

June 7, 2019

Dear Shareholders

Takashi Tanisho, Chairman and President
Hitachi Zosen Corporation
7-89, Nanko-kita 1-chome, Suminoe-ku, Osaka

NOTICE OF THE 122ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 122nd Ordinary General Meeting of Shareholders of Hitachi Zosen Corporation (“the Company”). The meeting shall be held as described below.

If you are unable to attend the meeting in person, we kindly ask you to review the “Reference Documents for the General Meeting of Shareholders” (described hereinafter), and exercise your voting rights in writing or via the Internet, etc. by 5:00 p.m. on Monday, June 24, 2019 (exercise date). Please refer to “Instructions on Exercising Voting Rights via the Internet” presented on pages 3 and 4.

1. **Date and Time:** June 25, 2019 (Tuesday), 10:00 a.m. (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 122nd business year (from April 1, 2018 to March 31, 2019)
2. The Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements for the 122nd business year

II. Matters to be Resolved:

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

4. Matters Decided for Convocation

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

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- * The Consolidated Financial Statements and Non-consolidated Financial Statements provided in the attachment to this notice are part of the Consolidated Financial Statements and Non-consolidated Financial Statements that have been audited by the Corporate Auditors and Accounting Auditor for the preparation of the Audit Report and Accounting Audit Report. Based on the relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company, the following items are provided on the website of the Company:
<https://www.hitachizosen.co.jp/ir/stock/meeting.html> (Japanese only)
- 1) “Notes to the Consolidated Financial Statements”
 - 2) “Notes to the Non-consolidated Financial Statements”
- * Any modification that may be required in the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements, or in the Reference Documents for the General Meeting of Shareholders will be published on the website of the Company:
<https://www.hitachizosen.co.jp/ir/stock/meeting.html> (Japanese only)

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.

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, and click the “Login” button.

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. 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 the current business year and retained earnings for future business development, we hereby propose the year-end dividend for the current business year 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: 2,022,534,204 yen
- (iii) Effective date of commencement of payment: June 26, 2019

Proposal 2: Election of Ten (10) 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 ten (10) 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 2018)	Tenure as Director (at the conclusion of the General Meeting of Shareholders)
1	Takashi Tanisho	Reappointed	Representative Director, Chairman and President	17/17	9 years
2	Hidenobu Fujii	Reappointed	Vice-Chairman	17/17	2 years
3	Sadao Mino	Reappointed	Representative Director, Executive Vice-President, President's Assistant (Responsible for Sales and Procurement Headquarters)	17/17	4 years
4	Toshiyuki Shiraki	Reappointed	Managing Director, General Manager of Environment Business Headquarters	17/17	3 years
5	Tatsuji Kamaya	Reappointed	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.	17/17	2 years
6	Tadashi Shibayama	Reappointed	Director, General Manager of Machinery Business Headquarters, and Responsible for Infrastructure Business Headquarters	17/17	2 years
7	Kazuhisa Yamamoto	Reappointed	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.	17/17	2 years
8	Chiaki Ito	Reappointed Outside Independent	Director	17/17	6 years
9	Kazuko Takamatsu	Reappointed Outside Independent	Director	17/17	4 years
10	Richard R. Lury	Reappointed Outside Independent	Director	17/17	3 years


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 2018) 17/17</p> <p>Tenure as Director 9 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>June 2010 Responsible for Precision Machinery Headquarters, General Manager of Precision Machinery Headquarters, and General Manager of Chikkou Works, the Company</p> <p>April 2012 Managing Director, the Company</p> <p>April 2012 Responsible for Business & Product Development Headquarters and Precision Machinery Headquarters, and General Manager of Business & Product Development Headquarters, the Company</p> <p>April 2013 Representative Director, President and Chief Operating Officer, the Company</p> <p>April 2016 Representative Director, President and Chief Executive Officer, the Company</p> <p>April 2017 Representative Director, Chairman and President, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Since assuming office as President and Chief Operating Officer in April 2013, Mr. Tanisho has been working to make the corporate philosophy of the Company a reality, improve the corporate value of the Hitachi Zosen Group, and promote stronger corporate governance as the top management of the Company. The Company has determined, based on this experience and track record up to now, 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>	146,082

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
2	<p><u>Reappointed</u></p>  <p>Hidenobu Fujii (November 29, 1955)</p> <p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Tenure as Director 2 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1979 Joined The Sanwa Bank, Limited</p> <p>June 2006 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2009 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2010 Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2013 President, Mitsubishi UFJ Research and Consulting Co., Ltd.</p> <p>June 2017 Vice-Chairman, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Fujii has extensive experience and wide-ranging insight into company management and business operations including service as Managing Director, and President at a major financial institution and a leading think tank. Mr. Fujii has been working to make the corporate philosophy of the Company a reality, improve the corporate value of the Hitachi Zosen Group, and promote stronger corporate governance as Vice-Chairman since June 2017. Based on this experience and track record, Mr. Fujii has adequately fulfilled the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Fujii as a candidate for Director.</p>	12,604


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>Sadao Mino (August 27, 1957)</p> <p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Tenure as Director 4 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1982 Joined the Company</p> <p>April 2011 Executive Officer, the Company</p> <p>January 2013 General Manager of Engineering Business Division, Environment, Energy & Plant Headquarters, the Company</p> <p>April 2015 General Manager of Environment Business Headquarters, and Responsible for Architect Supervision Dept. and Quality Assurance Dept., the Company</p> <p>June 2015 Managing Director, the Company</p> <p>April 2017 Representative Director, Executive Vice-President, the Company (current position)</p> <p>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>April 2018 President's Assistant (Responsible for Sales and Production Engineering Dept.), the Company</p> <p>April 2019 President's Assistant (Responsible for Sales and Procurement Headquarters), the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Mino has been engaged mainly in engineering activities, globalization and business expansion in the Environmental Systems Business segment of the Company and has extensive experience and wide-ranging insight into company management. Since he took the position of Executive Vice-President in April 2017, he has been assisting the President and working to make the corporate philosophy of the Company a reality, improve 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 since becoming responsible for the Procurement Headquarters in April 2019, Mr. Mino has so far fulfilled the role of determining important matters and strengthening supervisory functions in the Board of Directors, and will continue to do so. Thus, once again, the Company has designated Mr. Mino as a candidate for Director.</p>	43,020


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><u>Reappointed</u></p>  <p>Toshiyuki Shiraki (June 24, 1958)</p> <p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Tenure as Director 3 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1984 Joined the Company</p> <p>April 2012 General Manager of Overseas Project Execution Dept., Environmental Systems EPC Business Unit, Environmental Systems & Solutions Division, Engineering Headquarters, the Company</p> <p>April 2013 Executive Officer, the Company</p> <p>April 2015 General Manager of Business Planning Headquarters, 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 (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Shiraki has been engaged mainly in engineering, R&D, construction activities, 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. Based on this experience and track record, the Company has determined that, in addition to working to promote further business growth in the Environment Business as the General Manager of Environment Business Headquarters since April 2019, Mr. Shiraki has so far fulfilled the role of determining important matters and strengthening supervisory functions in the Board of Directors, and will continue to do so. Thus, once again, the Company has designated Mr. Shiraki as a candidate for Director.</p>	27,596


