

(Translation)

(Securities Code 7004)

June 5, 2020

Dear Shareholders

Takashi Tanisho, Chairman

Hitachi Zosen Corporation

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

NOTICE OF THE 123RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 123rd 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 by 5:00 p.m. (JST) on Monday, June 22, 2020 (exercise date). Please refer to “Instructions on Exercising Voting Rights via the Internet” presented on pages 4 and 5.

1. Date and Time: June 23, 2020 (Tuesday), 10:00 a.m. (JST) (Doors open 9:00 a.m.)

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

3. Purposes

I. Matters to be Reported:

1. The Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements for the 123rd business year (from April 1, 2019 to March 31, 2020)
2. The Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements for the 123rd business year

II. Matters to be Resolved:

- | | | |
|------------------------|--------------------|---------------------------------------|
| (Company Proposals) | Proposal 1: | Appropriation of Surplus |
| | Proposal 2: | Election of Ten (10) Directors |
| | Proposal 3: | Election of One (1) Corporate Auditor |
| (Shareholder Proposal) | Proposal 4: | Dismissal of One (1) Director |

4. Matters relating to this Notice of Convocation

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

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

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

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

● **Matters Related to the Exercise of Voting Rights**

- If the voting rights are exercised multiple times both in writing and via the Internet: The exercise of the voting rights via the Internet will be deemed effective.
- If the voting rights are exercised multiple times via the Internet: The last exercise of the voting rights will be deemed effective.
- If a voting form is submitted with no indication of either “approval” or “disapproval” for the respective proposals, the shareholders in question shall be deemed to have indicated “approval” for the Company Proposals and “disapproval” for the Shareholder Proposal.
- Proposal 4 (Shareholder Proposal) and Candidate No. 1 in Proposal 2 (Company Proposal) are mutually contradictory. Please make sure not to agree with both. Otherwise, your vote for both proposals will be invalidated.

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.

* Candidate No. 1 in Proposal 2 (Company Proposal) and Proposal 4 (Shareholder Proposal) These proposals are mutually contradictory. Please make sure not to agree with both.

Cautionary matters

- (1) When exercising voting rights via the Internet, please be aware that the website is not available from 2:00 a.m. to 5:00 a.m. (JST) each day.
- (2) Exercising voting rights via PC or smartphone may not be possible depending on your Internet usage environment, for example if you use a firewall for your Internet connection, if you have anti-virus software installed, if you use a proxy server, or if you are communicating without TLS encryption.
- (3) Any fees for accessing the website for exercising voting rights (Internet connection fees, etc.) shall be borne by the shareholder.

In case you need instructions for how to operate your PC/smartphone/cellular phone in order to exercise your voting rights via the Internet, please contact the helpdesk, for which the details are provided below.

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division (helpdesk)

Telephone: 0120-173-027 (toll free and available from 9:00 a.m. to 9:00 p.m.; within Japan only)

Entering login ID and temporary password

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

1. Please access the site for exercising voting rights.

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

3. Please register a new password.

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

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

<Company Proposals (Proposal 1 to Proposal 3)>

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.

Although the situation in terms of profitability is challenging, we hereby propose the year-end dividend for the current business year as follows in accordance with above basic policy and from a comprehensive perspective including the importance of continuous dividends and the prospect of an improvement in business results in the next business year and beyond:

- (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: 2,022,486,732 yen
- (iii) Effective date of commencement of payment: June 24, 2020

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 2019)	Tenure as Director (at the conclusion of the General Meeting of Shareholders)
1	Takashi Tanisho	Reappointed	Representative Director, Chairman and Chief Executive Officer	16/17	10 years
2	Sadao Mino	Reappointed	Representative Director, President and Chief Operating Officer	17/17	5 years
3	Hidenobu Fujii	Reappointed	Vice-Chairman	17/17	3 years
4	Toshiyuki Shiraki	Reappointed	Managing Director, General Manager of Environment Business Headquarters and Responsible for Procurement Headquarters	17/17	4 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	17/17	3 years
6	Tadashi Shibayama	Reappointed	Managing Director, General Manager of Machinery Business Headquarters, and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development Promotion Dept.	17/17	3 years
7	Kazuhisa Yamamoto	Reappointed	Managing Director, General Manager of Business Planning & Technology Development Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept.	17/17	3 years
8	Chiaki Ito	Reappointed Outside Independent	Director	17/17	7 years
9	Kazuko Takamatsu	Reappointed Outside Independent	Director	17/17	5 years
10	Richard R. Lury	Reappointed Outside Independent	Director	17/17	4 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 2019) 16/17</p> <p>Tenure as Director 10 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</p> <p>April 2020 Representative Director, Chairman and Chief Executive Officer, the Company (current position)</p> <p><Reasons for nominating the candidate as Director> As top management of the Company since assuming the office of President and Chief Operating Officer in April 2013, then as Chairman and Chief Executive Officer from April 2020, following a reorganization of the executive structure, 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. The Company has determined, based on this experience and track record, that Mr. Tanisho is well-qualified to play a key role in further developing the Hitachi Zosen Group. Thus, once again, the Company has designated Mr. Tanisho as a candidate for Director.</p>	179,572


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
2	<p data-bbox="379 250 507 273"><u>Reappointed</u></p>  <p data-bbox="354 604 533 663">Sadao Mino (August 27, 1957)</p> <p data-bbox="338 703 549 819">Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p data-bbox="341 860 545 1012">Tenure as Director 5 years (at the conclusion of the General Meeting of Shareholders)</p>	<p data-bbox="580 250 1251 273">April 1982 Joined the Company</p> <p data-bbox="580 291 1251 313">April 2011 Executive Officer, the Company</p> <p data-bbox="580 331 1251 430">April 2015 General Manager of Environment Business Headquarters, and Responsible for Architect Supervision Dept. and Quality Assurance Dept., the Company</p> <p data-bbox="580 448 1251 470">June 2015 Managing Director, the Company</p> <p data-bbox="580 488 1251 533">April 2017 Representative Director, Executive Vice-President, the Company</p> <p data-bbox="580 551 1251 676">April 2017 President's Assistant (Responsible for Production Engineering Dept., Wind Power Business Promotion Office and Functional Materials Business Promotion Office), the Company</p> <p data-bbox="580 694 1251 739">April 2018 President's Assistant (Responsible for Sales and Production Engineering Dept.), the Company</p> <p data-bbox="580 757 1251 801">April 2019 President's Assistant (Responsible for Sales and Procurement Headquarters), the Company</p> <p data-bbox="580 819 1251 922">October 2019 President's Assistant (Responsible for Sales, Procurement Headquarters, and Yumeshima Area Development Promotion Dept.), the Company</p> <p data-bbox="580 940 1251 1012">April 2020 Representative Director, President and Chief Operating Officer, the Company (current position)</p> <p data-bbox="580 1025 1251 1352"><Reasons for nominating the candidate as Director> Since assuming the office of Executive Vice President in April 2017, then as President and Chief Operating Officer from April 2020, Mr. Mino 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. The Company has determined, based on this experience and track record, that Mr. Mino will fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Mino as a candidate for Director.</p>	53,885


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 style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Hidenobu Fujii (November 29, 1955)</p> <p style="text-align: center;">Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p style="text-align: center;">Tenure as Director 3 years (at the conclusion of the General Meeting of Shareholders)</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%; vertical-align: top;">April 1979</td> <td>Joined The Sanwa Bank, Limited</td> </tr> <tr> <td style="vertical-align: top;">June 2006</td> <td>Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> </tr> <tr> <td style="vertical-align: top;">May 2009</td> <td>Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> </tr> <tr> <td style="vertical-align: top;">June 2010</td> <td>Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> </tr> <tr> <td style="vertical-align: top;">June 2013</td> <td>President, Mitsubishi UFJ Research and Consulting Co., Ltd.</td> </tr> <tr> <td style="vertical-align: top;">June 2017</td> <td>Vice-Chairman, the Company (current position)</td> </tr> </table> <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>	April 1979	Joined The Sanwa Bank, Limited	June 2006	Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 2009	Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 2010	Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 2013	President, Mitsubishi UFJ Research and Consulting Co., Ltd.	June 2017	Vice-Chairman, the Company (current position)	22,826
April 1979	Joined The Sanwa Bank, Limited														
June 2006	Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.														
May 2009	Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.														
June 2010	Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.														
June 2013	President, Mitsubishi UFJ Research and Consulting Co., Ltd.														
June 2017	Vice-Chairman, the Company (current position)														


Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
4	<p data-bbox="379 250 507 273"><u>Reappointed</u></p>  <p data-bbox="341 607 545 663">Toshiyuki Shiraki (June 24, 1958)</p> <p data-bbox="336 703 550 819">Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p data-bbox="341 860 545 1010">Tenure as Director 4 years (at the conclusion of the General Meeting of Shareholders)</p>	<p data-bbox="580 250 1252 887"> April 1984 Joined the Company April 2013 Executive Officer, the Company April 2015 General Manager of Business Planning Headquarters, the Company April 2016 General Manager of Technology Development Headquarters, and General Manager of Business Planning Headquarters, the Company June 2016 Managing Director, the Company (current position) 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 April 2019 General Manager of Environment Business Headquarters, the Company April 2020 General Manager of Environment Business Headquarters and Responsible for Procurement Headquarters, the Company (current position) </p> <p data-bbox="580 898 1252 1323"> <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. Mr. Shiraki has been working to promote further business growth in the Environment Business as the General Manager of Environment Business Headquarters since April 2019. Based on this experience and track record, the Company has determined that, Mr. Shiraki will continue to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Shiraki as a candidate for Director. </p>	33,101

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
5	<p style="text-align: center;"><u>Reappointed</u></p>  <p style="text-align: center;">Tatsuji Kamaya (September 2, 1961)</p> <p style="text-align: center;">Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p style="text-align: center;">Tenure as Director 3 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1984 Joined 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</p> <p>April 2020 General Manager of Corporate Planning Headquarters, and General Manager of General Administration Headquarters, and General Manager of SR99 Project Team, Corporate Planning Headquarters, the Company (current position)</p> <p>(Significant Concurrent Positions)</p> <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. Mr. Kamaya has extensive experience and wide-ranging insight into the Hitachi Zosen Group's company management, business structure reforms, and others, and he has been leading the overall headquarters administrative division of the Company since April 2019. Based on this experience and track record, the Company has determined that Mr. Kamaya will continue to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Kamaya as a candidate for Director.</p>	23,159


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 2019) 17/17</p> <p>Tenure as Director 3 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1982 Joined the Company</p> <p>April 2012 Executive Officer, the Company</p> <p>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</p> <p>April 2019 General Manager of Machinery Business Headquarters, and Responsible for Infrastructure Business Headquarters, the Company</p> <p>June 2019 Managing Director, the Company (current position)</p> <p>April 2020 General Manager of Machinery Business Headquarters, and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development Promotion Dept., the Company (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. He has extensive experience and wide-ranging insight into business operations both in Japan and overseas, and overseas sales. Mr. Shibayama has been responsible for Sales and Overseas Business and strengthened competitiveness of business since April 2020, in addition to leading the Machinery Business Headquarters since April 2017 and the Infrastructure Business Headquarters since April 2019. Based on this experience and track record, the Company has determined that Mr. Shibayama will continue to fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Shibayama as a candidate for Director.</p>	37,867

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
7	<p data-bbox="379 248 507 271"><u>Reappointed</u></p>  <p data-bbox="379 607 512 689">Kazuhisa Yamamoto (June 1, 1959)</p> <p data-bbox="336 730 552 853">Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p data-bbox="336 893 552 1032">Tenure as Director 3 years (at the conclusion of the General Meeting of Shareholders)</p>	<p data-bbox="580 248 1246 936"> April 1982 Joined the Company April 2014 Executive Officer, the Company April 2015 General Manager of Environmental EPC Business Unit, the Company April 2017 General Manager of Environment Business Headquarters, the Company June 2017 Director, the Company 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 June 2019 Managing Director, the Company (current position) April 2020 Manager of Business Planning & Technology Development Headquarters, and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept., the Company (current position) </p> <p data-bbox="580 949 1246 1480"> <Reasons for nominating the candidate as Director> 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 business operations and improvement of technical capabilities for Energy-from-Waste plants, and others. Since April 2019, he has been working in the planning and development of new businesses and products as well as aiming to strengthen the Hitachi Zosen Group's technical capabilities as the General Manager of Business Planning & Technology Development Headquarters. The Company has determined, based on this experience and track record, that Mr. Yamamoto will fulfill the role of determining important matters and strengthening supervisory functions in the Board of Directors. Thus, once again, the Company has designated Mr. Yamamoto as a candidate for Director. </p>	24,005

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
8	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Director</div>  <p>Chiaki Ito (October 10, 1947)</p> <p>Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p>Tenure as Outside Director 7 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>April 1970 Joined Fujitsu Limited</p> <p>June 2006 Corporate Senior Executive Vice President and Representative Director, Fujitsu Limited</p> <p>June 2008 Vice Chairman and Director, Fujitsu Limited</p> <p>April 2010 Chairman and Representative Director, FUJITSU RESEARCH INSTITUTE</p> <p>June 2013 Outside Director, the Company (current position)</p> <p>June 2015 Outside Director, Zensho Holdings Co., Ltd. (current position)</p> <p>June 2015 Outside Director, OBIC Business Consultants Co., Ltd. (current position)</p> <p>(Significant Concurrent Positions) Outside Director, Zensho Holdings Co., Ltd. Outside Director, OBIC Business Consultants Co., Ltd.</p> <p><Reasons for nominating the candidate as Outside Director> Mr. Ito has extensive experience and wide-ranging insight into company management based on his long service as a corporate manager in the information and communication equipment industry, 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.</p> <p><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.</p>	None

Candidate No.	Name (Date of Birth)	Career Summary (Position and Areas of Responsibility at the Company, and Significant Concurrent Positions)	Number of the Company's Share Owned
9	<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 2019) 17/17 Tenure as Outside Director 5 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</p> <p>May 2015 Outside Director, Dexerials Corporation (retired in June 2019)</p> <p>June 2015 Outside Director, the Company (current position)</p> <p>April 2020 Executive Director, Japan Institute for Women's Empowerment & Diversity Management (current position) (scheduled to retire the position on June 17, 2020)</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, 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 1.2% 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 as 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>	5,965

Note: Ms. Kazuko Takamatsu will be appointed as outside director of The Kansai Electric Power Company, Incorporated. after obtaining approval at the General Meeting of Shareholders of KEPCO, which is scheduled to be held on June 25, 2020.

