

June 4, 2021

Dear Shareholders

Takashi Tanisho, Chairman

Hitachi Zosen Corporation

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

NOTICE OF THE 124TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 124th Ordinary General Meeting of Shareholders of Hitachi Zosen Corporation (“the Company”). The meeting shall be held as described below.

In order to prevent the spread of the novel coronavirus disease (COVID-19) at this General Meeting of Shareholders, we request you refrain from attending the meeting in person and exercise your voting rights in writing or via the Internet.

To exercise your voting rights, we kindly ask you to review the “Reference Documents for the General Meeting of Shareholders” (described hereinafter), follow the instructions on pages 3 to 4 and exercise your voting rights by 5:00 p.m. (JST) on Monday, June 21, 2021 (exercise date).

1. Date and Time: June 22, 2021 (Tuesday), 10:00 a.m. (JST) (Doors open 9:00 a.m.)

2. Place: Art Hotel Osaka Bay Tower, 4th Floor, “Art Grand Ballroom”
2-1, Benten 1-chome, Minato-ku, Osaka, Japan

3. Purposes

I. Matters to be Reported:

1. The Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements for the 124th business year (from April 1, 2020 to March 31, 2021)
2. The Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements for the 124th business year

II. Matters to be Resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Nine (9) Directors
Proposal 3: Election of Two (2) Corporate Auditors
Proposal 4: Election of One (1) Substitute Corporate Auditor

4. Matters relating to this Notice of Convocation

- Among the documents to be provided relating to this Notice, the following items are posted on the website of the Company pursuant to the relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company.

- 1) “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements
 - 2) “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements
- These matters are included in the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Accounting Auditor and Corporate Auditors for the preparation of the Accounting Audit Report and Audit Report, respectively.

- Any modification that may be required in the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements will be published on the website of the Company.

Website of the Company: <https://www.hitachizosen.co.jp/ir/stock/meeting.html> (Japanese only)

- **Treatment of Voting Rights Exercised Multiple Times**

- 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.
- If the voting rights are exercised multiple times via the Internet: The last exercise of the voting rights will be deemed effective.

- **Other**

- Please read the “Measures to Prevent the Spread of the Novel Coronavirus Disease (COVID-19) at the 124th Ordinary General Meeting of Shareholders” (Japanese only). If there are any changes in the arrangements, response methods and other related operation of the General Meeting of Shareholders, according to the future situation, we will give notice on the Company’s website (<https://www.hitachizosen.co.jp/ir/stock/meeting.html>).
- Please kindly note that the distribution of souvenirs for shareholders attending the meeting in person will be cancelled. We appreciate your understanding.

Instructions on Exercising Voting Rights via the Internet

Scanning QR code®

You can simply login to the website for exercising voting rights without entering your login ID and temporary password printed on the voting form.

1. Please scan the QR code® located on the right side of the voting form.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Note that you can log in to the website only once by using the QR Code.

Entering login ID and temporary password

Site for exercising voting rights:
<https://evote.tr.mufg.jp/>

1. Please access the site for exercising voting rights.

2. Enter your “login ID” and “temporary password” printed on the voting form.

3. Please register a new password.

4. Indicate your approval or disapproval by following the instructions on the screen.

Cautionary matters

- (1) When exercising voting rights via the Internet, please be aware that the website is not available from 2:00 a.m. to 5:00 a.m. (JST) each day.
- (2) 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.
- (3) Any fees for accessing the website for exercising voting rights (Internet connection fees, etc.) shall be borne by the shareholder.

In case you need instructions for how to operate your PC/smartphone/cellular phone in order to exercise your voting rights via the Internet, 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 results for fiscal year 2020 and retained earnings for future business development, we hereby propose the year-end dividend for fiscal year 2020 as follows.

- (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: 2,022,432,072 yen
- (iii) Effective date of commencement of payment: June 23, 2021

Proposal 2: Election of Nine (9) Directors

The term of office of all ten (10) present Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we propose to elect nine (9) Directors, decreasing the number of Directors by one (1) to ensure strategic and flexible decision-making of the Board of Directors.

The candidates for Directors are as follows:


No.	Name	Position and Areas of Responsibility at the Company	Attendance at Board of Directors meetings (FY 2020)	Tenure as Director (at the conclusion of the General Meeting of Shareholders)
1	Takashi Tanisho Reappointed	Representative Director, Chairman and Chief Executive Officer	15/15	11 years
2	Sadao Mino Reappointed	Representative Director, President and Chief Operating Officer	15/15	6 years
3	Toshiyuki Shiraki Reappointed	Managing Director, Responsible for Environment Business Headquarters and Procurement Headquarters	15/15	5 years
4	Tatsuji Kamaya Reappointed	Managing Director, General Manager of Machinery & Infrastructure Business Headquarters	15/15	4 years
5	Tadashi Shibayama Reappointed	Managing Director, Responsible for Sales, Overseas Business, General Administration Headquarters, Corporate Planning Headquarters, and Yumeshima Area Development Promotion Dept.	15/15	4 years
6	Michi Kuwahara Newly appointed	Managing Executive Officer, General Manager of Corporate Planning Headquarters	—	—
7	Kazuko Takamatsu Reappointed Outside Independent	Director	15/15	6 years
8	Richard R. Lury Reappointed Outside Independent	Director	15/15	5 years
9	Tetsuya Shoji Newly appointed Outside Independent	—	—	—


Newly appointed Candidate for newly appointed Director


Reappointed Candidate for reappointed Director


Outside Candidate for Outside Director


Independent Independent Director


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>Takashi Tanisho (February 26, 1949)</p> <p>Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p>Tenure as Director 11 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1973 Joined the Company</p> <p>June 2010 Director, the Company</p> <p>April 2012 Managing Director, 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</p> <p>April 2017 Representative Director, Chairman and President, the Company</p> <p>April 2020 Representative Director, Chairman and Chief Executive Officer, the Company (current position)</p> <hr/> <p><Reasons for nominating the candidate as Director> As top management of the Company since assuming the office of President and Chief Operating Officer in April 2013, then as Chairman and Chief Executive Officer from April 2020, Mr. Tanisho has been mainly working to make the corporate philosophy of the Company a reality, drive sustainable growth and improvement of the corporate value of the Hitachi Zosen Group and promote stronger corporate governance. The Company has determined, based on this experience and track record, that Mr. Tanisho is well-qualified to play a key role in further developing the Hitachi Zosen Group. Thus, once again, the Company has designated Mr. Tanisho as a candidate for Director.</p>	196,806


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 data-bbox="379 248 512 277"><u>Reappointed</u></p>  <p data-bbox="352 607 533 663">Sadao Mino (August 27, 1957)</p> <p data-bbox="336 703 549 819">Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p data-bbox="336 864 549 1010">Tenure as Director 6 years (at the conclusion of the General Meeting of Shareholders)</p>	<p data-bbox="580 248 975 277">April 1982 Joined the Company</p> <p data-bbox="580 293 1246 394">April 2015 General Manager of Environment Business Headquarters, and Responsible for Architect Supervision Dept. and Quality Assurance Dept., the Company</p> <p data-bbox="580 409 1102 439">June 2015 Managing Director, the Company</p> <p data-bbox="580 454 1174 499">April 2017 Representative Director, Executive Vice-President, the Company</p> <p data-bbox="580 515 1198 640">April 2017 President's Assistant (Responsible for Production Engineering Dept., Wind Power Business Promotion Office and Functional Materials Business Promotion Office), the Company</p> <p data-bbox="580 656 1246 701">April 2018 President's Assistant (Responsible for Sales and Production Engineering Dept.), the Company</p> <p data-bbox="580 716 1246 761">April 2019 President's Assistant (Responsible for Sales and Procurement Headquarters), the Company</p> <p data-bbox="580 777 1214 880">October 2019 President's Assistant (Responsible for Sales, Procurement Headquarters, and Yumeshima Area Development Promotion Dept.), the Company</p> <p data-bbox="580 896 1222 974">April 2020 Representative Director, President and Chief Operating Officer, the Company (current position)</p> <p data-bbox="580 990 1246 1355"><Reasons for nominating the candidate as Director> Since assuming the office of Executive Vice President from April 2017, then as President and Chief Operating Officer from April 2020, Mr. Mino has been mainly working to make the corporate philosophy of the Company a reality, drive sustainable growth and improvement of the corporate value of the Hitachi Zosen Group, and promote stronger corporate governance. The Company has determined, based on this experience and track record, that Mr. Mino will 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>	65,144


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><u>Reappointed</u></p>  <p>Toshiyuki Shiraki (June 24, 1958)</p> <p>Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p>Tenure as Director 5 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1984 Joined the Company</p> <p>April 2016 General Manager of Technology Development Headquarters, and General Manager of Business Planning Headquarters, the Company</p> <p>June 2016 Managing Director, the Company (current position)</p> <p>April 2017 General Manager of Business Planning & Technology Development Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters, Architect Supervision Dept. and Quality Assurance Dept., the Company</p> <p>April 2019 General Manager of Environment Business Headquarters, the Company</p> <p>April 2020 General Manager of Environment Business Headquarters and Responsible for Procurement Headquarters, the Company</p> <p>April 2021 Responsible for Environment Business Headquarters and Procurement Headquarters, the Company (current position)</p>	39,742
	<p><Reasons for nominating the candidate as Director> Mr. Shiraki has been engaged mainly in engineering, development, construction and overseas project works in the Environmental Systems Business segment, planning and development of new businesses, and has extensive experience of business operations, as well as technical skills and specialist capabilities. Mr. Shiraki has been working to promote further business growth in line with globalization, becoming the person responsible for the Environmental Systems Business since April 2019. Based on this experience and track record, the Company has determined that, Mr. Shiraki will continue 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. Shiraki 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																						
4	<p style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Tatsuji Kamaya (September 2, 1961)</p> <p style="text-align: center;">Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p style="text-align: center;">Tenure as Director 4 years (at the conclusion of the General Meeting of Shareholders)</p>	<table border="0"> <tr> <td style="vertical-align: top;">April 1984</td> <td>Joined the Company</td> </tr> <tr> <td style="vertical-align: top;">April 2014</td> <td>Executive Officer, the Company</td> </tr> <tr> <td style="vertical-align: top;">April 2015</td> <td>Deputy General Manager of Environment Business Headquarters, the Company</td> </tr> <tr> <td style="vertical-align: top;">April 2017</td> <td>General Manager of Corporate Planning Headquarters, and Responsible for General Administration Headquarters and Procurement Headquarters, the Company</td> </tr> <tr> <td style="vertical-align: top;">June 2017</td> <td>Director, the Company</td> </tr> <tr> <td style="vertical-align: top;">August 2017</td> <td>General Manager of Corporate Planning Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for General Administration Headquarters and Procurement Headquarters, the Company</td> </tr> <tr> <td style="vertical-align: top;">April 2018</td> <td>Managing Director, the Company (current position)</td> </tr> <tr> <td style="vertical-align: top;">April 2019</td> <td>General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Production Engineering Dept., the Company</td> </tr> <tr> <td style="vertical-align: top;">April 2020</td> <td>General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, the Company</td> </tr> <tr> <td style="vertical-align: top;">July 2020</td> <td>General Manager of Machinery Business Headquarters, General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Infrastructure Business Headquarters, the Company</td> </tr> <tr> <td style="vertical-align: top;">April 2021</td> <td>General Manager of Machinery & Infrastructure Business Headquarters, the Company (current position)</td> </tr> </table> <p><Reasons for nominating the candidate as Director> Mr. Kamaya has been engaged mainly in operations such as accounting & finance and corporate planning in the Company. Mr. Kamaya has extensive experience and wide-ranging insight into the Hitachi Zosen Group's company management, and others, and he has been promoting the business structure reforms and business growth as the person in charge of the Machinery Business and the Infrastructure Business since July 2020. Based on this experience and track record, the Company has determined that Mr. Kamaya will continue 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. Kamaya as a candidate for Director.</p>	April 1984	Joined the Company	April 2014	Executive Officer, the Company	April 2015	Deputy General Manager of Environment Business Headquarters, the Company	April 2017	General Manager of Corporate Planning Headquarters, and Responsible for General Administration Headquarters and Procurement Headquarters, the Company	June 2017	Director, the Company	August 2017	General Manager of Corporate Planning Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for General Administration Headquarters and Procurement Headquarters, the Company	April 2018	Managing Director, the Company (current position)	April 2019	General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Production Engineering Dept., the Company	April 2020	General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, the Company	July 2020	General Manager of Machinery Business Headquarters, General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Infrastructure Business Headquarters, the Company	April 2021	General Manager of Machinery & Infrastructure Business Headquarters, the Company (current position)	26,888
April 1984	Joined the Company																								
April 2014	Executive Officer, the Company																								
April 2015	Deputy General Manager of Environment Business Headquarters, the Company																								
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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 style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Tadashi Shibayama (September 13, 1958)</p> <p style="text-align: center;">Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p style="text-align: center;">Tenure as Director 4 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1982 Joined the Company</p> <p>April 2012 Executive Officer, the Company</p> <p>April 2016 General Manager of Wind Power Business Promotion Office, the Company</p> <p>April 2017 General Manager of Machinery Business Headquarters, the Company</p> <p>June 2017 Director, the Company</p> <p>April 2019 General Manager of Machinery Business Headquarters, and Responsible for Infrastructure Business Headquarters, the Company</p> <p>June 2019 Managing Director, the Company (current position)</p> <p>April 2020 General Manager of Machinery Business Headquarters, and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development Promotion Dept., the Company</p> <p>July 2020 Responsible for Sales, Overseas Business, General Administration Headquarters, Corporate Planning Headquarters, and Yumeshima Area Development Promotion Dept., the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Shibayama has been engaged in wide-ranging operations such as engineering, sales, aftersales service, planning and development, and promotion of new businesses in departments in charge of manufacturing and engineering businesses. He has extensive experience and wide-ranging insight into business operations both in Japan and overseas, and overseas sales. Mr. Shibayama has been responsible for Sales and Overseas Business and has also been the person in charge of the Company's administrative divisions since July 2020, and promoted the strengthening of business competitiveness and the management system. Based on this experience and track record, the Company has determined that Mr. Shibayama will continue 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. Shibayama as a candidate for Director.</p>	44,004