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
5	<p><u>Reappointed</u></p>  <p>Tatsuji Kamaya (September 2, 1961)</p> <p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Tenure as Director 2 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1984 Joined the Company</p> <p>May 1990 Hitachi Zosen Singapore (Pte.) Ltd. (Secondment)</p> <p>April 2012 General Manager of Corporate Planning Dept., the Company</p> <p>April 2014 Executive Officer, the Company</p> <p>April 2015 Deputy General Manager of Environment Business Headquarters, the Company</p> <p>April 2017 General Manager of Corporate Planning Headquarters, and Responsible for General Administration Headquarters and Procurement Headquarters, the Company</p> <p>June 2017 Director, the Company</p> <p>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</p> <p>April 2018 Managing Director, the Company (current position)</p> <p>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 (current position)</p>	19,300
	(Significant Concurrent Positions)		
	<p>President, Ito Country Club Corporation</p> <p>President, Accounting & Finance Corporation</p> <p>President, HITACHI ZOSEN TOURIST Co., Ltd.</p> <p>President, Hitz Holdings U.S.A. Inc.</p>		
	<p><Reasons for nominating the candidate as Director></p> <p>Mr. Kamaya has been engaged mainly in operations such as accounting & finance and corporate planning in the Company. He has extensive experience and wide-ranging insight into the Hitachi Zosen Group's company management, business structure reforms, and others. The Company has determined that, since leading the overall headquarters administrative division of the Company since April 2019, Mr. Kamaya has so far fulfilled the role of determining important matters and strengthening supervisory functions in the Board of Directors, and will continue to do so. Thus, once again, the Company has designated Mr. Kamaya 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
6	<p><u>Reappointed</u></p>  <p>Tadashi Shibayama (September 13, 1958)</p> <p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Tenure as Director 2 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1982 Joined the Company</p> <p>September 1992 Hitachi Zosen U.S.A. Ltd. (Secondment)</p> <p>April 2012 Executive Officer, the Company</p> <p>January 2013 General Manager of Environmental Systems & Plant Sales Division, Environment, Energy & Plant Headquarters, the Company</p> <p>April 2015 Deputy General Manager of Infrastructure Business Headquarters, 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 (current position)</p> <p>April 2019 General Manager of Machinery Business Headquarters, and Responsible for Infrastructure Business Headquarters, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> Mr. Shibayama has been engaged mainly in operations such as engineering, sales, aftersales service, planning and development, and promotion of new businesses in departments in charge of manufacturing and engineering businesses, planning and R&D, and overseas subsidiaries. He has extensive experience and wide-ranging insight into business operations both in Japan and overseas. Based on this experience and track record, the Company has determined that, in addition to leading both the Machinery Business Headquarters and the Infrastructure Business Headquarters since April 2019, and enhancing to strengthen competitiveness of business, Mr. Shibayama has so far fulfilled the role of determining important matters and strengthening supervisory functions in the Board of Directors, and will continue to do so. Thus, once again, the Company has designated Mr. Shibayama as a candidate for Director.</p>	30,386

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
7	<p><u>Reappointed</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 (current position)</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 (current position)</p>	20,622
	<p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Tenure as Director 2 years (at the conclusion of the General Meeting of Shareholders)</p>	<p><Reasons for nominating the candidate as Director></p> <p>Mr. Yamamoto has been engaged mainly in operations such as design, construction, and engineering in the Environmental Systems and Industrial Plant Business segment of the Company. He has extensive experience and wide-ranging insight into management of departments in charge of business operations and improvement of technical capabilities for Energy-from-Waste plants, and others. Based on this experience and track record, the Company has determined that, in addition to working to promote stronger the planning and development of new businesses and products as well as the Hitachi Zosen Group's technical capabilities as the General Manager of Business Planning & Technology Development Headquarters since April 2019, Mr. Yamamoto has so far fulfilled the role of determining important matters and strengthening supervisory functions in the Board of Directors, and will continue to do so. Thus, once again, the Company has designated Mr. Yamamoto 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
8	Reappointed	April 1970	Joined Fujitsu Limited
	Outside Director	June 2006	Corporate Senior Executive Vice President and Representative Director, Fujitsu Limited
	Independent Director	June 2008	Vice Chairman and Director, Fujitsu Limited
		April 2010	Chairman and Representative Director, FUJITSU RESEARCH INSTITUTE
 Chiaki Ito (October 10, 1947) Attendance at Board of Directors meetings (FY 2018) 17/17 Tenure as Outside Director 6 years (at the conclusion of the General Meeting of Shareholders)		June 2013	Outside Director, the Company (current position)
		June 2015	Outside Director, Zensho Holdings Co., Ltd. (current position)
		June 2015	Outside Director, OBIC Business Consultants Co., Ltd. (current position)
		(Significant Concurrent Positions) Outside Director, Zensho Holdings Co., Ltd. Outside Director, OBIC Business Consultants Co., Ltd.	
		<Reasons for nominating the candidate as Outside Director> Mr. Ito has extensive experience and wide-ranging insight into company management based on his long service as a corporate manager in the information and communication equipment industry, such as engaging in overseas business. As Outside Director, Mr. Ito provides appropriate opinions and advice from an independent standpoint to the Company, which is now promoting stronger corporate governance, the globalization of business, the development of new businesses and new products, and utilization of ICT. Since Mr. Ito has fulfilled the role of strengthening supervisory functions regarding business execution, the Company has once again designated Mr. Ito as a candidate for Outside Director.	None
	<Matters concerning the independency> Although there is a business relationship between the Company and Fujitsu Limited, where Mr. Ito was formerly engaged in execution of business, the average annual value of transactions between the two companies in the past three business years was less than 0.1% of the Company's consolidated net sales and less than 0.1% of the respective company's consolidated net sales. Furthermore, the Company has no business relationships with FUJITSU RESEARCH INSTITUTE, where Mr. Ito was formerly engaged in execution of business. Based on the above facts, the Company has determined that Mr. Ito is independent, and has designated him as an independent director as prescribed by Tokyo Stock Exchange, Inc.		

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	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Independent Director</div>  Kazuko Takamatsu (August 27, 1951) Attendance at Board of Directors meetings (FY 2018) 17/17 Tenure as Outside Director 4 years (at the conclusion of the General Meeting of Shareholders)	<p>April 1974 Joined Sony Corporation</p> <p>April 2003 Representative Director, Sony Digital Network Applications, Inc.</p> <p>October 2008 VP in charge of Environment, Sony Corporation</p> <p>April 2012 Advisor, YAMAGATA INTECH Corporation</p> <p>April 2013 Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management (current position)</p> <p>May 2015 Outside Director, Dexerials Corporation (current position) (scheduled to retire the position on June 21, 2019)</p> <p>June 2015 Outside Director, the Company (current position)</p> <p>(Significant Concurrent Positions) Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management</p> <p><Reasons for nominating the candidate as Outside Director> 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 and Secretariat 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. Since Ms. Takamatsu has fulfilled the role of strengthening supervisory functions regarding business execution, the Company has once again designated Ms. Takamatsu as a candidate for Outside Director.</p> <p><Matters concerning the independency> While there are business relationships including outsourcing between the Company and the Japan Institute for Women's Empowerment & Diversity Management, where Ms. Takamatsu currently serves as Executive Director and Secretariat, the average annual value of transactions between the Company and the Japan Institute for Women's Empowerment & Diversity Management in the past three business years was less than 1.1% of the respective organization's ordinary revenue. Moreover, there is no business relationship between the Company and both Sony Corporation and Sony Digital Network Applications, Inc., where Ms. Takamatsu was formerly engaged in execution of business. Based on the above facts, the Company has determined that Ms. Takamatsu is independent, and has designated her as an independent director as prescribed by Tokyo Stock Exchange, Inc.</p>	4,395

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
10	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Independent Director</div>  Richard R. Lury (January 21, 1948) Attendance at Board of Directors meetings (FY 2018) 17/17 Tenure as Outside Director 3 years (at the conclusion of the General Meeting of Shareholders)	May 1974 Admitted to the bar of the State of New York September 1989 Partner, Kelley Drye & Warren LLP June 2003 Admitted to the bar of the State of New Jersey March 2013 Outside Director, Sanken North America, Inc. (currently, Allegro MicroSystems, Inc.) (current position) June 2014 Outside Director, Sanken Electric Co., Ltd. (current position) June 2016 Outside Director, the Company (current position) (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. <Reasons for nominating the candidate as Outside Director> Mr. Lury served as a partner of a major law firm in the United States for many years, and has extensive experience and expertise in international corporate legal matters. 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. Since Mr. Lury has fulfilled the role of strengthening supervisory functions regarding business execution, the Company has once again designated Mr. Lury as a candidate for Outside Director. <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, more than four years has passed since his retirement. Mr. Lury has concluded a legal advisory contract with the Company's subsidiary in the United States since January 2015, 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.	None


Note: The Company has concluded an agreement with Mr. Chiaki Ito, 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.