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	<p>Reappointed</p> <p>Outside Director</p> <p>Independent Director</p>  <p>Richard R. Lury (January 21, 1948)</p> <p>Attendance at Board of Directors meetings (FY 2019) 17/17</p> <p>Tenure as Outside Director 4 years (at the conclusion of the General Meeting of Shareholders)</p>	<p>May 1974 Admitted to the bar of the State of New York</p> <p>September 1989 Partner, Kelley Drye & Warren LLP</p> <p>June 2003 Admitted to the bar of the State of New Jersey</p> <p>March 2013 Outside Director, Sanken North America, Inc. (currently, Allegro MicroSystems, Inc.) (current position)</p> <p>June 2014 Outside Director, Sanken Electric Co., Ltd. (current position)</p> <p>June 2016 Outside Director, the Company (current position)</p> <p>(Significant Concurrent Positions)</p> <p>Attorney-at-law in the United States (State of New York and New Jersey)</p> <p>Outside Director, Sanken Electric Co., Ltd.</p> <p>Outside Director, Allegro MicroSystems, Inc.</p> <p><Reasons for nominating the candidate as Outside Director></p> <p>Mr. Lury served as a partner of a major law firm in the United States for many years, and has extensive experience and expertise in international corporate legal matters. 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.</p> <p><Matters concerning the independency></p> <p>Although a business relationship between the Company and a major law firm in the United States, where Mr. Lury served as partner until he retired in January 2015, exists via the Company's subsidiary in the United States, the average annual value of transactions in the past three business years is less than 10 million yen and more than five 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.</p>	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. Kenichi Takashima, one of the present Corporate Auditors, will retire due to resignation 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
<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Newly appointed</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Outside Corporate Auditor</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Independent Corporate Auditor</div>  Hirofumi Yasuhara (August 28, 1956)	April 1979 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) September 1996 Director and CFO, America Matsushita Battery Industrial Co., Ltd (currently Panasonic Energy Corporation of North America) June 2008 Director and Executive Officer, PanaHome Corporation (currently Panasonic Homes Co., Ltd.) June 2012 Representative Director, PanaHome Corporation June 2015 Senior Audit & Supervisory Board Member, Panasonic Corporation (Retired in June 2019) June 2019 Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. (current position) March 2020 Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd. (current position)	
	(Significant Concurrent Positions) Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. Outside Corporate Auditor, Sumitomo Rubber Industries, Ltd.	
	<Reasons for nominating the candidate as Outside Corporate Auditor> Mr. Yasuhara has extensive experience and wide-ranging insight into business management and audit operations, including participating in business management as a Full-Time Corporate Auditor and as the person responsible for departments in charge of accounting at global electronics and machinery manufacturers. The Company anticipates that Mr. Yasuhara will be able to contribute to strengthening its corporate governance and enhancing the auditing system by providing appropriate opinion and advice on the Company's management, business operations and other matters from an independent standpoint as Outside Corporate Auditor. Thus, the Company has designated Mr. Yasuhara as a candidate for Outside Corporate Auditor.	none
	<Matters concerning the independency> Although there is a business relationship between the Company and Panasonic Corporation, where Mr. Yasuhara was formerly engaged in execution of business, the average annual value of transactions between the two companies in the past three business years was less than 0.1 % of the Company's consolidated net sales and less than 0.1 % of the company's consolidated net sales. Furthermore, the Company has no business relationships with Panasonic Homes Co., Ltd, where Mr. Yasuhara was formerly engaged in execution of business. Based on the above facts, the Company has determined that Mr. Yasuhara is independent, and will designate him as an independent corporate auditor as prescribed by Tokyo Stock Exchange, Inc.	

Note: In the event that Mr. Hirofumi Yasuhara is elected to the office of Outside Corporate Auditor, the Company intends to conclude an agreement with him 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.

<Shareholder Proposal (Proposal 4)>

Proposal 4 is proposed by a shareholder (one person, number of voting rights: 389).
The Board of Directors of the Company opposes this proposal as stated below.

Proposal 4: Dismissal of One (1) Director

(1) Details of Proposal

The following Director shall be dismissed.

Director, Takashi Tanisho

(2) Reasons for the proposal (stated verbatim as proposed by the Shareholder.)

1. During terms of office of Mr. Takashi Tanisho:

- (1) Inova AG's loss in 2018, resulting in a significant decline in stock prices. Significantly negative reputation of Mr. Takashi Tanisho, the manager of markets (stock prices).
- (2) Several delays in the announcement of 2019 financial statements of accounts, resulting in delays in disclosing information to shareholders
- (3) Poor confidence at general meetings of shareholders for two years (2018-2019) (Listed in the worst 10 for domestic confidence rate by Nikkei Inc.)
- (4) Extraordinary loss recorded for the current fiscal year, resulting in a decline in stock prices
- (5) Performance loss in non-major business. Stagnant stock prices = Losses of shareholders due to negative market valuations
- (6) Slow response of employees to shareholder inquiries = Inadequate employee management = Shareholder negligence
- (7) Stereotyped policy of top management over the long time

2. Expectations for Mr. Sadao Mino's originality as a top management

Opinion of the Board of Directors

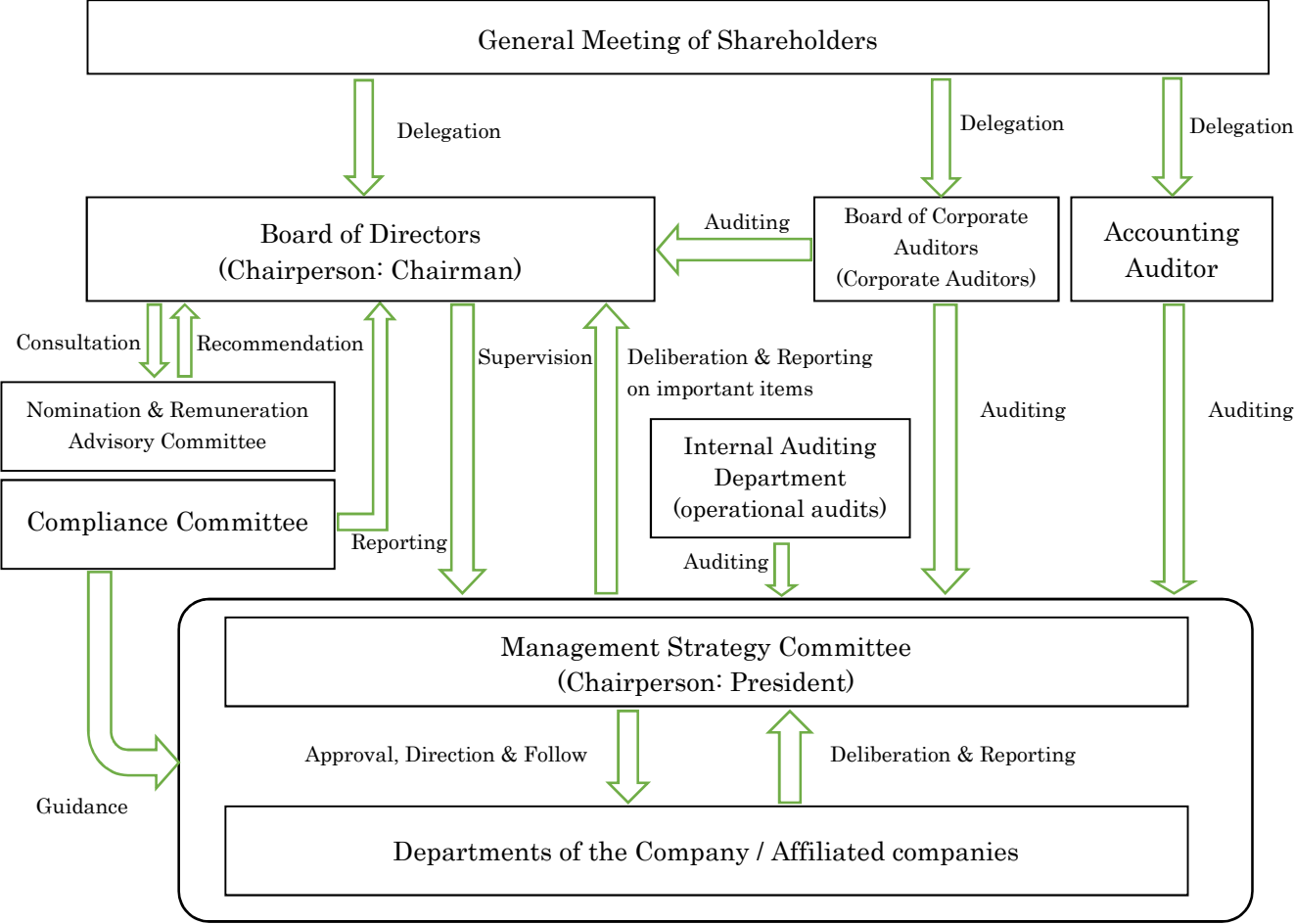
The Board of Directors of the Company opposes this proposal.

