



December 14, 2022

Company name: Hitachi Zosen Corporation
Representative: Sadao Mino, President & CEO
(Security Code: 7004; Prime Market, Tokyo Stock Exchange)
Inquiries: Hiroshi Miyazaki, Executive Officer,
General Manager, Corporate Planning Department
Telephone: +81-6-6569-0005

Announcement about the Final Agreement with Imabari Shipbuilding Co., Ltd.
for the Absorption-type Company Split (simple Split) of the Marine Engine Business with Consolidated Subsidiary
and Acceptance of Investment

As announced in the "Announcement about the basic agreement with Imabari Shipbuilding Co., Ltd. for Spin-off of the Marine Engine Business and Acceptance of Investment" dated September 26, 2022, we, Hitachi Zosen Corporation (hereinafter the "Company") resolved at the Board of Directors meeting held today to enter into a legally binding definitive agreement, effective from April 1, 2023, with Imabari Shipbuilding Co., Ltd. (hereinafter "Imabari Shipbuilding"), regarding the absorption-type company split (hereinafter the "Absorption-type Split") of our marine engine business (hereinafter the "Business" and the "Business" means the manufacturing and after-sales service business of marine engines) to HITZ Marine Engine Preparatory Corporation (hereinafter the "New Company. " Its trade name is scheduled to be changed by April 1, 2023) which is the Company's wholly owned subsidiary established on November 24, 2022, and accepting a 35% capital participation from Imabari Shipbuilding through a third-party allotment of shares by New Company (hereinafter "Third-party Allotment" and collectively with the Absorption-type Split, the "Transaction").

Since the Absorption-type Split is a simplified absorption-type split in which the Company's wholly owned subsidiary is the successor company, certain disclosure items and details have been omitted from this announcement.

I. Purpose of the Transaction

In 1940, the Company started manufacturing marine engines as the only domestic double licensees of MAN Energy Solutions SE (Germany) and Winterthur Gas & Diesel Ltd. (Switzerland), the world's two largest brand manufacturers of marine engines, and have manufactured a cumulative total of 42.85 million horsepower and 2,975 units (as of September, 2022) for shipbuilders in Japan and overseas. Our marine engine business and Imabari Shipbuilding's shipbuilding business face severe business conditions due to intensifying competition in Japan and overseas, and also price volatility of steel and other resources. In addition, the expected level of

technology has increased in recent years, such as the fuel conversion of marine engines aiming for carbon neutrality and the development of zero-emission vessels.

Under the challenging business environment in recent years, we have considered ways to strengthen our competitiveness by rebuilding our business structure in anticipation of further changes in the business environment in the future, and to improve profitability through efficient business operations. Against this backdrop, the Company and Imabari Shipbuilding believe that this Transaction will contribute to the stable supply and procurement of marine engines, as well as boosting sales by strengthening the sales supply network, improving profitability through cost reductions utilizing the material procurement capabilities of Imabari Shipbuilding, securing funds for development investment, and strengthening the R&D system. Through this Transaction, the Company aims to continuously increase its corporate value and Imabari Shipbuilding.

II. Company split (Absorption-type split)

1. Summary of the company split

(1) Schedule for the company split

Date of establishment of a New Company	November 24, 2022
Date of resolution at the meeting of the Board of Directors	December 14, 2022
Date of conclusion of the absorption-type company split agreement	December 14, 2022
Effective date of the absorption-type company split (Commencement date of business of the new company)	April 1, 2023 (planned)

(Note) Since this absorption-type split falls under the category of a simplified company split and satisfies the requirements stipulated in Article 784, Paragraph 2 of the Companies Act for the Company and a summary demerger satisfies the requirements stipulated in Article 796, Paragraph 1 of the Companies Act for the New Company, both demergers will be implemented without obtaining approvals by resolutions of each shareholders meetings.

(2) Form of the company split

An absorption-type split in which the Company is the splitting company and the New Company established by the Company will be the successor company.

(3) Details of allotment related to the company split

There will be no allotment of shares or other monetary amounts as a result of the Absorption-type Split. However, after the Absorption-type Split, the New Company will issue new shares to Imabari Shipbuilding through a third-party allotment.

(4) Handling of share acquisition rights and bonds with share acquisition rights in connection with the company split

Not applicable.

(5) Increase or decrease in share capital due to the company split

There will be no increase or decrease in capital as a result of the absorption-type demerger.

(6) Rights and obligations to be succeeded by successor company

As of the effective date of the Absorption-type Split, the New Company will succeed to the assets, liabilities, and other rights and obligations held by the Company with respect to the Business to the extent stipulated in the absorption-type split agreement.

(7) Prospect of fulfillment of obligations

The Company has determined that there will be no problem in the fulfillment of obligations to be assumed by the New Company in the Absorption-type Split, considering future business development, earnings prospects, the Capital Increase through Third-party Allotment, and other factors.