Proposal 3: Election of One (1) Corporate Auditor

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

The Board of Corporate Auditors has approved this proposal.

The candidate for Corporate Auditor is as follows:

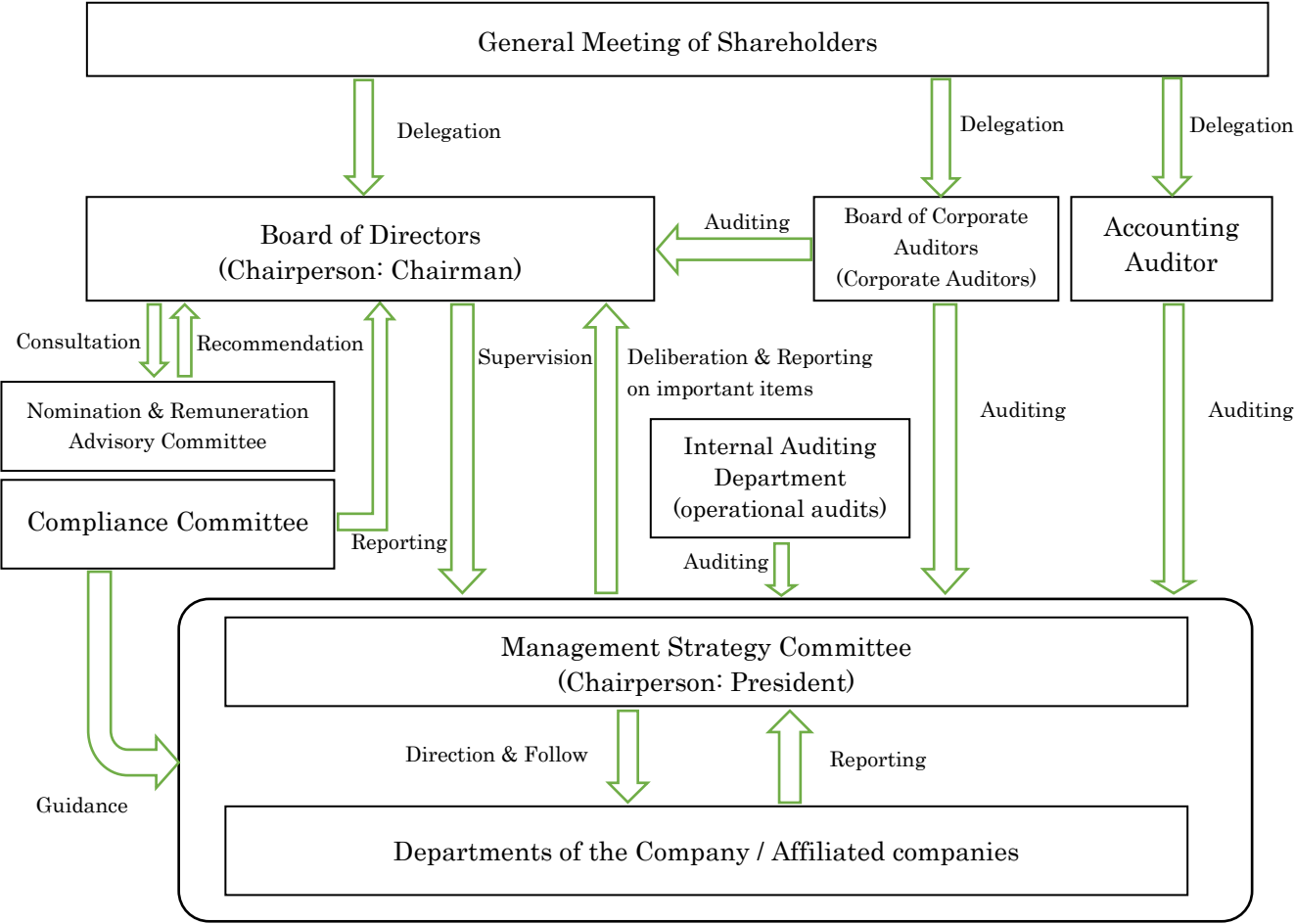
Name (Date of Birth)	Career Summary (Position at the Company and Significant Concurrent Positions)	Number of the Company's Share Owned
<p style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Koji Abo (September 19, 1949)</p> <p>Attendance at Board of Directors meetings (FY 2018) 17/17</p> <p>Attendance at Board of Corporate Auditors meetings (FY 2018) 11/11</p> <p>Tenure as Corporate Auditor 4 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1973 Joined the Company</p> <p>December 2005 General Manager of Legal & Intellectual Property Dept., the Company</p> <p>April 2009 Executive Officer, the Company</p> <p>April 2011 Managing Executive Officer, the Company</p> <p>June 2012 Managing Director, the Company</p> <p>June 2012 Responsible for Legal & Intellectual Property Dept., General Affairs & Human Resources Dept. and Environmental Management & Safety Dept., the Company</p> <p>April 2015 General Manager of General Administration Headquarters, the Company</p> <p>June 2015 Full-time Corporate Auditor, the Company (current position)</p> <p><Reasons for nominating the candidate as Corporate Auditor> Mr. Abo possesses extensive experience within the Company as the person responsible for departments in charge of legal affairs, intellectual property, general administration, human resources, environmental, and safety, as well as abundant insight into internal control, and compliance. Given this insight and experience and track record as Corporate Auditor for the past four years, the Company has determined that Mr. Abo is well qualified. Thus, once again, the Company has designated Mr. Abo as a candidate for Corporate Auditor.</p>	69,825

Note: The Company has concluded an agreement with Mr. Koji Abo 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.

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 supervise the execution of duties. The Board of Directors consists of ten directors (three of whom are Outside Directors). They not only conduct matters stipulated by laws and regulations but also make key decisions related to basic policy and the execution of business, and supervise the execution of business. At the Board of Directors, we ensure the transparency and soundness of management by conducting decision-making with maximum respect to the opinions made by the outside directors and auditors from their neutral 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 examines and decides on the nomination of candidates for Director and Corporate Auditor and the selection and dismissal of senior management following advice from the Nomination & Remuneration Advisory Committee. Regarding the remuneration of each Director, the President, who is delegated by the Board of Directors, makes the decision after consulting with the voluntary Nomination & Remuneration Advisory Committee, on the remuneration system and levels. 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 donation or grant from the Company
 - * A large donation or grant is defined as a donation or grant of 10 million yen or more a year 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, 2018 to March 31, 2019)

I. Matters Concerning the Current Status of the Group

(1) Business Developments and Results

1) Overall summary

Reviewing economic circumstances during fiscal year 2018, conditions overseas generally followed a gradual recovery trend, due to the steady recovery of the US economy, despite some weaknesses in China and Europe. In Japan, economic activity also recovered gradually due to steadily improving employment and increasing capital investment, among other factors.

Amid this environment, under the medium-term management plan “Change & Growth” for the three-year period from fiscal year 2017, the Hitachi Zosen Group (“the Group”) has made efforts for various key measures with restructuring the business foundation, improving productivity, maximizing the Group’s comprehensive strengths, and promoting portfolio management as our basic strategies.

