management policies, the management plan, and other items, conferences are held on a regular basis, and the Company provides oversight and instruction on important matters regarding the management of Group companies. In particular, the Company discusses and determines important business activities of Group companies at Management Strategy Committee meetings and at Board of Directors meetings, thereby sharing the management strategies group-wide, streamlining the entire Group's business activities and maximizing its synergies, while securing the appropriateness of the business and avoiding risk.

5) Regarding Internal Auditing

To ensure the appropriateness of operations in the Group in accordance with the Internal Auditing Rule, the Internal Auditing Department (Internal Auditing Section) implements ongoing internal audits related to matters such as finance and accounting, operational controls and procedures, business risks, and compliance across all management activities of domestic and overseas Group companies based on such factors as business type, scale, and importance to conduct evaluations and provide advice and correction guidance from an objective standpoint. In particular, internal audits are conducted with top priority given to companies which newly joined the Group and newly established organizations. The Internal Auditing Department also submits reports on the results of audits, as well as the status of corrective actions to Directors, Corporate Auditors, and responsible persons of audited segments from time to time, while providing regular comprehensive reports on the status of audits to the Management Strategy Committee, as well as the Board of Directors. In addition, the Company is reinforcing the auditing system for overseas branches and overseas Group companies.

6) Regarding Audits Performed by Corporate Auditors

Corporate Auditors audit operations and status of assets at respective business locations and segments, as well as carrying out similar investigations on major domestic and overseas subsidiaries. They have made audits on the execution of business of Directors and others by receiving reports on important matters through attending important internal meetings such as meetings of the Board of Directors and the Management Strategy Committee, meetings with the Representative Directors, and by stating opinions where necessary. Furthermore, Corporate Auditors are in close cooperation with Outside Directors such as by exchanging information appropriately. In fiscal year 2022, the Board

of Corporate Auditors held eight meetings at which information regarding auditing was exchanged, opinions on auditing were collected from each Corporate Auditor, and resolutions were passed.

Corporate Auditors exchange information about such matters as audit plans and results with the Accounting Auditor on a regular basis, while monitoring and verifying whether the Accounting Auditor is conducting its audits appropriately. In addition, Corporate Auditors implement regular information exchanges and maintain close collaboration with the Internal Auditing Department by receiving such matters as audit plans and results, as well as necessary information obtained through audits with respect to internal auditing, in order to promote effective and efficient audits.

Consolidated Balance Sheets

As of March 31, 2023

| | (Millions of yen) |
|---|-------------------|
| Assets | 479,682 |
| Current assets | 318,853 |
| Cash and time deposits | 86,404 |
| Notes, accounts receivable - trade, and contract assets | 198,378 |
| Merchandise and finished goods | 1,461 |
| Work in progress | 7,391 |
| Raw materials and supplies | 8,332 |
| Other current assets | 20,749 |
| Allowance for doubtful receivables | -3,864 |
| Noncurrent assets | 160,760 |
| Property, plant and equipment, net | [98,253] |
| Buildings and structures | 30,807 |
| Machinery, equipment and vehicles | 18,678 |
| Tools, furniture and fixtures | 3,468 |
| Land | 40,223 |
| Lease assets | 509 |
| Right-of-use assets | 3,542 |
| Construction in progress | 1,022 |
| Intangible assets | [11,127] |
| Goodwill | 1,079 |
| Other intangible assets | 10,048 |
| Investments and other noncurrent assets | [51,379] |
| Investments in securities | 20,246 |
| Long-term loans receivable | 25 |
| Net defined benefit assets | 1,283 |
| Deferred tax assets | 19,355 |
| Other investments and noncurrent assets | 11,107 |
| Allowance for doubtful receivables | -638 |
| Deferred assets | 67 |
| Bond issue expenses | 67 |
| Total assets | 479,682 |