The Director to be dismissed under this proposal has made serious effort together with other Directors on the various issues facing the Company in order to increase the corporate value and sound growth of the Company and the Group. Furthermore, in the execution of his duties, he has performed his duties diligently in accordance with laws and regulations and the Articles of Incorporation, with adherence to compliance as the first principle, so there is no reason for his dismissal.

Reference

(Basic Approach to Corporate Governance)

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



(Corporate Governance System)

- The Company is a company with a Board of Corporate Auditors and appoints Corporate Auditors to make audits on the execution of duties of directors. The Board of Directors consists of ten directors (three of whom are Outside Directors). They not only conduct matters stipulated by laws and regulations but also make decisions related to basic policy and important matters of the Hitachi Zosen Group, and supervise the execution of business. At the Board of Directors, effort is made to ensure the transparency and soundness of management by conducting decision-making with respect to the opinions made by the outside directors from their independent perspective.
- **Management Strategy Committee**
The Company has established the Management Strategy Committee comprising Executive Directors and key General Managers. The Company has adopted a business execution structure based on adequate deliberation about issues and countermeasures, etc. regarding important matters of business activities of each business segment (including Group companies).
- **Nomination & Remuneration Advisory Committee**
The Company has established the Nomination & Remuneration Advisory Committee comprising a total of 6 persons including the Chairperson of the Board of Directors, 3 Outside Directors, and 2 Outside Corporate Auditors as a voluntary advisory body to the Board of Directors. The Board of Directors decides on the nomination of candidates for Director and Corporate Auditor following advice from the Nomination & Remuneration Advisory Committee. 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 amount of donation or grant from the Company
 - * A large amount is defined as 10 million yen or more a year on average for the past three business years.
6. A relative within the second degree of kinship with a person who meets any of the categories below
 - (1) One falling into any of categories 1– 5 above (excluding one that is not material)
 - (2) One who was a Director, an Executive Officer, or an important employee of the Hitachi Zosen Group during the past three years

Business Report

(From April 1, 2019 to March 31, 2020)

I. Matters Concerning the Current Status of the Group

(1) Business Developments and Results

1) Overall summary

Reviewing economic circumstances during fiscal year 2019, conditions overseas saw a gradual recovery trend in general due to the steady recovery of the U.S. economy, despite signs of weakness in China and Europe. However, since the beginning of 2020 there has been a rapid decline due to the global spread of the novel coronavirus disease (COVID-19). In Japan, economic activity recovered gradually due to steady improvement in the conditions surrounding employment, but like the rest of the world, it has experienced a significant downturn toward the end of the fiscal year.

Amid this environment, for the current business year, which is the final year of 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 rebuilding the business foundation, improving productivity, maximizing the Group’s comprehensive strengths, and promoting portfolio management as its basic strategies.

• Status of orders, sales, and profit/loss

Total order intake for the current business year was roughly in line with the previous business year at 454.1 billion yen, due to a decrease in orders in the Environmental Systems and Industrial Plants Business, despite an increase in orders in the Machinery Business and Infrastructure Business. On the other hand, net sales rose from the previous business year to 402.4 billion yen due to increased sales in the Environmental Systems and Industrial Plants Business.

In terms of profit and loss, operating income rose significantly from the previous business year to 13.8 billion yen, due to an increased contribution from the Environmental Systems and Industrial Plants Business. Ordinary income also rose compared to the previous business year to 9.4 billion yen due to increased operating income. On the other hand, profit attributable to shareholders of Hitachi Zosen dropped from the previous business year to 2.1 billion yen due to loss on devaluation of investments in securities, loss on overseas business, and impairment loss recorded in extraordinary loss, despite gain on sales of property recorded in extraordinary income.

(Billions of yen)

	Previous business year (FY 2018)	Current business year (FY 2019)	Change (year on year)
Order intake	455.0	454.1	(0.9) (down 0.2%)
Net sales	378.1	402.4	24.3 (up 6.4%)
Operating income	7.3	13.8	6.5 (up 88.8%)
Ordinary income	6.7	9.4	2.7 (up 40.3%)
Profit attributable to shareholders of Hitachi Zosen	5.4	2.1	(3.3) (down 59.7%)

2) Summary by business segments

Environmental Systems and Industrial Plants

Major Lines of Business

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

(Billions of yen)

Business segment	Order intake		Net sales		Operating income	
	Previous business year	Current business year	Previous business year	Current business year	Previous business year	Current business year
Environmental Systems and Industrial Plants	314.7	289.4	228.3	254.3	5.6	15.8

Total order intake decreased from the previous business year by 25.3 billion yen to 289.4 billion yen although many orders for upgrading work on key components were received in Japan, in addition to the orders for construction of a woody biomass power generation plant construction project from Kamisu Biomass Power Generation LLC in Ibaraki Prefecture, maintenance and operation of Energy-from-Waste (EfW) plants for Abiko City, Chiba Prefecture and Nagaoka City, Niigata Prefecture, and construction of a sludge recycling center for the Sanitation Facilities Union of Nanno, Gifu Prefecture; and orders were received overseas for construction of Energy-from-Waste (EfW) plants in UK (Leicestershire County), Australia, Russia and Switzerland, among others.

Net sales increased from the previous business year by 26.0 billion yen to 254.3 billion yen due to construction of EfW plants for Kyoto City, Mito City, Ibaraki Prefecture and the Asakawa River Environment Association, Hino City, Tokyo Prefecture in Japan, and completion of construction of Energy-from-Waste (EfW) plant for UK (West Yorkshire County) overseas, among others.



Waste Treatment Plant in Mito City (known as "Ecommit") (Ibaraki Prefecture)



Energy-from-Waste (EfW) plant for UK (West Yorkshire County)

Operating income increased from the previous business year by 10.2 billion yen to 15.8 billion yen, due to the improved sales from projects in Japan and reduced losses at overseas subsidiaries.

Machinery

Major Lines of Business

- Marine diesel engines
- Press machines for automotive industry
- NOx removal catalysts
- Nuclear power generation-related equipment,
- Food machinery
- Precision machinery
- Deck machinery
- Boilers
- Pressure vessels and other process equipment
- Plastic machinery
- Pharmaceutical machinery
- Electronics systems, Control 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	100.7	114.3	106.6	103.2	(0.3)	(1.2)

Total order intake increased from the previous business year by 13.6 billion yen to 114.3 billion yen, due to increases in orders received for marine diesel engines for domestic and overseas shipyards and NOx removal systems, as well as for process equipment such as pressure vessels and casks used to transport nuclear spent fuels, industrial equipment such as filter presses and water electrolysis equipment, despite a slight decrease in orders for press machines for the automotive industry.



Press machines for automotive industry
(servo transfer press)

Net sales decreased from the previous business year by 3.4 billion yen to 103.2 billion yen, due to decreases in press machines for automotive industry, process equipment, and precision machinery such as plastic machinery, despite increases in marine diesel engines for domestic and overseas shipyards, and industrial equipment such as filter presses and water electrolysis equipment.



Reactor for China

Operating income decreased from the previous business year by 0.9 billion yen to negative 1.2 billion yen, due to a deterioration in profitability for process equipment.

Infrastructure

Major Lines of Business

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

(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	27.6	39.7	31.8	33.5	1.3	(1.6)

Total order intake increased from the previous business year by 12.1 billion yen to 39.7 billion yen, due to an order for seismic retrofitting work of the expressways for Hanshin Expressway Company Limited and many orders received for new bridge construction works for local governments, as well as the steady orders received for large-scale projects, including movable flap-gate type breakwater systems installed on the seabed for Hyogo Prefecture and a large shield tunneling machine for the Hokkaido Shinkansen Sapporo Tunnel.