- Status of orders, sales, and profit/loss

Total order intake for the current business year rose from the previous business year to 455.0 billion yen, due to an increase in orders in the Environmental Systems and Industrial Plants Business. Furthermore, net sales rose from the previous business year to 378.1 billion yen, due to increased sales in the Machinery Business, despite decreased sales in the Environmental Systems and Industrial Plants Business and Infrastructure Business.

In terms of profit and loss, operating income rose from the previous business year to 7.3 billion yen, due to an increased contribution from the Environmental Systems and Industrial Plans Business, despite decreased contribution from the Machinery Business. Ordinary income rose compared to the previous business year to 6.7 billion yen due increased operating income and improvement in non-operating profit and loss. Profit attributable to shareholders of Hitachi Zosen also rose from the previous business year to 5.4 billion yen.

(Billions of yen)

	Previous business year (FY 2017)	Current business year (FY 2018)	Change (year on year)
Order intake	400.4	455.0	54.6 (up 13.6%)
Net sales	376.4	378.1	1.7 (up 0.5%)
Operating income	5.9	7.3	1.4 (up 24.6%)
Ordinary income	3.3	6.7	3.4 (up 99.7%)
Profit attributable to shareholders of Hitachi Zosen	2.1	5.4	3.3 (up 150.8%)

2) Summary by business segments

Environmental Systems and Industrial Plants

Major Lines of Business

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

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	Previous business year	Current business year	Previous business year	Current business year	Previous business year	Current business year
Environmental Systems and Industrial Plants	257.2	314.7	231.8	228.3	1.3	5.6



Nagano Environmental Energy Center



EfW plant in Changsha City, China (Phase 1)

Total order intake increased from the previous business year by 57.5 billion yen to 314.7 billion yen, due to orders received for the construction, operation, and maintenance of a biomass power plant for Tokushima Tsuda Biomass Power Plant LLC, and the operation of a sludge recycling center for Aizuwakamatsu Wide-area Municipal Services Association in Fukushima Prefecture and for Kuji Wide Area Association in Iwate Prefecture.

Regarding Energy-from-Waste (EfW) plants, many orders for upgrading work on key components and long-term operation were received in Japan, while orders were received overseas for the construction of Phase 2 EfW plant in Changsha City, China and construction of a EfW plant in Bedfordshire County, UK.

Net sales decreased from the previous business year by 3.5 billion yen to 228.3 billion yen, due to lower sales recorded from overseas plant constructions and others, despite completions of construction of EfW plants for Yatsushiro City and Nagano Wide Area Association in Japan, as well as the construction of Phase 1 EfW plant for Changsha City in China, among others.

Operating income increased from the previous business year by 4.3 billion yen to 5.6 billion yen, due to the improved profitability of EfW plant construction projects in Japan and reduced losses at overseas subsidiaries.

Machinery

Major Lines of Business

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

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	Previous business year	Current business year	Previous business year	Current business year	Previous business year	Current business year
Machinery	98.4	100.7	100.6	106.6	2.5	(0.3)



Press machine for automotive industry
(servo press line)

Total order intake increased from the previous business year by 2.3 billion yen to 100.7 billion yen, due to an increase in orders received for marine diesel engines backed by the market recovery, despite a decrease in process equipment and precision machinery.

Net sales increased from the previous business year by 6.0 billion yen to 106.6 billion yen, due to an increase in process equipment including towers, vessels, and heat exchangers in Japan and overseas.

Operating income decreased from the previous business year by 2.8 billion yen to negative 0.3 billion yen, due to a deterioration in profitability for marine diesel engines, press machines, and process equipment.



Process equipment for Integrated Coal Gasification
Combined Cycle Power Plant

Infrastructure

Major Lines of Business

Bridges, Hydraulic gates, Steel stacks, Marine civil engineering, Shield tunneling machines, Disaster prevention systems

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	Previous business year	Current business year	Previous business year	Current business year	Previous business year	Current business year
Infrastructure	34.3	27.6	33.4	31.8	1.1	1.3



Tobase Ohashi Bridge for Uki City, Kumamoto Prefecture



A dia. 4.48m earth pressure balance shield tunneling machine

Total order intake decreased from the previous business year by 6.7 billion yen to 27.6 billion yen, due to a decrease in orders for large-scale bridge construction works, although many orders were received for new bridge construction works from the Ministry of Land, Infrastructure, Transport and Tourism and local governments, including the Tsuda Viaduct upper construction from Shikoku Regional Development Bureau, as well as for large shield tunneling machines and steel segments of the Tokyo Outer Ring Road Tunnel, among others. Net sales decreased from the previous business year by 1.6 billion yen to 31.8 billion yen, due to a decrease in large-scale marine construction works, despite steady progress of large-scale construction works of bridges including the Tobase Ohashi Bridge for Uki City, Kumamoto Prefecture and the manufacturing of shield tunneling machines for the construction of the Tokyo Outer Ring Road in Oizumi-minami.

Operating income increased from the previous business year by 0.2 billion yen to 1.3 billion yen due to improved profits from bridge construction works.

Others

Major Lines of Business

Transportation, Warehousing, Port cargo handling

Total order intake increased from the previous business year by 1.5 billion yen to 12.0 billion yen, while net sales increased by 0.8 billion yen to 11.4 billion yen. On the other hand, operating income decreased from the previous business year by 0.3 billion yen to 0.7 billion yen.

(Reference)

Hitz Topics

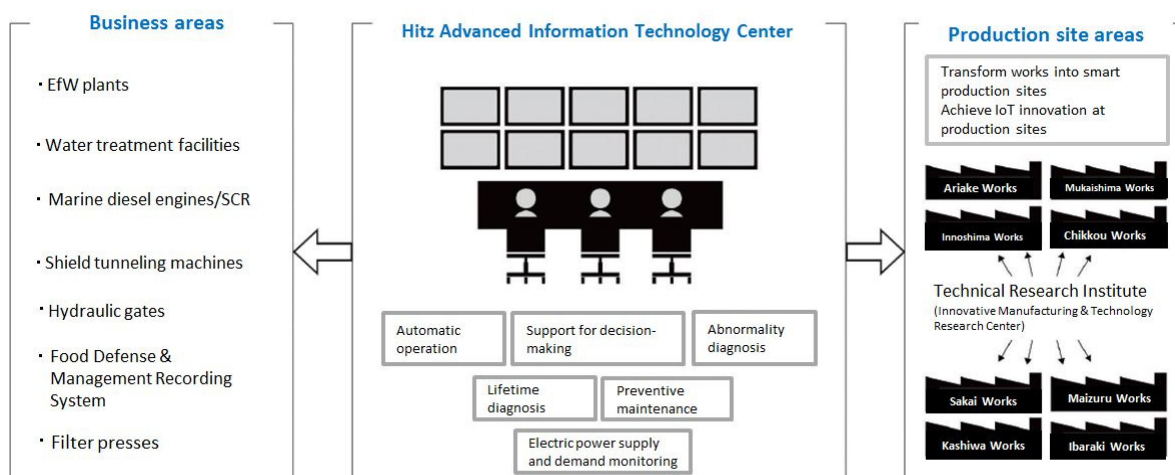
Hitz Advanced Information Technology Center Commenced Operation

In October 2018, we commenced operation of the Hitz Advanced Information Technology Center (A.I/TEC), which is the development hub for our Group's IoT/big data, and artificial intelligence (AI), and supports digitalization of the AOM business. It provides remote monitoring and operation support services for our business/products, which are highly evaluated by customers.

We will promote the expansion of target products, more sophisticated services provided through big data analyses and AI, and improved productivity by transforming the works into smart production sites.



Inside the Hitz Advanced Information Technology Center



Examples of initiatives

Food Defense & Management Recording System × AI (Artificial Intelligence)

We have launched a remote support service of the Food Defense & Management Recording System, which is a quality monitoring tool for food factories using images. It reduces human errors by changing inspections (confirmation of food contents and product labels) from manual operation to image determination using AI.