| | (Millions of yen) |
|--|-------------------|
| Liabilities | 338,370 |
| Current liabilities | 240,811 |
| Notes and accounts payable - trade | 50,623 |
| Electronically recorded obligations | 22,660 |
| Short-term borrowings | 16,618 |
| Lease obligations | 1,341 |
| Accrued expenses | 70,138 |
| Accrued income taxes | 4,021 |
| Contract liabilities | 41,355 |
| Reserve for product warranty | 14,572 |
| Reserve for losses on construction contracts | 6,819 |
| Other current liabilities | 12,659 |
| Noncurrent liabilities | 97,559 |
| Bonds payable | 30,000 |
| Long-term borrowings | 35,876 |
| Lease obligations | 2,630 |
| Deferred tax liabilities | 415 |
| Net defined benefit liability | 21,354 |
| Directors' and corporate auditors' severance and retirement benefits | 63 |
| Provision for loss on business liquidation | 729 |
| Provision for loss on litigation | 669 |
| Asset retirement obligations | 3,081 |
| Other noncurrent liabilities | 2,738 |
| Net assets | 141,311 |
| Shareholders' equity | 137,274 |
| Common stock | 45,442 |
| Capital surplus | 8,176 |
| Retained earnings | 84,685 |
| Treasury stock, at cost | -1,029 |
| Accumulated other comprehensive income | 2,345 |
| Net unrealized holding gains (losses) on securities | 986 |
| Net unrealized holding gains (losses) on hedging derivatives | 77 |
| Land revaluation difference | -7 |
| Foreign currency translation adjustments | 426 |
| Remeasurements of defined benefit plans | 863 |
| Non-controlling interests in consolidated subsidiaries | 1,691 |
| Total liabilities and net assets | 479,682 |

Consolidated Statements of Income

For the fiscal year ended March 31, 2023

| | | (Millions of yen) |
|---|--------|-------------------|
| Net sales | | 492,692 |
| Cost of sales | | 409,334 |
| Gross profit | | 83,358 |
| Selling, general and administrative expenses | | 63,301 |
| Operating income | | 20,056 |
| Non-operating income | | |
| Interest income | 366 | |
| Dividend income | 89 | |
| Equity in net profit of affiliates | 423 | |
| Other non-operating income | 1,265 | 2,145 |
| Non-operating expenses | | |
| Interest expense | 788 | |
| Foreign exchange losses | 128 | |
| Other non-operating expenses | 3,450 | 4,368 |
| Ordinary income | | 17,834 |
| Extraordinary income | | |
| Gains on sale of non-current assets | 1,020 | |
| Gains on sale of stocks of subsidiaries and affiliates | 1,430 | |
| Subsidy income | 1,798 | 4,249 |
| Extraordinary loss | | |
| Impairment loss | 341 | |
| Provision for losses on business liquidation | 729 | |
| Provision for losses on litigation | 688 | |
| Loss on tax purpose reduction entry of non-current assets | 1,798 | 3,557 |
| Profit before income taxes and non-controlling interests | | 18,526 |
| Income taxes - current | 4,088 | |
| Income taxes - deferred | -1,177 | 2,910 |
| Profit | | 15,615 |
| Profit attributable to non-controlling interests | | 38 |
| Profit attributable to shareholders of Hitachi Zosen | | 15,577 |

[Reference] Monetary amounts in the Consolidated Financial Statements are presented with amounts of less than 1 million yen discarded.

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of year | 45,442 | 8,530 | 71,163 | -1,026 | 124,110 |
| Changes of items during the period | | | | | |
| Cash dividends | | | -2,022 | | -2,022 |
| Profit attributable to shareholders of Hitachi Zosen | | | 15,577 | | 15,577 |
| Treasury stock disposed, net | | 0 | | 0 | 0 |
| Treasury stock purchased, net | | | | -3 | -3 |
| Change due to consolidation of additional subsidiaries | | | -33 | | -33 |
| Adjustments of tax expenses related to change in equity for prior periods | | -354 | | | -354 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | -354 | 13,521 | -3 | 13,163 |
| Balance at end of year | 45,442 | 8,176 | 84,685 | -1,029 | 137,274 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests in consolidated subsidiaries | Total net assets |
|---|---|--|-----------------------------|--|---|--|--|------------------|
| | Net unrealized holding gains (losses) on securities | Net unrealized holding gains (losses) on hedging derivatives | Land revaluation difference | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of year | 1,307 | -119 | -7 | 931 | 5,077 | 7,189 | 1,626 | 132,926 |
| Changes of items during the period | | | | | | | | |
| Cash dividends | | | | | | | | -2,022 |
| Profit attributable to shareholders of Hitachi Zosen | | | | | | | | 15,577 |
| Treasury stock disposed, net | | | | | | | | 0 |
| Treasury stock purchased, net | | | | | | | | -3 |
| Change due to consolidation of additional subsidiaries | | | | | | | | -33 |
| Adjustments of tax expenses related to change in equity for prior periods | | | | | | | | -354 |
| Net changes of items other than shareholders' equity | -321 | 196 | - | -504 | -4,214 | -4,843 | 65 | -4,778 |
| Total changes of items during the period | -321 | 196 | - | -504 | -4,214 | -4,843 | 65 | 8,385 |
| Balance at end of year | 986 | 77 | -7 | 426 | 863 | 2,345 | 1,691 | 141,311 |

[Reference] Monetary amounts in the Consolidated Financial Statements are presented with amounts of less than 1 million yen discarded.

