

(Translation)

(Securities Code 7004)

June 3, 2016

Dear Shareholders

Takashi Tanisho, President

Hitachi Zosen Corporation

7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka

NOTICE OF THE 119TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 119th Ordinary General Meeting of Shareholders of Hitachi Zosen Corporation (“the Company”). The meeting shall be held as described below.

If you are unable to attend the meeting in person, we kindly ask you to review the “Reference Documents for the General Meeting of Shareholders” (described hereinafter), and exercise your voting rights in writing or via the Internet, etc. by 5:00 p.m. on Wednesday, June 22, 2016 (exercise date).

[If you exercise your voting rights by mail (in writing)]

Please indicate your vote for or against the proposals on the enclosed Voting Right Exercise Form, and return it so that it is delivered by the above-mentioned exercise date.

[If you exercise your voting rights via the Internet]

After reviewing the “Instructions on Exercising Voting Rights via the Internet” (page 3), please access the designated website (<http://www.evot.jp/>) (available in Japanese only) with login ID and temporary password stated on the enclosed Voting Right Exercise Form, and follow the online instructions to exercise your vote by the above-mentioned exercise date.

1. Date and Time: June 23, 2016 (Thursday), 10:00 a.m. (Doors open 9:00 a.m.)

2. Place: Hotel Osaka Bay Tower, 4th Floor, “Bay Tower Hall”
ORC 200, 2-1, Benten 1-chome, Minato-ku, Osaka, Japan

3. Purposes

I. Matters to be Reported:

1. The Business Report and report on the Consolidated Financial Statements and Non-consolidated Financial Statements for the 119th business year (from April 1, 2015 to March 31, 2016)
2. The Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements for the 119th business year

II. Matters to be Resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Ten (10) Directors
Proposal 3: Election of One (1) Corporate Auditor

4. Matters Decided for Convocation

- (1) If the voting rights are exercised multiple times both in writing and via the Internet:
The exercise of the voting rights via the Internet will be deemed effective.
- (2) If the voting rights are exercised multiple times via the Internet:
The last exercise of the voting rights will be deemed effective. This shall also apply in cases where voting rights are exercised multiple times via PC, smartphone and cellular phone.

* The Consolidated Financial Statements and Non-consolidated Financial Statements provided in the attachment to this Notice are part of the Consolidated Financial Statements and Non-consolidated Financial Statements that have been audited by the Corporate Auditors and the Accounting Auditor. Based on the relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company, the following items are provided on the website of the Company: <http://www.hitachizosen.co.jp/ir/stock/meeting.html> (Japanese only)

- 1) Notes to the Consolidated Financial Statements
- 2) Notes to the Non-consolidated Financial Statements

* Any modification that may be required in the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements, or in the Reference Documents for the General Meeting of Shareholders will be published on the website of the Company: <http://www.hitachizosen.co.jp/ir/stock/meeting.html> (Japanese only)

Instructions on Exercising Voting Rights via the Internet

Voting rights can be exercised via the Internet using a PC, a smartphone or a cellular phone through the website for exercising voting rights designated by the Company (<http://www.evotep.jp/>) (available in Japanese only). The website is not available from 2:00 a.m. to 5:00 a.m. each day.

When exercising your voting rights via the Internet, you must do so before 5:00 p.m. June 22, 2016 (Wednesday).

How to exercise voting rights via Internet

- (1) To exercise your voting rights via the Internet, you need the “login ID” and “temporary password” stated on the enclosed Voting Right Exercise Form. Please have them ready when exercising your voting rights.
- (2) Please access the website for exercising voting rights designated by the Company (<http://www.evotep.jp/>) via PC, smartphone or cellular phone, and indicate your vote for or against the proposals by following the online instructions.
- (3) Please note that shareholders exercising voting rights via the Internet will be asked to change their “temporary password” on the website for exercising voting rights in order to prevent unauthorized access (identity theft) or alteration of the voting by non-shareholders.

Cautionary matters

- (1) Exercising voting rights via PC or smartphone may not be possible depending on your Internet usage environment, for example if you use a firewall for your Internet connection, if you have anti-virus software installed, if you use a proxy server, or if you are communicating without TLS encryption.
- (2) When exercising voting rights via cellular phone, please use one of the following services: i-mode, EZweb or Yahoo! Keitai. For security purposes, voting rights cannot be exercised via models that do not allow encrypted communication (TLS communication) or transmission of the cellular phone information.
* “i-mode,” “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI Corporation and U.S. Yahoo! Inc., respectively.
- (3) Any fees for accessing the website for exercising voting rights (Internet connection fees, etc.) shall be borne by the shareholder.

If you have any inquiries, please contact the helpdesk, for which the details are provided below.

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division (helpdesk)
Telephone: 0120-173-027 (toll free and available from 9:00 a.m. to 9:00 p.m.;
within Japan only)

Platform for Exercise of Voting Rights

The Company participates in the Electronic Voting Platform for Institutional Investors managed by ICJ Inc.

For shareholders registered in the name of a custodian trust bank, etc. (including permanent agents), by making prior application for the said platform's use, it is possible to exercise one's voting rights for the Company's General Meeting of Shareholders using the said platform as a method for exercising one's voting rights by electronic method, separate to the exercising of one's voting rights via the Internet mentioned above.

Disclaimer:

These documents have been translated from Japanese originals for reference purposes only.

In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail.

The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

Our basic policy on distribution of profit is that we provide stable and sustainable dividends based on business results, and enhance retained earnings required for future business development. Retained earnings should be employed for capital investment, research and development (R&D) and business investment, aiming to strengthen our business base and expand business field.

In accordance with the above policy, from the comprehensive perspective of the business result for the current business year and retained earnings for the future business development, we hereby propose the year-end dividend for the current business year as follows. Since we booked higher profit attributable to shareholders of Hitachi Zosen than the previous business year and led to the certain profit levels that allow for a dividend increase, we plan to increase the payment by 2 yen per share compared with the previous business year.

- (i) Dividend to be paid by cash
- (ii) Items concerning allocation of dividend property to shareholders and total amount thereof
Dividend per share of the Company's common stock: 12 yen
Total amount: 2,022,777,300 yen
- (iii) Effective date of commencement of payment: June 24, 2016


Proposal 2: Election of Ten (10) Directors

The term of office of all ten (10) present Directors will expire at the close of this General Meeting of Shareholders. Accordingly, we propose to elect ten (10) Directors.


The candidates for Directors are as follows:


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
1	<p><u>Reappointed</u></p>  <p>Minoru Furukawa (June 13, 1943)</p>	<p>April 1966 Joined the Company</p> <p>June 1994 General Manager of Accounting & Finance Dept., the Company</p> <p>June 1998 Director, the Company</p> <p>June 2001 Representative Director, Senior Managing Director, the Company</p> <p>June 2004 Assistant to the President (Responsible for Corporate Planning, General Affairs, Human Resources, Accounting & Finance, Procurement and Subsidiary Administration), the Company</p> <p>April 2005 Representative Director, President, the Company</p> <p>June 2010 Representative Director, Chairman and President, the Company</p> <p>April 2013 Representative Director, Chairman and Chief Executive Officer, the Company</p> <p>April 2016 Representative Director, Chairman, the Company (current position)</p>	159,987
		<p><Reasons for nominating the candidate as Director></p> <p>Since he took the position of President of the Company in April 2005, and particularly during his service as Chairman and Chief Executive Officer since April 2013, Mr. Furukawa has demonstrated outstanding managerial ability as head of Hitachi Zosen Group ("the Group") in working toward the Group's further development, particularly with regard to structural reforms. The Company has determined that Chairman Mr. Furukawa will be able to draw on his extensive knowledge and experience in all aspects of management to contribute to increased corporate value for the Group. Thus, once again, the Company has designated Mr. Furukawa as a candidate for Director.</p>	


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
2	<p><u>Reappointed</u></p>  <p>Takashi Tanisho (February 26, 1949)</p>	<p>April 1973 Joined the Company</p> <p>June 2010 Director, the Company</p> <p>June 2010 Responsible for Precision Machinery Headquarters, General Manager of Precision Machinery Headquarters, and General Manager of Chikkou Works, the Company</p> <p>April 2012 Managing Director, the Company</p> <p>April 2012 Responsible for Business & Product Development Headquarters and Precision Machinery Headquarters, and General Manager of Business & Product Development Headquarters, the Company</p> <p>April 2013 Representative Director, President and Chief Operating Officer, the Company</p> <p>April 2016 Representative Director, President and Chief Executive Officer, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Since he took the position of President and COO of the Company in April 2013, Mr. Tanisho has worked to strengthen profitability, expand operations and reinforce the Group's financial position based on his extensive experience and track record of business operations in departments in charge of R&D and technology, and manufacturing and of management at subsidiaries and affiliates. The Company has determined that President and CEO Mr. Tanisho is well-qualified to play a key role in further developing the Group and putting our corporate philosophy into practice. Thus, once again, the Company has designated Mr. Tanisho as a candidate for Director.</p>	81,316


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
3	<p data-bbox="363 282 496 309"><u>Reappointed</u></p>  <p data-bbox="320 566 539 622">Masaki Hashikawa (January 25, 1949)</p>	<p data-bbox="568 282 1238 891"> April 1971 Joined The Sanwa Bank, Limited June 1998 Director, The Sanwa Bank, Limited March 2001 Managing Executive Officer, The Sanwa Bank, Limited May 2002 Senior Managing Executive Officer, UFJ Bank Limited April 2003 Director, Executive Vice President, Nissho Iwai - Nichimen Holdings Corporation June 2003 Executive Vice President, Nissho Iwai Corporation April 2004 Representative Director, Chairman, Sojitz Corporation July 2004 Director, Executive Vice President, Sojitz Holdings Corporation October 2005 Representative Director, Executive Vice President, Sojitz Corporation April 2008 Representative Director and Vice Chairman, Sojitz Corporation June 2013 Vice-Chairman, the Company (current position) </p> <p data-bbox="568 902 1238 1240"> <Reasons for nominating the candidate as Director> Mr. Hashikawa has an extensive track record as a member of management at major financial institutions and major trading companies. He has fulfilled the role of decision-making relating to business execution for the Company, which is now promoting stronger corporate governance, the globalization of business, etc. The Company anticipates that, based on this experience and track record, Mr. Hashikawa will be able to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Hashikawa as a candidate for Director. </p>	19,055


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
4	<p style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Masayuki Morikata (September 2, 1951)</p>	<p>April 1974 Joined the Company</p> <p>June 2010 Director, the Company</p> <p>April 2012 Managing Director, the Company (current position)</p> <p>April 2012 Responsible for Corporate Planning Dept., Accounting & Finance Dept. and Overseas Business Administration Dept., the Company</p> <p>April 2015 General Manager of Corporate Planning Headquarters, the Company</p> <p>June 2015 General Manager of General Administration Headquarters, and General Manager of Corporate Planning Headquarters, the Company</p> <p>April 2016 Responsible for Procurement Headquarters, General Manager of General Administration Headquarters, and General Manager of Corporate Planning Headquarters, the Company (current position)</p> <p>(Significant Concurrent Positions)</p> <p>President, Ito Country Club Corporation</p> <p>President, Accounting & Finance Corporation</p> <p>President, HITACHI ZOKEN TOURIST Co., Ltd.</p> <p><Reasons for nominating the candidate as Director></p> <p>Mr. Morikata has extensive knowledge and experience in all aspects of management, having been responsible for corporate planning, accounting & finance, general affairs & human resources, legal matters, overseas operations and management of Group companies. The Company anticipates that, based on this experience and track record, Mr. Morikata will be able to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Morikata as a candidate for Director.</p>	34,557