Mihari Viaduct of Chubu-Jukan Expressway for Chubu Regional Development Bureau

Net sales increased from the previous business year by 1.7 billion yen to 33.5 billion yen, due to steady progress of large-scale projects, including Mihari Viaduct upper construction of Chubu-Jukan Expressway for Chubu Regional Development Bureau, installation works of movable flap-gate type breakwater systems installed on the seabed for Iwate Prefecture, and shield tunneling machines.



Hydraulic gate in Sea Forest Waterway for Tokyo

Operating income decreased from the previous business year by 2.9 billion yen to negative 1.6 billion yen mainly due to incurrance of guarantee work costs despite improved profitability in some works as a result of cost reduction, etc.

Others

Major Lines of Business

- Transportation, Warehousing, Port cargo handling

Total order intake decreased from the previous business year by 1.3 billion yen to 10.7 billion yen, while net sales were roughly in line with the previous business year at 11.4 billion yen. Operating income increased from the previous business year by 0.1 billion yen to 0.8 billion yen.

(Reference)

Hitz Topics

Infrastructure Business Expands to Maintenance and Retrofit Area

The Ministry of Land, Infrastructure, Transport and Tourism has announced that by 2028, 50% of the approximately 730,000 bridges in Japan will be more than fifty years since construction. In order to respond to such aging and the Tonankai and the Nankai earthquakes, which are foreseen to occur in the near future, we are pursuing to actively develop business into areas of maintenance and retrofitting of bridges (longer useful life, seismic retrofitting).



Near Awaza Junction, Hanshin Expressway

As part of the development, in July 2019, we accepted an order for a large-scale seismic retrofit work for Hanshin Expressway No. 3 Kobe Line (along an approximately 4 km section between Awaza and Amagasaki). This order was given in recognition of Hitachi Zosen's track record in seismic retrofitting work, as well as its technical findings and quality assurance system regarding its on-site construction and safety management.

We will continuously contribute to the development of a sustainable, robust nation with high quality infrastructure by expanding into the infrastructural maintenance and retrofit area.

Awarded as Power Producer and Supplier (PPS) for the Tokyo Metropolitan Government Building: 100% of electricity received at Tokyo Metropolitan Government No.1 Building to be from renewable energy

Assenting to the ideals of RE100 (Renewable Energy 100%)*, the Tokyo Metropolitan Government is promoting "Tokyo Metropolitan Government Buildings Version RE100," which aims to reduce CO2 emissions from all power consumed in the Tokyo Metropolitan Government Buildings by utilizing renewable energy. In June 2019, in regard to a bidding deal for "supply and demand of renewable energy-based electricity utilized in the Tokyo Metropolitan Government Buildings," we became the successful bidder, highly recognized for the track record in electricity supply and the power supply plan as PPS. Electricity received at the Tokyo Metropolitan Government No.1 Building is being fully supplied from August 2019 for a period of 14 months.

The Group will contribute to the achievement of a sustainable society through various renewable energy-related businesses, including biomass power generation, offshore and onshore wind power generation and solar power generation.

(*) RE100: International initiative aiming to supply all electricity used in business activities through renewable energy

Hitachi Zosen Commercializes Non-destructive Radioactive Testing Technologies using AI and Smartglasses!



Set of phased array ultrasonic testing system

Previously, non-destructive testing for the welding joint between the tubes and the tube sheet of heat exchangers (system that transfers heat between two different fluids) has been a challenge because of its difficulty. Hitachi Zosen has jointly developed and commercialized a testing system that resolves such issue with its subsidiary NICHIZO TECH INC. This system can not only automatically detect welding defects by using deep learning*, but also has achieved reduction of manpower for testing work by using smartglasses, and possesses the testing capability equivalent to that of skilled

testing technicians. Detecting various defects and malfunctions that occur on welding joints between the tubes and the tube sheet prevent leakage problems of heat exchangers.

(*) Deep Learning: One of the technology of artificial intelligence (AI); refers to a new learning method allowing computers to understand matters; an important feature in terms of being able to recognize abstract data which had not been achievable previously.

Development of Methanation (Carbon Recycling)

Reduction of CO₂ emissions is an important issue to prevent global warming. Ahead of other countries, Hitachi Zosen has been working on the development of methanation technology that synthesizes methane*¹ from CO₂ emitted from industrial facilities such as thermal power plants and hydrogen produced through electrolysis of water.



Methanation test facility

Currently, in a project to develop effective carbon dioxide (CO₂) utilization technologies of NEDO*², we are developing a technology for highly efficient methanation process that combines high-performance methanation catalyst and a plate-type reactor.

As part of the development, we have been conducting the world's first methane synthesis tests using CO₂ generated during the natural gas production since October 2019 at a test facility set up inside INPEX Corporation's Nagaoka Field Office (Niigata Prefecture). Going forward, we will work on the optimization, upsizing, and cost reduction of the methane synthesis process toward commercialization, thereby contributing to the realization of a carbon-free and carbon-recycling society through methanation.

(*1) Methane: A main component of natural gas, highly effective as a chemical substance playing a role in carrying and storing energy, and high efficient economically because existing infrastructure for natural gas can be utilized.

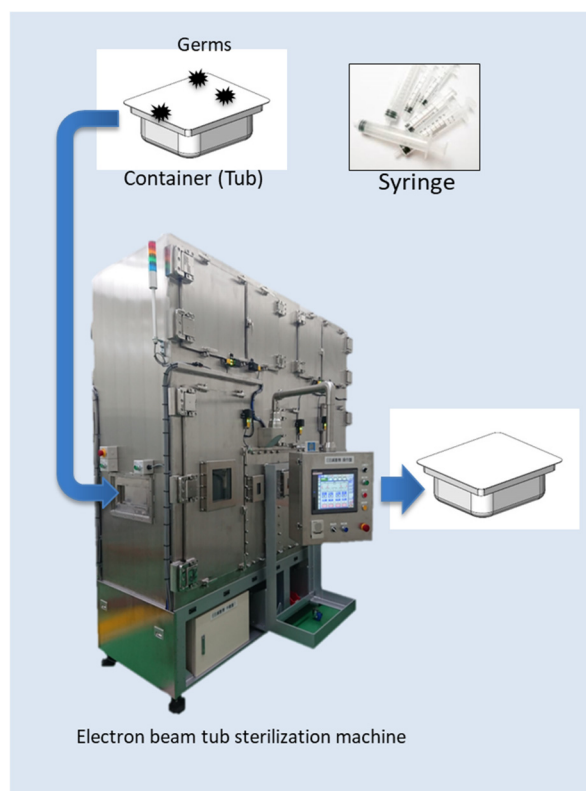
(*2) NEDO: New Energy and Industrial Technology Development Organization

Development of Electron Beam Sterilizer for Pharmaceutical Tub Containers: Completes Demonstration Equipment and Starts Sample Provision and Performance Verification

In 2012, the Company introduced an electron beam sterilization technology for PET bottle fillers. By applying such technology, the Company developed a sterilizer for the regenerative medicine field in 2018. The Company now has developed an electron beam sterilizer that sterilizes the surface of containers (tub) such as for prefilled syringes*, which demand is increasing to reduce the risk of infectious diseases and prevent dosage errors in medical sites. In February 2020, the Company completed a demonstration equipment in Chikkou Works and started providing samples and implementing performance verification.

The Company is the only manufacturer in Japan that is capable of self-manufacturing electron beam irradiators and sterilizers. We develop new products that combine the electron beam irradiation technology with sterilization technology, realizing improvement of reliability and low cost. By offering these products to food, pharmaceutical and regenerative medicine fields, we will contribute to the realization of a safe and secure society.

(*) Prefilled syringes: Syringes in which drugs are already loaded



(2) Capital Investment

In the current business year, the Group carried out total capital investments of 10,302 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. Moreover, in the current business year, the Group sold land of Kashiwa Works (Machinery) and Sakai Works (Infrastructure) and concluded a lease-back agreement for those assets (however, in the case of Kashiwa Works, it is until March 31, 2021).