Non-consolidated Balance Sheets

As of March 31, 2023

| | (Millions of yen) |
|---|-------------------|
| Assets | 324,097 |
| Current assets | 174,677 |
| Cash and time deposits | 37,111 |
| Trade notes receivable | 5,223 |
| Trade accounts receivable | 53,741 |
| Contract assets | 53,252 |
| Work in progress | 4,013 |
| Raw materials and supplies | 2,835 |
| Advance payments | 3,152 |
| Prepaid expenses | 1,036 |
| Other accounts receivable | 6,661 |
| Advances paid | 5,943 |
| Short-term loans receivable | 3,524 |
| Other current assets | 2,128 |
| Allowance for doubtful receivables | -3,948 |
| Noncurrent assets | 149,352 |
| Property, plant and equipment, net | [67,957] |
| Buildings | 18,588 |
| Structures | 4,220 |
| Machinery and equipment | 6,845 |
| Vehicles | 38 |
| Tools, furniture and fixtures | 1,023 |
| Land | 36,236 |
| Lease assets | 520 |
| Construction in progress | 485 |
| Intangible assets | [3,936] |
| Patent rights | 0 |
| Software | 2,729 |
| Rights of using facilities | 92 |
| Other intangible assets | 1,113 |
| Investments and other noncurrent assets | [77,458] |
| Investments in securities | 3,204 |
| Stocks of subsidiaries and affiliates | 44,219 |
| Investments in capital of subsidiaries and affiliates | 3,539 |
| Long-term loans receivable | 17,390 |
| Noncurrent prepaid expenses | 1,072 |
| Deferred tax assets | 8,480 |
| Other investments and noncurrent assets | 3,070 |
| Allowance for doubtful receivables | -3,519 |
| Deferred assets | 67 |
| Bond issue expenses | 67 |
| Total assets | 324,097 |

| | (Millions of yen) |
|--|-------------------|
| Liabilities | 227,769 |
| Current liabilities | 149,108 |
| Trade notes payable | 5,210 |
| Electronically recorded obligations | 17,177 |
| Trade accounts payable | 23,976 |
| Short-term borrowings | 13,060 |
| Lease obligations | 172 |
| Other accounts payable | 2,077 |
| Accrued expenses | 28,509 |
| Accrued income taxes | 592 |
| Contract liabilities | 16,662 |
| Deposits received | 34,870 |
| Reserve for product warranty | 3,504 |
| Reserve for losses on construction contracts | 3,262 |
| Other current liabilities | 31 |
| Noncurrent liabilities | 78,661 |
| Bonds payable | 30,000 |
| Long-term borrowings | 31,800 |
| Lease obligations | 281 |
| Employees' severance and retirement benefits | 12,591 |
| Provision for loss on support to subsidiaries and affiliates | 704 |
| Asset retirement obligations | 2,806 |
| Other noncurrent liabilities | 475 |
| Net assets | 96,327 |
| Shareholders' equity | 96,554 |
| Common stock | 45,442 |
| Capital surplus | 11,080 |
| Legal capital surplus | 5,946 |
| Other capital surplus | 5,133 |
| Retained earnings | 41,061 |
| Legal retained earnings | 2,372 |
| Other retained earnings | 38,689 |
| Retained earnings brought forward | 38,689 |
| Treasury stock, at cost | -1,029 |
| Valuation and translation adjustments | -227 |
| Net unrealized holding gains (losses) on securities | -45 |
| Net unrealized holding gains (losses) on hedging derivatives | 158 |
| Land revaluation difference | -340 |
| Total liabilities and net assets | 324,097 |