Examples of initiatives

Filter presses × IoT (Internet of Things)

With IoT, we have achieved a remote monitoring service for filter presses, which are solid-liquid separation devices used in wastewater treatment, etc. at factories. By understanding the operational status of devices in real time, it has become possible to provide appropriate after-sales services to customers.

Expansion of Renewable Energy Business

Aiming to become a “Solution provider for creation of recycling-oriented society” towards 2030, as part of its activities, the Company is actively engaged in renewable energy businesses with low environmental impacts, such as solar power, wind power, biomass, and biogas. Generating renewable energies will lead to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations, thereby contributing to a low carbon society and the diversification of energy resources. Using knowhow accumulated at Energy-from-Waste plants with extensive track records in Japan and abroad, we will develop renewable energy businesses as a pillar for long-term, stable profits by expanding business fields from business planning to delivery of equipment and facilities, and operations.

Wind Power Business

The Company operates four onshore wind power stations in Akita Prefecture (one windmill at each). In Aomori Prefecture, it is also steadily planning to build onshore wind farms, as well as seabed-mounted wind power stations off Aomori.

Moreover, for the floating turbine, which is considered to be promising, a consortium composed of the Company and five other companies has been entrusted with the “Next-Generation Offshore Windfarm System Experimental Research” by NEDO*. In the fall of 2018, installation was completed of the first demonstrator in Japan of an offshore windfarm system with a barge-type floating body off Kitakyushu City.

(* New Energy and Industrial Technology Development Organization)



Floating offshore windfarm system demonstrator

Power to Gas Business

The Company engages in verification tests on methanation to produce methane gas by reacting hydrogen—generated by electrolyzing water with electricity obtained from biomass power generation, wind power generation, and other sources—and CO₂ emitted from factories and other facilities.

Biomass/Biogas Business

In Japan, we have been providing carbon-neutral electricity by engaging in the “Woody biomass power generation business” to generate electric power using heat created by burning unused wood in Hitachiota City since 2015, as well as the “Biogas power generation business” to generate power by burning biogas extracted from fermented food wastes in Akita City since 2017.

Overseas, our subsidiary Hitachi Zosen Inova AG (Switzerland) sells its own fermenters and biogas upgrading equipment. In February 2019, as part of expanding our business fields, we started a business to upgrade, supply and sell biogases obtained by fermenting kitchen garbage, green waste, and other inputs as transportation fuels in Sweden. At present, we are building alternative facilities (biogas plants) to replace existing ones.

Moreover, in December 2018, Hitachi Zosen Inova AG constructed its own facilities (biogas plants) in the U.S. (California) to supply electricity.



Woody biomass power plant



Biogas plants (California, U.S.)

First Order Received for a DBO Project in the Water Treatment Business as a Representative Company

We received successive orders as a representative company of consortium for the construction and operation (DBO* project) of the “Organic Waste Recycling Facility” from the Aizuwakamatsu Wide-area Municipal Services Association in Fukushima Prefecture in June 2018, followed by the “Kuji Sludge Recycling Center” from the Kuji Wide Area Association in Iwate Prefecture in November.

In the water treatment field, the Company will also focus on expanding after-sale services, operation, and management (AOM), and chemical agent sales and other businesses, as well as long-term operation businesses.

(* Design, Build, Operate)



Sludge Recycling Center for Kuji Wide Area Association in Iwate Prefecture (Exterior image)

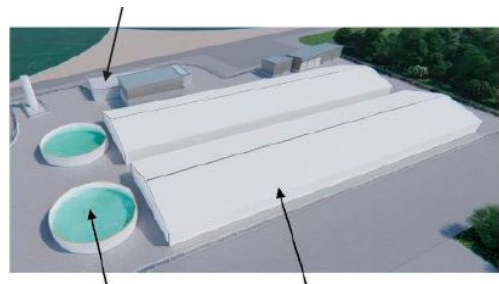
New Technologies & New Fields

Initiatives for Land-based Culture Business

In February 2019, the Company agreed with Nippon Suisan Kaisha, Ltd. (Nissui) and its subsidiary to jointly develop a large-scale land-based circulation system for culturing chub mackerel. We started construction of a verification facility in Yonago City, Tottori Prefecture, taking advantage of our water treatment technology and Nissui’s knowledge of culturing chub mackerel, and expect to start operation in April 2020. We aim to start commercialization after conducting verification tests for three years.

In January 2019, moreover, we participated in a verification project for land-based culture (sea urchin culture) promoted by municipalities in Hokkaido, receiving orders for small-scale land-based culture experimental equipment.

Circulation water treatment equipment



Water tank for shipment

Culture building

Chub mackerel land-based circulation culture verification facility (Exterior image)

Initiatives for All-solid State Lithium-ion Batteries

In fiscal year 2019, we aim to commercialize all-solid state lithium-ion batteries (AS-LiB®), which the Company has been developing as next-generation batteries, ahead of other companies. First, using their feature of employing a sulfide-based solid electrolyte, we will promote market development of the batteries for use in special high/low temperature environments, for vacuum devices required to operate in a vacuum environment, and for space equipment.



All-solid state lithium-ion batteries (AS-LiB®)

(2) Capital Investment

In the current business year, the Group carried out total capital investments of 6,896 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	1,505	Construction of Biogas plants, Upgrading power generation facilities and equipment, Introduction of self-cleaning membrane filtration system demonstration equipment
Machinery	2,582	Establishment of a clean room building for a valve plant for semiconductor manufacturing equipment, Introduction of grooving machines, Introduction of facilities related to marine engine test operations
Infrastructure	404	Upgrading the main wastewater pump of work's dock, Upgrading various types of production facilities
Others/ Company-wide	2,404	Establishment of the Hitz Advanced Information Technology Center, Upgrading transforming equipment
Total	6,896	

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

(3) Funds Procurement

In the current business year, 28,454 million yen in funds was financed through long-term and short-term borrowings primarily to appropriate funds for future working capital and for business investment. In addition, the Company conducted the 25th issue of unsecured straight bonds with a value of 10,000 million yen, and the 26th issue of unsecured straight bonds with a value of 5,000 million yen in September 2018. The 26th unsecured straight bonds were issued as green bonds.

(4) Trends in Assets and Profit and Loss

(Billions of yen)

	FY 2015 (119th Business Year)	FY 2016 (120th Business Year)	FY 2017 (121st Business Year)	FY 2018 (122nd Business Year)
Order intake	435.4	398.9	400.4	455.0
Net sales	387.0	399.3	376.4	378.1
Operating income	15.1	14.9	5.9	7.3
Ordinary income	12.2	11.2	3.3	6.7
Profit attributable to shareholders of Hitachi Zosen	5.8	5.8	2.1	5.4
Net income per share (Yen)	34.96	34.79	12.88	32.31
Total assets	401.6	393.5	391.8	429.0

(5) Issues to be Addressed

■ Achievement of the final-year targets of the medium-term management plan “Change & Growth”

In regard to the current medium-term management plan, we fell short in regard to profit-related indices by a wide margin in the period up to fiscal year 2018 due to a significant deterioration in business performance at an overseas subsidiary and a fall in profitability in the manufacturing business in Japan, including diesel engines, process equipment, and precision machinery. In the final year of the plan, we revised initial numerical targets to 400 billion yen for order intake, 380 billion yen for net sales, 12 billion yen for operating income, 8 billion yen for ordinary income, and 5 billion yen for net profit, all on a consolidated basis. In order to securely achieve these numerical targets, we need to steadily improve profitability by strengthening the local management of overseas subsidiaries and implement structural reforms aimed at reducing cost and improving efficiency at underperforming businesses in Japan.

We will also lead into the next medium-term management plan by implementing the following measures.