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
5	<p><u>Reappointed</u></p>  <p>Wataru Kobashi (January 24, 1952)</p>	<p>April 1974 Joined the Company</p> <p>April 2012 General Manager of Business Planning Headquarters, the Company</p> <p>June 2012 Director, the Company</p> <p>April 2013 Responsible for Business Planning Headquarters, and General Manager of Business Planning Headquarters, the Company</p> <p>April 2014 Managing Director, the Company (current position)</p> <p>April 2015 General Manger of Machinery Business Headquarters, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Possessing extensive knowledge and experience in sales (including being stationed overseas) and business planning departments, Mr. Kobashi is currently serving as General Manager of Machinery Business Headquarters, where he is working on reforming the headquarters' earnings structure and other initiatives. The Company anticipates that, based on this experience and track record, Mr. Kobashi will be able to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Kobashi as a candidate for Director.</p>	15,353
6	<p><u>Reappointed</u></p>  <p>Sadao Mino (August 27, 1957)</p>	<p>April 1982 Joined the Company</p> <p>April 2011 Executive Officer, the Company</p> <p>April 2011 General Manager of Environmental Solutions EPC Business Unit, Engineering Headquarters, the Company</p> <p>January 2013 General Manager of Engineering Business Division, Environment, Energy & Plant Headquarters, the Company</p> <p>April 2013 Managing Executive Officer, the Company</p> <p>April 2015 General Manager of Environment Business Headquarters, and Responsible for Architect Supervision Dept. and Quality Assurance Dept., the Company (current position)</p> <p>June 2015 Managing Director, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Mino has long been engaged mainly in engineering activities in the Environmental Systems Business segment of the Company, and he has extensive experience and specialist capabilities in a variety of technologies related to engineering, procurement and construction. Currently as General Manager of Environment Business Headquarters, he is working on globalization and business expansion, etc. of the Environment Systems and Industrial Plant Businesses. The Company anticipates that, based on this experience and track record, Mr. Mino will be able to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Mino as a candidate for Director.</p>	17,691

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
7	<p data-bbox="343 286 513 315"><u>Newly appointed</u></p>  <p data-bbox="327 568 529 629">Toshiyuki Shiraki (June 24, 1958)</p>	<p data-bbox="564 293 1244 795"> April 1984 Joined the Company April 2012 General Manager of Overseas Project Execution Dept., Environmental Systems EPC Business Unit, Environmental Systems & Solutions Division, Engineering Headquarters, the Company January 2013 General Manager of EPC Business Unit, Engineering Business Division, Environment, Energy & Plant Headquarters, the Company April 2013 Executive Officer, the Company April 2015 General Manager of Business Planning Headquarters, the Company April 2016 Managing Executive Officer, the Company (current position) April 2016 General Manager of Technology Development Headquarters, and General Manager of Business Planning Headquarters, the Company (current position) </p> <p data-bbox="564 808 933 869">(Significant Concurrent Position) President, Hitz Holdings U.S.A. Inc.</p> <p data-bbox="564 875 1244 1310"> <Reasons for nominating the candidate as Director> Mr. Shiraki has long been engaged mainly in engineering, R&D and construction activities in the Environmental Systems Business segment of the Company, and has been involved in promoting overseas projects. He has extensive experience and technical skills, as well as detailed knowledge of field activities and in-depth specialist capabilities. The Company has determined that, in addition to these insights and capabilities, Mr. Shiraki has human qualities suitable for a member of the management of the Company. In addition, the Company anticipates that Mr. Shiraki will be able to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, the Company has designated Mr. Shiraki as a candidate for Director. </p>	15,400

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
8	<p>Reappointed</p> <p>Candidate for Outside Director</p> <p>Candidate for independent officer</p>  <p>Chiaki Ito (October 10, 1947)</p> <p>Tenure as Outside Director 3 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1970 Joined Fujitsu Limited</p> <p>June 2004 Corporate Executive Vice President and Director, Fujitsu Limited</p> <p>June 2006 Corporate Senior Executive Vice President and Representative Director, Fujitsu Limited</p> <p>June 2008 Vice Chairman and Director, Fujitsu Limited</p> <p>April 2010 Chairman and Representative Director, FUJITSU RESEARCH INSTITUTE</p> <p>June 2012 Senior Executive Advisor, FUJITSU RESEARCH INSTITUTE</p> <p>June 2013 Outside Director, the Company (current position)</p> <p>June 2015 Outside Director, Zensho Holdings Co., Ltd. (current position)</p> <p>June 2015 Outside Director, OBIC Business Consultants Co., Ltd. (current position)</p> <p>(Significant Concurrent Positions)</p> <p>Outside Director, Zensho Holdings Co., Ltd.</p> <p>Outside Director, OBIC Business Consultants Co., Ltd.</p> <p><Reasons for nominating the candidate as Outside Director> Mr. Ito has extensive experience and wide-ranging insight into company management based on his long service as a corporate manager in the information and communication equipment industry, including responsibility for overseas business. As Outside Director, Mr. Ito provides appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance, the globalization of business, and the development of new products and new businesses, etc. The Company anticipates that Mr. Ito will continue fulfilling his role in the strengthening of supervisory functions regarding business execution. Thus, once again, the Company has designated Mr. Ito as a candidate for Outside Director.</p> <p><Matters concerning the Independency> There is a business relationship between the Company and Fujitsu Limited, where Mr. Ito was formerly engaged in execution of business, the average annual value of transactions between the two companies in the past three business years was less than 0.1% of the Company's net sales, which is very small relative to the scales of business of the Company and Fujitsu Limited. Furthermore, the Company has no business relationships with FUJITSU RESEARCH INSTITUTE, where Mr. Ito was formerly engaged in execution of business. Based on the above facts, the Company has determined that Mr. Ito is independent, and has designated him as an independent officer as prescribed by Tokyo Stock Exchange, Inc.</p>	None

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
9	<p>Reappointed</p> <p>Candidate for Outside Director</p> <p>Candidate for independent officer</p>  <p>Kazuko Takamatsu (August 27, 1951)</p> <p>Tenure as Outside Director 1 year (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1974 Joined Sony Corporation</p> <p>August 2000 Director, Sony Digital Network Applications, Inc.</p> <p>April 2003 Representative Director, Sony Digital Network Applications, Inc.</p> <p>October 2008 VP in charge of Environment, Sony Corporation</p> <p>April 2012 Advisor, YAMAGATA INTECH Corporation</p> <p>April 2013 Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management (current position)</p> <p>May 2015 External Director, Dexerials Corporation (current position)</p> <p>June 2015 Outside Director, the Company (current position)</p> <p>(Significant Concurrent Positions)</p> <p>Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management</p> <p>External Director, Dexerials Corporation</p> <p><Reasons for nominating the candidate as Outside Director></p> <p>Ms. Takamatsu has extensive experience and wide-ranging insight in company management and diversity-focused management. Her experience encompasses extensive experience and wide-ranging insight regarding global companies, as well as direct involvement in company management as the Chief Executive of a PC software development company and service as Executive Director and Secretariat of the Japan Institute for Women's Empowerment & Diversity Management. From an independent standpoint as Outside Director, Ms. Takamatsu provides appropriate opinions and advice to the Company, which is now promoting stronger corporate governance, the globalization of business, diversity-focused management, etc. The Company anticipates that Ms. Takamatsu will continue fulfilling her role in the strengthening of supervisory functions regarding business execution. Thus, once again, the Company has designated Ms. Takamatsu as a candidate for Outside Director.</p> <p><Matters concerning the Independency></p> <p>While there are business relationships including outsourcing between the Company and the Japan Institute for Women's Empowerment & Diversity Management, where Ms. Takamatsu currently serves as Executive Director and Secretariat, the average annual value of transactions between the Company and the Japan Institute for Women's Empowerment & Diversity Management during the past three business years was less than one million yen, which is very small relative to the scales of business of the Company and the Japan Institute for Women's Empowerment & Diversity Management. Moreover, there is no business relationship between the Company and both Sony Corporation and Sony Digital Network Applications, Inc., where Ms. Takamatsu was formerly engaged in execution of business. Based on the above facts, the Company has determined that Ms. Takamatsu is independent, and has designated her as an independent officer as prescribed by Tokyo Stock Exchange, Inc.</p>	740

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
10	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Newly appointed</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Candidate for Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Candidate for independent officer</div>  <p>Richard R. Lury (January 21, 1948)</p>	<p>September 1974 Admitted to the bar of the State of New York</p> <p>September 1989 Partner, Kelley Drye & Warren LLP</p> <p>June 2003 Admitted to the bar of the State of New Jersey</p> <p>March 2013 Outside Director, Sanken North America, Inc. (current position)</p> <p>June 2014 Outside Director, Sanken Electric Co., Ltd. (current position)</p> <p>(Significant Concurrent Positions)</p> <p>Outside Director, Sanken North America, Inc.</p> <p>Outside Director, Sanken Electric Co., Ltd.</p> <p><Reasons for nominating the candidate as Outside Director></p> <p>Mr. Lury served as a partner of a major law firm in the United States for many years, and has extensive experience and expertise in international corporate legal matters, including how to respond to legal problems. The Company expects that Mr. Lury will be able to provide appropriate opinion and advice from an independent perspective as Outside Director to the Company, which is now promoting the strengthening of corporate governance, globalization of business, etc. Moreover, the Company anticipates that Mr. Lury will fulfill his role in strengthening the supervisory functions regarding business execution. Thus, the Company has designated Mr. Lury as a candidate for Outside Director.</p> <p><Matters concerning the Independency></p> <p>Although a business relationship between the Company and a major law firm in the United States, where Mr. Richard R. Lury served as partner until December 2014 when he resigned the position, exists via a Company subsidiary in the United States, more than one year has passed since his resignation. There is also a business relationship between Mr. Lury and the Company via the Company subsidiary in the United States. However, the average annual value of transactions during the past three business years is within the amount allowed under "The Criteria for Independence of Outside Officers." Based on the above facts, the Company has determined that Mr. Lury is independent, and plans to designate him as an independent officer as prescribed by Tokyo Stock Exchange, Inc.</p>	None

Note: The Company has concluded an agreement with Mr. Chiaki Ito and Ms. Kazuko Takamatsu respectively that limits the maximum amount of their liabilities to the minimum amount stipulated by laws and regulations concerning liability for compensation for damages pursuant to the provisions of Article 423, paragraph 1 of the Companies Act. In the event that their reelection is approved, the Company intends to continue the said agreement. Also, in the event that Mr. Richard R. Lury is elected, the Company intends to conclude the same type of agreement with him.

(Reference) The Criteria for Independence of Outside Officers

The Company determines that an outside officer is independent if he/she does not fall into any of the following categories.

1. One who executes business at a major client of the Company or at a company whose major client is the Company
 - (*) A major client is defined as an entity whose average annual transaction amount with the Company during the past three business years is 2% or more of sales at the Company or the entity.
2. One who executes business in an entity that receives a large donation or grant from the Company
 - (*) A large donation or grant is defined as a donation or grant of 10 million yen or more a year, and that accounted for 2% or more of the entity's total annual revenue on average during the past three business years.
3. One who is a specialist or a consultant in a legal, accounting, or taxation field, and earns a large amount in addition to officer's remuneration paid by the Company
 - (*) A large amount is defined as 10 million yen or more a year on average for the past three business years.
4. A relative within the second degree of kinship with a person who meets any of the categories below.
 - (1) One falling into any of categories 1– 3 above (excluding one that is not material)
 - (2) One who was a Director, an Executive Officer, or an important employee of the Group during the past three years

Proposal 3: Election of One (1) Corporate Auditor

Mr. Masamichi Tokuhira, one of the present Corporate Auditors, will complete his term of office at the close of this General Meeting of Shareholders. Accordingly, we propose to elect one (1) Corporate Auditor.