- Major capital investment by business segment

(Millions of yen)

Business Segment	Amount	Summary of Investment
Environmental Systems and Industrial Plants	1,937	Upgrading power generation facilities and equipment, Introduction of wet air oxidation facility
Machinery	4,210	Construction of blasting and painting workshop, Construction of machining workshop for press machines for auto production
Infrastructure	428	Upgrading transforming equipment of work's dock, Upgrading various types of production facilities
Others/ Company-wide	3,725	Construction of distribution warehouse, construction of cargo ship
Total	10,302	

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

(3) Funds Procurement

In the current business year, 14,294 million yen in funds was financed through long-term borrowings primarily to appropriate funds for future working capital and for business investment.

(4) Trends in Assets and Profit and Loss

(Billions of yen)

	FY 2016 (120th Business Year)	FY 2017 (121st Business Year)	FY 2018 (122nd Business Year)	FY 2019 (123rd Business Year)
Order intake	398.9	400.4	455.0	454.1
Net sales	399.3	376.4	378.1	402.4
Operating income	14.9	5.9	7.3	13.8
Ordinary income	11.2	3.3	6.7	9.4
Profit attributable to shareholders of Hitachi Zosen	5.8	2.1	5.4	2.1
Net income per share (Yen)	34.79	12.88	32.31	13.04
Total assets	393.5	391.8	429.0	409.5

(5) Issues to be Addressed

In 2017, the Company developed a long-term vision “Hitz 2030 Vision” to become a highly profitable company with strong social presence, and a medium-term management plan “Change & Growth,” making efforts to achieve it for the past three years.

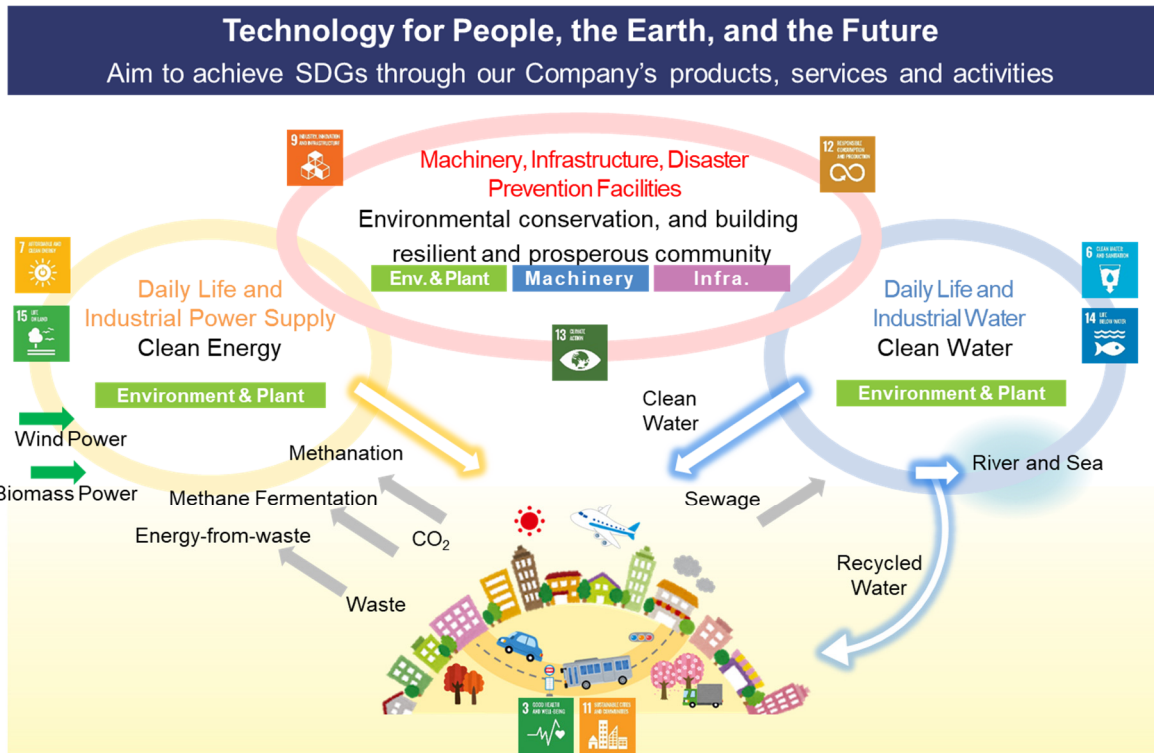
As a result, while achieving some results in expanding service businesses and improving productivity with the utilization of ICT technology, we were unable to achieve sufficient results in terms of confirming and promoting measures for high profitability, maximizing Group comprehensive strengths, and promoting portfolio management.

Regarding our numerical targets, we were able to achieve the targets of order intake and net sales, but we fell short in regard to profit-related indices by a wide margin mainly due to a deterioration in business performance of Hitachi Zosen Inova AG and a fall in profitability in the manufacturing business.

(Billions of yen)

	“Change & Growth” Plan				Actual				Achievement Rate
	FY2017	FY 2018	FY 2019	3 years total	FY 2017	FY 2018	FY 2019	3 years total	
Order intake	400.0	430.0	460.0	1,290.0	400.4	455.0	454.1	1,309.6	102%
Net sales	360.0	400.0	430.0	1,190.0	376.4	378.1	402.4	1,157.0	97%
Operating income (Operating income ratio)	12.5 (3.5%)	16.5 (4.1%)	20.5 (4.8%)	49.5 (4.2%)	5.9 (1.6%)	7.3 (1.9%)	13.8 (3.5%)	27.1 (2.3%)	55%
Ordinary income (Ordinary income ratio)	10.0 (2.8%)	14.0 (3.5%)	18.0 (4.2%)	42.0 (3.5%)	3.3 (0.9%)	6.7 (1.8%)	9.4 (2.3%)	19.5 (1.7%)	46%
Profit attributable to shareholders of Hitachi Zosen	6.5	8.0	10.0	24.5	2.1	5.4	2.1	9.8	40%

In the meantime, the concept of Sustainable Development Goals (SDGs) has spread worldwide, and society is starting to move toward the realization of a sustainable development and recycling-oriented society. This trend is in line with the policy of the Group's business to realize a sustainable and safe & secure society through our businesses and products.



In light of this situation, we have formulated a new medium-term management plan “Forward 22” (FY2020 to FY2022) in order to redefine the core business areas and our vision of “Hitz 2030 Vision” more clearly, and to address issues identified in the medium-term management plan “Change & Growth.”

■ Long-term Vision “Hitz 2030 Vision”

Our Vision in 2030 of the Group is to fulfill our social responsibility as “a Solution Partner for realizing Sustainable and Safe & Secure Society” to all stakeholders through provision of clean energy and water, and environmental conservation, disaster resilient & prosperous community. To this end, we need to become a sustainable company by increasing our own profitability. Our numerical targets include 1 trillion yen for net sales, an operating income margin of 10%, an overseas sales ratio of 50%, and an equity ratio of 40% or more. Among these, considering the issue of strengthening profitability, top priority has been given to raising margins (an operating income margin of 10%).



Aim to Maximize the value provided to customers

Goal ⇒ Improve Profitability “Operating income margin 10%”

■ New medium-term management plan “Forward 22” (FY2020 to FY2022)

As we look ahead to our group’s goals under the long-term vision called “Hitz 2030 Vision,” the coming three years under the new medium-term management plan from FY2020 to FY2022 will be a period during which we will steadily and aggressively move forward to achieve enhanced profitability with an attitude of “I’ll do it! Stepping forward will change the future” with the cooperation of all members of the Group. and we have named the plan “Forward 22” with such our intention.