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
6	<p data-bbox="359 250 528 275">Newly appointed</p>  <p data-bbox="359 577 528 640">Michi Kuwahara (June 18, 1963)</p>	<p data-bbox="582 250 1251 275">April 1986 Joined the Company</p> <p data-bbox="582 293 1251 344">April 2015 General Manager of Corporate Planning Dept., the Company</p> <p data-bbox="582 362 1251 439">January 2018 General Manager of Corporate Planning Dept., the Company and Chairman of the Supervisory Board of Hitachi Zosen Inova AG</p> <p data-bbox="582 456 1251 481">April 2018 Executive Officer, the Company</p> <p data-bbox="582 499 1251 600">April 2018 Assistant to General Manager of Environment Business Headquarters, the Company and Chairman of the Supervisory Board of Hitachi Zosen Inova AG</p> <p data-bbox="582 618 1251 672">April 2020 Managing Executive Officer, the Company (current position)</p> <p data-bbox="582 689 1251 766">July 2020 General Manager of General Administration Headquarters, and Corporate Planning Headquarters, the Company</p> <p data-bbox="582 784 1251 837">April 2021 General Manager of Corporate Planning Headquarters, the Company (current position)</p> <p data-bbox="582 855 1251 909">(Significant Concurrent Position) President, HITZ HOLDINGS U.S.A. INC.</p> <hr/> <p data-bbox="582 927 1251 1344"><Reasons for nominating the candidate as Director> Mr. Kuwahara has been engaged mainly in operations such as accounting & finance and corporate planning at the Company, and has extensive experience and wide-ranging insight into the Hitachi Zosen Group's company management, including having carried out business structure reform as Chairman of the Supervisory Board of an overseas subsidiary. Mr. Kuwahara has promoted the strengthening of the management system as the person in charge of the Company's administrative divisions since July 2020. Based on this experience and track record, the Company has determined that Mr. Kuwahara will fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, the Company has designated Mr. Kuwahara as a candidate for Director.</p>	2,094

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7	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Director</div>  <p style="text-align: center;">Kazuko Takamatsu (August 27, 1951)</p> <p>Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p style="text-align: center;">Tenure as Outside Director 6 years (at the conclusion of the General Meeting of Shareholders)</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%; vertical-align: top;">April 1974</td> <td>Joined Sony Corporation</td> </tr> <tr> <td style="vertical-align: top;">April 2003</td> <td>Representative Director, Sony Digital Network Applications, Inc.</td> </tr> <tr> <td style="vertical-align: top;">October 2008</td> <td>VP in charge of Environment, Sony Corporation</td> </tr> <tr> <td style="vertical-align: top;">April 2012</td> <td>Advisor, YAMAGATA INTECH Corporation</td> </tr> <tr> <td style="vertical-align: top;">April 2013</td> <td>Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management</td> </tr> <tr> <td style="vertical-align: top;">May 2015</td> <td>Outside Director, Dexerials Corporation (retired in June 2019)</td> </tr> <tr> <td style="vertical-align: top;">June 2015</td> <td>Outside Director, the Company (current position)</td> </tr> <tr> <td style="vertical-align: top;">April 2020</td> <td>Executive Director, Japan Institute for Women's Empowerment & Diversity Management (retired in June 2020)</td> </tr> <tr> <td style="vertical-align: top;">June 2020</td> <td>Outside Director, The Kansai Electric Power Company, Incorporated (Member of the Nominating Committee) (current position)</td> </tr> </table> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>(Significant Concurrent Position) Outside Director, The Kansai Electric Power Company, Incorporated (Member of the Nominating Committee)</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p><Reasons for nominating the candidate as Outside Director and outline of expected roles> Ms. Takamatsu has extensive experience and wide-ranging insight into company management and diversity-focused management. Her experience encompasses working for many years at global companies, as well as service as the Representative Director of a software development company and as the Executive Director of the Japan Institute for Women's Empowerment & Diversity Management. As Outside Director, Ms. Takamatsu provides appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance, the globalization of business, and diversity-focused management. In addition, Ms. Takamatsu has fulfilled the role of strengthening supervisory functions regarding business execution through her involvement in the decisions on executive appointments and Directors' remuneration as a member of the Nomination & Remuneration Advisory Committee. The Company expects her to continue these roles and has once again designated Ms. Takamatsu as a candidate for Outside Director.</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p><Matters concerning the independency> While there is an outsourcing transaction between the Company and the Japan Institute for Women's Empowerment & Diversity Management, where Ms. Takamatsu formerly served as Executive Director, the average annual value of transactions between the Company and the Japan Institute for Women's Empowerment & Diversity Management in the past three business years was 0.6% of the organization's annual ordinary revenue. Additionally, there are no business relationships between the Company and Sony Corporation or between the Company 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 director as prescribed by Tokyo Stock Exchange, Inc.</p> </div>	April 1974	Joined Sony Corporation	April 2003	Representative Director, Sony Digital Network Applications, Inc.	October 2008	VP in charge of Environment, Sony Corporation	April 2012	Advisor, YAMAGATA INTECH Corporation	April 2013	Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management	May 2015	Outside Director, Dexerials Corporation (retired in June 2019)	June 2015	Outside Director, the Company (current position)	April 2020	Executive Director, Japan Institute for Women's Empowerment & Diversity Management (retired in June 2020)	June 2020	Outside Director, The Kansai Electric Power Company, Incorporated (Member of the Nominating Committee) (current position)	7,170
April 1974	Joined Sony Corporation																				
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June 2020	Outside Director, The Kansai Electric Power Company, Incorporated (Member of the Nominating Committee) (current position)																				

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	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Director</div>  <p>Richard R. Lury (January 21, 1948)</p> <p>Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p>Tenure as Outside Director 5 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>May 1974 Admitted to the bar of the State of New York</p> <p>September 1989 Partner, Kelley Drye & Warren LLP (retired in January 2015)</p> <p>June 2003 Admitted to the bar of the State of New Jersey</p> <p>March 2013 Outside Director, Sanken North America, Inc. (currently, Allegro MicroSystems, Inc.) (current position)</p> <p>June 2014 Outside Director, Sanken Electric Co., Ltd. (current position)</p> <p>June 2016 Outside Director, the Company (current position)</p> <p>(Significant Concurrent Positions) Attorney-at-law in the United States (State of New York and New Jersey) Outside Director, Sanken Electric Co., Ltd. Outside Director, Allegro MicroSystems, Inc.</p> <p>< Reasons for nominating the candidate as Outside Director and outline of expected roles > 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 management and legal matters. As Outside Director, Mr. Lury provides appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance and the globalization of business. In addition, he has fulfilled the role of strengthening supervisory functions regarding business execution through the involvement in decisions on executive appointments and Directors' remuneration as a member of the Nomination & Remuneration Advisory Committee. The Company anticipates that Mr. Lury will continue to fulfill these roles and has thus once again designated Mr. Lury as a candidate for Outside Director.</p> <p><Matters concerning the independency> Although a business relationship between the Company and a major law firm in the United States, where Mr. Lury served as partner until he retired in January 2015, exists via the Company's subsidiary in the United States, the average annual value of transactions in the past three business years is less than 10 million yen. Mr. Lury has concluded a legal advisory contract with the Company's subsidiary in the United States from January 2015 to December 2020, but the average annual value of transactions in the past three business years is less than 10 million yen. Based on the above facts, the Company has determined that Mr. Lury is independent, and has designated him as an independent director 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	Newly appointed	April 1977	None
	Outside Director	June 2006	
	Independent Director	June 2009	
		June 2012	
	Tetsuya Shoji (February 28, 1954)	June 2015	
		June 2020	
	March 2021	Outside Director, Sapporo Holdings Limited (current position)	
		(Significant Concurrent Positions) Corporate Advisor, NTT Communications Corporation Outside Director, Sapporo Holdings Limited	
		<Reasons for nominating the candidate as Outside Director and outline of expected roles > Mr. Shoji has extensive experience and wide-ranging insight in corporate management, including having served as a representative member of the board of a major telecommunications carrier. The Company anticipates that Mr. Shoji will be able to provide appropriate opinions and advice as Outside Director from an independent standpoint to the Company, which is now promoting stronger corporate governance, the globalization of business and digital transformation (DX) and fulfill the role of strengthening supervisory functions regarding business execution through the involvement in decisions on executive appointments and Directors' remuneration as a member of the Nomination & Remuneration Advisory Committee. Thus, the Company has designated Mr. Shoji as a candidate for Outside Director.	
		<Matters concerning the independency> Although there is a business relationship between the Company and NTT Communications Corporation, where Mr. Shoji currently serves as Corporate Advisor and was engaged in execution of business until June 2020, the average annual value of transactions between the two companies in the past three business years was less than 0.1% of NTT Communications Corporation's consolidated operating revenue and there were no sales from the company. Additionally, although there is a business relationship between the Company and Nippon Telegraph and Telephone West Corporation, where Mr. Shoji 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 Nippon Telegraph and Telephone West Corporation's consolidated operating revenue and there were no sales from the Company. Based on the above facts, the Company has determined that Mr. Shoji is independent, and will designate him as an independent officer as prescribed by Tokyo Stock Exchange, Inc.	

- Notes: 1. Mr. Tetsuya Shoji will be appointed as outside director of Mitsubishi Logistics Corporation after obtaining approval at the General Meeting of Shareholders of Mitsubishi Logistics Corporation, which is scheduled to be held on June 29, 2021.
2. The Company has concluded an agreement with Ms. Kazuko Takamatsu and Mr. Richard R. Lury 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. In addition, in the event that Mr. Shoji is elected as Outside Director, the Company intends to conclude a comparable agreement with him.


3. The Company has concluded a directors and officers liability insurance agreement with an insurance company. This insurance agreement covers directors and officers for damages that may arise from accepting liability for the execution of their duties or from receiving claims related to pursuit of such liability. All the candidates for Director will be included as insureds in the said insurance agreement if elected. In addition, the Company plans to renew the agreement with details of the same degree in the middle of their term of office.


Proposal 3: Election of Two (2) Corporate Auditors

Mr. Yoshihiro Doi, one of the present Corporate Auditors, will complete his term of office at the conclusion of this General Meeting of Shareholders. Also, Mr. Koji Abo will resign. Accordingly, we propose to elect two (2) Corporate Auditors.

The Board of Corporate Auditors has approved this proposal.

