

September 26, 2022

Hitachi Zosen Corporation

Imabari Shipbuilding Co., Ltd.

Hitachi Zosen to Establish New Company for Marine Diesel Engine Business, and
Basic Agreement on Capital Participation of Imabari Shipbuilding Co., Ltd.
in The New Company

Hitachi Zosen Corporation (Osaka, Japan; President and CEO: Sadao Mino; hereinafter "Hitachi Zosen") and Imabari Shipbuilding Corporation (Imabari City, Ehime Prefecture, Japan; President: Yukito Higaki; hereafter "Imabari Shipbuilding") have recently signed a basic agreement regarding Imabari Shipbuilding's 35% equity participation in a new company to be established through the spin-off of Hitachi Zosen's marine diesel engine business.

Hitachi Zosen has been in the marine diesel engine business since 1940 and is the only double licensee in Japan of MAN Energy Solutions (Germany) and Winterthur Gas & Diesel (Switzerland), two of the world's leading manufacturers of marine power systems. The Company has manufactured a cumulative total of 42.85 million horsepower and 2,975 units for shipbuilders in Japan and overseas.

The Imabari Shipbuilding Group, founded in 1901, is the largest shipbuilding specialist in Japan and builds a wide variety of environmentally friendly ships. With 10 domestic plants, mainly in the Seto Inland Sea, the Group has a leading global market share, has been number one in Japan in terms of construction volume for 19 consecutive years and has built more than 2,800 vessels since its establishment.

The marine engines business of Hitachi Zosen and the shipbuilding business of Imabari Shipbuilding are exposed to a harsh business environment of intensified competition in Japan and abroad and fluctuating prices of steel and other resources. In addition, the expected level of technology has increased in recent years, including fuel conversion of marine diesel engine towards carbon neutrality and the development of zero-emission vessels.

The initiatives under the Basic Agreement will ensure the stable supply and procurement of marine prime movers for both Hitachi Zosen and Imabari Shipbuilding. The aim is to achieve sustained improvement in the corporate value of Hitachi Zosen and Imabari Zosen by increasing profitability through cost reductions by strengthening transactions and optimising material procurement, and by strengthening the development system.

Outline of The New Company:

1. Company name: To be determined
2. Date of incorporation: To be determined
3. Start of business: April 2023 (Tentative)
4. Paid-in Capital: To be determined
5. Ownership: Hitachi Zosen 65%, Imabari Shipbuilding 35%.
6. Location: To be determined
7. Representative: To be appointed by Hitachi Zosen
8. Business activities: Manufacture of marine diesel engine and after-sales service business