Non-consolidated Statements of Income

For the fiscal year ended March 31, 2023

| | | (Millions of yen) |
|---|-------|-------------------|
| Net sales | | 223,781 |
| Cost of sales | | 193,449 |
| Gross profit | | 30,332 |
| Selling, general and administrative expenses | | 25,659 |
| Operating income | | 4,673 |
| Non-operating income | | |
| Interest income | 404 | |
| Dividend income | 2,036 | |
| Other non-operating income | 1,266 | 3,707 |
| Non-operating expenses | | |
| Interest expense | 700 | |
| Other non-operating expenses | 3,462 | 4,162 |
| Ordinary income | | 4,218 |
| Extraordinary income | | |
| Gains on sale of non-current assets | 1,020 | |
| Gains on sale of stocks of subsidiaries and affiliates | 4,306 | 5,326 |
| Extraordinary loss | | |
| Provision of reserve for losses on support to subsidiaries and affiliates | 704 | 704 |
| Profit before income taxes | | 8,840 |
| Income taxes - current | 1,114 | |
| Income taxes - deferred | -334 | 780 |
| Profit | | 8,060 |

Non-consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|--|-------------------------|----------------|----------------------------|
| | Common stock | Capital surplus | | | Retained earnings | | | Treasury stock | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of year | 45,442 | 5,946 | 5,133 | 11,080 | 2,170 | 32,853 | 35,023 | -1,026 | 90,519 |
| Changes of items during the period | | | | | | | | | |
| Cash dividends | | | | | | -2,022 | -2,022 | | -2,022 |
| Reserve for dividends payment | | | | | 202 | -202 | - | | - |
| Profit | | | | | | 8,060 | 8,060 | | 8,060 |
| Treasury stock disposed, net | | | 0 | 0 | | | | 0 | 0 |
| Treasury stock purchased, net | | | | | | | | -3 | -3 |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during the period | - | - | 0 | 0 | 202 | 5,835 | 6,038 | -3 | 6,035 |
| Balance at end of year | 45,442 | 5,946 | 5,133 | 11,080 | 2,372 | 38,689 | 41,061 | -1,029 | 96,554 |

| | Valuation and translation adjustments | | | | Total net assets |
|--|---|--|-----------------------------|---|------------------|
| | Net unrealized holding gains (losses) on securities | Net unrealized holding gains (losses) on hedging derivatives | Land revaluation difference | Total valuation and translation adjustments | |
| Balance at beginning of year | 9 | 246 | -340 | -83 | 90,436 |
| Changes of items during the period | | | | | |
| Cash dividends | | | | | -2,022 |
| Reserve for dividends payment | | | | | - |
| Profit | | | | | 8,060 |
| Treasury stock disposed, net | | | | | 0 |
| Treasury stock purchased, net | | | | | -3 |
| Net changes of items other than shareholders' equity | -55 | -88 | - | -143 | -143 |
| Total changes of items during the period | -55 | -88 | - | -143 | 5,891 |
| Balance at end of year | -45 | 158 | -340 | -227 | 96,327 |

[Reference] Monetary amounts in the Non-consolidated Financial Statements are presented with amounts of less than 1 million yen discarded.

Independent Auditor's Report

May 12, 2023

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC
Osaka Office

Kenta Tsujii
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takaaki Mitsui
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeshi Ikeda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Hitachi Zosen Corporation, which comprise the consolidated balance sheets, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements applicable to the fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of Hitachi Zosen Corporation and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2023 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises a business report and its supplementary schedules. It is the responsibility of management to prepare and disclose other information, and it is the responsibility of Corporate Auditors and the Board of Corporate Auditors to supervise Directors in their execution of duties relating to the development and operation of a reporting process for the other information. Our audit opinion concerning the consolidated financial statements does not cover the other information, and we do not express any opinions as to the matters included in the other information. Our responsibility for auditing consolidated financial statements is to review the other information, and in connection with this review, discuss whether there is any material discrepancy between the other information and the consolidated financial statements or knowledge which we obtained in the course of audit and pay attention as to whether there is any indication of material error in the

other information, other than such material discrepancy. We are required to report any material error in the other information found as a result of the work performed. There are no matters to be reported by us in relation to the other information.

Responsibilities of Management, Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be stated in compliance with the Certified Public Accountants Act.