The candidates for Corporate Auditors are as follows:

Candidate No.	Name (Date of Birth)	Career Summary (Position at the Company and Significant Concurrent Positions)	Number of the Company's Share Owned
1	<p><u>Newly appointed</u></p>  <p>Kazuhisa Yamamoto (June 1, 1959)</p>	<p>April 1982 Joined the Company</p> <p>April 2014 Executive Officer, the Company</p> <p>April 2015 General Manager of Environmental EPC Business Unit, the Company</p> <p>April 2017 General Manager of Environment Business Headquarters, the Company</p> <p>June 2017 Director, the Company</p> <p>April 2019 General Manager of Business Planning & Technology Development Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters, Architect Supervision Dept. and Quality Assurance Dept., the Company</p> <p>June 2019 Managing Director, the Company (current position)</p> <p>April 2020 General Manager of Business Planning & Technology Development Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept., the Company</p> <p>April 2021 General Manager of R&D Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept., the Company (current position)</p>	26,677
<p><Reasons for nominating the candidate as Corporate Auditor> Mr. Yamamoto has extensive experience and track record in the Company as the responsible person of the Environmental Systems and Industrial Plants Business division and Research and Development division, through his service as Executive Officer from April 2014 and Director from June 2017, and has an understanding of the Company's management and business operations, etc. The Company anticipates that, based on his experience and track record, Mr. Yamamoto will contribute to enhancing the Company's corporate governance and auditing system. Thus, the Company has designated Mr. Yamamoto as a candidate for Corporate Auditor.</p>			

Candidate No.	Name (Date of Birth)	Career Summary (Position at the Company and Significant Concurrent Positions)	Number of the Company's Share Owned
2	Reappointed	April 1979 Joined The Kansai Electric Power Company, Incorporated	None
	Outside Corporate Auditor	June 2006 Executive Officer, The Kansai Electric Power Company, Incorporated	
	Independent Corporate Auditor	June 2009 Managing Director, The Kansai Electric Power Company, Incorporated.	
	 <p>Yoshihiro Doi (October 25, 1954)</p> <p>Attendance at Board of Directors meetings (FY 2020) 15/15</p> <p>Attendance at Board of Corporate Auditors meetings (FY 2020) 9/9</p> <p>Tenure as Outside Corporate Auditor 4 years (at the conclusion of the General Meeting of Shareholders)</p>	June 2013 Director, Managing Executive Officer, The Kansai Electric Power Company, Incorporated	
June 2016 Director, Executive Vice President, The Kansai Electric Power Company, Incorporated (retired in March 2020)			
June 2017 Outside Corporate Auditor, the Company (current position)			
		April 2020 Director and President, Kansai Transmission and Distribution, Inc. (current position)	
		(Significant Concurrent Positions) Director and President, Kansai Transmission and Distribution, Inc.	
		<Reasons for nominating the candidate as Outside Corporate Auditor> Mr. Doi has extensive experience and wide-ranging insight into company management, serving as Representative Director of a major electric power company. As Outside Corporate Auditor, Mr. Doi provides appropriate opinions and advice on the Company's management, business operations and other matters from an independent standpoint. The Company anticipates that Mr. Doi will be able to contribute to enhancing its corporate governance and auditing system. Thus, the Company has continued to designate Mr. Doi as a candidate for Outside Corporate Auditor.	
		<Matters concerning the independency> Although there is a business relationship between the Company and Kansai Transmission and Distribution, Inc., where Mr. Doi is currently 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 Kansai Transmission and Distribution Inc.'s consolidated net sales and there were no sales from the company. In addition, although there is a business relationship between the Company and The Kansai Electric Power Company, Incorporated, where Mr. Doi 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 consolidated net sales and less than 0.1% of the company's consolidated net sales. Based on the above fact, the Company has determined that Mr. Doi is independent, and has designated him as an independent officer as prescribed by Tokyo Stock Exchange, Inc.	

- Notes: 1. While Mr. Yoshihiro Doi was director of The Kansai Electric Power Company, Incorporated, the company received an order for business improvement from the Ministry of Economy, Trade and Industry in accordance with the Electricity Business Act because of the finding of incidents such as the reception of a large amount of cash and gifts by its executives and employees, acts of improper order placement to its business partners and the reception of illicit remuneration by its officers. On March 30, 2020, the company submitted a business improvement plan to the Minister of Economy, Trade and Industry to respond to the aforementioned order.
2. The Company has concluded an agreement with Mr. Yoshihiro Doi that limits the maximum amount of his 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 his reelection is approved, the Company intends to continue the said agreement. In addition, if Mr. Kazuhisa Yamamoto is elected to the office of Corporate Auditor, the Company intends to conclude a comparable agreement with him.

3. The Company has concluded a directors and officers liability insurance agreement with an insurance company. This insurance agreement covers directors and officers for damages that may arise from accepting liability for the execution of their duties or from receiving claims related to pursuit of such liability. All the candidates for Corporate Auditor will be included as insureds in the said insurance agreement if elected. In addition, the Company plans to renew the agreement with details of the same degree in the middle of their term of office.


Proposal 4: Election of One (1) Substitute Corporate Auditor

At the start of this General Meeting of Shareholders, the effectiveness of the election of Ms. Keiko Kosaka, who was elected as a substitute Corporate Auditor at the 120th Ordinary General Meeting of Shareholders held on June 22, 2017, expires. In preparation against a situation where the number of Outside Corporate Auditors falls below the statutory required number, we once again propose to elect one (1) substitute Corporate Auditor.

The election of substitute Corporate Auditor can be nullified before assuming office by resolution of the Board of Directors if the consent of the Board of Corporate Auditors has been obtained.

The Board of Corporate Auditors has approved this proposal.

The candidate for substitute 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
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Corporate Auditor</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Corporate Auditor</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Substitute Corporate Auditor</div>	October 2002 Registered as attorney-at-law October 2002 Joined Irokawa Law Office (currently, Irokawa Legal Professional Corporation) February 2008 Outside Auditor, KAWAKAMI PAINT MFG. CO., LTD January 2009 Partner, Irokawa Law Office (currently, Irokawa Legal Professional Corporation) (current position) June 2016 External Auditor, Nihon Yamamura Glass Co., Ltd. June 2017 Director & External Audit and Supervisory Committee Member, Nihon Yamamura Glass Co., Ltd. (current position) March 2018 Outside Auditor, TOYO TANSO CO., LTD. (current position) June 2018 Outside Auditor, FALCO HOLDINGS Co., Ltd. (current position)	None
 Keiko Kosaka (September 20, 1976)	(Significant Concurrent Positions) Partner, Irokawa Legal Professional Corporation Director & External Audit and Supervisory Committee Member, Nihon Yamamura Glass Co., Ltd. Outside Auditor, TOYO TANSO CO., LTD. Outside Auditor, FALCO HOLDINGS Co., Ltd.	
	<Reasons for nominating the candidate as Outside Corporate Auditor> Ms. Kosaka has been working as an attorney-at-law for many years, and has extensive experience and expertise in corporate legal matters. The Company has determined that Ms. Kosaka will be able to appropriately fulfill duties from an independent standpoint as Outside Corporate Auditor. Thus, the Company has continued to designate Ms. Kosaka as a candidate for substitute Outside Corporate Auditor.	
	<Matters concerning the independency> Although there is a business relationship between the Company and Irokawa Legal Professional Corporation, where Ms. Kosaka currently serves as partner, the average annual value of transactions between the two parties in the past three business years was less than 10 million yen. Based on the above fact, the Company has determined that Ms. Kosaka is independent, and plans to designate her as an independent officer as prescribed by Tokyo Stock Exchange, Inc. when she assumes the position of Corporate Auditor.	

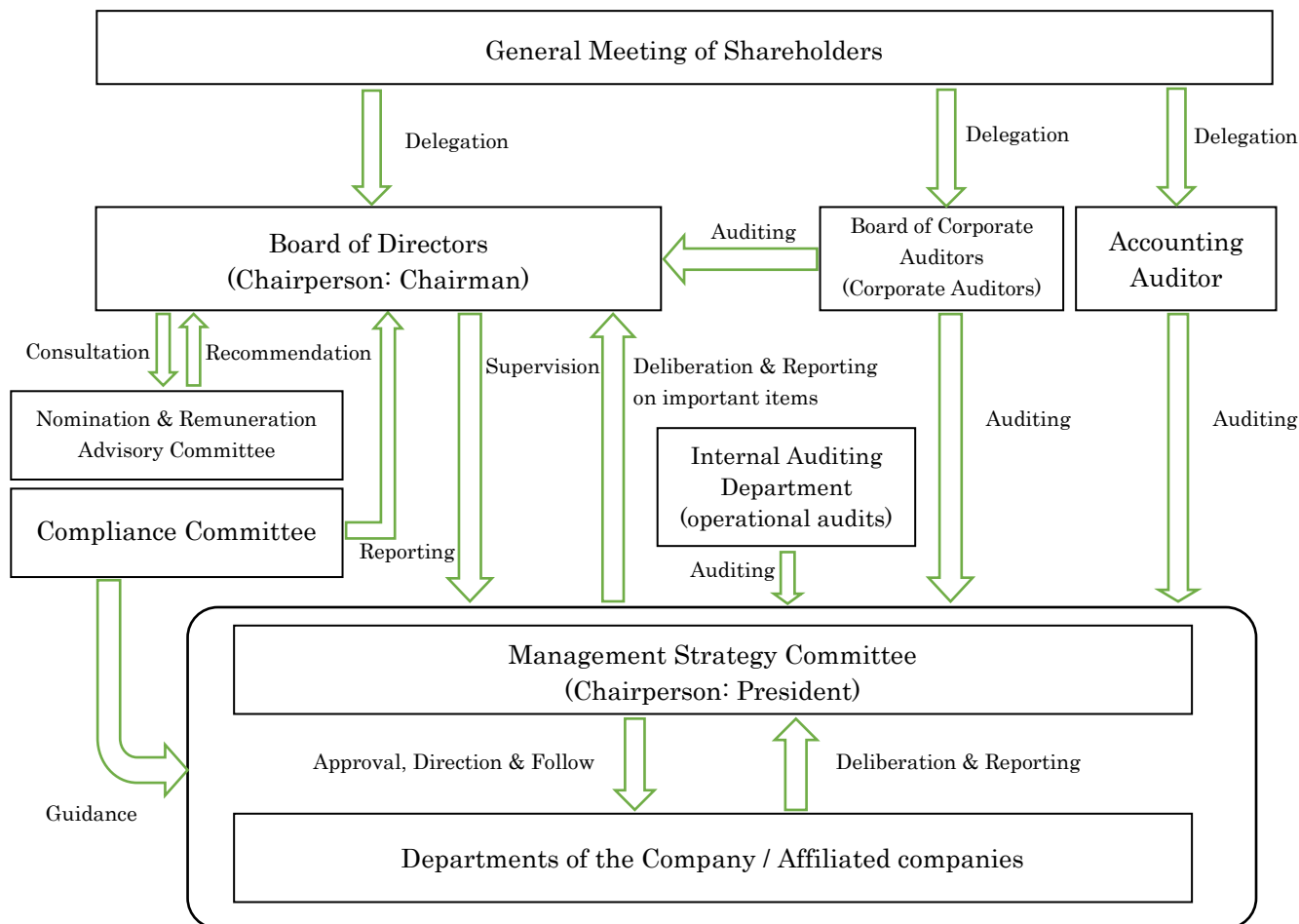
- Notes: 1. In the event that Ms. Keiko Kosaka assumes the office of Corporate Auditor, the Company intends to conclude an agreement with Ms. Kosaka that limits the maximum amount of her liabilities to the minimum amount stipulated by laws and regulations concerning liability for compensation for damages pursuant to the provisions of Article 423, paragraph 1 of the Companies Act.
2. The Company has concluded a directors and officers liability insurance agreement with an insurance company. This insurance agreement covers directors and officers for damages that may arise from accepting liability for the execution of their duties or from receiving claims related to pursuit of such liability. Ms. Kosaka will be included as an insured in the said insurance agreement if elected to the office of Corporate Auditor. In addition, the Company plans to renew the agreement with details of the same degree.

3. Ms. Keiko Kosaka will be appointed as outside director (Audit and Supervisory Committee member) of FALCO HOLDINGS Co., Ltd. after obtaining approval at the General Meeting of Shareholders of FALCO HOLDINGS Co., Ltd., which is scheduled to be held on June 22, 2021.

Reference

(Basic Approach to Corporate Governance)

Guided by our corporate philosophy of “We create value useful to society with technology and sincerity to contribute to a prosperous future,” and recognizing that it is imperative for sustainable growth and for an increase in the corporate value of the Company over the medium to long term to conscientiously meet the expectations of all stakeholders—starting with our shareholders—and to ensure the soundness, transparency, and efficiency of management, we have adopted the basic approach of focusing on enhancement of corporate governance as our priority management issue.