The Board of Corporate Auditors has approved this proposal.

The candidate for Corporate Auditor is as follows:

Name (Date of Birth)	Career Summary (Position at the Company and Significant Concurrent Positions)	Number of the Company's Share Owned				
<p style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Masamichi Tokuhira (July 28, 1948)</p>	<table border="0"> <tr> <td style="vertical-align: top;"> <p>April 1973</p> <p>June 2001</p> <p>April 2005</p> <p>June 2006</p> <p>April 2009</p> <p>April 2010</p> <p>April 2012</p> <p>June 2012</p> </td> <td style="vertical-align: top;"> <p>Joined the Company</p> <p>General Manager of Accounting & Finance Dept., the Company</p> <p>Executive Officer, the Company</p> <p>Executive Officer, Universal Shipbuilding Corporation</p> <p>Full-time Corporate Auditor, Universal Shipbuilding Corporation</p> <p>President, Universal System & Machinery Co., Ltd.</p> <p>Corporate Adviser, the Company</p> <p>Full-time Corporate Auditor, the Company (current position)</p> </td> </tr> <tr> <td colspan="2" style="vertical-align: top;"> <p><Reasons for nominating the candidate as Corporate Auditor></p> <p>Mr. Tokuhira has experience working in the accounting & finance department, etc. of the Company, along with extensive experience of corporate management in Group companies, and therefore has considerable insights into finance and accounting. Taking into consideration his experience mentioned above and his performance as a Corporate Auditor during the last four years, the Company has determined that Mr. Tokuhira is qualified for the position as Corporate Auditor of the Company. Thus, once again, the Company has designated Mr. Tokuhira as a candidate for Corporate Auditor.</p> </td> </tr> </table>	<p>April 1973</p> <p>June 2001</p> <p>April 2005</p> <p>June 2006</p> <p>April 2009</p> <p>April 2010</p> <p>April 2012</p> <p>June 2012</p>	<p>Joined the Company</p> <p>General Manager of Accounting & Finance Dept., the Company</p> <p>Executive Officer, the Company</p> <p>Executive Officer, Universal Shipbuilding Corporation</p> <p>Full-time Corporate Auditor, Universal Shipbuilding Corporation</p> <p>President, Universal System & Machinery Co., Ltd.</p> <p>Corporate Adviser, the Company</p> <p>Full-time Corporate Auditor, the Company (current position)</p>	<p><Reasons for nominating the candidate as Corporate Auditor></p> <p>Mr. Tokuhira has experience working in the accounting & finance department, etc. of the Company, along with extensive experience of corporate management in Group companies, and therefore has considerable insights into finance and accounting. Taking into consideration his experience mentioned above and his performance as a Corporate Auditor during the last four years, the Company has determined that Mr. Tokuhira is qualified for the position as Corporate Auditor of the Company. Thus, once again, the Company has designated Mr. Tokuhira as a candidate for Corporate Auditor.</p>		<p>24,979</p>
<p>April 1973</p> <p>June 2001</p> <p>April 2005</p> <p>June 2006</p> <p>April 2009</p> <p>April 2010</p> <p>April 2012</p> <p>June 2012</p>	<p>Joined the Company</p> <p>General Manager of Accounting & Finance Dept., the Company</p> <p>Executive Officer, the Company</p> <p>Executive Officer, Universal Shipbuilding Corporation</p> <p>Full-time Corporate Auditor, Universal Shipbuilding Corporation</p> <p>President, Universal System & Machinery Co., Ltd.</p> <p>Corporate Adviser, the Company</p> <p>Full-time Corporate Auditor, the Company (current position)</p>					
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Note: The Company has concluded an agreement with Mr. Masamichi Tokuhira that limits the maximum amount of his liability to the minimum amount stipulated by laws and regulations concerning liability for compensation for damages pursuant to the provisions of Article 423, paragraph 1 of the Companies Act. In the event that his reelection is approved, the Company intends to continue the said agreement.

Business Report

(From April 1, 2015 to March 31, 2016)

I. Matters Concerning the Current Status of the Group

(1) Business Developments and Results

1) Overall summary

Reviewing economic conditions during the current business year, although conditions overseas followed a gradual recovery trend, the outlook for the global economy remained uncertain due to an economic downturn, notably in China and the resource-supplier countries. In Japan, despite the emergence of negative effects since January of decreasing share prices, a trend of yen appreciation on foreign exchange and a drop in the price of crude oil, economic activity remains on a gentle recovery track, owing to spillover effects on the real economy from the various economic and monetary easing policies of the government and the Bank of Japan, and the apparent pick-up in capital investment.

- Initiatives by the Hitachi Zosen Group (“the Group”)

The Group aimed to evolve into a highly profitable enterprise that enjoys public recognition under the “Hitz Vision II” medium-term management plan, which started from fiscal year 2014. From the perspective of innovation in our businesses and our business management, we are developing optimal business strategies and focusing management resources to achieve results in our key growth fields of environment/green energy and social infrastructure and disaster prevention. In particular, with the aims of strengthening profitability and expanding the scale of operations, we have made determined efforts for measures such as promoting overseas local businesses, expanding constantly profitable businesses, early commercialization and monetization of new products and businesses, using ICT, strengthening the Group’s capabilities, increasing factory productivity through improved product mix, reinforcing the Group’s financial position, securing diversified human resources, and training personnel.

- Status of orders, sales, and profit/loss

Total order intake for the current business year fell below the previous business year at 435,435 million yen, due mainly to a decrease in the Environmental Systems and Industrial Plants Business. Net sales increased from the previous business year to 387,043 million yen, due mainly to increased sales of the Environmental Systems and Industrial Plants Business and the Infrastructure Business.

In terms of profit and loss, operating income increased from the previous business year to 15,112 million yen, due to an increased contribution from the Environmental Systems and Industrial Plants Business, as well as the Infrastructure Business. Ordinary income also increased in comparison with the previous business year to 12,272 million yen. Profit attributable to shareholders of Hitachi Zosen increased from the previous business year to 5,848 million yen, in spite of an impairment loss and reserve for loss on guarantees recorded as an extraordinary loss.

- Year-end dividend

With respect to the year-end dividend, the Company has decided to propose to the General Meeting of Shareholders the payment of a dividend of 12 yen per share, or an increase of 2 yen per share, because we have achieved a profit level that allows us to raise our dividend due to increased profit attributable to shareholders of Hitachi Zosen from the previous business year.

2) Summary by business segments

[Environmental Systems and Industrial Plants]

The Company's Environmental Systems Business in Japan received many orders for construction, upgrading key facilities, and long-term operation of Energy-from-Waste (EfW) plants from various local governments, including development and operation of EfW plants for Nagano Regional Association and Mito City. Regarding the EfW plant of Nagano Regional Association, we aim to promote local generation of power for local consumption, through which we purchase electricity produced from garbage incineration and supply it to local companies. Overseas, we actively implemented business activities for Southeast Asia, including orders received for the construction of an EfW plant for Changsha City in China, as well as the first EfW plant in Malaysia. Furthermore, construction and structural enhancements for EfW plants were completed in England and Switzerland.

With respect to the Water-related Business in Japan, the Company received orders including those for construction of sludge recycling center for the Sanitation Facilities Union of the towns of Hino, Kofu, and Nichinan, as well as a wastewater treatment facility for Yokohama City. Overseas, we received an order for construction of a large-scale desalination plant in Qatar, while completing construction of another large-scale desalination plant, which was under construction as the first project undertaken in the country.

In the Biomass Power Generation Business, we completed construction and started operation of Miyanosato Woody Biomass Power Generation Plant in Hitachiota City, Ibaraki Prefecture. The power plant will utilize unused wood, which has been an issue in the region's forestry industry, and sell power using the feed-in tariff system. In addition, to make a full-scale entry into the Methane Fermentation Biomass-to-Gas Power Generation Project, we converted Natural Energy Japan Corporation into a subsidiary, which was established in Akita City with the aim of producing electricity from biogas generated from food waste.

[Machinery]

In the Marine Diesel Engines Business, amidst a severe ongoing environment for orders, we received and delivered many orders from shipyards in Japan. Overseas, we received orders for 12 large diesel engines for container vessels from a shipyard in Taiwan.

In the Press Machines Business, we also received and delivered many orders for various types of press machine, such as large tandem press lines, as well as various types of FA system product, including press peripherals automation equipment, bound for domestic and overseas automobile manufactures.

In the Process Equipment Business, we received orders for pressure vessels used in fertilizer plants for North America, Central Asia, and Southeast Asia, amidst fierce competition with overseas competitors. We also received and delivered orders for various plant equipment.

In the field of equipment in the nuclear power sector, we received orders for 20 canisters used to transport and store nuclear spent fuels for a U.S. nuclear power plant, as well as four casks used to transport nuclear spent fuels for China.

In the fields of precision machinery and electronic control equipment, we received and delivered orders for various types of vacuum equipment, such as vacuum evaporation machines for solar power generation panels and OLED lighting, various types of plastic extrusion molding equipment for LCD panels and construction material-related products, various types of filling system from food companies and pharmaceutical companies, non-destructive radioactive cesium screening system for Fukushima Prefecture, food defense and management recording system for food companies, and train event recorders for railway companies.

[Infrastructure]

In the steel structure business, the Company received many orders for bridges, hydraulic gates, steel chimneys, marine structures, and other projects for the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), local governments, expressway companies, electric power companies, and general contractors, including an order for the construction of the upper steel structure of Yogegawa Elevated Bridge of the Tokai-Kanjo Expressway for the MLIT Chubu Regional Development Bureau for fiscal year 2015.

In the disaster prevention field, we received an order for the construction of a land-lock gate in the Satoura region for MLIT Shikoku Regional Development Bureau during fiscal years 2015-2016. In addition, we succeeded in expanding sales of the flap-gate type seawall, which is our new product in the disaster prevention field, with the delivery of 10 land-mounted flap-gate type seawall system units for the Hamaoka Nuclear Power Station of Chubu Electric Power Co., Inc.

In the field of shield tunneling machines, amidst brisk demand for large projects in the Japanese market, we received and delivered orders for various types of shield tunneling machine for construction companies in Japan and overseas, including Yokohama Ring Expressway North-West Line.

With respect to the wind power-generation business, we completed construction and started operation at No. 2 Omonogawa Wind Power Station in Akita Prefecture, following the No. 1 Omonogawa Wind Power Station, for which operation started in fiscal year 2014. We will continue to contribute to promoting green energy, while striving to expand constant profitable businesses.

[Others]

In Others, the Company received and implemented orders for, among others, warehousing and port-loading and unloading operations, and inland and marine transportation of various types of plant, steel structure, large machine and others.

