

December 8th,2021

Company name: Hitachi Zosen Corporation
Representative name: Sadao Mino, President and COO
(Securities code: 7004; 1st Sect. of Tokyo Stock Exchange)
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**Notice Regarding Share Acquisition of Steinmüller Babcock Environment Group Companies
(to make them subsidiaries)**

Hitachi Zosen Corporation (HZA) hereby announces that its board of directors has resolved that Hitachi Zosen Inova AG (Zurich, Switzerland, hereafter, "HZI"), a wholly-owned subsidiary of HZA and specialized in the engineering, construction, maintenance and operations of Energy-from-Waste (EfW) and biogas plants, will acquire the shares of Steinmüller Babcock Environment GmbH (Gummersbach, Germany, hereafter, "SBE") that is engaged in the engineering, procurement, construction and maintenance of EfW plants as well as engineering, procurement and construction of flu gas treatment systems for thermal power plants and others in Europe, and make SBE its subsidiary (hereafter, "transaction"). HZI will conclude the share purchase agreement with Nippon Steel Engineering Co., Ltd. (Shinagawa-ku, Tokyo, President; Yukito Ishiwa) that currently owns the shares of SBE on December 9th, 2021. Subject to the completion of the procedures, Steinmüller Babcock Montaż Sp. z o.o., a wholly-owned subsidiary of SBE based in Poland and specialized in the after-sale maintenance and construction work will also become a consolidated subsidiary of Hitachi Zosen group.

The execution of this transaction is subject to, among other things, the approval of a national competition authority, which must be notified, the absence of breaches of representations and warranties, the completion of the necessary formalities, including the receipt of the accounting and audit reports, and the fulfilment of other general preconditions for its execution.

1. Rationale for the Transaction

SBE group has extensive experience of EfW projects and strong market penetration and installed base of incineration equipment supply in Nordic countries including Germany, Finland and Sweden. HZI has extensive market penetration and coverage of EfW projects in various regions including UK, Switzerland, Middle East, Russia and other countries. As HZI has different markets and product offerings from SBE group, this transaction will enable our group to have a complementary offering and extended and strengthened market coverage, thus contributing to accelerating the implementation of our group's key strategy of service and after sale maintenance business growth all across Europe on existing EfW plants.

After the acquisition of shares, we aim to return SBE to profitability as soon as possible, through synergies with HZI, by strengthening the highly profitable core remodeling work, service and maintenance business, strengthening project management, enhancing procurement capabilities, and reducing administrative costs. More specifically, HZI aims to further expand its share of the service and maintenance market in Europe by including boiler-related services, in which the SBE Group excels, in addition to incinerator services, in which HZI excels.

Through the sanitary waste treatment and the provision of clean energy, Hitachi Zosen Group will continue to actively contribute to achievement of the SDGs (Sustainable Development Goals) which was adopted at the United Nations Summit and solution of the global environment problems.

2. Overview of the purchaser that executes share acquisition

(1)	Company name	Hitachi Zosen Inova AG
(2)	Location	Hardturmstrasse 127, 8005 Zurich, Switzerland
(3)	Representative	Bruno-Frédéric Baudouin (CEO)
(4)	Business activities	Design, procurement, construction, maintenance, and operation of EfW plants and biogas plants
(5)	Paid-in capital	40 million Swiss Franc

3. Overview of companies to be transferred

(1)	Company name	Steinmüller Babcock Environment GmbH ("SBE")
(2)	Location	Fabrikstraße 1, 51643 Gummersbach, Germany
(3)	Representative	Thomas Feilenreiter (Managing Director)
(4)	Business activities	Design, procurement, construction and after sales service of EfW plants and design, procurement and construction of flu gas treatment equipment for thermal power plants
(5)	Paid-in capital	90 million Euro
(6)	Establishment	October 10th, 2002 (Founded in 1824)
(7)	Shareholder	Nippon Steel Engineering Co., Ltd. 100%

(8)	Relationship between the listed company and this company	Capital relationship	There is no capital relationship between our Company and SBE which is required to be stated. In addition, there are no particularly notable capital relationships between the relevant people and affiliates of our Company and the relevant people and affiliates of SBE.
		Personal relationship	There is no personal relationship between our Company and SBE which is required to be stated. In addition, there are no particularly notable personal relationships between the relevant people and affiliates of our Company and the relevant people and affiliates of SBE.
		Business relationship	There is no business relationship between our Company and this company which is required to be stated. In addition, there are no particularly notable business relationships between the relevant people and affiliates of our Company and the relevant people and affiliates of SBE.

