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Notice Concerning Introduction of Share-Based Remuneration Plan for Directors and Executive Officers of the Company

Hitachi Zosen Corporation (hereinafter the “Company”) hereby announces that, at the meeting of the Board of Directors held today, the Company resolved to introduce a share-based remuneration plan (hereinafter the “Plan”) for the Company’s Directors and Executive Officers (excluding Outside Directors and those who are non-residents of Japan; hereinafter collectively the “Eligible Directors, etc.”), and decided to submit a proposal regarding the introduction of the Plan to the 127th Ordinary General Meeting of Shareholders (hereinafter the “General Meeting of Shareholders”) to be held on June 20, 2024. The details are described below.

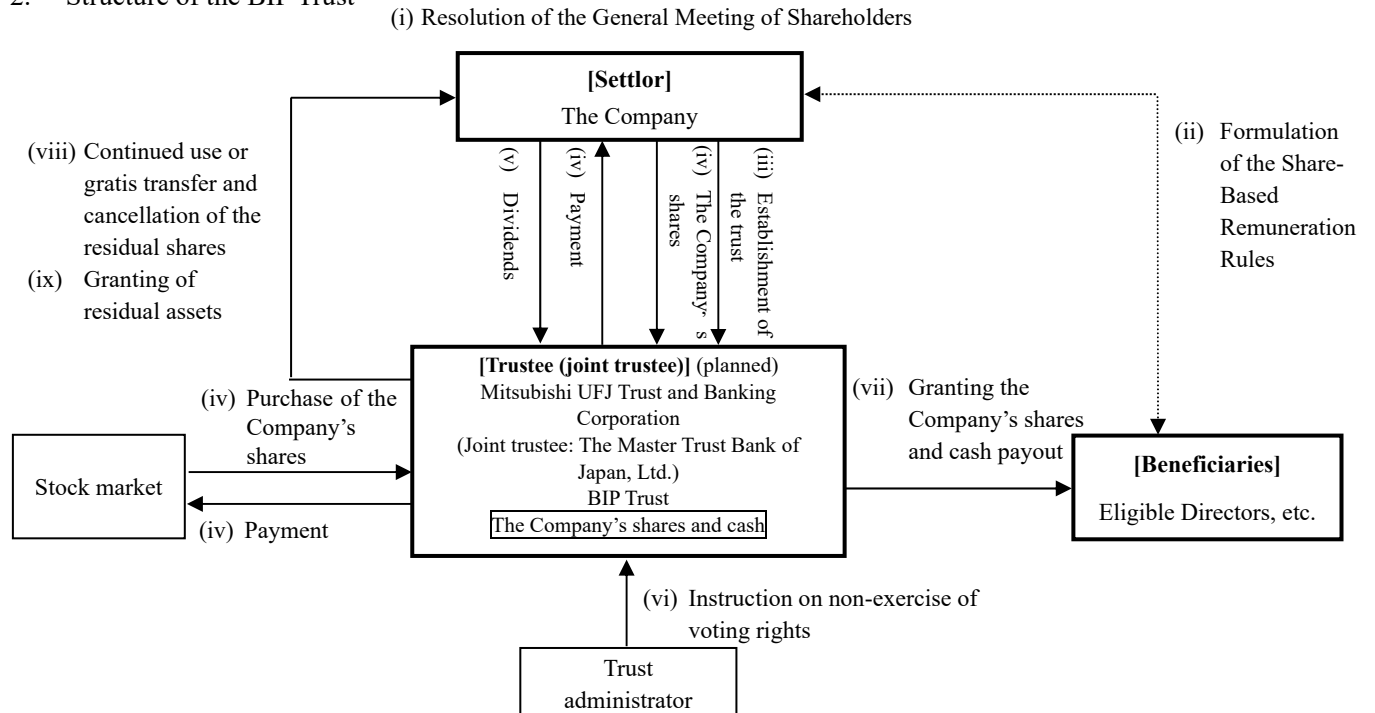
1. Introduction of the Plan

- (1) The Company will introduce the Plan for the Eligible Directors, etc. as a highly transparent and objective officer remuneration plan, aiming to raise their awareness of contributing to improving medium- to long-term business performance and maximizing corporate value.
- (2) The introduction of the Plan is subject to approval of the proposal regarding the introduction of the Plan at the General Meeting of Shareholders.
- (3) In introducing the Plan, the Company will adopt a scheme called a Board Incentive Plan (BIP) trust (hereinafter the “BIP Trust”).