3) Order intake and net sales by business segment

Business Segment	Order Intake			Net Sales		
	118th Business Year	119th Business Year	Change	118th Business Year	119th Business Year	Change
	Millions of yen	Millions of yen	%	Millions of yen	Millions of yen	%
Environmental Systems and Industrial Plants	315,017	283,683	(9.9)	226,021	241,629	6.9
Machinery	100,598	107,175	6.5	104,416	104,482	0.1
Infrastructure	27,753	34,560	24.5	19,434	30,834	58.7
Others	9,387	10,016	6.7	9,460	10,097	6.7
Total	452,757	435,435	(3.8)	359,332	387,043	7.7

(Note) As some of the contents of the Company's businesses have been revised from the current business year, figures for the previous business year have also been reclassified to the revised business segments.

(2) Capital Investment

In the current business year, the Group carried out total capital investments of 8,194 million yen, mainly consisting of rationalization investment for improving productivity, capital investment for developing and commercializing new products and businesses, and capital investment for strengthening production capacity.

- Major capital investment by business segment

(Millions of yen)

Business Segment	Amount	Summary of Investment
Environmental Systems and Industrial Plants	3,022	New construction of Miyanosato Woody Biomass Power Generation Plant
Machinery	2,819	Introduction of NOx removal catalysts manufacturing facilities, introduction of production facilities for marine engines
Infrastructure	1,043	Upgrading production facilities for steel structures
Others/ Company-wide	1,309	Introduction of production facilities for functional materials, upgrading air conditioning facilities
Total	8,194	

(Note) Capital investment not attributable to any business segment is included under Other Businesses.

(3) Funds Procurement

In the current business year, 19,713 million yen in funds was procured through long-term and short-term borrowings primarily to appropriate funds for future working capital and for business investment.

(4) Trends in Assets and Profit and Loss

(Millions of yen)

	116th Business Year	117th Business Year	118th Business Year	119th Business Year
Order intake	382,847	328,433	452,757	435,435
Net sales	296,792	333,433	359,332	387,043
Operating income	11,362	7,878	12,818	15,112
Ordinary income	11,246	6,220	7,568	12,272
Profit attributable to shareholders of Hitachi Zosen	7,410	3,719	5,100	5,848
Net income per share (Yen)	9.36	23.77	30.52	34.96
Total assets	366,346	379,414	408,803	401,648

(Notes) 1. Effective from the business year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ (Accounting Standards Board of Japan) Statement No. 21, September 13, 2013), etc., and former accounting item "net income" is now presented as "profit attributable to shareholders of Hitachi Zosen."

2. The Company conducted a share consolidation of common stock with a ratio of five shares to one share on October 1, 2013. Accordingly, net income per share for the fiscal year 2013 (117th business year) is calculated with assumption that the share consolidation was conducted at the beginning of the business year.

(5) Issues to be Addressed

■ “Hitz Vision II” medium-term management plan (fiscal year 2014 to fiscal year 2016)

Fiscal year 2016 is the final year of the “Hitz 2016 Vision,” which was formulated to achieve our desired form from a long-term perspective, and the “Hitz Vision II” medium-term management plan, while also being a critical year for the transition to the next medium-term management plan starting in fiscal 2017.

Based on the basic concept of “Technology-oriented Company,” we will promote optimal business strategies in the business fields of “environment/green energy” and “social infrastructure and disaster prevention,” while working together as a Group toward achieving our objectives for the year set under the “Hitz Vision II.”

■ Issues faced by the Group

For the current business year, the Group has set two goals, which are to “strengthen profitability” and “expand the scale of operations.” Although the latter is progressing steadily, strengthening profitability still remains a major challenge for the Company. Therefore, we are committed to developing optimal strategies for each business to resolve this issue and will implement the following measures, in order to strengthen our revenue base during the fiscal year 2016.

1) Strengthening machinery and manufacturing businesses

Amidst ongoing difficult conditions in terms of earnings, the Marine Diesel Engines Business will make efforts to improve earnings by expanding suppliers overseas, promoting cost reductions by such means as centralizing procurement, and expanding the after-sales service business.

In the field of precision machinery, we aim to expand orders and improve earnings amidst a difficult business environment due to such factors as decreases in orders. We will develop and introduce new products, strengthen project management and after-sale services by product type for filling systems for food companies and pharmaceutical companies, plastic extrusion molding equipment, and various types of precision machinery, based on the perspectives of the respective customers.

In the current business year, we implemented the efficient use of management resources by comprehensively managing personnel, technologies, and production facilities of each Works, which are production bases, while promoting an improved product mix. As a result, we succeeded in boosting earnings in the fields of shield tunneling machines and steel structures. In fiscal year 2016, we will continue to make efforts to improve productivity by promoting an improved product mix, as well as using information and communications technology (ICT) and Internet of Things (IoT). In addition, we established the Ariake Laboratory within the Ariake Works as a new R&D base on January 1, 2016. We aim to strengthen manufacturing technologies by collaborating with the local community and universities to carry out R&D directly connected with production sites, such as full-automation of welding process and ICT applications for production control.

2) Expanding business in the global market

In the Environmental Systems Business, we established the new Global Business Unit on April 1, 2016, to promote the expansion of operations systematically as an entire Group by strengthening cooperation with affiliates and overseas branches/offices. In particular, we have a long track record in relation to the construction, operation, and maintenance of Energy from Waste (EfW) plants, while boasting a wealth of experience and advanced technologies in environmental technologies, as well as operation/maintenance including remote control. Going forward, we aim to establish a record through the provision of optimal approaches suited to the conditions of each country, in order to expand the scale of operations and profitability in the global market,

with the main focus on India and Southeast Asia, where needs for waste treatment and power-generation are expected to grow with increases in population, as well as on Europe, which is known to have a strict stance toward environmental issues. With respect to seawater desalination plants, we will focus on overseas local businesses by transforming the business structure from the conventional engineering, procurement, and construction (EPC) to operation and maintenance (O&M), as well as undertaking all related businesses.

In the field of equipment in the nuclear power sector, we aim to expand our integrated solution business, which covers all aspects from consulting on the transportation of nuclear spent fuels and storage vessels to design, production, and transportation into such countries as the United States, Japan, China, Korea, and Taiwan, where growing demand is expected through cooperation with NAC International, which is a Group subsidiary.

3) Promoting new products/businesses

With respect to EfW plants, we developed a remotely-controlled furnace system, as an advanced form of the conventional system, which supports operation through remote monitoring using ICT. We will continue to implement measures toward fully automated operation by introducing the system and making use of big data.

In addition, we also established a “local production for local consumption” model for electric power purchase and sale, in which power generated at an EfW plant is supplied to local companies. We will actively implement energy-related businesses in line with the biomass power generation and wind power-generation businesses and the all solid state Li-ion rechargeable battery business. To promote development of wind power-generation, functional materials such as batteries, carbon nanotubes, and biomaterials, as well as a technology that turns carbon dioxide into methane with an eye on the coming hydrogen age, we reorganized the respective development segments into an organization under the direct control of the President on April 1, 2016, and aim to set them up as new profitable businesses as quickly as possible.

With the aim of responding to increased and diversified management risks arising from the globalization of business activities and expanded scale of operations, we will ensure implementation of compliance and a stronger governance system.

We ask our shareholders for their continued understanding of the Group’s management policies and operating activities, as well as their support and cooperation.

(6) Significant Parent Company and Subsidiaries (As of March 31, 2016)

1) Parent company

The Company does not have a parent company.

2) Significant subsidiaries

Name of Company	Amount of Capital	Holding Ratio (Direct) (%)	Major Lines of Business
IMEX Co., Ltd.	¥1,484 million	100.0	Design, manufacture and sale of boilers, pressure vessels, diesel engines, industrial machinery, and steel structures
NICHIZO TECH INC.	¥1,242 million	100.0	Comprehensive examination, maintenance, checking and repair of products made of steel, concrete, etc., various types of plant equipment, piping equipment, etc., and design, creation, and on-site construction of chemical plants, industrial machinery and nuclear power generation-related equipment
Hitachi Zosen Fukui Corporation	¥1,055 million	54.4	Manufacture and sale of various types of presses, chemical machinery, conveyance machinery, and electronic control machinery and equipment
OHNAMI CORPORATION	¥525 million	100.0	Warehousing and port loading and unloading, inland transportation, marine transportation, and construction
Hitachi Zosen Inova AG	CHF40 million	100.0	Design, creation, sale, maintenance and operation of Energy-from-Waste plants
NAC International Inc.	USD43 million	-	Design, transport and consulting related to the storage and transportation of spent nuclear fuel control equipment

(Notes) 1. There are 92 consolidated subsidiaries, including the six significant subsidiaries mentioned above, and 12 equity method companies.

2. Effective August 21, 2015, the Company's ownership ratio in Hitachi Zosen Fukui Corporation increased 0.8% as a result of an additional share acquisition.

3. Effective February 1, 2016, OHNAMI CORPORATION became a wholly-owned subsidiary of the Company.

4. NAC International Inc. is a wholly-owned subsidiary of Hitz Holdings U.S.A. Inc., a holding company in the United States that is wholly-owned by the Company.

5. As of the end of the current business year, there were no specified wholly-owned subsidiaries.

3) Organizational restructuring through transfers of business, mergers, etc.

Effective February 1, 2016, OHNAMI CORPORATION, which is a consolidated subsidiary responsible for the logistic functions of the Group, became a wholly-owned subsidiary of the Company through a share exchange to enhance the corporate value of the entire Group by strengthening cooperation between the two companies and promoting measures to expand global business, as well as plant construction and solutions businesses.

4) Significant technology alliances

Alliance Partner	Country	Contents of Alliance
MAN Diesel & Turbo SE	Germany	MAN B&W-type diesel engines

(7) Major Lines of Business (As of March 31, 2016)

Major Business	Major Products and Businesses
Environmental Systems and Industrial Plants	Garbage incinerating equipment, Recycling systems, Water and sludge treatment, EfW plants, Biomass utilization, Seawater desalination plants and other plants, Power-generation facilities, IPP (Independent Power Producer) business
Machinery	Marine diesel engines, Deck machinery, Press machines, Boilers, NOx removal catalysts, Pressure vessels and other process equipment, Nuclear power generation-related equipment, Plastic machinery, Food machinery, Pharmaceutical machinery, Precision machinery, Electronics systems, Control systems
Infrastructure	Bridges, Hydraulic gates, Chimneys, Marine civil engineering, Shield tunneling machines, Disaster prevention systems
Others	Transportation, Warehousing, Port cargo handling

(Note) Beginning from business year ended March 31, 2016, the Company changed its segment presentation by integrating the Machinery, Process Equipment, and Precision Machinery Businesses to form the Machinery Business.

(8) Major Sales Offices, Plants, etc. (As of March 31, 2016)

1) The Company

Head Office	7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka
Tokyo Head Office	26-3, Minami-ohi 6-chome, Shinagawa-ku, Tokyo
Domestic Offices	Sapporo Office (Sapporo), Sendai Office (Sendai), Nagoya Office (Nagoya), Hiroshima Office (Hiroshima), Fukuoka Office (Fukuoka)
Works, etc.	Technical Research Institute (Osaka), Ibaraki Works (Hitachi-omiya), Maizuru Works (Maizuru), Chikkou Works (Osaka), Sakai Works (Sakai), Mukaishima Works (Onomichi), Innoshima Works (Onomichi), Ariake Works (Tamana-gun, Kumamoto), Tokyo Works (Kashiwa, Matsudo), Wakasa Works (Oi-gun, Fukui)
Overseas Offices	Taipei Branch (Taiwan), Seoul Branch (South Korea), Singapore Branch (Singapore), Abu Dhabi Branch (United Arab Emirates), Bangkok Office (Thailand), Ho Chi Minh City Office (Vietnam)

(Notes) 1. In accordance with the establishment of Hitachi Zosen Trading (Shanghai) Co., Ltd., the Company closed the Shanghai Office (China) effective April 1, 2015.