1) Restructuring Business Foundation and Improving Productivity

- We will differentiate from competing companies while at the same time increasing operational efficiency through the effective use of the Hitz Advanced Information Technology Center (A.I/TEC), including to collect and analyze big data on the operational status of Energy-from-Waste plants, etc., provide operation control information concerning facilities constructed and delivered by the Company, and realize the stable operation of remote controls. Furthermore, we will work on increasing productivity in the near future by using IoT and AI in the control of machinery, equipment, and the like at works owned by the Group in order to realize efficient operations.
- We will work to realize the stable operation of the new ERP system to streamline indirect operations by promoting the standardization of operations and simplification of operational processes, and reduce fixed costs, while also utilizing the system's features (being able to consolidate management information in real-time) to realize swift decision-making and quick management based on the latest information.

2) Maximizing the Group's Comprehensive Strengths

We aim to expand businesses by forming clusters in each individual business field with Group companies related to our business segments and enhancing collaboration. We are developing new business models through cluster activities in nine fields.

3) Promoting Portfolio Management

Within the Group, businesses with low profitability are dragging down overall business results. Also, although we have been promoting global business development, it has become clear that we have insufficient corporate strength and management resources to expand the regions in which we carry out business activities. We are currently aiming to build a management system that enables the well-balanced allocation of management resources through means such as addressing businesses that are implementing structural reforms and controlling overseas business, and we will pursue a “selection and concentration” approach.

4) Maintaining a Governance Structure

We need to improve the decision-making framework (governance structure) to enhance the Company's business performance (corporate value) and pursue “management results,” while at the same time always taking care to raise “management quality” by maintaining a compliance system. Therefore, we will strengthen the supervisory

function of the Board of Directors regarding the execution of duties and continuously review matters for discussion and monitor important projects.

5) Work-style Reform

Out of all the management resources possessed by the Group, our employees are the most important. We will promote work-style reform to raise employee motivation and draw out their maximum capabilities, thereby raising productivity and realizing a vibrant corporate group. In this way, we will implement measures that lead to a virtuous cycle in which we secure and retain talented personnel.

■ Initiatives aimed at formulating the next medium-term management plan

In the final business year, we will formulate the next medium-term management plan, while achieving the current plan. In order to make a realistic plan, we will review the group's business management system, as well as formulate business strategies with the participation of many employees at various levels.

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, 2019)

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 recycling systems
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 120 consolidated subsidiaries, including the nine significant subsidiaries mentioned above, and 13 equity method companies.
2. Effective August 21, 2018, Osmoflo Holdings Pty Ltd became a wholly-owned subsidiary of the Company.
3. 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.
4. As of the end of the current business year, 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

(Note) Effective June 26, 2018, MAN Energy Solutions SE has changed its trade name from MAN Diesel & Turbo SE.

(7) Major Sales Offices, Plants, etc. (As of March 31, 2019)

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), Seoul Branch (South Korea), Singapore Branch (Singapore), Abu Dhabi Branch (United Arab Emirates), Ho Chi Minh City Office (Vietnam)

(Note) Due to the optimization of overseas business bases, the Seoul Branch and the Ho Chi Minh City Office are in the process of closing.

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 EUROPE Limited	U.K.
Hitachi Zosen U.S.A. Ltd.	U.S.A.
Hitachi Zosen India Private Limited	India
Hitachi Zosen Myanmar Co., Ltd.	Myanmar
HITZ (THAILAND) CO., LTD.	Thailand
PT. HITZ INDONESIA	Indonesia
HITACHI ZOSEN VIETNAM CO., LTD.	Vietnam
Hitachi Zosen Trading (Shanghai) Co., Ltd.	China

(Note) Due to the optimization of overseas business bases, HITACHI ZOSEN EUROPE Limited is in the process of dissolution.

(8) Status of Employees (As of March 31, 2019)

1) Status of employees of the Group

Business Segment	Number of Employees
Environmental Systems and Industrial Plants	6,152
Machinery	2,489
Infrastructure	678
Others	575
Corporate (company-wide)	686
Total	10,580 (year-on-year increase of 203)

(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
4,072 (year-on-year increase of 38)	41.7	16.2

(Note) For the number of employees, the number of employees currently working at the Company is provided. The number includes 167 employees on loan to the Company from outside.

(9) Major Lenders (As of March 31, 2019)

Lender	Amount (Millions of yen)
MUFG Bank, Ltd.	29,142
Mizuho Bank, Ltd.	10,260
Sumitomo Mitsui Trust Bank, Ltd.	4,310

II. Matters Concerning Stock in the Company (As of March 31, 2019)

- (1) Total Number of Shares Authorized to Be Issued 400,000,000 shares
 (2) Total Number of Issued Shares 170,214,843 shares
 (including 1,670,326 shares of treasury stock)
 (3) Number of Shares Constituting One Unit of Shares 100 shares
 (4) Number of Shareholders 81,589 (Year-on-year increase of 1,029 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)	10,157	6.0
Japan Trustee Services Bank, Ltd. (Trust Account)	9,313	5.5
MUFG Bank, Ltd.	5,291	3.1
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	5,267	3.1
CREDIT SUISSE AG, DUBLIN BRANCH PRIME CLIENT ASSET EQUITY ACCOUNT	5,000	3.0
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,661	2.2
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,101	1.8
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK LUXEMBOURG SCA ON BEHALF OF ITS CLIENTS: CLIENT OMNI OM25	2,919	1.7
Sompo Japan Nipponkoa Insurance Inc.	2,358	1.4
Hitachi Zosen Employee Shareholding Association	2,208	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 President		
Hidenobu Fujii	Vice-Chairman		
Sadao Mino	Representative Director, Executive Vice-President	President's Assistant (Responsible for Sales and Production Engineering Dept.)	
Toshiyuki Shiraki	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.	
Tatsuji Kamaya	Managing Director	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	President, Ito Country Club Corporation President, Accounting & Finance Corporation President, HITACHI ZOSEN TOURIST Co., Ltd. President, Hitz Holdings U.S.A. Inc.
Tadashi Shibayama	Director	General Manager of Machinery Business Headquarters	
Kazuhisa Yamamoto	Director	General Manager of Environment Business Headquarters	
Chiaki Ito	Director		Outside Director, Zensho Holdings Co., Ltd. Outside Director, OBIC Business Consultants Co., Ltd.

Name	Position	Areas of Responsibility	Significant Concurrent Positions
Kazuko Takamatsu	Director		Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management Outside Director, Dexerials Corporation
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.
Koji Abo	Full-time Corporate Auditor		
Masayuki Morikata	Full-time Corporate Auditor		
Yoshihiro Doi	Corporate Auditor		Director, Executive Vice President, The Kansai Electric Power Co., Inc.
Kenichi Takashima	Corporate Auditor		Outside Director, MAXVALU CHUBU CO., LTD.

(Notes) 1. Positions and areas of responsibility, and significant concurrent positions both describe conditions as of March 31, 2019. Changes during the current business year are as follows.

(1) Changes in position and areas of responsibility

Name	After Change	Before Change	Date of Change
Sadao Mino	Representative Director Executive Vice-President President's Assistant (Responsible for Sales and Production Engineering Dept.)	Representative Director Executive Vice-President President's Assistant (Responsible for Production Engineering Dept., Wind Power Business Promotion Office and Functional Materials Business Promotion Office)	April 1, 2018
Tatsuji Kamaya	Managing Director 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	Director 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	April 1, 2018

(2) Changes in significant concurrent positions

As of December 1, 2018, Director Kazuhisa Yamamoto retired from President of Eco Hitz Nagano Co., Ltd.