(Corporate Governance System)

- The Company is a company with a Board of Corporate Auditors and appoints Corporate Auditors to make audits on the execution of duties of Directors. The Board of Directors consists of ten Directors including three Outside Directors (nine Directors including three Outside Directors if Proposal 2 is approved). They not only conduct matters stipulated by laws and regulations but also make decisions related to basic policy and important matters of the Hitachi Zosen Group, and supervise the execution of business. At the Board of Directors, effort is made to ensure the transparency and soundness of management by conducting decision-making with respect to the opinions made by the outside directors from their independent perspective.
- **Management Strategy Committee**
The Company has established the Management Strategy Committee comprising Executive Directors and key General Managers. The Company has adopted a business execution structure based on adequate deliberation about issues and countermeasures, etc. regarding important matters of business activities of each business segment (including Group companies).
- **Nomination & Remuneration Advisory Committee**
The Company has established the Nomination & Remuneration Advisory Committee comprising a total of 6 persons including the Chairperson of the Board of Directors, 3 Outside Directors, and 2 Outside Corporate Auditors as a voluntary advisory body to the Board of Directors. The Board of Directors decides on the nomination of candidates for Director and Corporate Auditor following advice from the Nomination & Remuneration Advisory Committee. In addition, regarding the remuneration for each Director, please see pages 45 to 47. The Committee ensures the transparency, validity, and objectivity of Directors' remuneration and executive appointments through appropriate involvement of, and receipt of advice from, Outside Directors and Outside Corporate Auditors.

(Policies relating to the appointment of Directors and Corporate Auditors)

Candidates for Director and Corporate Auditor must have superior character and insight, as well as the knowledge, experience, and ability required to suitably perform the duties demanded of each position. Candidates for Outside Director and Outside Corporate Auditor must have extensive experience, expert knowledge and wide-ranging insight into company management, and must fulfill the Company's Criteria for Independence of Outside Directors and Outside Corporate Auditors.

The Criteria for Independence of Outside Directors and Outside Corporate Auditors

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

1. A major shareholder of the Company (a shareholder who holds 10% or more of the Company's voting rights on the last day of the most recent business year), or one who executes business for that major shareholder
2. A major client of the Company, or one who has executed business at a major client of the Company during the past three years
 - * A major client of the Company is defined as a party whose average annual transaction amount with the Company during the past three business years is 2% or more of the Company's average consolidated sales.
3. One whose major client is the Company, or one who has executed business for that party during the past three years
 - * One whose major client is the Company is defined as a party whose average annual transaction amount with the Company during the past three business years is 2% or more of that party's average consolidated sales.
4. One who is a specialist or a consultant in a legal, accounting, or taxation field, and receives a large amount of money or other properties in addition to director's or corporate auditor's remuneration paid by the Company (referring to the person belonging to the organization if the one who received the relevant property is an organization such as corporation and association)
 - * A large amount is defined as 10 million yen or more a year on average for the past three business years.
5. One who executes business in an organization that receives a large amount of donation or grant from the Company
 - * A large amount is defined as 10 million yen or more a year on average for the past three business years.
6. 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– 5 above (excluding one that is not material)
 - (2) One who was a Director, an Executive Officer, or an important employee of the Hitachi Zosen Group during the past three years

Business Report

(From April 1, 2020 to March 31, 2021)

I. Matters Concerning the Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall summary

Reviewing the economic circumstances during fiscal year 2020, while capital investment and employment conditions remained weak in Japan from the crisis caused by the global impact of the novel coronavirus disease (COVID-19), we saw a move toward recovery owing to steady public investment.

Amid this environment, the Hitachi Zosen Group (“the Group”) started in fiscal year 2020 the three-year medium-term management plan “Forward 22,” in which the coming three-year period is positioned as the term to promote the strengthening of the earnings power and make steady progress with an eye on the long-term vision “Hitz 2030 Vision.” The Group actively promoted various priority measures based on its basic policies, including the increase in added value of products and services, promotion of business selection and concentration and shifting of resources to growth areas, and realization of work style reform by improvement of operational efficiency and productivity.

- Status of orders, sales, and profit/loss

Total order intake for fiscal year 2020 was lower than fiscal year 2019 at 429.4 billion yen, mainly due to a decrease in orders in the Machinery Business and the Infrastructure Business. On the other hand, net sales were higher than fiscal year 2019 at 408.5 billion yen due to increased sales in the Environmental Systems and Industrial Plants Business, despite decreased sales in the Infrastructure Business etc.

In terms of profit and loss, operating income rose from fiscal year 2019 to 15.3 billion yen, due to a significant improvement resulting from the return to black in the Machinery Business and the Infrastructure Business, despite decreased sales in the Environmental Systems and Industrial Plants Business. Ordinary income also rose compared to fiscal year 2019 to 11.7 billion yen due to increased operating income. Profit attributable to shareholders of Hitachi Zosen increased from fiscal year 2019 to 4.2 billion yen, despite impairment loss recorded in extraordinary loss relating to electric power wholesale business, including our Ibaraki Works.

(Billions of yen)

	FY 2019	FY 2020	Change (year on year)
Order intake	454.1	429.4	-24.7 (- 5.4%)
Net sales	402.4	408.5	6.1 (+ 1.5%)
Operating income	13.8	15.3	1.5 (+ 10.8%)
Ordinary income	9.4	11.7	2.3 (+ 25.1%)
Profit attributable to shareholders of Hitachi Zosen	2.1	4.2	2.1 (+ 93.8%)

2) Summary by business segments

Environmental Systems and Industrial Plants

Major Lines of Business

- Energy-from-Waste (“EfW”) plants, Recycling systems
- Energy systems (Power generation facilities)
- Desalination plants and other plants
- Water and sludge treatment facilities
- Biomass utilization system,
- IPP (Independent Power Producer) business

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
Environmental Systems and Industrial Plants	289.4	303.7	254.3	269.4	15.8	12.6

Total order intake increased from fiscal year 2019 by 14.3 billion yen to 303.7 billion yen due to the receipt of domestic orders of the reconstruction of the Edogawa Incineration Plant for the Clean Authority of Tokyo, and the facility construction and operation of Nansatsu area’s New Clean Center for the Sanitation Management Association located in the Nansatsu region, Kagoshima Prefecture, among others; and orders were received overseas for construction of EfW plants for UK and equipment for three EfW Plants for Russia, among others.



EfW Plant in Kikuchi “Clean no Mori Koshi” (Kumamoto Prefecture)

Net sales increased from fiscal year 2019 by 15.1 billion yen to 269.4 billion yen mainly due to the progress in large-scale construction overseas, despite a drop in large-scale construction of EfW Plants in Japan. In Japan, the Group completed the construction works of EfW plants for the Kikuchi Environment Preservation Association in Kumamoto Prefecture, Kasumidai Welfare Facilities Association in Ibaraki Prefecture, and Tsuruoka City, Yamagata Prefecture; and the Organic Waste Recycling Facility (night-soil treatment plant) from the Aizuwakamatsu Wide-area Municipal



New Wide-Area Waste Treatment Facility for Kasumidai Welfare Facilities Association (known as “Kasumidai Clean Center Mirai”) (Ibaraki Prefecture)

Services Association in Fukushima
Prefecture, among others.

Operating income decreased from fiscal year 2019 by 3.2 billion yen to 12.6 billion yen, due to the deterioration in the electric power wholesale business and an increase in the cost of new products, despite improved earnings at overseas subsidiaries.

Machinery

Major Lines of Business

- Marine diesel engines
- Press machines for automotive industry
- NOx removal catalysts
- Nuclear power generation-related equipment
- Food machinery
- Precision machinery
- Deck machinery
- Boilers
- Pressure vessels and other process equipment
- Plastic machinery
- Pharmaceutical machinery
- Electronics systems, Control equipment

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
Machinery	114.3	89.5	103.2	101.7	-1.2	1.8

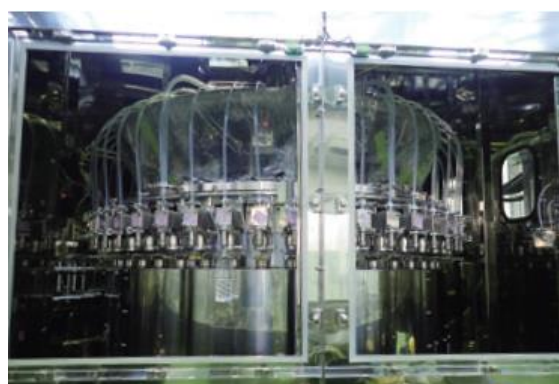
Total order intake decreased from fiscal year 2019 by 24.8 billion yen to 89.5 billion yen, mainly due to decreases in orders received for process equipment and press machines for automotive industry as a result of a decrease in capital investment caused by the spread of COVID-19, despite increased orders received for marine diesel engines and precision machinery.

Net sales decreased from fiscal year 2019 by 1.5 billion yen to 101.7 billion yen due to decreased sales of press machines for automotive industry as a whole, despite sales to Malaysia, although sales of marine diesel engines, pressure vessels and other process equipment, and precision machinery including filling and packaging line systems for beverages, among others, increased.

Operating income improved from fiscal year 2019 by 3.0 billion yen to 1.8 billion yen, mainly due to improved earnings of process equipment and marine diesel engines.



Press machines for automotive industry in Malaysia (Servo transfer press)



Filling and packaging line systems for mineral water/carbonated water for IRIS OHYAMA Inc.

Infrastructure

Major Lines of Business

- Bridges
- Steel stacks
- Shield tunneling machines
- Wind power generation
- Hydraulic gates
- Marine civil engineering
- Disaster prevention systems

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
Infrastructure	39.7	27.8	33.5	29.1	-1.6	0.8

Total order intake decreased from fiscal year 2019 by 11.9 billion yen to 27.8 billion yen, mainly due to a decrease in large-scale projects, despite orders received for works of steel beams and steel piers of Rokko Island East Works Zone for Hanshin Expressway Company Limited and bridges and hydraulic gates for the Ministry of Land, Infrastructure, Transport and Tourism and local governments.

Net sales decreased from fiscal year 2019 by 4.4 billion yen to 29.1 billion yen due to decreases in large-scale bridge construction and shield tunneling machines.

Operating income improved by 2.4 billion yen from fiscal year 2019 to 0.8 billion yen due to improved profitability in individual works and a decrease in guarantee work costs.



Movable flap-gate type breakwater systems installed on the seabed in Iwate Prefecture (Hosoura Fishing Port)



Tsuda Viaduct for Shikoku Regional Development Bureau

Others

Major Lines of Business

- Transportation, Warehousing, Port cargo handling

Total order intake decreased from fiscal year 2019 by 2.3 billion yen to 8.4 billion yen, and net sales decreased from fiscal year 2019 by 3.1 billion yen to 8.3 billion yen. Operating income decreased from fiscal year 2019 by 0.7 billion yen to 0.1 billion yen.

Note: In fiscal year 2021, the name of the Environmental Systems and Industrial Plants Business was changed to the Environmental Systems Business. Furthermore, the Machinery Business and the Infrastructure Business were changed into the Machinery & Infrastructure Business through the integration of the two business segments.

(Reference)

Hitz Topics

Commenced Supply of Renewable Energy, Zero-Carbon Electricity

We have begun supplying 100% renewable energy generated at biomass power generation facilities such as waste incineration plants to the Kunitachi City Hall offices in Tokyo (from November 2020) and the Osaka Prefectural Office at Otemae in Osaka (from April 2021). We have also begun supplying 100% “zero carbon electricity,” emitting no CO₂, to public facilities in Gotemba City, Shizuoka Prefecture (from March 2021). These efforts will contribute to the reduction of CO₂ emissions that is being spearheaded by each local government.

We have an extensive track record in the construction and operation of Energy-from-Waste facilities, and in 2015 we entered the retail electricity market using renewable energy sources with a low CO₂ emission coefficient, such as waste incineration power generation. One of the features of our Company is that we are able to supply abundant and stable renewable energy and zero carbon electricity, and we have supplied electricity from renewable energy sources to the Tokyo Metropolitan Government Building, etc. We are also working on supplying locally produced and locally consumed power to municipal elementary, junior high, and high schools in Nagano City using a local waste incineration power generation facility. We will continue to contribute to the achievement of the SDGs (Sustainable Development Goals) adopted at the United Nations Summit by promoting the use of renewable energy and zero carbon electricity.