2. Effective April 1, 2016, all of Tokyo Works was consolidated into one base in Kashiwa and renamed Kashiwa Works.

2) Subsidiaries

<Domestic subsidiaries>

IMEX Co., Ltd.	2293-1, Innoshimahabu-cho, Onomichi, Hiroshima
NICHIZO TECH INC.	15-26, Tsuru-machi 2-chome, Taisho-ku, Osaka
Hitachi Zosen Fukui Corporation	8-28, Jiyugaoka 1-chome, Awara, Fukui
OHNAMI CORPORATION	6-33, Edobori 2-chome, Nishi-ku, Osaka

<Overseas subsidiaries>

Hitachi Zosen Inova AG	Switzerland
NAC International Inc.	U.S.A.
HITACHI ZOSEN EUROPE Limited	U.K.
Hitachi Zosen U.S.A. Ltd.	U.S.A.
Hitachi Zosen India Private Limited	India
Hitachi Zosen Myanmar Co., Ltd.	Myanmar
PT. HITZ INDONESIA	Indonesia
Hitachi Zosen Trading (Shanghai) Co., Ltd.	China
Cumberland International L.L.C	United Arab Emirates

(9) Status of Employees (As of March 31, 2016)

1) Status of employees of the Group

Business Segment	Number of Employees
Environmental Systems and Industrial Plants	5,573
Machinery	2,516
Infrastructure	672
Others	508
Corporate (company-wide)	556
Total	9,825 (year-on-year increase of 244)

(Note) For the number of employees, the number of employees currently working at the Group is provided.

2) Status of employees of the Company

Number of Employees	Average Age	Average Years of Service
3,887 (year-on-year increase of 79)	42.3	17.1

(Note) For the number of employees, the number of employees currently working at the Company is provided. The number includes 131 employees on loan to the Company from outside.

(10) Major Lenders (As of March 31, 2016)

Lender	Amount (Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	23,541
Mizuho Bank, Ltd.	6,963
Mitsubishi UFJ Trust and Banking Corporation	4,430
The Hiroshima Bank, Ltd.	4,169

II. Matters Concerning Stock in the Company (As of March 31, 2016)

- (1) Total Number of Shares Authorized to Be Issued 400,000,000 shares
- (2) Total Number of Issued Shares 170,214,843 shares
(including 1,650,068 shares of treasury stock)
- (3) Number of Shares Constituting One Unit of Shares 100 shares
(Note) The total number of issued shares of the Company increased by 2,370,998 from the previous year-end's total of 167,843,845 due to a new share issuance following the share exchange with OHNAMI CORPORATION effective February 1, 2016.
- (4) Number of Shareholders 85,238 (Year-on-year decline of 8,155 shareholders)
- (5) Major Shareholders (Top 10)

Name of Shareholder	Numbers of Shares Held (Thousands of shares)	Holding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	15,720	9.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,417	6.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,291	3.1
CBNY-GOVERNMENT OF NORWAY	4,581	2.7
GOLDMAN SACHS INTERNATIONAL	4,256	2.5
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,129	1.9
Sompo Japan Nipponkoa Insurance Inc.	2,358	1.4
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,292	1.4
BNP Paribas Securities (Japan) Limited	2,266	1.3
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	1,723	1.0

(Note) The holding ratio does not include treasury stock.

III. Matters Concerning Subscription Rights to Shares of the Company

Not applicable

IV. Matters Concerning the Company's Officers

(1) Status of Directors and Corporate Auditors

Name	Position and Areas of Responsibility	Significant Concurrent Positions
Minoru Furukawa	Representative Director, Chairman and Chief Executive Officer	
Takashi Tanisho	Representative Director, President and Chief Operating Officer	
Masaki Hashikawa	Vice-Chairman	
Hisao Matsuwake	Representative Director, Executive Vice-President Assistant to the President (Responsible for Production Engineering Dept.) and General Manager of Procurement Headquarters	
Masayuki Morikata	Managing Director General Manager of General Administration Headquarters and General Manager of Corporate Planning Headquarters	President, Ito Country Club Corporation President, Accounting & Finance Corporation President, HITACHI ZOSEN TOURIST Co., Ltd.
Toru Shimizu	Managing Director General Manager of Technology Development Headquarters	
Wataru Kobashi	Managing Director General Manager of Machinery Business Headquarters	
Sadao Mino	Managing Director General Manager of Environment Business Headquarters and Responsible for Architect Supervision Dept., and Quality Assurance Dept.	
Chiaki Ito	Director	Outside Director, Zensho Holdings Co., Ltd. Outside Director, OBIC Business Consultants Co., Ltd.
Kazuko Takamatsu	Director	Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management External Director, Dexerials Corporation
Masamichi Tokuhira	Full-time Corporate Auditor	
Koji Abo	Full-time Corporate Auditor	

Name	Position and Areas of Responsibility	Significant Concurrent Positions
Makoto Yagi	Corporate Auditor	President and Director, The Kansai Electric Power Co., Inc. Chairman, The Federation of Electric Power Companies of Japan Outside Director, H ₂ O RETAILING CORPORATION
Kenichi Takashima	Corporate Auditor	Outside Director, MAXVALU CHUBU CO., LTD.

(Notes) 1. Positions and areas of responsibility, and significant concurrent positions both describe conditions as of March 31, 2016. Changes during the current business year are as follows.

(1) Changes in position and areas of responsibility

Name	After Change	Before Change	Date of Change
Hisao Matsuwake	Representative Director, Executive Vice-President Assistant to the President (Responsible for Production Engineering Dept.), and General Manager of Procurement Headquarters	Representative Director Executive Vice-President Assistant to the President (Responsible for Machinery & Infrastructure Headquarters, Procurement Headquarters, Production Engineering Dept. and Nuclear Equipment Business Promotion Dept.), and General Manager of Machinery & Infrastructure Headquarters, and General Manager of Procurement Headquarters	April 1, 2015
Masayuki Morikata	Managing Director General Manager of Corporate Planning Headquarters	Managing Director Responsible for Corporate Planning Dept., Accounting Dept., Subsidiary Administration Dept., and Overseas Business Administration Dept.	April 1, 2015
	Managing Director General Manager of General Administration Headquarters and General Manager of Corporate Planning Headquarters	Managing Director General Manager of Corporate Planning Headquarters	June 23, 2015
Toru Shimizu	Managing Director General Manager of Technology Development Headquarters	Managing Director Responsible for Technology Development Headquarters, Precision Machinery Headquarters, and Information System Dept., and General Manager of Technology Development Headquarters	April 1, 2015
Wataru Kobashi	Managing Director General Manager of Machinery Business Headquarters	Managing Director Responsible for Business Planning Headquarters and General Manager of Business Planning Headquarters	April 1, 2015

Name	After Change	Before Change	Date of Change
Koji Abo	Managing Director General Manager of General Administration Headquarters	Managing Director Responsible for Legal & Intellectual Property Dept., General Affairs & Human Resources Dept., and Environmental Management & Safety Dept.	April 1, 2015
	Full-time Corporate Auditor	Managing Director General Manager of General Administration Headquarters	June 23, 2015

(2) Changes in significant concurrent positions

- Director Chiaki Ito assumed the position of Outside Director of Zensho Holdings Co., Ltd. on June 19, 2015, as well as the position of Outside Director of OBIC Business Consultants Co., Ltd. on June 23, 2015.
 - Director Kazuko Takamatsu assumed the position of External Director of Dexerials Corporation on May 27, 2015.
 - Corporate Auditor Makoto Yagi assumed the position of Outside Director of H₂O RETAILING CORPORATION on June 24, 2015.
 - Corporate Auditor Kenichi Takashima assumed the position of Outside Director of MAXVALU CHUBU CO., LTD. on May 22, 2015.
2. Directors Chiaki Ito and Kazuko Takamatsu are Outside Directors.
 3. Corporate Auditors Makoto Yagi and Kenichi Takashima are Outside Corporate Auditors.
 4. The Company has designated all Outside Directors and Outside Corporate Auditors as independent officers, as prescribed by Tokyo Stock Exchange, Inc.
 5. Full-time Corporate Auditor Masamichi Tokuhira and Corporate Auditor Kenichi Takashima possess considerable knowledge of finance and accounting as described below.
 - Full-time Corporate Auditor Masamichi Tokuhira has many years of experience in accounting and financial operations, including experience as the General Manager of Accounting & Finance Department in the Company.
 - Corporate Auditor Kenichi Takashima has many years of experience in accounting and financial operations, including experience as General Manager of Accounting Division and Finance Division in Honda Motor Co., Ltd.
 6. At the 118th Ordinary General Meeting of Shareholders held on June 23, 2015, Mr. Sadao Mino and Ms. Kazuko Takamatsu were elected as new Directors and assumed the positions thereof. Besides, at the same Ordinary General Meeting of Shareholders, Mr. Koji Abo was elected as a new Corporate Auditor and assumed the position thereof; and, on the same day, by a resolution of the Board of Corporate Auditors, he was appointed Full-time Corporate Auditor.
 7. At the conclusion of the 118th Ordinary General Meeting of Shareholders held on June 23, 2015, Managing Director Koji Abo and Managing Director Toru Yoshioka retired due to expiration of term of office, and Full-time Corporate Auditor Motohiro Fujii retired due to resignation.
 8. The positions and areas of responsibility of the five Directors listed below were changed as follows on April 1, 2016.

Name	Position and Areas of Responsibility	
Minoru Furukawa	Representative Director, Chairman	
Takashi Tanisho	Representative Director, President and Chief Executive Officer	
Hisao Matsuwake	Representative Director, Executive Vice-President	Assistant to the President (Responsible for special assignments)
Masayuki Morikata	Managing Director	Responsible for Procurement Headquarters, General Manager of General Administration Headquarters and General Manager of Corporate Planning Headquarters
Toru Shimizu	Managing Director	Responsible for special assignments (Technology)

(2) Outline of agreements for limitation of liabilities

The Company has entered into an agreement with each of Outside Directors and Corporate Auditors, which limits the maximum amount of their liabilities for damages stipulated in Article 423, paragraph 1 of the Companies Act to the minimum amount stipulated by laws and regulations.

(3) Total Amount of Remuneration, etc. of Directors and Corporate Auditors for the Current Business Year

Remuneration of Directors consists of fixed remuneration and corporate performance-based bonus calculated on the basis of given indicators, and following a resolution passed by the Board of Directors, is paid within the remuneration limit determined by a resolution of the General Meeting of Shareholders. However, from the perspective of assuring independence, remuneration of Outside Directors consists only of fixed remuneration.

From the perspective of assuring independence, remuneration of Corporate Auditors consists only of fixed remuneration, and, following consultations with Corporate Auditors, is paid within the remuneration limit determined by a resolution of the General Meeting of Shareholders.

Note that, as of the conclusion of the 115th Ordinary General Meeting of Shareholders held on June 22, 2012, the Company has abolished its retirement benefits system for Directors and Corporate Auditors.