The Plan is a share-based remuneration plan under which the Company’s shares and cash in an amount equivalent to the conversion value of the Company’s shares (hereinafter the “Company’s Shares, etc.”) are granted and paid to the Eligible Directors, etc. (hereinafter the “Granting, etc.”) based on the position of the Eligible Directors, etc.

(Note) If the Plan is introduced, the remuneration of the Eligible Directors, etc. of the Company will consist of “fixed remuneration,” “corporate performance-linked bonus” and “corporate performance-linked share-based remuneration.”

2. Structure of the BIP Trust



- (i) The Company will obtain the necessary resolution pertaining to officer remuneration in relation to the introduction of the Plan at the General Meeting of Shareholders.
- (ii) The Company will establish the Share-Based Remuneration Rules pertaining to officer remuneration in relation to the introduction of the Plan at a meeting of the Board of Directors.
- (iii) Within the scope approved by the resolution of the General Meeting of Shareholders as described in (i), the Company will entrust money as the source of remuneration for the Eligible Directors, etc., and will establish a trust (hereinafter the “Trust”) in which the Eligible Directors, etc. who fulfill the beneficiary requirements are the beneficiaries.
- (iv) In accordance with the instruction of the trust administrator, the Trust will acquire the Company’s shares from the Company or from the stock market using the money entrusted in (iii) as the funds. Furthermore, the number of shares acquired by the Trust will be within the scope approved by the resolution of the General Meeting of Shareholders as described in (i).
- (v) Dividends for the Company’s shares in the Trust will be paid in the same manner as for the Company’s other shares.
- (vi) The voting rights of the Company’s shares in the Trust will not be exercised during the trust period.
- (vii) During the trust period, the Eligible Directors, etc. will be granted a number of points based on the position of the Eligible Directors, etc., the level of achievement of performance targets and other factors in accordance with the Share-Based Remuneration Rules, and if the beneficiary requirements are fulfilled, the Eligible Directors, etc. will be granted the Company’s shares corresponding to a certain percentage of the number of points. For the number of the Company’s shares corresponding to the remaining number of points, the shares will be converted into cash within the Trust and the Eligible Directors, etc. will receive a payment of cash in an amount equivalent to the conversion value pursuant to the provisions of the trust agreement.
- (viii) In the event that residual shares remain at the expiration of the trust period due to a decrease in the number of the Eligible Directors, etc. or other reason during the trust period, the Company plans either to continue to use the Trust as an incentive plan similar to the Plan, by amending the trust agreement and entrusting additional money, or, through a gratis transfer of the residual shares from the Trust to the Company, to cancel the shares.

(ix) If residual dividends of the Company's shares remain in the Trust at the expiration of the trust period, the dividends will be used as share acquisition funds if the Trust continues to be used. However, if the Trust is terminated without being continued, the residual dividends will be attributable to the Company within the scope of the trust expense reserve (the funds contributed by the Company that are allocated for trust fees, trust expenses, etc.). In addition, any portion in excess of the trust expense reserve will be donated to an organization in which the Company and the Eligible Directors, etc. have no interests.

(Note) In the event that there are no shares of the Company in the Trust due to the Granting, etc. of the Company's Shares, etc. to the Eligible Directors, etc. who fulfill the beneficiary requirements during the trust period, the Trust will be terminated prior to the expiration of the trust period.

Furthermore, within the scope approved by the resolution of the General Meeting of Shareholders, the Company may entrust additional money to the Trust as the acquisition funds for the Company's shares for the Granting, etc. to the Eligible Directors, etc.