2. Directors Chiaki Ito, Kazuko Takamatsu and Richard R. Lury are Outside Directors.

3. Corporate Auditors Yoshihiro Doi and Kenichi Takashima 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 Kenichi Takashima 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 Kenichi Takashima has many years of experience in accounting and financial operations, including experience as General Manager of Accounting Division and Finance Division in Honda Motor Co., Ltd.
6. At the 121st Ordinary General Meeting of Shareholders held on June 26, 2018, Masayuki Morikata was newly elected as Corporate Auditor and assumed the position thereof.
7. At the conclusion of the 121st Ordinary General Meeting of Shareholders held on June 26, 2018, Full-time Corporate Auditor Masamichi Tokuhira retired due to his resignation.
8. The positions and areas of responsibility were changed as follows on April 1, 2019.

Name	Position	Areas of Responsibility
Sadao Mino	Representative Director, Executive Vice-President	President's Assistant (Responsible for Sales, Procurement Headquarters)
Toshiyuki Shiraki	Managing Director	General Manager of Environment Business Headquarters
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 and Responsible for Production Engineering Dept.
Tadashi Shibayama	Director	General Manager of Machinery Business Headquarters and Responsible for Infrastructure Business Headquarters
Kazuhisa Yamamoto	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.

(2) Outline of Agreements for Limitation of Liabilities

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

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

Classification	Number of Recipients	Total Amount of Remuneration, etc. (Millions of yen)
Directors (of which, Outside Directors)	10 (3)	302 (33)
Corporate Auditors (of which, Outside Corporate Auditors)	5 (2)	79 (18)
Total (of which, Outside Directors and Outside Corporate Auditors)	15 (5)	381 (51)

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

2. As of March 31, 2019, the Company has ten (10) Directors (of which three (3) are Outside Directors)

and four (4) Corporate Auditors (of which two (2) are Outside Corporate Auditors). The difference from the number of recipients noted above is due to the inclusion of one (1) Corporate Auditor who retired from his post at the conclusion of the 121st Ordinary General Meeting of Shareholders held on June 26, 2018.

(4) Policy for Determining Remuneration of Directors and Corporate Auditors

Remuneration of Directors consists of fixed remuneration and corporate performance-based bonus, and is paid within the remuneration limit determined by a resolution of the General Meeting of Shareholders.

Regarding the remuneration of each Director, the President, who is delegated by the Board of Directors, makes the decision after consulting with the voluntary Nomination & Remuneration Advisory Committee, on the remuneration system and levels. However, from the perspective of assuring independence, remuneration of Outside Directors consists only of fixed remuneration.

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

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

(5) 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	Executive Director and Secretariat, Japan Institute for Women's Empowerment & Diversity Management Outside Director, Dexerials Corporation
	Richard R. Lury	Outside Director, Sanken Electric Co., Ltd. Outside Director, Allegro MicroSystems, Inc.
Outside Corporate Auditor	Yoshihiro Doi	Director, Executive Vice President, The Kansai Electric Power Co., Inc.
	Kenichi Takashima	Outside Director, MAXVALU CHUBU CO., 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.

- While a transactional relationship such as business consignment exists between the Company and Japan Institute for Women's Empowerment & Diversity Management, where Outside Director Kazuko Takamatsu holds a concurrent position, the average annual value of transactions in the past three business years is less than 1.1% of the organization's ordinary revenue.
- While a sales transaction relationship exists between the Company and Sanken Electric Co., Ltd., where Outside Director Richard R. Lury holds a concurrent position, the average annual value of transactions in the past three business years is less than 0.1% of the company's consolidated net sales.

- While a sales transaction relationship exists between the Company and The Kansai Electric Power Co., Inc. (KEPCO), where Outside Corporate Auditor Yoshihiro Doi holds a concurrent position, the average annual value of transactions in the past three business years is less than 0.1% of the Company's consolidated net sales, and less than 0.1% of the company's consolidated net sales.

2) Main activities during the current business year

Classification	Name	Attendance		Main Activities
		Board of Directors meetings	Board of Corporate Auditors meetings	
Outside Director	Chiaki Ito	17/17	–	Based on his experience and knowledge concerning corporate management, made statements to ensure the improvement of the Group's corporate value and the validity and appropriateness of the Company's decision-making and business execution.
	Kazuko Takamatsu	17/17	–	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.
	Richard R. Lury	17/17	–	Based on his experience and knowledge concerning international corporate 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.
Outside Corporate Auditor	Yoshihiro Doi	16/17	11/11	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. He also conducted visits of major business sites, etc.
	Kenichi Takashima	17/17	11/11	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. He also conducted visits of major business sites, etc.

V. Status of Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA LLC

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

(Millions of yen)

Category	Amount of Remunerations, etc.
Amount of remuneration, etc. payable by the Company	87
Total amount of cash and other financial benefits payable by the Company and its subsidiaries	145

(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 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 the previous business year.

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).

4. Regarding remuneration for the current business year based on audit attestation, there may be remuneration in addition to the above amounts; however, the amount has not yet been finalized as of the date of this Business Report.

(3) Non-audit Services

The Company outsources work (Non-audit Services), including preparing the comfort letter associated with the issuance of bonds that is work other than that provided for in Article 2, paragraph 1 of the Certified Public Accountants Act, to the Accounting Auditor and pays for these services.

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

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

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

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

(1) Systems to Ensure Appropriateness of Operations

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

- 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 the previous fiscal year 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 the current fiscal year based on the compliance situation for the previous fiscal year, 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, the Company examines the risk in each business from the project estimate stage to clarify risks for technologies, estimates, delivery date, and contracts, and takes measures for risks before judging whether or not to accept an order, thereby working to eliminate risk. 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 aiming to further grow its overseas projects and is strengthening its handling of country risk. 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 medical service contracts.

3) Regarding the Execution of Duties by Directors

In fiscal year 2018, meetings of the Board of Directors were held 17 times. In these meetings, important management matters (management basic policies, medium-term management plan follow-up, budget formulation, commercialization plans, structural reform plans, group company assistance, etc.) prescribed by laws and regulations, 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. In fiscal year 2018, the Company continued to tackle matters such as revisions to Subsidiaries and Affiliates Director System that were started in the previous fiscal year, and the strengthening of governance at overseas subsidiaries, with a focus on Hitachi Zosen Inova AG.

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 were 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. Also, as deteriorating financial results at overseas Group company are significantly affecting the Company's business, the Company is reinforcing the audit system for 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, meetings are being held between Outside Directors, realizing close cooperation, such as information exchange. In fiscal year 2018, the Board of Corporate Auditors held 11 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, 2019

(Millions of yen)

Assets	429,040
Current assets	253,193
Cash and time deposits	35,578
Notes and accounts receivable-trade	172,704
Merchandise and finished goods	1,582
Work in progress	23,422
Raw materials and supplies	5,802
Other current assets	17,874
Allowance for doubtful receivables	(3,771)
Noncurrent assets	175,734
Property, plant and equipment, net	[118,389]
Buildings and structures	34,456
Machinery, equipment and vehicles	21,293
Tools, furniture and fixtures	2,896
Land	56,934
Lease assets	1,168
Construction in progress	1,640
Intangible assets	[11,547]
Goodwill	2,994
Other intangible assets	8,553
Investments and other noncurrent assets	[45,797]
Investments in securities	24,952
Long-term loans receivable	22
Net defined benefit assets	1,431
Deferred tax assets	14,530
Other investments and noncurrent assets	5,527
Allowance for doubtful receivables	(666)
Deferred assets	113
Bond issue expenses	113
Total assets	429,040