Classification	Number of Recipients	Total Amount of Remuneration, etc. (Millions of yen)
Directors (of which, Outside Directors)	12 (2)	383 (18)
Corporate Auditors (of which, Outside Corporate Auditors)	5 (2)	77 (16)
Total (of which, outside officers)	17 (4)	461 (35)

(Notes) 1. By a resolution of the General Meeting of Shareholders, the upper limits on remuneration for Directors and Corporate Auditors are set at 550 million yen on a yearly basis for Directors (excluding salaries for concurrent service as employees) and 100 million yen on a yearly basis for Corporate Auditors. None of the above-mentioned Directors undertake concurrent service as employees.

2. As of March 31, 2016, the Company has ten (10) Directors (of which two (2) are Outside Directors) and four (4) Corporate Auditors (of which two (2) are Outside Corporate Auditors). The difference from the number of recipients noted above is due to the inclusion of two (2) Directors and one (1) Corporate Auditor who retired from their posts at the conclusion of the 118th Ordinary General Meeting of Shareholders held on June 23, 2015. As Full-time Corporate Auditor Koji Abo took office as Corporate Auditor after retiring as Director at the conclusion of the same general meeting of shareholders, his remuneration during his tenure as a Director is included in the Directors section of the above chart, while his remuneration during his tenure as a Corporate Auditor is included in the Corporate Auditors section of the above chart.

(4) Matters Concerning Outside Officers

1) Concurrent positions as executive officers and outside officers for other corporations, etc. served by Outside Directors and Outside Corporate Auditors

Classification	Name	Concurrent Positions
Outside Director	Chiaki Ito	Outside Director, Zensho Holdings Co., Ltd. Outside Director, OBIC Business Consultants Co., Ltd.
	Kazuko Takamatsu	Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management External Director, Dexerials Corporation
Outside Corporate Auditor	Makoto Yagi	President and Representative Director, The Kansai Electric Power Co., Inc. Chairman, The Federation of Electric Power Companies of Japan Outside Director, H2O RETAILING CORPORATION
	Kenichi Takashima	Outside Director, MAXVALU CHUBU CO., LTD.

(Note) The relationships between the Company and the companies where our outside officers hold significant concurrent positions are as follows. There is no special relationship between the other companies where the concurrent positions are held and the Company.

- While a transactional relationship such as business consignment exists between the Company and Japan Institute for Women's Empowerment & Diversity Management, where Outside Director Kazuko Takamatsu holds a concurrent position, the value of transactions is very small relative to the scales of business of the respective organizations. The average annual value of transactions in the past three business years is less than one million yen.
- While a sales transaction relationship exists between the Company and The Kansai Electric Power Co., Inc. (KEPCO), where Outside Corporate Auditor Makoto Yagi holds a concurrent position, the value of transactions is very small relative to the scales of business of the respective companies. The average annual value of transactions in the past three business years is less than 1% of the Company's net sales.

2) Main activities during the current business year

Classification	Name	Main Activities
Outside Director	Chiaki Ito	Mr. Ito attended all 14 meetings of the Board of Directors held during the current business year, and based on his experience and knowledge concerning corporate management, made statements to ensure the improvement of the Group's corporate value and the validity and appropriateness of the Company's decision-making and business execution.
	Kazuko Takamatsu	Ms. Takamatsu attended all 11 meetings of the Board of Directors held following her appointment on June 23, 2015, and based on her experience and knowledge concerning corporate management, made statements to ensure the improvement of the Group's corporate value and the validity and appropriateness of the Company's decision-making and business execution.

Classification	Name	Main Activities
Outside Corporate Auditors	Makoto Yagi	Mr. Yagi attended 12 of the 14 meetings of the Board of Directors and all 11 meetings of the Board of Corporate Auditors held during the current business year, and based on his experience and knowledge concerning corporate management, made statements to ensure the legality and appropriateness of the Company's decision-making and business execution.
	Kenichi Takashima	Mr. Takashima attended all 14 meetings of the Board of Directors and all 11 meetings of the Board of Corporate Auditors held during the current business year, and based on his experience and knowledge concerning corporate management, finance and accounting, made statements to ensure the legality and appropriateness of the Company's decision-making and business execution.

V. Status of Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA LLC

(2) Amount of Remuneration, etc. of Accounting Auditor for the Current Business Year
(Millions of yen)

Category	Amount of Remunerations, etc.
Amount of remuneration, etc. payable by the Company	81
Total amount of cash and other financial benefits payable by the Company and its subsidiaries	159

(Notes) 1. In the audit agreement between the Company and the Accounting Auditor, no differentiation is made between remuneration on the basis of the Companies Act and remuneration on the basis of the Financial Instruments and Exchange Act, and it is not possible to make a substantial differentiation between the two. As a consequence, the amount of remuneration, etc. for services as Accounting Auditor of the Company provided in the table above is the total of the two.

2. The Board of Corporate Auditors has consented to the remuneration for the Accounting Auditor after having verified and discussed the reasonableness of audit hours, personnel allocation, and estimated remuneration for the current business year's audit plan, based on an analysis and evaluation of audits actually conducted during the previous business year and comparison between audit plan and actual performance.

3. Of the Company's significant subsidiaries, the auditing of Hitachi Zosen Inova AG and NAC International Inc. is performed by audit corporations other than the Accounting Auditor of the Company (including those with equivalent status overseas).

(3) Non-audit Services

The Company outsources work (Non-audit Services), including financial due diligence that is work other than that provided for in Article 2, paragraph 1 of the Certified Public Accountants Act, to the Accounting Auditor and pays for these services.

(4) Policy for Determining Dismissal or Non-reappointment of Accounting Auditor

If it is deemed that the Accounting Auditor falls within the grounds of each item of Article 340, paragraph 1 of the Company Act and that no improvement in the situation is expected, the Board of Corporate Auditors shall dismiss the Accounting Auditor based on the agreement of all the Corporate Auditors.

If the Board of Corporate Auditors determines the Accounting Auditor is unsuitable after taking into consideration such matters as the execution of duties of the Accounting Auditor and the number of years it has been performing audits, the Board of Corporate Auditors shall determine details of a proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

VI. Matters Concerning the Development of Systems to Ensure Appropriateness of Operations, etc.

(1) Systems to Ensure Appropriateness of Operations

The following summarizes the contents of the resolutions of the Company's Board of Directors concerning the development of systems to ensure that the execution of duties by Directors is in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the appropriateness of operations.

At a meeting of the Board of Directors held on April 24, 2015, systems to ensure the appropriateness of operations and systems regarding audits were partially revised to reflect the current situation of the Group and their wording was changed to more specific and clear expressions in line with revisions of laws and regulations.

1) Systems to Ensure that the Execution of Duties by Directors and Employees of the Company and Group Companies Complies with the Laws and Regulations and the Articles of Incorporation

- a) The Company shall formulate the Charter of Ethical Behavior with which all Directors, Corporate Auditors, and employees must comply, and shall make this charter known to all Directors, Corporate Auditors, and employees. In addition, the top management shall ceaselessly and clearly demonstrate the spirit of such charter to the Directors, Corporate Auditors, and employees, thus ensuring that compliance with laws and regulations and corporate ethics forms the basis of the Company's existence and the premise of all corporate activities.
- b) The Company shall establish the Compliance Committee, with a President and Director of the Company as Chairperson. This committee shall continuously implement measures with respect to compliance and shall make reports on its activities to the Board of Directors of the Company.
- c) The Company shall work to prevent violations of laws and regulations, discover such violations at an early stage and deal with them promptly and effectively by establishing a whistle-blowing system that enables the opinions of Directors, Corporate Auditors, and employees regarding compliance to be reflected in company management.
- d) The Company shall have all Directors, Corporate Auditors, and employees of the Company enter into covenants regarding compliance with laws and regulations and corporate ethics and develop disciplinary measures to be taken against violators and those who are aware of violations but conceal them.
- e) Rules on the management of financial data and other important facts about the operations of the Company and the Group shall be formulated, and such facts shall be disclosed in a timely and appropriate manner.
- f) To ensure the reliability of its financial reporting on the basis of the Financial Instruments and Exchange Act, the Company shall establish a department dedicated to this purpose, and shall regularly evaluate the development and management of financial reporting through a system of cooperation among departments of the Company and work to make improvements accordingly.
- g) The department of the Company in charge of internal auditing shall perform audits of compliance and shall report to the Board of Directors.
- h) The Charter of Ethical Behavior shall be made known to Group companies, which shall work to develop structures for compliance with laws and regulations and corporate ethics in accordance with the circumstances of each company with support from the Company. Furthermore, the Company's whistle-blowing system shall be made available for use by the Directors, Corporate Auditors, and employees of Group companies.

- i) Internal auditing performed by the department of the Company in charge of internal auditing shall also be applicable to Group companies, and the Company's rules regarding internal auditing shall apply mutatis mutandis to the guidelines for such auditing.
 - j) The Company shall determinedly eliminate and block anti-social forces, and the department in charge of general affairs shall construct and develop a system for this purpose in cooperation with external specialist bodies such as law enforcement.
- 2) Systems to Retain and Manage Information Concerning the Directors' Execution of Duties
- a) Minutes of meetings of the Board of Directors and other management bodies holding meetings shall be prepared, retained, and managed appropriately by the administrative offices of each management body in accordance with laws and regulations and internal rules.
 - b) Records of information concerning decision making and execution of duties by the Directors shall be retained and managed appropriately in accordance with the rules on the management of documents or electromagnetic records stipulated by the Company.
 - c) Rules regarding the retention and management of company secrets, significant matters that are not publicly disclosed, and personal information shall be formulated, and the relevant information shall be managed with due care.
- 3) Rules and Other Organizational Structures of the Company and Group Companies Concerning Management of Risk of Loss
- a) Risks that may occur in the course of business operations shall be evaluated and monitored continuously. Risks with the potential to have a substantial impact on the financial position and business results shall be reported to the Board of Directors of the Company.
 - b) To prevent and eliminate risks related to earnings from individual products, appropriate risk management shall be carried out through deliberations to identify and evaluate risks and formulation of avoidance measures at the Risk Examination Committee.
 - c) To promptly and appropriately deal with such a serious risk that has emerged, systems shall be developed in advance including the formulation of rules on such matters as means of transmitting information, methods of handling such events, and structures for their management.
 - d) The department of the Company in charge of internal auditing shall monitor risk management statuses at each department of the Company and each Group company. It shall also perform audits of the effectiveness and adequacy of risk management and make reports on this to the Board of Directors of the Company.
- 4) Systems to Ensure that Directors of the Company and Group Companies Execute their Duties in an Efficient Manner
- a) Meetings of the Board of Directors shall in principle be held once a month and extraordinary meetings of the Board of Directors shall be held as necessary to determine important matters and to supervise the execution of business. For meetings of the Board of Directors to be operated appropriately and efficiently, rules on the matters to be decided upon at the meetings and standards for submitting such matters for deliberation and reporting on them shall be formulated.
 - b) The Company shall establish the Management Strategy Committee comprising Directors of the Company in charge of business operations and other key management personnel, at which sufficient advance deliberations on basic strategies and important matters shall be carried out, thus putting in place a system enabling accurate managerial judgment.