Electricity generated at Fuji Eco Park (Energy-from-Waste facility, Gotemba City, Shizuoka Prefecture) is used at public facilities such as elementary and junior high schools in Gotemba City.

Conducted a demonstration testing project for sewage sludge incineration

We are conducting a demonstration test (from September 2020 to July 2021) to burn sewage sludge at a temperature of 850°C or higher in a stoker furnace, as part of a joint research project with the Bureau of Sewerage, Tokyo Metropolitan Government to adapt a second-generation incinerator (technology to adapt a stoker furnace to burn sewage sludge).

When sewage sludge is burned at temperatures below 850°C, it generates dinitrogen monoxide (N_2O), which has a greenhouse effect about 300 times greater than that of CO_2 , so there is a need to reduce it and to reduce CO_2 through stable combustion. In this test, we will verify that the stoker furnace can reduce N_2O by more than 50% and CO_2 by more than 20% compared to conventional incinerators, and that stable combustion operation is possible. The company will enter the sewage sludge incineration business with its stoker furnace technology for waste incineration, which is one of its specialties, and aims to obtain technical certification in fiscal 2021 to contribute to the reduction of greenhouse gases through stable combustion at high temperatures.



Demonstration test facility (external view)

Biogas plant in Sweden begins operations

Our overseas subsidiary Hitachi Zosen Inova (HZI) completed the construction of a biogas plant in Sweden, built as its own facility, and began operating the plant in December 2020. The biogas obtained by fermenting organic waste such as food scraps and plant cuttings will be refined, supplied and sold to private bus companies and fuel companies as transportation fuel. The project will contribute to the fuel conversion of public transportation, which Sweden is promoting with the aim of achieving carbon neutral by 2045.



Biogas plant (Sweden)

This is the second biogas plant owned by Inova, following the one in California, USA. In order to establish a stable profit structure, the company will continue to build Energy-from-Waste plants and expand its operation and maintenance service business and renewable gas business.

AI-based non-destructive testing system for heat exchangers wins Grand Prize at the “2nd Deep Learning Business Awards”

The Company and its subsidiary Nichizo Tech Inc. jointly developed an “AI Ultrasonic Phased Array Inspection” for non-destructive testing of tube-to-tube sheet welds of heat exchangers used in oil and chemical plants, power plants, etc. The “AI Ultrasonic Inspection System” was awarded the Grand Prize in the “2nd Deep Learning Business Award” sponsored by Nikkei x Trend and Nikkei x TECH.

In the past, testers assessed ultrasonic inspection image data visually, but this system uses AI to analyze image data, which has greatly improved the efficiency and accuracy of testing. In receiving the award, the system was highly evaluated for demonstrating that Japanese manufacturing can be revolutionized by deep learning.

The Group will continue to work on adding value to its products and services by utilizing IoT and AI.



The award ceremony (above)
Inspection equipment (lower left),
Inspecting heat exchangers (lower right)

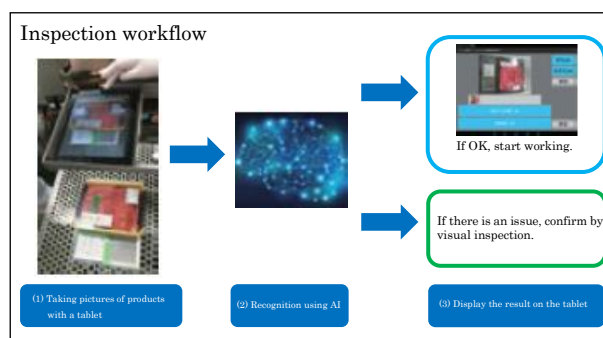
- * Deep learning is an AI technology: a new way of learning for computers to understand things. Deep learning’s main feature is that it can recognize abstract data, which has not been possible before.

Commenced sales of AI-based inspection system for food factories to improve efficiency

We have been providing “Shokureko,” the production line video monitoring system for food processing plants that is useful for quality control and traceability. We recently launched a “Remote Label Checking Service” system that uses our knowledge and AI to streamline and improve the accuracy of the inspection of product contents and labels through image recognition that recognizes the shapes and colors of products.

By switching from visual inspection to this system, it is possible to prevent human errors, improve operational efficiency, and increase productivity. At Aeon Food Supply Co., Ltd. where the system has been introduced, the visual inspection load has been reduced by more than 90%, contributing to improved work efficiency. Furthermore, by conducting data management and oversight operations at the Company’s “Hitz Advanced Information Technology Center (A.I/TEC),” we have realized one-stop service fusing timeliness and expertise, and by combining this service with our Food Defense & Management Recording System, we are further enhancing our quality control.

We will continue to contribute to the safety and security of food and the improvement of productivity in the fields of imaging and AI.



Announced support for TCFD recommendations

We have expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board at the request of the G20 to recommend that companies understand and disclose the financial implications of climate change-related risks and opportunities.

In recent years, climate change has become an urgent social issue and an important risk and opportunity for corporate management. We aim to contribute to realizing a sustainable society by resolving social issues such as climate change through business activities centered on the provision of clean energy and water, environmental conservation, and the development of disaster-resilient and prosperous communities under our long-term vision, the “Hitz 2030 Vision.”

By supporting the TCFD recommendations, our Company will further respond to climate change and expand the disclosure of climate change-related information.



(2) Capital Investment

In fiscal year 2020, the Group carried out total capital investments of 10,831 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	4,941	Renewal of the Energy-from-Waste plant, Construction of biogas plants, Upgrading power generation facilities and equipment
Machinery	4,170	Construction of Power-to-Gas (PtG) plant, Reconstruction of machining workshop for press machine for auto production, Introduction of laser welding machine
Infrastructure	643	Construction of an all-weather coating plant, renewal of plasma welding equipment, and renewal of various production facilities
Others/ Company-wide	1,075	Expansion of high-voltage power supply equipment and replacement of air conditioning equipment
Total	10,831	

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

(3) Funds Procurement

In fiscal year 2020, 1,746 million yen in funds was financed through long-term borrowings primarily to appropriate funds for future working capital and for business investment.

(4) Trends in Assets and Profit and Loss

(Billions of yen)

	FY 2017	FY 2018	FY 2019	FY 2020
Order intake	400.4	455.0	454.1	429.4
Net sales	376.4	378.1	402.4	408.5
Operating income	5.9	7.3	13.8	15.3
Ordinary income	3.3	6.7	9.4	11.7
Profit attributable to shareholders of Hitachi Zosen	2.1	5.4	2.1	4.2
Net income per share (Yen)	12.88	32.31	13.04	25.26
Total assets	391.8	429.0	409.5	429.3

(5) Issues to be Addressed

In the first year of the medium-term management plan “Forward 22” (fiscal year 2020), operating income and ordinary income significantly exceeded those targeted under the initial plan, and profit attributable to shareholders of Hitachi Zosen exceeded the initial plan. Hitachi Zosen Inova AG, which is an overseas subsidiary, terminated deficit-producing works in fiscal year 2019, and exceeded its earnings plan, and also the manufacturing business significantly improved profitability by enhancing business processes. Going forward, we will make continuous efforts to strengthen profitability. In addition, as of April 1, 2021, the Company’s Machinery Business Headquarters and Infrastructure Business Headquarters have been integrated into the Machinery & Infrastructure Business Headquarters to strengthen and expand the manufacturing business.

For fiscal year 2021, the planned numerical targets (consolidated earnings outlook) are shown in the table below. In order to achieve these targets, we will promote priority measures based on the following basic policies under “Forward 22.” Regarding the impact of the COVID-19, the public demand, which accounts for most of the Group’s business, has not been enormously affected so far. Meanwhile, some portions of the Machinery Business, which centers on private demand, has started showing the impact such as the “wait-and-see” mode on capital investment in the customer sector. We will continue to monitor the situation closely and take appropriate measures to minimize such impact.

(Billions of yen)

	FY 2020		FY 2021
	Plan	Result	Plan
Order intake	410.0	429.4	450.0
Net sales	400.0	408.5	400.0
Operating income (Operating income margin)	11.0 (2.8%)	15.3 (3.8%)	14.0 (3.5%)
Ordinary income	6.5	11.7	9.0
Profit attributable to shareholders of Hitachi Zosen	4.0	4.2	5.0

- Medium-term management plan “Forward 22” (Fiscal year 2020 to fiscal year 2022)

1. Increase in Added Value of Products and Services

We have been working on offering services in the manufacturing businesses by utilizing IoT and AI and increasing the added value of products and services. We have already developed service businesses such as remote monitoring and diagnosis for water gates, process equipment, filter presses, etc., and we are enhancing the added value of services such as monitoring the condition of waste pits and improving efficiency of combustion control in the Energy-from-Waste plant operations. Going forward, we will press ahead with improving profit margins by utilizing IoT and AI in other products and services. In addition, we will build a company-wide common foundation to accumulate and analyze product data for the incorporation of IoT technologies into all models.

2. Promotion of Business Selection and Concentration and Shifting of Resources to Growth Areas

In fiscal year 2020, our initiatives to promote business selection and concentration included: acquisition of a service and maintenance company for equipment of Energy-from-Waste (EfW) plants in France by Hitachi Zosen Inova AG with the intention of expanding the service business, transfer of personnel and equipment to Chikkou Works following the sale of Kashiwa Works, withdrawal of rubber lining business, and reorganization of unprofitable overseas subsidiaries.

We will further accelerate development and commercialization through investment of management resources in the offshore wind power generation sector and the hydrogen sector as growth areas, which are also positioned as important areas under the Japanese government’s “Green Growth Strategy Through Achieving Carbon Neutrality in 2050.” In addition, PtG (Power to Gas) Business Promotion Office was established as of April 1, 2021 with the aim of accelerating the commercialization of PtG business, such as water electrolysis (hydrogen generator) and methanation equipment.

To develop and strengthen the competitiveness of the shield tunneling machine business, on May 20, 2021, we decided to establish the company based on a joint incorporation-type company split with Kawasaki Heavy Industries, Ltd., that combines the Tunnel Boring Machine (TBM) businesses of both companies (excluding manufacturing). The new company is scheduled to be established in October 2021. The new company will complement and strengthen the resources owned by both companies, and expand its business in Japan and overseas by leveraging the synergies, and aim to be a company that can contribute to the development of social infrastructure through TBM-related business.

3. Realization of Work Style Reform by Improvement of Operational Efficiency and Productivity

While we had been implementing the reform to develop diverse workstyles and business execution styles by promoting teleworking and utilizing ICT, such as remote supervisors and remote inspections at the plant sites and on-site construction sites, these efforts have even accelerated because of the spread of COVID-19.

Going forward, we will press ahead with the development of systems and environments to respond to diverse workstyles more speedily, and promote the business innovation of core systems and the realization of smart factories mainly by enhancing the utilization of ICT in plants and field sites, in pursuit of realizing highly productive workstyles. In addition, we will train human resources including digital human resources, revitalizing experienced workers, and handing over technologies and expertise.

The Group will promote the strengthening of profitability by implementing the aforementioned priority measures and achieve steady results.

Furthermore, in order to respond to the drastically changing business environment, globalization of business activities, and expansion and diversification of management risks due to larger business scale, we strive to reinforce risk management and achieve accident-free environment through rigorous safety management, and also make continuous efforts to ensure compliance, strengthen the governance systems and promote diversity management.

The Group marked its 140th anniversary on April 1, 2021, with the support of a number of people including our shareholders. In 1881, British entrepreneur E. H. Hunter founded Osaka Iron Works, which is the predecessor of the Group, with the “Spirit of Challenge” by surmounting the differences in nationality and language during the turbulent Meiji era in Japan. By inheriting the spirit of challenge, the Group will strive for sustainable growth as “a Solution Partner for realizing Sustainable and Safe & Secure Society” to all stakeholders through provision of clean energy and water, and environmental conservation, disaster resilient & prosperous community.

We would like to sincerely request our shareholders to understand the management policy of the Group and ask for your continued support and cooperation going forward.