Independent Auditor's Report

May 12, 2023

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC
Osaka Office

Kenta Tsujii
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takaaki Mitsui
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeshi Ikeda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), Item (i) of the Companies Act, we have audited the non-consolidated financial statements of Hitachi Zosen Corporation, which comprise the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules (hereafter collectively referred to as the “non-consolidated financial statements”) of Hitachi Zosen Corporation applicable to the 126th fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Hitachi Zosen Corporation, applicable to the fiscal year ended March 31, 2023 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises a business report and its supplementary schedules. It is the responsibility of management to prepare and disclose other information, and it is the responsibility of Corporate Auditors and the Board of Corporate Auditors to supervise Directors in their execution of duties relating to the development and operation of a reporting process for the other information. Our audit opinion concerning the non-consolidated financial statements does not cover the other information, and we do not express any opinions as to the matters included in the other information. Our responsibility for auditing the non-consolidated financial statements is to review the other

information, and in connection with this review, discuss whether there is any material discrepancy between the other information and the non-consolidated financial statements or knowledge which we obtained in the course of audit and pay attention as to whether there is any indication of material error in the other information, other than such material discrepancy. We are required to report any material error in the other information found as a result of the work performed. There are no matters to be reported by us in relation to the other information.

Responsibilities of Management, Corporate Auditors and Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-

consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company, which should be stated in compliance with the Certified Public Accountants Act.

Audit Report

With respect to the Directors' performance of their duties during the 126th fiscal year (from April 1, 2022 to March 31, 2023), the Board of Corporate Auditors has prepared this audit report as the consensus of all its members after deliberations based on the audit reports prepared by each Corporate Auditor, and hereby reports as follows:

1. Method and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors determined the audit policies, audit plan, etc., received reports from each Corporate Auditor on the progress and results of audits, exchanged opinions, and shared information. Additionally, they received reports from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary.
- (2) In accordance with the audit standards for Corporate Auditors determined by the Board of Corporate Auditors and based on the audit policies and audit plan, each Corporate Auditor took steps to facilitate mutual understanding with Directors, the department in charge of internal auditing, and other employees, strove to collect information and establish an environment for auditing, and performed audits using the methods below. Regarding the results of their investigations or audit activities, each Corporate Auditor provided opinions to Directors and those in charge of various departments as necessary.
 - (i) Each Corporate Auditor attended meetings of the Board of Directors and other important meetings, received reports from Directors and other employees on the status of their performance of duties and requested explanations as necessary, inspected documents regarding important decisions and the like, and investigated the status of the business operations and assets at Head Office and major business locations. With respect to the subsidiaries, they took steps to facilitate mutual understanding and information exchange with Directors, Corporate Auditors, etc., at each subsidiary, received reports from subsidiaries on their respective businesses periodically, and investigated as necessary.
 - (ii) Each Corporate Auditor discussed the audit plan with the department in charge of internal auditing in advance and received explanations on the results of audits, and regarding matters mentioned in audits, each Corporate Auditor confirmed that they had been rectified in a timely manner.
 - (iii) Each Corporate Auditor received reports on a regular basis from the Directors and employees, etc., requested explanations as necessary, and provided opinions with respect to matters mentioned in the business report. Such matters consist of the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group consisting of a joint stock company (kabushiki kaisha) and its subsidiaries, and the systems developed and maintained based on such resolutions (internal control systems). Regarding internal control over financial reporting, each Corporate Auditor received reports from Directors and others as well as KPMG AZSA LLC concerning the evaluation of said internal control and the audit status, and requested explanations as necessary.
 - (iv) Each Corporate Auditor monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from

the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. In addition, each Corporate Auditor was informed of the establishment of the “System for ensuring that duties are performed appropriately” (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005), etc. by the Accounting Auditor and requested explanations as necessary.

Based on the above-described methods, each Corporate Auditor examined the business report and the supplementary schedule thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and the supplementary schedule thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), for the fiscal year under consideration.

2. Results of Audits

(1) Results of Audit of Business Report, etc.

- (i) We acknowledge that the business report and the supplementary schedule thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors’ performance of their duties.
- (iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the contents in the business report and Directors’ performance of their duties concerning the internal control systems, including internal control over financial reporting.

(2) Results of Audit of Non-consolidated Financial Statements and Their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor KPMG AZSA LLC are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor KPMG AZSA LLC are appropriate.

May 16, 2023

| | | |
|--|-------------------|--------|
| The Board of Corporate Auditors, Hitachi Zosen Corporation | | |
| Full-time Corporate Auditor | Masayuki Morikata | (Seal) |
| Full-time Corporate Auditor | Kazuhisa Yamamoto | (Seal) |
| Outside Corporate Auditor | Yoshihiro Doi | (Seal) |
| Outside Corporate Auditor | Hirofumi Yasuhara | (Seal) |