- c) The Board of Directors of the Company shall determine the Group's medium-term management plans and plans for each year. Based on such plans, all Directors of the Company shall develop detailed measures and systems for efficient business execution, and make progress reports on these measures to the Board of Directors of the Company.
 - d) The Company shall establish the Management Plan Follow-Up Committee with the President and Director of the Company as Chairperson. This committee shall monitor and inspect progress made with the measures and work towards the early discovery and prevention of problems, thus ensuring efficient business operations.
 - e) To efficiently achieve management targets, the Company shall formulate rules on organizational structure, division of duties, and decision-making authority, and clarify duties and authorities. The Company shall also formulate rules on the operation of information and communication systems and the protection of information assets, and shall utilize such rules effectively.
 - f) The department of the Company in charge of internal auditing shall perform audits to determine whether business operations at each department of the Company and each Group company are carried out efficiently in accordance with laws and regulations, the Articles of Incorporation and other internal rules, and shall report to the Board of Directors on this matter.
- 5) Systems for Reporting to the Company on the Matters regarding Execution of Duties by Directors of Group Companies
- To carry out deliberations on establishing internal control systems and to share information on Group management policies and other matters, the Company shall regularly hold conferences attended by the Directors of the Company and the President and Director of each Group company. Group companies shall report any material events at the conferences.
- 6) Other Systems to Ensure Appropriateness of Operations in the Group Consisting of the Company and the Group companies
- a) Regarding the management of Group companies, the Company shall supervise and monitor the appropriateness of operations at Group companies, while also respecting their autonomy, by assigning Directors and Corporate Auditors of the Company to work at each Group company, thus working to strengthen governance and supervisory functions under Group management.
 - b) The Company shall establish a main control division in the Company to control and guide Group companies, thus advancing efficient Group management in accordance with the standards for Group control and management. The control division shall also provide support for the establishment of internal control systems at each Group company.
- 7) Matters Concerning Employees who are Requested by Corporate Auditors to Assist in the Duties of Corporate Auditors and Matters Concerning Ensuring the Independence from Directors of Such Employees and the Effectiveness of Directions to Such Employees
- a) The Company shall put in place the Assistant to the Corporate Auditors as a body to assist the Corporate Auditors of the Company in their duties.
 - b) Employees belonging to other departments shall not be precluded from serving concurrently as staff in the Assistant to the Corporate Auditors. However, if Corporate Auditors request the assignment of dedicated staff to the Assistant to the Corporate Auditors, this shall not be refused without rational grounds.
 - c) When performing duties in accordance with the directions of the Corporate Auditors, staff in the Assistant to the Corporate Auditors shall not be under the command of Directors or other business executives.
 - d) Personnel matters relating to staff in the Assistant to the Corporate Auditors shall be determined by the Directors after deliberations with the Corporate Auditors.

- 8) Systems for Reporting to Corporate Auditors of the Company by Officers and Employees of the Company and Group Companies, Other Systems Concerning Reporting to Corporate Auditors, and Systems to Ensure that Persons who Report to Corporate Auditors Are not Treated Unfavorably as a Result of Making Such Report
- a) If a Director of the Company discovers a matter with the potential to cause substantial harm to the Company and the Group, such Director shall report such matter to the Board of Corporate Auditors of the Company immediately.
 - b) To monitor important decision-making processes and the status of business execution, the Corporate Auditors of the Company shall be permitted to attend meetings of the Board of Directors and other important meetings of the Company, and shall be permitted to request explanations on such matters from Directors or employees. Furthermore, when they are unable to attend such meetings due to circumstances, Corporate Auditors shall be permitted to receive explanations of the contents of such meetings, and inspect minutes and other related documents.
 - c) Corporate Auditors of the Company shall be permitted to inspect important documents related to business execution, and to request explanations of such matters from Directors or employees of the Company and Group companies as necessary.
 - d) Representative Directors of the Company shall regularly hold talks with Corporate Auditors of the Company, make reports to the Corporate Auditors of the Company regarding important matters with an impact on the Company and the Group, and exchange opinions with the Corporate Auditors on such matters.
 - e) It is prohibited for officers and employees of the Company or Group Companies who report to Corporate Auditors of the Company to be treated unfavorably as a result of making such report.
- 9) Matters Concerning the Policy Relating to Advance Payment of Expenses Accompanying Execution of Duties by the Corporate Auditors or Reimbursement thereof, or Other Treatments of Expenses or Liabilities Generated from Execution of those Relevant Duties
- When Corporate Auditors of the Company request advance payment of expenses and others on the basis of Article 388 of the Companies Act for executing their duties, those expenses or liabilities shall be processed immediately through deliberation within the department in charge, except as may be recognized as unnecessary for executing duties of the Corporate Auditor.
- 10) Other Systems to Ensure that Corporate Auditors Effectively Perform Audits
- a) The Directors of the Company shall cooperate with the Corporate Auditors of the Company to enable them to perform effective audits through cooperation with the Accounting Auditor, the department in charge of internal auditing, and the Corporate Auditors of Group companies.
 - b) The Directors of the Company shall have an awareness and understanding of the importance and usefulness of auditing by the Corporate Auditors. They shall also inform employees of the rules relating to auditing operations and auditing standards and help to establish an environment in which the Corporate Auditors can perform their audits effectively.
 - c) The department of the Company in charge of internal auditing shall provide internal audit plans, internal audit reports and other necessary information it receives in the course of performing internal auditing to the Corporate Auditors.

(2) Outline of Status of Systems to Ensure the Appropriateness of Operations

Outline of status of systems to ensure the appropriateness of operations is as follows.

1) Regarding Compliance

To thoroughly ensure compliance that includes adherence to laws and regulations, the Compliance Committee, on which the President and Director of the Company serves as the Chairperson, has distributed the “Hitz Group Charter of Ethical Behavior” to all Directors, Corporate Auditors, and employees, while continuously implementing e-learning, workshops, lectures, education, and enlightenment activities by transmitting information through newsletters and operating a whistle-blowing system.

With the aim of strengthening the compliance system of the entire Group, the Company has established and started operating a new reporting system on compliance from domestic and overseas Group companies in addition to carrying out workshops at Group companies and offices overseas.

2) Regarding Risk Management

Risks related to compliance, the environment, safety, disasters, information security, and other risks that may occur in the course of business operations are continuously managed by a system established at each responsible department, in order to prevent and minimize risks.

With regard to risks associated with order intake projects, discussions to identify and evaluate risks related to technologies, business conditions, and other factors, as well as formulation of avoidance measures are carried out under the Corporate Planning Department (Risk Management Section) when preparing an estimate. If deemed necessary, the final decision on whether to accept an order is made at a decision-making meeting after the Risk Examination Committee has examined risks from various aspects and taken measures. In addition, risks that may arise after receiving an order are monitored by the Corporate Planning Department (Project Management Section), among which, important issues are reported to the Board of Directors.

3) Regarding the Execution of Duties by Directors

We have held 14 meetings of the Board of Directors, in which important management matters (management basic policies, medium-term management plan follow-up, budget formulation, M&As, etc.) prescribed by laws and regulations, the Articles of Incorporation, and Rules of the Board of Directors are discussed and determined, while supervising the execution of duties of the Directors. During the current business year, to further enhance and promote the efficiency of discussions by the Board of Directors, the Company amended the Rules of the Board of Directors and other rules, while also revising procedures for decision-making by the Board of Directors, as well as standards for submitting such matters for deliberation and reporting. In addition, the Board of Directors is conducting discussion based on quarterly updates provided by the respective Executive Directors in accordance with the medium-term management plan, as well as single-year business plans.

4) Regarding the Management of Group Companies

To carry out discussions on establishing internal control systems of the Group and to share information on Group management policies and other matters, conferences is held on a regular basis. In addition, whenever necessary, the Company receives reports on important matters such as business and financial conditions from Group companies, and provides oversight and instructions.

5) Regarding Internal Auditing

To ensure the appropriateness of operations in the Group in accordance with the Internal Auditing Rule, the Internal Auditing Department (Internal Auditing Section) implements ongoing internal audits related to matters such as finance and accounting, operational controls and procedures, business risks, and compliance across all management activities of Group companies based on such factors as business type, scale, and importance to conduct evaluations and provide advice from an objective standpoint. The Internal Auditing Department also submits reports on the results of audits, as well as status of correction to Directors, Corporate Auditors, and responsible persons of audited segments from time to time, while providing regular comprehensive reports on the status of audits to the Management Strategy Committee, as well as the Board of Directors.

6) Regarding Audits Performed by Corporate Auditors

Corporate Auditors implement audits on respective business locations and segments. They have received reports on important matters through attending important internal meetings such as meetings of the Board of Directors and the Management Strategy Committee and meetings with the Representative Directors. In addition, Corporate Auditors stated opinions where necessary and made audits on the execution of business of Directors and others, while also exchanging information regarding auditing and collecting opinions on auditing from each Corporate Auditor through a total of 11 meetings of the Board of Corporate Auditors.

Corporate Auditors exchange information about such matters as audit plans and results with the Accounting Auditor on a regular basis, while monitoring and verifying whether the Accounting Auditor is conducting its audits appropriately. In addition, Corporate Auditors implement regular information exchanges and maintain close collaboration with the Internal Auditing Department by receiving such matters as audit plans and results, as well as necessary information obtained through audits with respect to internal auditing, in order to promote effective and efficient audits.

[Reference] Monetary amounts and numbers of shares provided in this business report are presented with fractional units discarded. Percentages are rounded off to the nearest unit.

Consolidated Balance Sheets

As of March 31, 2016

(Millions of yen)

Assets	401,648
Current assets	241,859
Cash and time deposits	51,584
Notes and accounts receivable-trade	139,276
Marketable securities	10
Merchandise and finished goods	2,152
Work in progress	23,914
Raw materials and supplies	4,912
Deferred tax assets	5,872
Other current assets	17,547
Allowance for doubtful receivables	(3,410)
Noncurrent assets	159,766
Property, plant and equipment, net	[119,806]
Buildings and structures	31,482
Machinery, equipment and vehicles	22,362
Tools, furniture and fixtures	2,207
Land	61,315
Lease assets	1,010
Construction in progress	1,428
Intangible assets	[7,716]
Goodwill	3,073
Other intangible assets	4,643
Investments and other noncurrent assets	[32,243]
Investments in securities	24,125
Long-term loans receivable	37
Net defined benefit assets	758
Deferred tax assets	3,095
Other investments and noncurrent assets	5,217
Allowance for doubtful receivables	(990)
Deferred assets	23
Bond issue expenses	23
Total assets	401,648

	(Millions of yen)
Liabilities	280,982
Current liabilities	184,053
Notes and accounts payable-trade	42,796
Electronically recorded obligations	19,751
Short-term borrowings	28,655
Accrued expenses	51,959
Accrued income taxes	2,848
Advances received on work in progress	18,728
Reserve for product warranty	4,901
Reserve for losses on construction contracts	5,498
Other current liabilities	8,912
Noncurrent liabilities	96,928
Bonds payable	10,000
Long-term borrowings	65,405
Deferred tax liabilities	789
Net defined benefit liability	17,699
Directors' and corporate auditors' severance and retirement benefits	401
Asset retirement obligations	966
Other noncurrent liabilities	1,665
Net assets	120,666
Shareholders' equity	113,995
Common stock	45,442
Capital surplus	12,230
Retained earnings	57,329
Treasury stock, at cost	(1,007)
Accumulated other comprehensive income	163
Net unrealized holding gains (losses) on securities	488
Net unrealized holding gains (losses) on hedging derivatives	(96)
Land revaluation difference	(49)
Foreign currency translation adjustments	3,135
Remeasurements of defined benefit plans	(3,314)
Non-controlling interests in consolidated subsidiaries	6,507
Total liabilities and net assets	401,648

Consolidated Statements of Income

For the business year ended March 31, 2016

(Millions of yen)

