



January 27, 2021

Kawasaki Heavy Industries, Ltd.

Hitachi Zosen Corporation

Basic agreement concluded on the establishment of a new company
for the Tunnel Boring Machine (TBM) business

Kawasaki Heavy Industries, Ltd. (headquartered in Minato-ku, Tokyo; President & CEO: Yasuhiko Hashimoto) and Hitachi Zosen Corporation (headquartered in Osaka City, Osaka; President & COO: Sadao Mino) have concluded a basic agreement to start detailed studies for the establishment of a new company in the TBM business.

The preparatory committee established today by the two companies will take the lead in discussions toward the establishment of a new company in October 2021.

Kawasaki has been developing the TBM business in Japan and overseas since 1957, and Hitachi Zosen since 1967. In recent years, both companies have mainly delivered TBMs for tunnel construction of domestic railways, subways, roads, sewers, etc. Besides, while the growth of the domestic market is expected to be limited in the medium to long-term business environment, there are opportunities to enter overseas markets such as Europe, North America, South America, and the Middle East. Furthermore, continued demand is expected especially in India and Southeast Asia.

Kawasaki, with technical strengths in models suitable for ultra-large diameter, high water pressure, rock and long-distance excavation, has delivered more than 1,400 units in Japan and overseas. In addition, Hitachi Zosen, with a wide variety of models, from small diameters to ultra-large diameters, irregular shapes, and rectangular shapes, has delivered more than 1,300 units in Japan and overseas.

In anticipation of the future market environment, the two companies have been discussing collaboration based on the "spirit of equality" in order to develop TBM business and strengthen its competitiveness. As a result, the two companies have reached a basic agreement to consider establishing a new company that can create new value and meet the needs of a wide range of customers by utilizing and strengthening the advantages of both companies' sales and technological capabilities, a wide variety of product lineups, and supply chains.

The new company will complement and strengthen the resources owned by both companies, and will carry out sales and engineering operations. Furthermore, by leveraging the synergies in the sales and technical fields created by the integration, the new company will expand its business in Japan and overseas, and aim to be a company that can contribute to the development of social infrastructure through TBM business.

Outline of the basic agreement

Location of the new company	Head office in the Kansai area, and sales office in the Tokyo area
Business activities	Sales and engineering of TBM
Establishment date	October 2021 (Target)
Ownership	Kawasaki Heavy Industries 50 : Hitachi Zosen 50