(6) Significant Parent Company and Subsidiaries (As of March 31, 2021)

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, etc.
Hitachi Zosen Fukui Corporation	¥1,055 million	100.0	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
SN Environment Technology Co., Ltd.	¥200 million	100.0	Design, construction, operation, maintenance and management of Energy-from-Waste (EfW) plants and recycling systems, and maintenance and management of various types of plant
Hitz Environment Service Co., Ltd.	¥100 million	100.0	Operation and maintenance of Energy-from-Waste (EfW) plants and recycling systems
Hitachi Zosen Inova AG	CHF40 million	100.0	Design, creation, sale, maintenance and operation of Energy-from-Waste (EfW) plants and biogas generation facility
Osmoflo Holdings Pty Ltd	AUD53 million	100.0	Design, manufacture, sale, and operation of desalination and industrial water treatment systems

Name of Company	Amount of Capital	Holding Ratio (Direct) (%)	Major Lines of Business
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 115 consolidated subsidiaries, including the nine significant subsidiaries mentioned above, and 19 equity method companies.
2. 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.
3. As of the end of fiscal year 2020, there were no specified wholly-owned subsidiaries.

3) Significant technology alliances

Alliance Partner	Country	Contents of Alliance
MAN Energy Solutions SE	Germany	MAN B&W-type diesel engines

(7) Major Sales Offices, Plants, etc. (As of March 31, 2021)

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), Kashiwa Works (Kashiwa), Maizuru Works (Maizuru), Chikkou Works (Osaka), Sakai Works (Sakai), Mukaishima Works (Onomichi), Innoshima Works (Onomichi), Ariake Works (Tamana-gun, Kumamoto), Wakasa Works (Oi-gun, Fukui)
Overseas Offices	Taipei Branch (Taiwan), Singapore Branch (Singapore), Abu Dhabi Branch (United Arab Emirates)

(Note) The industrial equipment business of Kashiwa Works was transferred to Chikkou Works, and Kashiwa Works was closed as of March 31, 2021.

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
SN Environment Technology Co., Ltd.	3-28, Nishikujo 5-chome, Konohana-ku, Osaka
Hitz Environment Service Co., Ltd.	1-1, Minami-machi, Kawasaki-ku, Kawasaki

<Overseas subsidiaries>

Hitachi Zosen Inova AG	Switzerland
Osmoflo Holdings Pty Ltd	Australia
NAC International Inc.	U.S.A.
Hitachi Zosen U.S.A. Ltd.	U.S.A.
Hitachi Zosen India Private Limited	India
Hitachi Zosen Myanmar Co., Ltd.	Myanmar
HITZ (THAILAND) CO., LTD.	Thailand
PT. HITZ INDONESIA	Indonesia
HITACHI ZOSEN VIETNAM CO., LTD.	Vietnam
Hitachi Zosen Trading (Shanghai) Co., Ltd.	China

(8) Status of Employees (As of March 31, 2021)

1) Status of employees of the Group

Business Segment	Number of Employees
Environmental Systems and Industrial Plants	6,718
Machinery	2,475
Infrastructure	701
Others	521
Corporate (company-wide)	674
Total	11,089 (year-on-year increase of 382)

(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
4,105 (year-on-year increase of 95)	42.6	16.1

(Note) For the number of employees, the number of employees currently working at the Company is provided. The number includes 160 employees on loan to the Company from outside.

(9) Major Lenders (As of March 31, 2021)

Lender	Amount (Millions of yen)
MUFG Bank, Ltd.	20,827
Mizuho Bank, Ltd.	7,198

(10) Other Significant Matters Concerning the Current Status of the Group

The Company resolved at the Board of Directors held on May 20, 2021 that the Company, along with Kawasaki Heavy Industries, Ltd., will transfer its Tunnel Boring Machine (TBM) businesses (including the design, development, repair and sales of TBMs, civil engineering machines, tunnel boring machines, and civil engineering machines, etc. and their parts; however, excluding manufacturing-related business) to the company which will be newly established based on a joint incorporation-type company split involving the two companies. This incorporation-type company split and the establishment of the new company are effective from October 1, 2021.

II. Matters Concerning Stock in the Company (As of March 31, 2021)

- (1) Total Number of Shares Authorized to Be Issued 400,000,000 shares
(2) Total Number of Issued Shares 170,214,843 shares
(including 1,678,837 shares of treasury stock)
(3) Number of Shares Constituting One Unit of Shares 100 shares
(4) Number of Shareholders 87,065 (Year-on-year increase of 9,997 shareholders)
(5) Major Shareholders (Top 10)

Name of Shareholder	Numbers of Shares Held (Thousands of shares)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,136	9.0
Custody Bank of Japan, Ltd. (Trust Account)	8,344	5.0
MUFG Bank, Ltd.	5,291	3.1
STATE STREET BANK AND TRUST COMPANY 505019	3,990	2.4
THE BANK OF NEW YORK 133972	3,534	2.1
Hitachi Zosen Employee Shareholding Association	2,708	1.6
Custody Bank of Japan, Ltd. (Trust Account 5)	2,420	1.4
STATE STREET BANK WEST CLIENT - TREATY 505234	2,364	1.4
Sompo Japan Insurance Inc.	2,358	1.4
Custody Bank of Japan, Ltd. (Trust Account 6)	2,154	1.3

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

III. Matters Concerning Share acquisition rights of the Company

Not applicable

IV. Matters Concerning the Company's Directors and Auditors

(1) Status of Directors and Corporate Auditors

Name	Position	Areas of Responsibility	Significant Concurrent Positions
Takashi Tanisho	Representative Director, Chairman and Chief Executive Officer		
Sadao Mino	Representative Director, President and Chief Operating Officer		
Hidenobu Fujii	Vice-Chairman		
Toshiyuki Shiraki	Managing Director	General Manager of Environment Business Headquarters and Responsible for Procurement Headquarters	
Tatsuji Kamaya	Managing Director	General Manager of Machinery Business Headquarters, General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Infrastructure Business Headquarters	President, Ito Country Club Corporation President, Accounting & Finance Corporation President, HITACHI ZOKEN TOURIST Co., Ltd. President, Hitz Holdings U.S.A. Inc.
Tadashi Shibayama	Managing Director	Responsible for Sales, Overseas Business, General Administration Headquarters, Corporate Planning Headquarters, and Yumeshima Area Development Promotion Dept.	
Kazuhisa Yamamoto	Managing Director	General Manager of Business Planning & Technology Development Headquarters and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept.	

Name	Position	Areas of Responsibility	Significant Concurrent Positions
Chiaki Ito	Director		Outside Director, Zensho Holdings Co., Ltd. Outside Director, OBIC Business Consultants Co., Ltd.
Kazuko Takamatsu	Director		Outside Director, The Kansai Electric Power Company, Incorporated (Member of the Nominating Committee)
Richard R. Lury	Director		Attorney-at-law in the United States (State of New York and New Jersey) Outside Director, Sanken Electric Co., Ltd. Outside Director, Allegro MicroSystems, Inc.
Masayuki Morikata	Full-time Corporate Auditor		
Koji Abo	Full-time Corporate Auditor		
Yoshihiro Doi	Corporate Auditor		President and Director, Kansai Transmission and Distribution, Inc.
Hirofumi Yasuhara	Corporate Auditor		Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd.

(Notes) 1. Positions and areas of responsibility, and significant concurrent positions both describe conditions as of March 31, 2021. Changes during fiscal year 2020 are as follows.

(1) Changes in position and areas of responsibility

Name	After Change	Before Change	Date of Change
Takashi Tanisho	Representative Director Chairman and Chief Executive Officer	Representative Director Chairman and President	April 1, 2020
Sadao Mino	Representative Director President and Chief Operating Officer	Representative Director Executive Vice-President President's Assistant (Responsible for Sales, Procurement Headquarters, and Yumeshima Area Development Promotion Dept.)	April 1, 2020
Toshiyuki Shiraki	Managing Director General Manager of Environment Business Headquarters and Responsible for Procurement Headquarters	Managing Director General Manager of Environment Business Headquarters	April 1, 2020

Name	After Change	Before Change	Date of Change
Tatsuji Kamaya	Managing Director General Manager of Corporate Planning Headquarters and General Manager of General Administration Headquarters and General Manager of SR99 Project Team, Corporate Planning Headquarters	Managing Director General Manager of Corporate Planning Headquarters and General Manager of General Administration Headquarters and General Manager of SR99 Project Team, Corporate Planning Headquarters and Responsible for Production Engineering Dept.	April 1, 2020
	Managing Director General Manager of Machinery Business Headquarters, General Manager of SR99 Project Team, Corporate Planning Headquarters, and Responsible for Infrastructure Business Headquarters	Managing Director General Manager of Corporate Planning Headquarters and General Manager of General Administration Headquarters and General Manager of SR99 Project Team, Corporate Planning Headquarters	July 1, 2020
Tadashi Shibayama	Managing Director General Manager of Machinery Business Headquarters and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development Promotion Dept.	Managing Director General Manager of Machinery Business Headquarters and Responsible for Infrastructure Business Headquarters	April 1, 2020
	Managing Director Responsible for Sales, Overseas Business, General Administration Headquarters, Corporate Planning Headquarters and Yumeshima Area Development Promotion Dept.	Managing Director General Manager of Machinery Business Headquarters and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development Promotion Dept.	July 1, 2020
Kazuhisa Yamamoto	Managing Director General Manager of Business Planning & Technology Development Headquarters and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept.	Managing Director General Manager of Business Planning & Technology Development Headquarters and Responsible for Information and Communication Technology Promotion Headquarters, Architect Supervision Dept. and Quality Assurance Dept.	April 1, 2020

(2) Changes in significant concurrent positions

- As of March 31, 2021, Director Tatsuji Kamaya retired from the position of President of Accounting & Finance Corporation, HITACHI ZOSEN TOURIST Co., Ltd. and Hitz Holdings U.S.A.
 - As of June 17, 2020, Director Kazuko Takamatsu retired from the position of Executive Director of Japan Institute for Women's Empowerment & Diversity Management, and as of June 25, 2020, assumed the position of Outside Director (Member of the Nominating Committee) of The Kansai Electric Power Company, Incorporated.
 - As of April 1, 2020, Corporate Auditor Yoshihiro Doi assumed the position of Director and President of Kansai Transmission and Distribution, Inc.
2. Directors Chiaki Ito, Kazuko Takamatsu and Richard R. Lury are Outside Directors.
 3. Corporate Auditors Yoshihiro Doi and Hirofumi Yasuhara are Outside Corporate Auditors.
 4. The Company has designated all Outside Directors and Outside Corporate Auditors as independent directors and corporate auditors, as prescribed by Tokyo Stock Exchange, Inc.
 5. Full-time Corporate Auditor Masayuki Morikata and Corporate Auditor Hirofumi Yasuhara possess considerable knowledge of finance and accounting as described below.
 - Full-time Corporate Auditor Masayuki Morikata has many years of experience in accounting and financial operations, including experience as the General Manager of Accounting Department in the Company.

- Corporate Auditor Hirofumi Yasuhara has many years of experience in accounting and financial operations, including experience as CFO in domestic and overseas affiliates of Panasonic Corporation.
6. At the 123rd Ordinary General Meeting of Shareholders held on June 23, 2020, Hirofumi Yasuhara was newly elected as Corporate Auditor and assumed the position thereof.
 7. At the conclusion of the 123rd Ordinary General Meeting of Shareholders held on June 23, 2020, Corporate Auditor Kenichi Takashima retired due to his resignation.
 8. Positions and areas of responsibility, and significant concurrent positions were changed as follows on April 1, 2021.

(1) Changes in position and areas of responsibility

Name	Position	Areas of Responsibility
Toshiyuki Shiraki	Managing Director	Responsible for Environment Business Headquarters and Procurement Headquarters
Tatsuji Kamaya	Managing Director	General Manager of Machinery & Infrastructure Business Headquarters
Kazuhisa Yamamoto	Managing Director	General Manager of R&D Headquarters and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept.

(2) Changes in significant concurrent positions

- As of April 1, 2021, Director Tatsuji Kamaya retired from President of Ito Country Club Corporation.

(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) Remuneration, etc. of Directors and Corporate Auditors

1) Matters Concerning Resolution of the General Meeting of Shareholders Regarding Remuneration, etc. of Directors and Corporate Auditors

At the 115th Ordinary General Meeting of Shareholders held on June 22, 2012, the amount of monetary remuneration for Directors was resolved to be ¥550 million or less per year (excluding remuneration for duties as employees by Directors who also serve as employees), and the amount of monetary remuneration for Corporate Auditors was resolved to be 100 million yen or less per year. At the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors was ten, and the number of Corporate Auditors was four (including two Outside Corporate Auditors).