(9) Consolidated business results and financial position of the last three years (Unit : Thousands of Euro)			
Fiscal year ended	December 31, 2018	December 31, 2019	December 31,2020 (Note 1)
Consolidated net assets	18,346	-12,059	-15,032 (Note 2)
Consolidated total assets	97,293	97,305	135,858
Consolidated net assets per share	18,346	-12,059	-7,516
Consolidated net sales	166,019	157,690	86,408
Consolidated operating income	-8,133	-28,704	-77,500

Consolidated net income before income taxes	-8,967	-29,105	-77,932
Profit attributable to owners of the parent company	-9,853	-30,373	-77,961
Consolidated net income per share	-9,853	-30,373	-38,980
Dividends per share	—	—	—

(Note 1) Audit of fiscal year ended December 2020 has not been completed. Receipt of accounting audit report or relevant report is a closing condition.

(Note 2) The state of excessive liabilities will be resolved by capital injection from Nippon Steel Engineering Co., Ltd. before by the date of the share acquisition execution date.

4. Overview of the seller that transfers shares

(1)	Company Name	Nippon Steel Engineering Co., Ltd. (“NSE”)	
(2)	Location	Osaki Center Building, 1-5-1 Osaki, Shinagawa-ku, Tokyo 141-8604 Japan	
(3)	Representative	Yukito Ishiwa (Representative director and President)	
(4)	Business activities	Construction of ironmaking plants, environment plants, energy plants and urban infrastructures	
(5)	Paid-in capital	15,000 million yen	
(6)	Establishment	July 1st, 2006 Originally, engineering business headquarters established in 1974 in Shin-Nippon Steel Corporation (currently, Nippon Steel Corporation)	
(7)	Shareholder	Nippon Steel Corporation (100%)	
(8)	Net assets	96,741 million yen	
(9)	Total assets	237,225 million yen	
(10)	Relationship between Listed company and this company	Capital relationship	There is no capital relationship between our Company and NSE which is required to be stated. In addition, there are no particularly notable capital relationships between the relevant people and affiliates of our Company and the relevant people and affiliates of NSE.
		Personal relationship	There is no personal relationship between our Company and NSE which is required to be stated. In addition, there are no particularly notable personal relationships between the relevant people and affiliates of our Company and the relevant people and affiliates of NSE.
		Business relationship	There is no business relationship between our Company and NSE which is required to be stated. In addition, there are no particularly notable business relationships between the relevant people and affiliates of our Company and the relevant people and affiliates of NSE.
		Applicability to the related parties	NSE is not a related party of our Company. In addition, no person or company related to NSE is a related party of our Company.

5. Number of shares acquired, value of acquisition, and status of share ownership before and after the transaction

(Steinmüller Babcock Environment GmbH)

(1)	Status of shares owned before transaction	0 share (Proportion of voting rights held:0.0%)
(2)	Number of acquired shares	3 shares
(3)	Value of acquisition	Not to be disclosed
(4)	Status of shares owned after transaction	3 shares (Portion of voting rights held : 100.0%)

(Note) Value of acquisition is determined by due diligence and valuation of equity value by the independent calculation organization. Value of acquisition is not to be disclosed due to non-disclosure agreement, but it is less than 15% of our Company's consolidated net assets of immediately before the consolidated fiscal year end and net assets of immediately before the current business year end.

6. Schedule

(1)	Board resolution	December 8th, 2021
(2)	Contract date	December 9th, 2021 (tentative)
(3)	Share acquisition execution date	By around February 2022 (tentative)

7. Future outlook

The impact of the transaction on the Company's consolidated results for the year ending 31 March 2022 is currently being assessed and will be announced as soon as there is a need to do so.

(End)

(Reference)

Forecasts for consolidated financial results (Published on November 1st, 2021) and previous year's consolidated financial results

(Unit : million yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Profit attribute to owners of the parent company
Forecast for consolidated financial results (Fiscal year ending March 2022)	400,000	14,000	9,000	5,000
Previous year's consolidated financial results (Fiscal year ended March 2021)	408,592	15,396	11,792	4,258