



July 5, 2024

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## Notice of Inappropriate Conduct in the Marine Engine Business of Hitachi Zosen Group

Hitachi Zosen Corporation (hereinafter the “Company”) hereby announces that its consolidated subsidiaries which conduct marine engine business in the group, Hitachi Zosen Marine Engine Co., Ltd. (has succeeded the marine engine business (manufacture and after-sales service of marine engines) from the Company on April 1, 2023) (hereinafter “Hitachi Zosen Marine Engine”) and IMEX Co., Ltd. (hereinafter “IMEX”), were found to have improper rewriting in the test results of shop trial for marine engines (hereinafter “this Matter”). The details and the further actions of this Matter are as follows.

We sincerely apologize to all stakeholders for the significant loss of trust and for causing considerable inconvenience and concern.

To ensure non-recurrence of such situation again, the Company will promptly establish a special investigation committee composed of external experts and will thoroughly ascertain the facts and investigate the cause while also committing all efforts to prevent recurrence including a reassessment of our business operation structure and to restore trust.

The impact of this Matter on the financial results is currently under review. If any impact is anticipated based on further investigation results, the Company will immediately make an announcement.

## 1. Overview

On April 24, 2024, the Ministry of Land, Infrastructure, Transport and Tourism Maritime Bureau issued a reminder to marine engine manufacturers about the importance of thoroughly complying with environmental and safety regulations related to the manufacturing of marine engines and the need for proper business operations.

In response, Hitachi Zosen Marine Engine and IMEX immediately initiated an internal investigation (for summary, please refer to item 2 below). As a result, it was confirmed that there were inappropriate conducts on the “fuel consumption rate” (inappropriate rewriting of data) recorded in the “test results of shop trial” submitted to our customers at the shop trial test witnessed by the customer (hereinafter “shop trial test”). Specifically, the usage of a program which displays a fuel consumption value different from the actual value was confirmed. Possible impact on the calculation of “NOx emission” was confirmed as well.

Currently, we are taking measures to ensure conduct of shop trial test using appropriate data.

At this point in time, there have been no confirmed cases that may raise questions about the safety of the subject engines during test operation and actual use.

## 2. Results of the investigation to date

### (1) Engines under investigation

The investigation results for marine engines that are subject to NOx emission regulations and have completed the shop trial test manufactured by Hitachi Zosen Marine Engine (since November 1999) and IMEX (since September 1999) are as follows.

(As of July 4, 2024)

Company name	No. of units under investigation (No. of vessels)	No. of units for Japanese flag vessels (No. of vessels)	No. of units for non-Japanese flag vessels (No. of vessels)	No. of units with rewritten data (No. of vessels)
Hitachi Zosen Marine Engine	950 units (950 vessels)	47 units <sup>※1</sup> (47 vessels)	903 units (903 vessels)	950 units (950 vessels)
IMEX	416 units (415 vessels)	21 units <sup>※1</sup> (20 vessels)	395 units (395 vessels)	414 units (413 vessels)

※1 : All EIAPP certificates (Engine International Air Pollution Prevention certificates) were issued by ClassNK. The number of NOx emission verifications was 28 engine types for Hitachi Zosen Marine Engine and 11 engine types for IMEX.

(2) Interview results of relevant personnel

Through the interviews to relevant personnel, it was confirmed that the data was altered at the time of shop trial test to keep the fuel consumption rate within the permissible range required in the customer's specification and to reduce data variability. As the NOx emission verification tests were also conducted at the same time, there is a possibility that this may also affect the calculation of NOx emissions.

We believe that this Matter stems from a lack of awareness regarding compliance.

3. Related laws, regulations, standards, etc.

Currently, we are verifying whether there have been violations of laws, regulations, standards, etc. related to the subject engines.

We will continue to carefully investigate and report the impact on NOx emission regulations established by the Act on Prevention of Marine Pollution and Maritime Disaster and the International Maritime Organization, as well as the impact on CO2 emission regulations.

4. Establishment of special investigation committee

In response to this Matter, a special investigation committee composed of external experts will be established for the purpose of ascertaining the facts, investigating the cause and proposing measures to prevent recurrence.

5. Further actions

We take this Matter very seriously, and all our executives and employees, united as one, will commit to improving our systems and processes to ensure that such an incident does not occur again.

For customers who were delivered the subject marine engines, the Company, Hitachi Zosen Marine Engine and IMEX will explain the details of the inappropriate conducts individually and will respond sincerely.

Moving forward, based on the investigation results and proposal of recurrence preventive measures by the special investigation committee, the Company will promptly formulate and implement preventive measures. To ensure non-recurrence of such situation again, we will take stringent measures as a group and will commit to restore trust of customers and all related parties with utmost effort.

**【Overview of Hitachi Zosen Marine Engine Co., Ltd.】**

Head Office	1, Ariake, Nagasu-machi, Tamana-gun, Kumamoto, Japan
Representative	Representative Director Tatsuji Kamaya
Business	1. Manufacturing, sales, brokerage, rental, installation, repair, dismantling, and operation management of various prime movers such as internal combustion engines (MAN type, WinGD type), turbines and their parts as well as related comprehensive equipment 2. Research and development, testing and measurement, design, engineering, consulting and maintenance of the businesses listed in the previous item as well as sales and licensing of industrial property rights, manufacturing technology, know-how, etc. 3. Businesses related to above items
Capital	1,750 million yen
Sales	22,579 million yen (for year ended March 31, 2024)
Number of employees	302 (as of March 31, 2024)
History	November 2022: Establishment of HITZ Marine Engine Preparatory Corporation (100% owned by Hitachi Zosen Corporation) April 2023: The business name was changed to Hitachi Zosen Marine Engine Co., Ltd. and started business through absorption-type split of the marine engine business from Hitachi Zosen Corporation (65%) and investment from Imabari Shipbuilding Co., Ltd. (35%)

**【Overview of IMEX Co., Ltd.】**

Head Office	2293-1, Innoshimababu-cho, Onomichi, Hiroshima, Japan
Representative	Representative Director Teruyuki Doi
Business	1. Design, manufacture, installation, test operation, after-sales service and parts sales of boilers 2. Design, manufacture, installation, test operation, after-sales service and parts sales of environmental plants and equipment 3. Design, manufacture, after-sales service and parts sales of diesel engines (MAN type)
Capital	1,484 million yen
Sales	15,028 million yen (for year ended March 31, 2024)
Number of employees	352 (as of March 31, 2024)
History	January 1987: Established as Innoshima Boiler with full investment from Hitachi Zosen Corporation October 1990: Innoshima Koki, Sanyo Kiden and Nichizo Hiroshima Designing, which was divided from Hitachi Zosen Innoshima Works, were merged to establish IMEX Co., Ltd. for the purpose of strengthening the management base and expanding business

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