2) Matters Concerning Policy for Determining Details of Remuneration, etc. for Directors and Corporate Auditors

a) Policy for Determining Details of Individual Remuneration, etc. for Directors

The outline of policy for determining the content of individual remuneration, etc. for Directors is as follows. Said policy is decided by the Board of Directors, after consultation with the Nomination & Remuneration Advisory Committee voluntarily established by the Company (comprised of a total of six members, including the Chair of the Board of Directors, three Outside Directors and two Outside Corporate Auditors, with the Chair of the Board of Directors serving as the Chair of the Committee). In addition, the Nomination & Remuneration Advisory Committee regularly reviews the said policy and remuneration levels to ensure that the remuneration provides a healthy incentive for directors.

(Remuneration System)

- Remuneration for Directors consists of fixed remuneration and corporate performance-based bonus in order to further enhance the willingness of Directors to contribute toward improving corporate performance, and the remuneration of each Director is decided within the total remuneration limit determined by a resolution of the General Meeting of Shareholders. However, from the perspective of assuring independence, remuneration for Outside Directors consists only of fixed remuneration.
- The fixed remuneration is annual flat-rate remuneration set separately for each executive position, and the amount designated per month is paid every month. The amount is determined from a comprehensive perspective on the level of other companies, the Company's performance and other related factors.
- The indicator for the calculation of corporate performance-based bonus is profit attributable to shareholders of Hitachi Zosen, which is the final profit as a result of corporate management, as a performance indicator for a single fiscal year.

Based on the amount obtained by multiplying the amount designated per month of fixed remuneration per annum by the number of months of payment (0-4 months) according to the relevant profit level, the remuneration amount is determined within the range of 50% to 150% thereof, taking into account the performance, business execution status and other related elements of each Director's division, and is paid at a specified time each year. The total amount of corporate performance-based bonus for Directors shall not exceed the total base amount of each Director.

- The composition ratio of remuneration for individual Directors varies according to the amount of corporate performance-based bonus. The proportion of fixed remuneration to corporate performance-based bonus ranges from [100%: 0% (when there is no payment of corporate performance-based bonus)] to [67%: 33% (when the number of months of payment and the assessment value of the individual Director reaches the highest)].

(Matters Concerning Procedures for Determining the Amount of Remuneration and Delegation)

- Among individual remuneration for Directors, fixed remuneration is decided by the Board of Directors. With regard to corporate performance-based bonus, the Board of Directors determines the total amount thereof and the President, who is delegated by the Board of Directors, determines the amount (allocation by evaluation) of corporate performance-based bonus for each Director in accordance with the method of decision-making specified by the Board of Directors. All decisions made by the Board of Directors shall be based on deliberations and reports by the Nomination & Remuneration Advisory Committee.

b) Policy for Determining Details of Individual Remuneration etc. for Corporate Auditors

From the perspective of assuring independence, remuneration for Corporate Auditors is limited to fixed remuneration, and is determined through consultation with Corporate Auditors according to details of the duties of each Corporate Auditor within the total amount determined by resolution of the General Meeting of Shareholders. Said policy is decided by the Board of Corporate Auditors.

3) Total Amount of Remuneration, etc. of Directors and Corporate Auditors

Classification	Total Amount of Remuneration, etc. (Millions of yen)	Total Amount by Type of Remuneration etc. (Millions of yen)		Number of Applicable Officers (persons)
		Base Remuneration (Fixed remuneration)	Performance-linked remuneration (Corporate performance-based bonus)	
Director (of which, Outside Directors)	336 (32)	312 (32)	23 (—)	10 (3)
Corporate Auditor (of which, Outside Corporate Auditors)	79 (18)	79 (18)	— (—)	5 (3)
Total (of which, Outside Directors and Outside Corporate Auditors)	415 (50)	392 (50)	23 (—)	15 (6)

- (Notes) 1. The total amount of remuneration etc. for Directors does not include remuneration for duties as employees by Directors who also serve as employees. Among the above, there is no applicable Director who also serves as an employee.
2. As of March 31, 2021, there are ten (10) Directors (including three (3) Outside Directors) and four (4) Corporate Auditors (including two (2) Outside Corporate Auditors), and the difference from the above number of applicable persons is due to the inclusion of one (1) Outside Corporate Auditor who retired at the conclusion of the 123rd Ordinary General Meeting of Shareholders held on June 23, 2020.
3. The indicator for the calculation of corporate performance-based bonus is profit attributable to shareholders of Hitachi Zosen, which is the final profit as a result of corporate management, as a performance indicator for a single fiscal year, and the actual result amounted to 4.2 billion yen. The total amount of corporate performance-based bonus is calculated according to the profit level of the relevant profit attributable to shareholders of Hitachi Zosen. The calculation method for the amounts of corporate performance-based bonus is provided in third point on the remuneration system in (3) 2) “a) Policy for Determining Details of Individual Remuneration, etc. for Directors” on page 45.
4. The Board of Directors determines the total amount of corporate performance-based bonus, and delegates the Representative Director, President and Chief Operating Officer Sadao Mino to determine the amount (allocation by evaluation) thereof for each Director (excluding Outside Directors). This is because he has been deemed to be appropriate for conducting the evaluation on the performance, business execution status and other related elements of each Director’s division. In addition, in order that the said delegation is exercised properly, the remuneration amount shall be determined within the range of 50% to 150% of the base amount of corporate performance-based bonus, in accordance with the method of decision-making specified by the Board of Directors, based on deliberations and reports by the Nomination & Remuneration Advisory Committee.
5. The Board of Directors deems that the individual remuneration for Directors for fiscal year 2020 is in accordance with the policy, because it is determined in accordance with the decision-making procedure described in the policy for determining details of individual remuneration, etc. for Directors.

(4) Matters Concerning Outside Directors and Outside Corporate Auditors

1) Concurrent positions as executive officers and outside directors 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	Outside Director, The Kansai Electric Power Company, Incorporated (Member of the Nominating Committee)
	Richard R. Lury	Outside Director, Sanken Electric Co., Ltd. Outside Director, Allegro MicroSystems, Inc.
Outside Corporate Auditor	Yoshihiro Doi	Director and President, Kansai Transmission and Distribution, Inc.
	Hirofumi Yasuhara	Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd.

(Note) The relationships between the Company and the companies where our outside directors and outside corporate auditors 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.

- A sales relationship exists between the Company and The Kansai Electric Power Company, Incorporated, where Outside Director Kazuko Takamatsu holds a concurrent position, 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 consolidated net sales and less than 0.1% of The Kansai Electric Power Company, Incorporated's consolidated net sales.
- A sales relationship exists between the Company and Kansai Transmission and Distribution, Inc., where Outside Corporate Auditor Yoshihiro Doi holds a concurrent position, the average annual value of transactions between the two companies in the past three business years was less than 0.1% of the respective company's consolidated net sales and there were no sales from Kansai Transmission and Distribution, Inc.

2) Main activities during fiscal year 2020

Classification	Name	Attendance		Main Activities
		Board of Directors meetings	Board of Corporate Auditors meetings	
Outside Director	Chiaki Ito	15/15	–	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. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint.
	Kazuko Takamatsu	15/15	–	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. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint.
	Richard R. Lury	15/15	–	Based on his experience and knowledge concerning international corporate management and legal matters, 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. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint.
Outside Corporate Auditor	Yoshihiro Doi	15/15	9/9	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. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint.

Classification	Name	Attendance		Main Activities
		Board of Directors meetings	Board of Corporate Auditors meetings	
	Hirofumi Yasuhara	11/11	5/5	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. Also served as a member of the Nomination & Remuneration Advisory Committee and supervised management from an independent and objective standpoint.

- (Notes) 1. In addition to the above-stated number of Board of Directors meetings held, there was one written resolution, which is deemed to be a resolution of the Board of Directors under the provisions of Article 370 of the Companies Act and Article 25 of the Company's Articles of Incorporation.
2. For Outside Corporate Auditor Hirofumi Yasuhara, we have described his attendance of the Board of Directors meetings and the Board of Corporate Auditors meetings held since he assumed the position of Outside Corporate Auditor on June 23, 2020.

V. Status of Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA LLC

(2) Amount of Remuneration, etc. of Accounting Auditor for Fiscal Year 2020

(Millions of yen)

Category	Amount of Remunerations, etc.
Amount of remuneration, etc. payable by the Company	89
Total amount of cash and other financial benefits payable by the Company and its subsidiaries	147

(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 amount of remuneration, etc. for the Accounting Auditor as a result of having verified and discussed the reasonableness of the Accounting Auditor's audit plan and the basis for the estimate of remuneration, based on a review and evaluation of reports from relevant internal departments and results of audit for fiscal year 2019

3. Of the Company's significant subsidiaries, the auditing of Hitachi Zosen Inova AG, Osmoflo Holdings Pty Ltd 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 pays the Accounting Auditor fees for an agreed consigned procedure service related to overseas income certificates, the service (Non-audit service) other from services provided for in Article 2, paragraph (1) of the Certified Public Accountants Act.

(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.

- 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 Directors 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 Directors 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

Within “Hitz Value,” the values at the core of the Group’s business activities, one of the main stances taken by the Company when advancing business under the corporate philosophy is the “thorough implementation of compliance.” This clearly shows that “thorough implementation of compliance” is crucial to meet the expectations and gain the understanding of the stakeholders that support the Company’s business activities. Furthermore, the President himself has taken various opportunities such as New Year’s address and workshops, to clearly state that compliance is the ultimate priority in company management.

Each April, the Company distributes the Hitz Group Charter of Ethical Behavior (published in Japanese, English, and Chinese) to be carried by employees at all times. This features a Message from the President based on the compliance situation for fiscal year 2019 and is used as the code upon which employees carry out their work.

The Compliance Committee, on which the President serves as Chairperson, decides the basic policy and specific measures for fiscal year 2020 based on the compliance situation for fiscal year 2019, and engages in compliance activities across the entire Group. Specifically, it ensures the thorough implementation of compliance through means such as implementing e-learning, holding various workshops and lectures, and providing information through internal newsletters. It also detects improper conduct at an early stage through the whistle-blowing system and deals with this swiftly. Moreover, in addition to having set up a regular reporting system from domestic and overseas Group companies and overseas offices, the Company checks the status of observance of compliance policies at each company and office by receiving reports regarding the compliance status and problems once every six months, and follows up on these statuses as necessary, thereby ensuring compliance across the entire Group.

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 risks.

With regard to order intake projects, in each department in charge, the Company examines the risk in each business from the project estimate stage to clarify risks associated with technologies, estimates, delivery date, and contracts and takes measures against those risks before judging whether or not to accept an order, thereby working to eliminate the risks. In addition, we have established a department within the Corporate Planning Headquarters to manage project risks, including those of major subsidiaries, to ensure thorough risk management for the entire Group. After order intake, the Company secures the quality and processes, etc. of projects by following up project progress in a timely way, and discovering risks and addressing them promptly.

The Company is strengthening its handling of country risk of its overseas projects. In particular, it is striving to develop a security and medical platform for employees dispatched overseas by establishing an environment in the form of creating emergency guidelines and entering into overseas safety and medical service contracts.

Regarding the spread of COVID-19, we will continue to monitor the situation closely, and stay abreast of the impact on project execution so that we can respond appropriately.

3) Regarding the Execution of Duties by Directors

In fiscal year 2020, meetings of the Board of Directors were held 15 times. In these meetings, important management matters (management basic policies, budget

formulation, business reorganization plans based on the medium-term management plan, structural reform plans, group company assistance, etc.) prescribed by laws and ordinances, the Articles of Incorporation, and Rules of the Board of Directors are discussed and determined, while the execution of duties of the Directors are supervised. To further enhance and promote the efficiency of discussions by the Board of Directors, the Company conducts a questionnaire survey with individual Directors to assess and analyze the effectiveness of the Board of Directors as a whole, and uses issues identified to improve the operations of the Board of Directors.

4) Regarding the Management of Group Companies

To share information on Group management policies, Group internal control systems, and the like, conferences are held on a regular basis and if necessary, the Company provides oversight and instructions on important matters regarding the management status, financial status, etc., of Group companies. In particular, the Company discusses and determines important business activities of Group companies at Management Strategy Committee meetings and matters accompanying major risk and the like at Board of Directors meetings, thereby streamlining the entire Group's business activities and maximizing its synergies, while securing the appropriateness of the business and avoiding risk. Also, the Company continued to tackle matters such as the strengthening of governance at overseas subsidiaries, with a focus on Hitachi Zosen Inova group.