	(Billions of yen)			
	FY2019 (Actual)	FY2020 (Forecast)	FY2021 (plan)	FY2022 (plan)
Order intake	454.1	410.0	Order intake & Net sales at the 400 billion level	
Net sales	402.4	400.0		
Operating income (Operating income ratio)	13.8 (3.5%)	11.0 (2.8%)	Aim to achieve 5% of operating income ratio for FY2022	

●Basic Policy

1. Increase in Added Value of Products and Services

(1) Utilization of cutting edge technologies

We will create and grow new businesses by utilizing cutting edge technology, such as data collection, accumulation and development of data analysis platform, development of diagnostic and self-driving technologies, and proposals on the incorporation of IoT and AI into products and services of the Group.

(2) Shift of business positioning and promotion of dialogue with customers and markets

We will shift the business positioning by being sensitive to identify social changes and capturing what are sought in markets through dialogue with customers, and provide new business models, products and services that solve customer issues. By doing so, we strive to expand our business areas and secure high-quality order intake.

(3) Maximization of the Group's comprehensive strengths

The Group has formed business groups consisting of Hitachi Zosen's business divisions and associated companies for respective business areas such as Energy-from-Waste, water treatment and bridges. We will evolve into a "co-creative business group" by welcoming joint research and development agencies and business partners so as to build a competitive corporate group.

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

(1) Introduction of Hitz Goal Achievement Monitoring System

We will set target figures by businesses and models based on Key Goal Indicators (KGI), and formulate a business strategy that clearly presents Key Success Factors (KSF) and Key Performance Indicators (KPI) in order to achieve the goals. We will steadily perform the PDCA (Plan-Do-Check-Action) cycle, especially "Check" and "Action," so as to thoroughly manage revenues.

(2) Further promotion of portfolio management

We will promote business selection and concentration by comprehensively assessing the achievement level of target figures for respective businesses and models (quantitative assessment), and the business evaluation for factors such as attractiveness and future potential of subject businesses (qualitative assessment) under the Hitz Goal Achievement Monitoring System.

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

(1) Improvement of operational efficiency by changing the Group's business management system
We will strengthen the group controlling function of departments common to headquarters (strategic planning and promotion function, control function, and compliance and social responsibility executing function) to ensure group-wide controls. We will also reorganize and streamline the functions that provide professional services held by the Company and its affiliates as a Group, and review the personnel placement of the group-wide management departments to promote optimal placement to priority departments.

(2) Deliberation on the ideals of manufacturing business

We will promote initiatives to realize smart factories in the manufacturing business, such as introduction of robots, the use of AI, and IoT innovation in production sites, and will make efforts to reform work styles and improve profitability. In addition, we will improve and rebuild our businesses through Group-wide deliberation on the "ideals of manufacturing business."

(3) Human resources development and work-style reform

Under our human resources strategy, we have set KPI for key human resources measures and are working to strengthen human resources development and realize further diversity management and work-style reform such as promotion of teleworking.

We are currently in a harsh business environment along with the global spread of COVID-19, but even under such circumstances, we strive to ensure risk management by strengthening the governance system and thorough compliance, achieve accident-free environment through rigorous safety management.

In particular, when promoting our businesses overseas, we will assess and ascertain risks from various perspectives, and hedge risks adequately before deciding to take any business initiatives. To follow-up the progress, we will establish a Risk Control Department from the current fiscal year to promote businesses carefully but boldly.

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, 2020)

1) Parent company

The Company does not have a parent company.

2) Significant subsidiaries

Name of Company	Amount of Capital	Holding Ratio (Direct) (%)	Major Lines of Business
IMEX Co., Ltd.	¥1,484 million	100.0	Design, manufacture and sale of boilers, pressure vessels, diesel engines, industrial machinery, and steel structures
NICHIZO TECH INC.	¥1,242 million	100.0	Comprehensive examination, maintenance, checking and repair of products made of steel, concrete, etc., various types of plant equipment, piping equipment, etc., and design, creation, and on-site construction of chemical plants, industrial machinery and nuclear power generation-related equipment, etc.
Hitachi Zosen Fukui Corporation	¥1,055 million	100.0	Manufacture and sale of various types of presses, chemical machinery, conveyance machinery, and electronic control machinery and equipment
OHNAMI CORPORATION	¥525 million	100.0	Warehousing and port loading and unloading, inland transportation, marine transportation, and construction
SN Environment Technology Co., Ltd.	¥200 million	100.0	Design, construction, operation, maintenance and management of Energy-from-Waste (EfW) plants and recycling systems, and maintenance and management of various types of plant
Hitz Environment Service Co., Ltd.	¥100 million	100.0	Operation and maintenance of Energy-from-Waste (EfW) plants and recycling systems
Hitachi Zosen Inova AG	CHF40 million	100.0	Design, creation, sale, maintenance and operation of Energy-from-Waste (EfW) plants and biogas generation facility
Osmoflo Holdings Pty Ltd	AUD53 million	100.0	Design, manufacture, sale, and operation of desalination and industrial water treatment systems

Name of Company	Amount of Capital	Holding Ratio (Direct) (%)	Major Lines of Business
NAC International Inc.	USD43 million	—	Design, transport and consulting related to the storage and transportation of spent nuclear fuel control equipment

- (Notes) 1. There are 115 consolidated subsidiaries, including the nine significant subsidiaries mentioned above, and 16 equity method companies.
2. NAC International Inc. is a wholly-owned subsidiary of Hitz Holdings U.S.A. Inc., a holding company in the United States that is wholly-owned by the Company.
3. As of the end of 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

(7) Major Sales Offices, Plants, etc. (As of March 31, 2020)

1) The Company

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

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

2) Subsidiaries

<Domestic subsidiaries>

IMEX Co., Ltd.	2293-1, Innoshimahabu-cho, Onomichi, Hiroshima
NICHIZO TECH INC.	15-26, Tsuru-machi 2-chome, Taisho-ku, Osaka
Hitachi Zosen Fukui Corporation	8-28, Jiyugaoka 1-chome, Awara, Fukui
OHNAMI CORPORATION	6-33, Edobori 2-chome, Nishi-ku, Osaka
SN Environment Technology Co., Ltd.	3-28, Nishikujo 5-chome, Konohana-ku, Osaka
Hitz Environment Service Co., Ltd.	1-1, Minami-machi, Kawasaki-ku, Kawasaki

<Overseas subsidiaries>

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

(8) Status of Employees (As of March 31, 2020)

1) Status of employees of the Group

Business Segment	Number of Employees
Environmental Systems and Industrial Plants	6,278
Machinery	2,475
Infrastructure	684
Others	574
Corporate (company-wide)	683
Total	10,694 (year-on-year increase of 114)

(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
4,010 (year-on-year decrease of 62)	42.4	16.2

(Note) For the number of employees, the number of employees currently working at the Company is provided. The number includes 152 employees on loan to the Company from outside.

(9) Major Lenders (As of March 31, 2020)

Lender	Amount (Millions of yen)
MUFG Bank, Ltd.	20,079
Mizuho Bank, Ltd.	9,030

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

- An incident occurred where a shield tunneling machine delivered to a U.S. civil engineering/construction joint venture company ("JV") via Hitachi Zosen U.S.A., a subsidiary of the Company, stopped during tunnel excavation work. In this occurrence, the Company repaired the body of the shield tunneling machine, and thereafter the excavation work was completed in April 2017. Yet, Hitachi Zosen U.S.A. participated as a plaintiff in a lawsuit declaring the right of insurance claims filed by the JV. At the same time, the JV filed a lawsuit for claiming damages against the Company and Hitachi Zosen U.S.A. and was pending before the U.S. court. In October 2019, the Company signed a settlement agreement with the JV regarding the lawsuit for claiming damages and thereafter the case was withdrawn.