Net sales		387,043
Cost of sales		322,765
Gross profit		64,278
Selling, general and administrative expenses		49,165
Operating income		15,112
Non-operating income		
Interest income	92	
Dividend income	299	
Other non-operating income	1,868	2,261
Non-operating expenses		
Interest expense	991	
Equity in net loss of nonconsolidated subsidiaries and affiliates	1,269	
Other non-operating expenses	2,840	5,101
Ordinary income		12,272
Extraordinary loss		
Impairment loss	1,786	
Reserve for loss on guarantees	1,405	3,191
Profit before income taxes		9,080
Income taxes-current		3,477
Income taxes-deferred		(1,297)
Profit before non-controlling interests		6,900
Profit attributable to non-controlling interests		1,051
Profit attributable to shareholders of Hitachi Zosen		5,848

Consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	45,442	9,575	53,088	(410)	107,696
Changes of items during the period					
Cash dividends			(1,670)		(1,670)
Increase by share exchanges		1,530		396	1,927
Profit attributable to shareholders of Hitachi Zosen			5,848		5,848
Treasury stock disposed, net		0		0	0
Treasury stock purchased, net				(994)	(994)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		1,124			1,124
Reversal of land revaluation difference			62		62
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	2,655	4,240	(597)	6,298
Balance at end of year	45,442	12,230	57,329	(1,007)	113,995

	Accumulated other comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	852	(844)	(4)	4,266	(3,200)	1,069	8,764	117,530
Changes of items during the period								
Cash dividends								(1,670)
Increase by share exchanges								1,927
Profit attributable to shareholders of Hitachi Zosen								5,848
Treasury stock disposed, net								0
Treasury stock purchased, net								(994)
Change in treasury shares of parent arising from transactions with non-controlling shareholders								1,124
Reversal of land revaluation difference			(45)			(45)		16
Net changes of items other than shareholders' equity	(363)	748	-	(1,130)	(114)	(860)	(2,256)	(3,117)
Total changes of items during the period	(363)	748	(45)	(1,130)	(114)	(906)	(2,256)	3,135
Balance at end of year	488	(96)	(49)	3,135	(3,314)	163	6,507	120,666

[Reference] Monetary amounts in the Consolidated Financial Statements are presented with amounts of less than 1 million yen discarded.

Non-consolidated Balance Sheets

As of March 31, 2016

	(Millions of yen)
Assets	309,775
Current assets	155,415
Cash and time deposits	20,944
Trade notes receivable	2,763
Trade accounts receivable	90,364
Work in progress	18,210
Raw materials and supplies	3,176
Advance payments	7,583
Prepaid expenses	524
Deferred tax assets	3,320
Other accounts receivable	3,503
Advances paid	3,817
Short-term loans receivable	1,445
Other current assets	3,091
Allowance for doubtful receivables	(3,330)
Noncurrent assets	154,336
Property, plant and equipment, net	[98,071]
Buildings	19,076
Structures	6,333
Machinery and equipment	16,975
Vehicles	32
Tools, furniture and fixtures	990
Land	52,914
Lease assets	672
Construction in progress	1,076
Intangible assets	[1,202]
Patent rights	81
Software	828
Rights of using facilities	107
Other intangible assets	184
Investments and other noncurrent assets	[55,062]
Investments in securities	14,273
Stocks of subsidiaries and affiliates	34,486
Investments in capital of subsidiaries and affiliates	2,127
Long-term loans receivable	1,646
Noncurrent prepaid expenses	511
Deferred tax assets	1,225
Other investments and noncurrent assets	1,725
Allowance for doubtful receivables	(933)
Deferred assets	23
Bond issue expenses	23
Total assets	309,775

	(Millions of yen)
Liabilities	221,553
Current liabilities	139,675
Trade notes payable	4,674
Electronically recorded obligations	16,224
Trade accounts payable	27,303
Short-term borrowings	24,686
Lease obligations	211
Other accounts payable	1,559
Accrued expenses	30,697
Accrued income taxes	1,769
Advances received on work in progress	14,392
Deposits received	12,069
Reserve for product warranty	2,512
Reserve for losses on construction contracts	3,531
Other current liabilities	41
Noncurrent liabilities	81,877
Bonds payable	10,000
Long-term borrowings	62,255
Lease obligations	475
Employees' severance and retirement benefits	7,828
Asset retirement obligations	802
Other noncurrent liabilities	517
Net assets	88,222
Shareholders' equity	88,307
Common stock	45,442
Capital surplus	11,080
Additional paid-in capital	5,946
Other capital surplus	5,133
Retained earnings	32,793
Legal retained earnings	956
Other retained earnings	31,836
Retained earnings brought forward	31,836
Treasury stock, at cost	(1,007)
Valuation and translation adjustments	(85)
Net unrealized holding gains (losses) on securities	105
Net unrealized holding gains (losses) on hedging derivatives	191
Land revaluation difference	(382)
Total liabilities and net assets	309,775

Non-consolidated Statements of Income

For the business year ended March 31, 2016

		(Millions of yen)
Net sales		224,453
Cost of sales		193,256
Gross profit		31,196
Selling, general and administrative expenses		22,345
Operating income		8,850
Non-operating income		
Interest income	77	
Dividend income	1,744	
Other non-operating income	2,068	3,890
Non-operating expenses		
Interest expense	1,048	
Other non-operating expenses	4,260	5,308
Ordinary income		7,433
Extraordinary loss		
Loss on valuation of investments in capital of subsidiaries and affiliates	3,985	
Reserve for loss on guarantees	1,405	5,391
Profit before income taxes		2,041
Income taxes-current		700
Income taxes-deferred		(1,501)
Profit		2,841

Non-consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2016

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at beginning of year	45,442	5,946	3,602	9,549	789	30,769	31,559	(410)	86,139
Changes of items during the period									
Cash dividends						(1,670)	(1,670)		(1,670)
Reserve for dividends payment					167	(167)	–		–
Increase by share exchanges			1,530	1,530				396	1,927
Profit						2,841	2,841		2,841
Treasury stock disposed, net			0	0				0	0
Treasury stock purchased, net								(994)	(994)
Reversal of revaluation reserve for land						62	62		62
Net changes of items other than shareholders' equity									
Total changes of items during the period	–	–	1,531	1,531	167	1,066	1,233	(597)	2,167
Balance at end of year	45,442	5,946	5,133	11,080	956	31,836	32,793	(1,007)	88,307

	Valuation and translation adjustments				Total net assets
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Land revaluation difference	Total valuation and translation adjustments	
Balance at beginning of year	291	(280)	(320)	(309)	85,830
Changes of items during the period					
Cash dividends					(1,670)
Reserve for dividends payment					–
Increase by share exchanges					1,927
Profit					2,841
Treasury stock disposed, net					0
Treasury stock purchased, net					(994)
Reversal of revaluation reserve for land			(62)	(62)	–
Net changes of items other than shareholders' equity	(185)	472	–	286	286
Total changes of items during the period	(185)	472	(62)	224	2,392
Balance at end of year	105	191	(382)	(85)	88,222

[Reference] Monetary amounts in the Non-consolidated Financial Statements are presented with amounts of less than 1 million yen discarded.

Independent Auditor's Report

May 13, 2016

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC

Tohei Nitta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yukihisa Tatsumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takuya Obata (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Hitachi Zosen Corporation as at March 31, 2016 and for the business year from April 1, 2015 to March 31, 2016 in accordance with Article 444, paragraph 4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Hitachi Zosen Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

May 13, 2016

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC

Tohei Nitta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yukihisa Tatsumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takuya Obata (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Hitachi Zosen Corporation as at March 31, 2016 and for the 119th business year from April 1, 2015 to March 31, 2016 in accordance with Article 436, paragraph 2, item 1 of the Companies Act.

Management's Responsibility for the Non-consolidated Financial Statements and Others

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Hitachi Zosen Corporation for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report of the Board of Corporate Auditors

Audit Report

With respect to the Directors' performance of their duties during the 119th business year (from April 1, 2015 to March 31, 2016), the Board of Corporate Auditors has prepared this audit report as the consensus of all its members after deliberations based on the audit reports prepared by each Corporate Auditor, and hereby reports as follows:

1. Method and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors
 - (1) At the meeting of the Board of Corporate Auditors held on July 31, 2015, the Board made a resolution determining the audit standards of the Corporate Auditors, their audit policies and their audit plan, and each Corporate Auditor performed an audit based on such resolution.
 - (2) Each Corporate Auditor took steps to facilitate communication with Directors, the department in charge of internal auditing and other employees, strove to establish an environment for information collection and auditing, and attended meetings of the Board of Directors, monthly meetings on important management matters and other important meetings. When attending meetings of the Board of Directors, the Corporate Auditors closely monitored the progress and results of deliberations regarding proposals for deliberation and reported matters.

At such meetings, where necessary, the Corporate Auditors asked supplementary questions and stated opinions.
 - (3) Each Corporate Auditor received reports on a regular basis from the Directors and employees, etc., requested explanations as necessary, and provided opinions with respect to matters mentioned in the business report. Such matters consist of the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of the Company and other systems necessary for ensuring the appropriateness of the corporate affairs of the corporate group consisting of a joint stock company (*kabushiki kaisha*) and the its subsidiaries, and the systems developed and maintained based on such resolutions (internal control systems). Regarding internal control over financial reporting, each Corporate Auditor received reports from Directors and others as well as KPMG AZSA LLC concerning the evaluation of said internal control and the audit status, and requested explanations as necessary.
 - (4) With respect to the subsidiaries, each Corporate Auditor endeavored to facilitate mutual understanding and information exchange with the Directors and Corporate Auditors, etc. of each subsidiary, received from subsidiaries reports on their respective businesses periodically, and investigated as necessary.
 - (5) Each Corporate Auditor discussed the audit plan with the department in charge of internal auditing in advance and received explanations on the results of audits at the time of each audit's completion. Regarding matters mentioned in audits, each Corporate Auditor confirmed that they had been rectified in a timely manner.
 - (6) With respect to accounting auditing, each Corporate Auditor received an explanation of the audit plan from the Accounting Auditor and agreed it in advance, and received a report on the audit results. In addition, each Corporate Auditor monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Corporate Auditor was notified by the Accounting Auditor that it had established a system to ensure that the performance of the duties of the Accounting Auditor was properly conducted in accordance with the

Quality Control Standards for Audits, and requested explanations as necessary.

- (7) At a meeting of the Board of Corporate Auditors, each Corporate Auditor informed the other Corporate Auditors of their audit results, exchanged opinions, and shared information. Regarding the results of their investigations or audit activities, each Corporate Auditor provided opinions to Directors and those in charge of various departments as necessary.
- (8) Based on the above-described methods, each Corporate Auditor examined the business report and the supplementary schedule thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and the supplementary schedule thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), for the business year under consideration.

2. Results of Audits

(1) Results of Audit of Business Report, etc.

- (i) We acknowledge that the business report and the supplementary schedule thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
- (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the contents in the business report and Directors' performance of their duties concerning the internal control systems, including internal control over financial reporting.

(2) Results of Audit of Non-consolidated Financial Statements and Their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor KPMG AZSA LLC are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor KPMG AZSA LLC are appropriate.

May 17, 2016

The Board of Corporate Auditors, Hitachi Zosen Corporation		
Full-time Corporate Auditor	Masamichi Tokuhira	(Seal)
Full-time Corporate Auditor	Koji Abo	(Seal)
Outside Corporate Auditor	Makoto Yagi	(Seal)
Outside Corporate Auditor	Kenichi Takashima	(Seal)