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 domestic and overseas Group companies based on such factors as business type, scale, and importance to conduct evaluations and provide advice and correction guidance from an objective standpoint. In particular, internal audits are conducted with top priority given to companies which newly joined the Group and newly established organizations. The Internal Auditing Department also submits reports on the results of audits, as well as the status of corrective actions 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. In addition, the Company is reinforcing the auditing system for overseas branches and overseas Group companies.

6) Regarding Audits Performed by Corporate Auditors

Corporate Auditors audit operations and status of assets at respective business locations and segments, as well as carrying out similar investigations on major domestic and overseas subsidiaries. They have made audits on the execution of business of Directors and others by receiving reports on important matters through attending important internal meetings such as meetings of the Board of Directors and the Management Strategy Committee, meetings with the Representative Directors, and by stating opinions where necessary. Furthermore, Corporate Auditors are in close cooperation with Outside Directors such as by exchanging information appropriately. In fiscal year 2020, the Board of Corporate Auditors held nine meetings at which information regarding auditing was exchanged, opinions on auditing were collected from each Corporate Auditor, and resolutions were passed.

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.

Consolidated Balance Sheets

As of March 31, 2021

	(Millions of yen)
Assets	429,336
Current assets	259,505
Cash and time deposits	47,277
Notes and accounts receivable-trade	169,316
Merchandise and finished goods	1,622
Work in progress	16,738
Raw materials and supplies	5,594
Other current assets	22,264
Allowance for doubtful receivables	-3,307
Noncurrent assets	169,767
Property, plant and equipment, net	[113,330]
Buildings and structures	34,536
Machinery, equipment and vehicles	22,176
Tools, furniture and fixtures	3,153
Land	46,474
Lease assets	1,004
Right-of-use assets	2,658
Construction in progress	3,327
Intangible assets	[9,500]
Goodwill	1,626
Other intangible assets	7,873
Investments and other noncurrent assets	[46,936]
Investments in securities	15,832
Long-term loans receivable	28
Net defined benefit assets	4,703
Deferred tax assets	17,091
Other investments and noncurrent assets	10,444
Allowance for doubtful receivables	-1,163
Deferred assets	62
Bond issue expenses	62
Total assets	429,336

	(Millions of yen)
Liabilities	301,169
Current liabilities	198,113
Notes and accounts payable-trade	41,598
Electronically recorded obligations	21,787
Short-term borrowings	14,572
Current portion of bonds	5,000
Lease obligations	1,006
Accrued expenses	59,026
Accrued income taxes	1,112
Advances received on work in progress	24,914
Reserve for product warranty	7,586
Reserve for losses on construction contracts	3,688
Other current liabilities	17,819
Noncurrent liabilities	103,055
Bonds payable	20,000
Long-term borrowings	54,528
Lease obligations	3,043
Deferred tax liabilities	527
Net defined benefit liability	20,685
Directors' and corporate auditors' severance and retirement benefits	251
Asset retirement obligations	3,074
Other noncurrent liabilities	944
Net assets	128,167
Shareholders' equity	120,246
Common stock	45,442
Capital surplus	8,530
Retained earnings	67,296
Treasury stock, at cost	-1,022
Accumulated other comprehensive income	6,084
Net unrealized holding gains (losses) on securities	1,294
Net unrealized holding gains (losses) on hedging derivatives	-117
Land revaluation difference	-7
Foreign currency translation adjustments	637
Remeasurements of defined benefit plans	4,278
Non-controlling interests in consolidated subsidiaries	1,836
Total liabilities and net assets	429,336

Consolidated Statements of Income

For the business year ended March 31, 2021

		(Millions of yen)
Net sales		408,592
Cost of sales		335,777
Gross profit		72,815
Selling, general and administrative expenses		57,418
Operating income		15,396
Non-operating income		
Interest income	295	
Dividend income	103	
Foreign exchange gains	269	
Other non-operating income	946	1,615
Non-operating expenses		
Interest expense	738	
Equity in net loss of nonconsolidated subsidiaries and affiliates	622	
Other non-operating expenses	3,858	5,219
Ordinary income		11,792
Extraordinary loss		
Impairment loss	4,924	4,924
Profit before income taxes and non-controlling interests		6,868
Income taxes-current		1,945
Income taxes-deferred		631
Profit		4,291
Profit attributable to non-controlling interests		33
Profit attributable to shareholders of Hitachi Zosen		4,258

Consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	45,442	8,527	65,060	-1,020	118,009
Changes of items during the period					
Cash dividends			-2,022		-2,022
Profit attributable to shareholders of Hitachi Zosen			4,258		4,258
Treasury stock disposed, net		-0		0	0
Treasury stock purchased, net				-2	-2
Change in ownership interest of parent due to transactions with non-controlling interests		3			3
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	3	2,235	-2	2,236
Balance at end of year	45,442	8,530	67,296	-1,022	120,246

	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	145	-6	-7	-110	-26	-6	1,496	119,500
Changes of items during the period								
Cash dividends								-2,022
Profit attributable to shareholders of Hitachi Zosen								4,258
Treasury stock disposed, net								0
Treasury stock purchased, net								-2
Change in ownership interest of parent due to transactions with non-controlling interests								3
Net changes of items other than shareholders' equity	1,148	-111	-	748	4,304	6,090	340	6,430
Total changes of items during the period	1,148	-111	-	748	4,304	6,090	340	8,667
Balance at end of year	1,294	-117	-7	637	4,278	6,084	1,836	128,167

[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, 2021

	(Millions of yen)
Assets	320,918
Current assets	173,100
Cash and time deposits	21,685
Trade notes receivable	6,841
Trade accounts receivable	91,083
Work in progress	9,619
Raw materials and supplies	2,591
Advance payments	7,831
Prepaid expenses	890
Other accounts receivable	6,834
Advances paid	6,416
Short-term loans receivable	22,677
Other current assets	1,227
Allowance for doubtful receivables	-4,600
Noncurrent assets	147,753
Property, plant and equipment, net	[72,020]
Buildings	19,398
Structures	4,264
Machinery and equipment	8,039
Vehicles	80
Tools, furniture and fixtures	1,086
Land	37,395
Lease assets	544
Construction in progress	1,211
Intangible assets	[5,049]
Patent rights	1
Software	4,158
Rights of using facilities	95
Other intangible assets	793
Investments and other noncurrent assets	[70,683]
Investments in securities	3,513
Stocks of subsidiaries and affiliates	46,363
Investments in capital of subsidiaries and affiliates	5,092
Long-term loans receivable	4,957
Noncurrent prepaid expenses	310
Deferred tax assets	8,331
Other investments and noncurrent assets	3,756
Allowance for doubtful receivables	-1,641
Deferred assets	64
Bond issue expenses	64
Total assets	320,918

	(Millions of yen)
Liabilities	229,044
Current liabilities	146,264
Trade notes payable	4,772
Electronically recorded obligations	19,642
Trade accounts payable	20,458
Short-term borrowings	11,210
Current portion of bonds	5,000
Lease obligations	170
Other accounts payable	3,784
Accrued expenses	31,642
Accrued income taxes	408
Advances received on work in progress	14,934
Deposits received	29,608
Reserve for product warranty	2,431
Reserve for losses on construction contracts	1,046
Other current liabilities	1,152
Noncurrent liabilities	82,779
Bonds payable	20,000
Long-term borrowings	47,399
Lease obligations	329
Employees' severance and retirement benefits	11,997
Asset retirement obligations	2,775
Other noncurrent liabilities	277
Net assets	91,873
Shareholders' equity	92,313
Common stock	45,442
Capital surplus	11,080
Legal capital surplus	5,946
Other capital surplus	5,133
Retained earnings	36,813
Legal retained earnings	1,967
Other retained earnings	34,845
Retained earnings brought forward	34,845
Treasury stock, at cost	-1,022
Valuation and translation adjustments	-439
Net unrealized holding gains (losses) on securities	-50
Net unrealized holding gains (losses) on hedging derivatives	-49
Land revaluation difference	-340
Total liabilities and net assets	320,918

Non-consolidated Statements of Income

For the business year ended March 31, 2021

		(Millions of yen)
Net sales		223,872
Cost of sales		190,786
Gross profit		33,086
Selling, general and administrative expenses		24,232
Operating income		8,853
Non-operating income		
Interest income	254	
Dividend income	2,016	
Other non-operating income	3,491	5,762
Non-operating expenses		
Interest expense	662	
Other non-operating expenses	4,386	5,048
Ordinary income		9,567
Extraordinary loss		
Impairment loss	4,497	4,497
Profit before income taxes		5,070
Income taxes-current		308
Income taxes-deferred		829
Profit		3,932

Non-consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2021

(Millions of yen)

	Shareholders' equity								Total shareholders' equity
	Common stock	Capital surplus			Retained earnings			Treasury stock	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at beginning of year	45,442	5,946	5,133	11,080	1,765	33,138	34,903	-1,020	90,406
Changes of items during the period									
Cash dividends						-2,022	-2,022		-2,022
Reserve for dividends payment					202	-202	-		-
Profit						3,932	3,932		3,932
Treasury stock disposed, net			-0	-0				0	0
Treasury stock purchased, net								-2	-2
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	-	-	202	1,707	1,909	-2	1,907
Balance at end of year	45,442	5,946	5,133	11,080	1,967	34,845	36,813	-1,022	92,313

	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	-74	-6	-340	-422	89,984
Changes of items during the period					
Cash dividends					-2,022
Reserve for dividends payment					-
Profit					3,932
Treasury stock disposed, net					0
Treasury stock purchased, net					-2
Net changes of items other than shareholders' equity	24	-43	-	-17	-17
Total changes of items during the period	24	-43	-	-17	1,889
Balance at end of year	-50	-49	-340	-439	91,873

[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 14, 2021

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC
Osaka Office

Kenta Tsujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takaaki Mitsui (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeshi Ikeda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Hitachi Zosen Corporation, which comprise the consolidated balance sheets, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements applicable to the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of Hitachi Zosen Corporation and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors and Board of Corporate Auditors 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; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be stated in compliance with the Certified Public Accountants Act.

Independent Auditor's Report

May 14, 2021

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC
Osaka Office

Kenta Tsujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takaaki Mitsui (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeshi Ikeda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), Item (i) of the Companies Act, we have audited the non-consolidated financial statements of Hitachi Zosen Corporation, which comprise the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules (hereafter referred to as “the non-consolidated financial statements and others”) of Hitachi Zosen Corporation applicable to the 124th fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Hitachi Zosen Corporation, applicable to the fiscal year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors and Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing

whether it is appropriate to prepare the non-consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company, which should be stated in compliance with the Certified Public Accountants Act.

Audit Report

With respect to the Directors' performance of their duties during the 123rd fiscal year (from April 1, 2019 to March 31, 2020), 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) The Board of Corporate Auditors determined the audit policies, audit plan, etc., received reports from each Corporate Auditor on the progress and results of audits, exchanged opinions, and shared information. Additionally, they received reports from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary.
- (2) In accordance with the audit standards for Corporate Auditors determined by the Board of Corporate Auditors and based on the audit policies and audit plan, each Corporate Auditor took steps to facilitate mutual understanding with Directors, the department in charge of internal auditing, and other employees, strove to collect information and establish an environment for auditing, and performed audits using the methods below. 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.
 - (i) Each Corporate Auditor attended meetings of the Board of Directors and other important meetings, received reports from Directors and other employees on the status of their performance of duties and requested explanations as necessary, inspected documents regarding important decisions and the like, and investigated the status of the business operations and assets at Head Office and major business locations. With respect to the subsidiaries, they took steps to facilitate mutual understanding and information exchange with Directors, Corporate Auditors, etc., at each subsidiary, received reports from subsidiaries on their respective businesses periodically, and investigated as necessary.
 - (ii) 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, and regarding matters mentioned in audits, each Corporate Auditor confirmed that they had been rectified in a timely manner.
 - (iii) 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 that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group consisting of a joint stock company (kabushiki kaisha) and 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.
 - (iv) 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. In addition, each Corporate Auditor was informed of the establishment of the “System for ensuring that duties are performed appropriately” (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005), etc. by the Accounting Auditor and requested explanations as necessary.

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 21, 2021

The Board of Corporate Auditors, Hitachi Zosen Corporation		
Full-time Corporate Auditor	Masayuki Morikata	(Seal)
Full-time Corporate Auditor	Koji Abo	(Seal)
Outside Corporate Auditor	Yoshihiro Doi	(Seal)
Outside Corporate Auditor	Hirofumi Yasuhara	(Seal)