2. Overview of companies involved in the company split

	Splitting company	Successor company
(1) Name	Hitachi Zosen Corporation	(At incorporation) HITZ Marine Engine Preparatory Corporation * The trade name is scheduled to be changed by April 1, 2023 (trade name after change: to be determined).
(2) Location	7-89, Nankokita 1-chome, Suminoe-ku, Osaka 559-8559, Japan	1, Ariake, Nagasu-machi, Tamana-gun, Kumamoto 869-0113, Japan
(3) Job title and name of representative	Representative Director, President & CEO, Sadao Mino	(At incorporation) Representative Director, President, Jitsuhiro Yamaguchi (After the Capital Increase through Third-party Allotment) To be determined
(4) Description of business	Environmental Business, Machinery & Infrastructure Business, Carbon Neutral Solution Business, etc.	New marine engine business and after-sales service business
(5) Share capital	45,442 million yen	(At incorporation) 65,000 yen (After the Capital Increase through Third-party Allotment (planned)) 1,750,065,000 yen
(6) Date of establishment	May 29, 1934	November 24, 2022
(7) Number of issued shares	170,214,843 shares	(At incorporation) 65,000 shares (After the capital increase through Third-party Allotment (planned)) 100,000 shares
(8) Fiscal year-end	March 31	March 31
(9) Major shareholders and shareholding ratios	(As of September 30, 2022) • The Master Trust Bank of Japan, Ltd. (Trust Account) 17.7% • Custody Bank of Japan, Ltd. (Trust Account) 8.8% • MUFG Bank, Ltd. 3.1% • STATE STREET BANK AND TRUST COMPANY 505019 2.6%	(At incorporation) Hitachi Zosen Corporation 100.0% (After the Capital Increase through Third-party Allotment (planned)) Hitachi Zosen Corporation 65% Imabari Shipbuilding Co., Ltd. 35%
(10) Relationship between the parties	Capital relationship As stated in the 'Major shareholders and shareholding ratios.'	

	Personnel relationship	(At incorporation) One director is dispatched from the Company. (After the Capital Increase through Third-party Allotment (planned)) Four persons from the Company and two persons from Imabari Shipbuilding will be appointed as directors of the new company, and one person from the Company will be appointed as an auditor. In addition, employees from the Company and Imabari Shipbuilding will be seconded to the New Company.
	Business relationship	(At incorporation) Not applicable, as the new company has not started business. (After the Capital Increase through Third-party Allotment (planned)) The Company plans to order a new marine engine.
(11)	Financial positions and operating results for the previous fiscal year (ended March 31, 2022) (consolidated)	
	Net assets	132,926 million yen
	Total assets	461,161 million yen
	Net assets per share	779.08 yen
	Net sales	441,797 million yen
	Operating income	15,541 million yen
	Ordinary income	11,783 million yen
	Profit attributable to shareholders of Hitachi Zosen	7,899 million yen
	Earnings per share	46.87 yen
	There is no final fiscal year that has been finalized.	

3. Overview of business to be split

(1) Description of business to be split

Manufacturing and after-sales service of marine engines

(2) Operating results of the business to be split

Sales: Approx. 20 billion yen

(3) Items and book value of assets and liabilities to be split

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	10,332 million yen	Current liabilities	7,547 million yen
Non-current assets	4,018 million yen	Non-current liabilities	1 million yen
Investments and other assets	3 million yen		
Total	14,353 million yen	Total	7,548 million yen

(Note 1) Assets and liabilities are current estimates for the fiscal year end, March 31, 2023.

(Note 2) A portion of the buildings, machinery, etc. necessary for the operation of this business will be transferred to the new company. However, the land of our Ariake Works, which is the main manufacturing base for this business, is not subject to the divestiture, and accordingly a new lease agreement between the Company and the New Company is going to be executed separately.

4. Status after the company split

Except for the fact that the Absorption-type Split will result in the transfer of the Company's Business to the New Company, there will be no change in the Company's trade name, head office address, representative title and name, business activities, capital stock, or fiscal year end after the Absorption-type Split.

As stated in 2 above, the trade name of the New Company will be changed by April 1, 2023, its capital will be changed after the Capital Increase through Third-party Allotment and the representative will be chosen. There will be no change in the location of the New Company's head office, its business activities, and its fiscal year end.

III. Capital Increase through Third-Party Allotment by the New Company

1. Outline of Capital Increase by the new company through third-party allotment to Imabari Shipbuilding (planned)

(1) Number of shares to be issued	35,000 shares
(2) Allottee	Imabari Shipbuilding Co., Ltd.
(3) Payment date, execution date of third-party allotment	April 1, 2023 (planned)
(4) Capital to be Increased	1,750,000,000 yen (planned)

2. Outline of Imabari Shipbuilding

(1) Company Name	Imabari Shipbuilding Co., Ltd.	
(2) Head office	4-52, Koura-cho 1-chome, Imabari City, Ehime Prefecture, Japan	
(3) Title/Name of Representative	Representative Director, Yukito Higaki	
(4) Description of Businesses	Manufacturing of vessels	
(5) Capital	30,000 million yen	
(6) Date of Incorporation	January 15, 1942	
(7) Relationship with the Company	Capital relationship	Not applicable.
	Personal relationships	Not applicable.
	Business relationship	The Company has a track record of receiving orders of new marine engines from Imabari Shipbuilding.
	Related party relationship	Not applicable.
(8) Previous year's operating results (Consolidated)		
Fiscal Year-End	Year ended March 31, 2022	
Shareholders' equity	424,168 million yen	
Total assets	769,523 million yen	
Net sales	365,280 million yen	
Operating income	13,037 million yen	
Ordinary income	13,353 million yen	
Net income	8,526 million yen	

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

IV. Future Overview

The impact of this Transaction on our consolidated results of operations is expected to be immaterial. We will provide prompt notice if it is found to have a significant impact on our business performance.

(Reference) Consolidated Earnings Forecasts for the Fiscal Year (Announced on November 7, 2022) and
Consolidated Results for the Previous Fiscal Year

(Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to shareholders of Hitachi Zosen
Forecast for the Fiscal Year ending March 31, 2023	480,000	20,000	16,000	10,000
Results for the Fiscal Year ended March 31, 2022	441,797	15,541	11,783	7,899