	(Millions of yen)
Liabilities	308,630
Current liabilities	212,637
Notes and accounts payable-trade	47,103
Electronically recorded obligations	21,386
Short-term borrowings	52,429
Accrued expenses	45,508
Accrued income taxes	4,109
Advances received on work in progress	21,481
Reserve for product warranty	3,156
Reserve for losses on construction contracts	3,218
Other current liabilities	14,244
Noncurrent liabilities	95,992
Bonds payable	25,000
Long-term borrowings	47,449
Deferred tax liabilities	459
Net defined benefit liability	19,296
Directors' and corporate auditors' severance and retirement benefits	358
Asset retirement obligations	1,103
Other noncurrent liabilities	2,326
Net assets	120,410
Shareholders' equity	117,807
Common stock	45,442
Capital surplus	8,527
Retained earnings	64,856
Treasury stock, at cost	(1,018)
Accumulated other comprehensive income	1,671
Net unrealized holding gains (losses) on securities	280
Net unrealized holding gains (losses) on hedging derivatives	(146)
Land revaluation difference	(7)
Foreign currency translation adjustments	1,335
Remeasurements of defined benefit plans	209
Non-controlling interests in consolidated subsidiaries	931
Total liabilities and net assets	429,040

Consolidated Statements of Income

For the business year ended March 31, 2019

		(Millions of yen)
Net sales		378,140
Cost of sales		317,038
Gross profit		61,101
Selling, general and administrative expenses		53,743
Operating income		7,358
Non-operating income		
Interest income	79	
Dividend income	221	
Equity in net income of affiliates	691	
Other non-operating income	3,743	4,735
Non-operating expenses		
Interest expense	864	
Other non-operating expenses	4,509	5,373
Ordinary income		6,720
Profit		6,720
Income taxes-current		4,859
Income taxes-deferred		(3,527)
Profit before non-controlling interests		5,388
Loss attributable to non-controlling interests		(56)
Profit attributable to shareholders of Hitachi Zosen		5,445

Consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	45,442	8,892	61,433	(1,016)	114,751
Changes of items during the period					
Cash dividends			(2,022)		(2,022)
Profit attributable to shareholders of Hitachi Zosen			5,445		5,445
Treasury stock disposed, net		(0)		0	0
Treasury stock purchased, net				(2)	(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(364)			(364)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(364)	3,422	(2)	3,056
Balance at end of year	45,442	8,527	64,856	(1,018)	117,807

	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	678	(416)	(7)	2,064	(175)	2,142	2,119	119,014
Changes of items during the period								
Cash dividends								(2,022)
Profit attributable to shareholders of Hitachi Zosen								5,445
Treasury stock disposed, net								0
Treasury stock purchased, net								(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(364)
Net changes of items other than shareholders' equity	(397)	270	-	(729)	384	(471)	(1,188)	(1,659)
Total changes of items during the period	(397)	270	-	(729)	384	(471)	(1,188)	1,396
Balance at end of year	280	(146)	(7)	1,335	209	1,671	931	120,410

[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, 2019

	(Millions of yen)
Assets	351,444
Current assets	176,296
Cash and time deposits	19,992
Trade notes receivable	2,567
Trade accounts receivable	108,177
Work in progress	16,825
Raw materials and supplies	2,847
Advance payments	2,103
Prepaid expenses	1,234
Other accounts receivable	7,004
Advances paid	4,723
Short-term loans receivable	14,056
Other current assets	1,136
Allowance for doubtful receivables	(4,372)
Noncurrent assets	175,034
Property, plant and equipment, net	[87,965]
Buildings	18,851
Structures	5,152
Machinery and equipment	12,891
Vehicles	111
Tools, furniture and fixtures	1,150
Land	48,249
Lease assets	549
Construction in progress	1,008
Intangible assets	[5,625]
Patent rights	23
Software	4,738
Rights of using facilities	110
Other intangible assets	753
Investments and other noncurrent assets	[81,443]
Investments in securities	13,718
Stocks of subsidiaries and affiliates	45,764
Investments in capital of subsidiaries and affiliates	1,873
Long-term loans receivable	12,718
Noncurrent prepaid expenses	613
Deferred tax assets	5,903
Other investments and noncurrent assets	1,516
Allowance for doubtful receivables	(663)
Deferred assets	113
Bond issue expenses	113
Total assets	351,444

	(Millions of yen)
Liabilities	259,960
Current liabilities	181,853
Trade notes payable	4,901
Electronically recorded obligations	18,618
Trade accounts payable	27,332
Short-term borrowings	50,293
Lease obligations	183
Other accounts payable	1,907
Accrued expenses	28,284
Accrued income taxes	3,354
Advances received on work in progress	14,336
Deposits received	29,913
Reserve for product warranty	1,146
Reserve for losses on construction contracts	892
Other current liabilities	687
Noncurrent liabilities	78,107
Bonds payable	25,000
Long-term borrowings	40,964
Lease obligations	335
Employees' severance and retirement benefits	10,699
Asset retirement obligations	802
Other noncurrent liabilities	305
Net assets	91,483
Shareholders' equity	91,840
Common stock	45,442
Capital surplus	11,080
Legal capital surplus	5,946
Other capital surplus	5,133
Retained earnings	36,337
Legal retained earnings	1,563
Other retained earnings	34,773
Retained earnings brought forward	34,773
Treasury stock, at cost	(1,018)
Valuation and translation adjustments	(356)
Net unrealized holding gains (losses) on securities	15
Net unrealized holding gains (losses) on hedging derivatives	(31)
Land revaluation difference	(340)
Total liabilities and net assets	351,444

Non-consolidated Statements of Income

For the business year ended March 31, 2019

		(Millions of yen)
Net sales		225,537
Cost of sales		187,934
Gross profit		37,602
Selling, general and administrative expenses		25,588
Operating income		12,014
Non-operating income		
Interest income	193	
Dividend income	1,949	
Other non-operating income	3,475	5,619
Non-operating expenses		
Interest expense	862	
Other non-operating expenses	3,752	4,615
Ordinary income		13,018
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	3,821	3,821
Profit before income taxes		9,197
Income taxes-current		3,296
Income taxes-deferred		(1,777)
Profit		7,677

Non-consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2019

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at beginning of year	45,442	5,946	5,133	11,080	1,361	29,314	30,675	(1,016)	86,181
Cumulative effects of changes in accounting policies						6	6		6
Restated balance	45,442	5,946	5,133	11,080	1,361	29,321	30,682	(1,016)	86,188
Changes of items during the period									
Cash dividends						(2,022)	(2,022)		(2,022)
Reserve for dividends payment					202	(202)	–		–
Profit						7,677	7,677		7,677
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	–	–	(0)	(0)	202	5,452	5,654	(2)	5,652
Balance at end of year	45,442	5,946	5,133	11,080	1,563	34,773	36,337	(1,018)	91,840

	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	310	0	(340)	(30)	86,150
Cumulative effects of changes in accounting policies					6
Restated balance	310	0	(340)	(30)	86,157
Changes of items during the period					
Cash dividends					(2,022)
Reserve for dividends payment					–
Profit					7,677
Treasury stock disposed, net					0
Treasury stock purchased, net					(2)
Net changes of items other than shareholders' equity	(294)	(30)	–	(325)	(325)
Total changes of items during the period	(294)	(30)	–	(325)	5,326
Balance at end of year	15	(31)	(340)	(356)	91,483

[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 20, 2019

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC

Kazuo Kawai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Hitachi Zosen Corporation as at March 31, 2019 and for the business year from April 1, 2018 to March 31, 2019 in accordance with Article 444, paragraph 4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a

basis for our audit opinion.

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

May 20, 2019

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC

Kazuo Kawai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

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

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Hitachi Zosen Corporation as at March 31, 2019 and for the 122nd business year from April 1, 2018 to March 31, 2019 in accordance with Article 436, paragraph 2, item 1 of the Companies Act.

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

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report of the Board of Corporate Auditors

Audit Report

With respect to the Directors' performance of their duties during the 122nd business year (from April 1, 2018 to March 31, 2019), 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 at the time of each audit's completion. Regarding matters mentioned in audits, each Corporate Auditor confirmed that they had been rectified in a timely manner.
 - (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 22, 2019

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