3. Details of the Plan

(1) Overview of the Plan

The Plan, which covers the period of two fiscal years from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2026 (if the trust period is extended as described below, each period shall cover three fiscal years in accordance with the subsequent medium-term management plans, and the same periods shall continue to be covered thereafter; hereinafter the "Applicable Period"), is a share-based remuneration plan for the Granting, etc. of the Company's Shares, etc. to the Eligible Directors, etc. based on the position, the level of achievement of performance targets and other factors in each fiscal year.

(2) Resolution of the General Meeting of Shareholders regarding the introduction of the Plan

The General Meeting of Shareholders will adopt a resolution on the maximum amount of trust money to be contributed to the Trust, maximum number of points to be granted to the Eligible Directors, etc., and other necessary matters.

If the trust period is extended (as described in (4) b) below), the amendments to the trust agreement and the entrustment of additional money at the expiration of the trust period shall be decided by a resolution of the Board of Directors within the scope approved by the General Meeting of Shareholders.

(3) Persons eligible for the Plan (beneficiary requirements)

The Eligible Directors, etc. shall receive the Company's Shares, etc. through the Granting, etc. from the Trust in a number corresponding to the number of share granting points (as described in (5) below) after completing the prescribed beneficiary vesting procedures, provided they have fulfilled the beneficiary requirements below.

(i) Persons who have remained in office as the Eligible Directors, etc. during the Applicable Period since the commencement date of the Plan (including those who newly become Eligible Directors, etc. since the commencement date of the Plan)

(ii) Persons who have not retired due to dismissal, and persons who have not engaged in certain acts of misconduct during their term of office

(iii) Other requirements, which are deemed necessary in order to achieve the aims of the corporate performance-linked share-based remuneration plan, have been fulfilled.

(4) Trust period

a) Initial trust period

The trust period of the Trust established under the Plan shall be approximately two years from August 2024 (planned) to August 2026 (planned).

b) Continuation of the Trust

At the expiration of the trust period, the Trust may be continued by amending the trust agreement and entrusting additional money. In such case, the fiscal years covered by the medium-term management plan established by the Company at that time shall, in principle, be the new Applicable Period, and the trust period of the Trust shall be extended to the period corresponding to the new Applicable Period. For each extended period, the Company shall make additional contributions within the scope of the maximum amount of trust money approved by the resolution of the General Meeting of Shareholders, and the granting of points and the Granting, etc. of the Company's Shares, etc. to the Eligible Directors, etc. shall continue for the new Applicable Period. However, in the case of making such additional contributions, if the Company's shares (excluding the Company's shares corresponding to the points granted to the Eligible Directors, etc., but for which the Granting, etc. has not yet been completed) and money (hereinafter the "Remaining Shares, etc.") remain in the trust assets as of the last day of the trust period prior to the extension, the total amount of the Remaining Shares, etc. and the additionally contributed trust money shall be within the scope of the maximum amount of trust money approved by the resolution of the General Meeting of Shareholders. The trust period may be extended more than once, and the Trust may continue to be used through subsequent extensions in the same way in the future.

(5) Number of the Company's Shares, etc. to be provided through the Granting, etc. to the Eligible Directors, etc.

The number of the Company's Shares, etc. to be provided through the Granting, etc. to the Eligible Directors, etc. is determined by the number of points granted based on the position, the level of achievement of performance targets and other factors in accordance with the Share-Based Remuneration Rules. The number of points granted varies within a range of 0% to 200% based on the level of achievement of performance targets and other factors and is calculated after a separate adjustment according to the evaluation of non-financial value, etc. For the initial Applicable Period, the Company shall use the level of achievement in performance for consolidated operating income margin and consolidated net sales and an evaluation of non-financial value, etc. as the performance evaluation indicators. For the Applicable Period after the fiscal year ending March 31, 2026, the Board of Directors shall determine the performance evaluation indicators based on the medium-term management plan at that time.

Furthermore, one point shall be equal to one share of the Company's common stock, and in the event that a share split, share consolidation, etc. occurs during the trust period for the Company's shares in the Trust, the number of the Company's shares per point and the maximum number of the Company's Shares, etc. for the Granting, etc. in (7) below shall be adjusted according to the share split ratio, share consolidation ratio, etc.

- (6) Maximum amount of trust money to be contributed to the Trust and the maximum number of points to be granted

The total amount of trust money to be contributed to the Trust by the Company during the trust period and the total number of points to be granted in the Trust to the Eligible Directors, etc. shall be set to the following upper limits.

- a) Maximum amount of trust money to be contributed to the Trust by the Company during the trust period

Amount obtained by multiplying 225 million yen by the number of fiscal years of the Applicable Period^{*1, *2}

*1 For the initial Applicable Period, a total of 450 million yen for two fiscal years.

*2 The maximum amount of trust money is calculated by adding the trust fees and trust expenses to the share acquisition funds, taking into account the current remuneration level of the Company's Directors, etc.

- b) Maximum number of points to be granted to the Eligible Directors, etc. per fiscal year

180,000 points^{*3, *4}

*3 For the initial Applicable Period, a total of 360,000 points for two fiscal years.

*4 For the trust period, the number of shares acquired by the Trust shall not exceed the upper limit for the number of shares that corresponds to the number calculated by multiplying the maximum number of points to be granted to the Eligible Directors, etc. per fiscal year by the number of years in the trust period. The same shall also apply if the Trust is continued.

- (7) Method and timing of the Granting, etc. of the Company's Shares, etc. to the Eligible Directors, etc.

The Eligible Directors, etc. who fulfilled the beneficiary requirements in (3) above shall, by completing the prescribed beneficiary vesting procedures at a certain time during their term of office, be granted the Company's shares corresponding to a certain percentage of the number of share granting points from the Trust. For the number of the Company's shares corresponding to the remaining number of share granting points, the shares shall be converted into cash within the Trust and the Eligible Directors, etc. shall receive a payment of cash in an amount equivalent to the conversion value from the Trust.

- (8) Method of acquisition of the Company's shares by the Trust

The Trust shall acquire the shares from the stock market or from the Company within the scope of the upper limits set in (6) above for the maximum amount of trust money and the maximum number of shares to be acquired.

- (9) Exercise of voting rights of the Company's shares in the Trust

To ensure neutrality in the Company's management, the voting rights of the Company's shares in the Trust shall not be exercised during the trust period.

- (10) Handling of dividends of the Company's shares in the Trust

The dividends of the Company's shares in the Trust shall be received by the Trust and used for the trust fees, trust expenses, etc. of the Trust.

(11) Handling of residual shares and residual dividends at the termination of the Trust

In the event that residual shares remain at the termination of the Trust (in cases where the trust period was extended, at the expiration of the extended period) due to a decrease in the number of the Eligible Directors, etc. or other reason during the Applicable Period, the Company shall acquire the residual shares through a gratis transfer from the Trust as a measure for returning profit to shareholders, and the Company shall cancel the shares by a resolution of the Board of Directors.

In addition, if residual dividends of the Company's shares remain in the Trust at the expiration of the trust period, the dividends shall be used as share acquisition funds if the Trust continues to be used. However, if the Trust is terminated, any portion in excess of the trust expense reserve shall be donated to an organization in which the Company and the Eligible Directors, etc. have no interests.

[Reference]

[Details of trust agreement]

(i)	Type of trust	Monetary trust other than specified individually-operated monetary trust (third-party-benefit trust)
(ii)	Purpose of trust	To provide incentives to the Eligible Directors, etc.
(iii)	Settlor	The Company
(iv)	Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
(v)	Beneficiaries	Eligible Directors, etc. who fulfill the beneficiary requirements
(vi)	Trust administrator	Third party who has no interests with the Company (certified public accountant)
(vii)	Trust agreement date	August 2024 (planned)
(viii)	Trust period	From August 2024 to August 2026 (planned)
(ix)	Plan launch date	August 2024 (planned)
(x)	Exercise of voting rights	Not to be exercised
(xi)	Class of shares to be acquired	Common stock of the Company
(xii)	Maximum amount of trust money	450 million yen (planned) (Includes trust fees, trust expenses, etc.)
(xiii)	Method of acquisition of shares	To be acquired from the stock market or from the Company
(xiv)	Rights holder	The Company
(xv)	Residual assets	The Company, as the rights holder, may receive residual assets within the scope of the trust expense reserve after deducting the share acquisition funds from the trust money.

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