- In November 2019, Serachem Co., Ltd., a subsidiary of the Company, received notice from the Fair Trade Commission in accordance with Article 7-2, Paragraph (18) of the Antimonopoly Act regarding a bid of activated carbon delivered to a water purification plant operated by local government. We have not received any cease and desist order and surcharge payment order from the Commission because we filed an application for reduction of surcharge and cooperated in the investigation of the Fair Trade Commission immediately after the illegal act was discovered in the firm in April 2015.

II. Matters Concerning Stock in the Company (As of March 31, 2020)

- (1) Total Number of Shares Authorized to Be Issued 400,000,000 shares
(2) Total Number of Issued Shares 170,214,843 shares
(including 1,674,282 shares of treasury stock)
(3) Number of Shares Constituting One Unit of Shares 100 shares
(4) Number of Shareholders 77,068 (Year-on-year decrease of 4,521 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)	12,324	7.3
Japan Trustee Services Bank, Ltd. (Trust Account)	12,057	7.2
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	3,806	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,652	2.2
DFA INTL SMALL CAP VALUE PORTFOLIO	3,392	2.0
JP MORGAN CHASE BANK 385151	3,334	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,215	1.9
Hitachi Zosen Employee Shareholding Association	2,580	1.5
Sompo Japan Nipponkoa Insurance Inc.	2,358	1.4

(Notes) 1. The holding ratio does not include treasury stock.

2. Sompo Japan Nipponkoa Insurance Inc. changed its trade name to Sompo Japan Insurance Inc. as of April 1, 2020.

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, Procurement Headquarters, and Yumeshima Area Development Promotion Dept.)	
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.	President, Ito Country Club Corporation President, Accounting & Finance Corporation President, HITACHI ZOSEN TOURIST Co., Ltd. President, Hitz Holdings U.S.A. Inc.
Tadashi Shibayama	Managing Director	General Manager of Machinery Business Headquarters and Responsible for Infrastructure Business Headquarters	
Kazuhisa Yamamoto	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.	
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
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		

(Notes) 1. Positions and areas of responsibility, and significant concurrent positions both describe conditions as of March 31, 2020. 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 Procurement Headquarters)	Representative Director Executive Vice-President President's Assistant (Responsible for Sales and Production Engineering Dept.)	April 1, 2019
	Representative Director Executive Vice-President President's Assistant (Responsible for Sales, Procurement Headquarters, and Yumeshima Area Development Promotion Dept.)	Representative Director Executive Vice-President President's Assistant (Responsible for Sales and Procurement Headquarters)	October 1, 2019
Toshiyuki Shiraki	Managing Director General Manager of Environment Business Headquarters	Managing Director General Manager of Business Planning & Technology Development Headquarters and Responsible for Information and Communication Technology Promotion Headquarters, Architect Supervision Dept. and Quality Assurance Dept.	April 1, 2019
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.	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	April 1, 2019

Name	After Change	Before Change	Date of Change
Tadashi Shibayama	Director General Manager of Machinery Business Headquarters and Responsible for Infrastructure Business Headquarters	Director General Manager of Machinery Business Headquarters	April 1, 2019
	Managing Director General Manager of Machinery Business Headquarters and Responsible for Infrastructure Business Headquarters	Director General Manager of Machinery Business Headquarters and Responsible for Infrastructure Business Headquarters	June 25, 2019
Kazuhiisa 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.	Director General Manager of Environment Business Headquarters	April 1, 2019
	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.	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.	June 25, 2019

(2) Changes in significant concurrent positions

- As of June 21, 2019, Director Kazuko Takamatsu retired from the position of Outside Director of Dexerials Corporation and as of March 31, 2020 and retired from the position of Secretariat of Japan Institute for Women's Empowerment & Diversity Management.
 - As of March 31, 2020, Corporate Auditor Yoshihiro Doi retired from the position of Director and Executive Vice President of The Kansai Electric Power Co., Inc.
 - As of August 31, 2019, Corporate Auditor Kenichi Takashima retired from the position of Outside Director of MAXVALU CHUBU 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. Positions and areas of responsibility, and significant concurrent positions were changed as follows on April 1, 2020.

(1) Changes in position and areas of responsibility

Name	Position	Areas of Responsibility
Takashi Tanisho	Representative Director, Chairman and Chief Executive Officer	
Sadao Mino	Representative Director, President and Chief Operating Officer	
Toshiyuki Shiraki	Managing Director	General Manager of Environment Business Headquarters and Responsible for Procurement 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.
Tadashi Shibayama	Managing Director	General Manager of Machinery Business Headquarters and Responsible for Sales, Overseas Business, Infrastructure Business Headquarters and Yumeshima Area Development

Name	Position	Areas of Responsibility
		Promotion Dept.
Kazuhisa Yamamoto	Managing Director	General Manager of Business Planning & Technology Development Headquarters and Responsible for Information and Communication Technology Promotion Headquarters, Production Engineering Dept., Architect Supervision Dept. and Quality Assurance Dept.

(2) Changes in significant concurrent positions

- As of April 1, 2020, Corporate Auditor Yoshihiro Doi was appointed as President of Kansai Transmission and Distribution, Inc.

(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)
Director (of which, Outside Directors)	10 (3)	307 (32)
Corporate Auditor (of which, Outside Corporate Auditors)	4 (2)	79 (18)
Total (of which, Outside Directors and Outside Corporate Auditors)	14 (5)	387 (50)

(Note) 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.

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

Remuneration of Directors consists of fixed remuneration and corporate performance-based bonus, and the remuneration of each Director is decided within the remuneration limit determined by a resolution of the General Meeting of Shareholders. The fixed remuneration is set separately for each executive position. In addition, the corporate performance-based bonus reflects the corporate performance of each fiscal year. Profit attributable to owners of parent for each fiscal year is set as the indicator to further enhance the willingness of Directors to contribute toward improving corporate performance. However, from the perspective of assuring independence, remuneration of Outside Directors consists only of fixed remuneration.

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.

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 commensurately with that Corporate Auditor's duties 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 (retired on June 21, 2019)
	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. (retired on August 31, 2019)

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

A 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.

A sales transaction relationship exists between the Company and Sanken Electric Co., Ltd., where Outside Director Richard R. Lury holds a concurrent position.

A sales transaction relationship exists between the Company and The Kansai Electric Power Co., Inc., where Outside Corporate Auditor Yoshihiro Doi holds a concurrent position.

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	15/17	9/9	Based on his experience and knowledge concerning corporate management, made statements to ensure the legality and appropriateness of the Company's decision-making and business execution. He also conducted visits of major business sites, etc.
	Kenichi Takashima	17/17	9/9	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.

(Note) In addition to the above-stated number of Board of Directors meetings held, there was one written resolution, which is deemed to be a resolution of the Board of Directors under the provisions of Article 370 of the Companies Act and Article 25 of the Company's Articles of Incorporation.

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	91
Total amount of cash and other financial benefits payable by the Company and its subsidiaries	154

(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. Other than the above, the additional remuneration relating to audits for the previous fiscal year amounts to 24 million yen.

3. 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.

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

(3) Non-audit Services

The Company outsources work (Non-audit Services), including advisory services associated with Accounting Standard for Revenue Recognition 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 strengthening its handling of country risk of its overseas projects. In particular, it is striving to develop a security and medical platform for employees dispatched overseas by establishing an environment in the form of creating emergency guidelines and entering into overseas medical service contracts.

In addition, the Company will closely monitor the situation of the COVID-19 spread in order to ensure employee safety and prevent the spread of infection. At the same time, it will identify the impact on the execution of the projects as a new risk factor at all times, and establish a system so it may respond to the situation appropriately.

3) Regarding the Execution of Duties by Directors

In fiscal year 2019, meetings of the Board of Directors were held 17 times. In these meetings, important management matters (management basic policies, the next medium-term management plan formulation, budget formulation, commercialization plans,

structural reform plans, group company assistance, major lawsuits, 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. Also, the Company continued to tackle matters such as 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. In addition, the Company is reviewing the future ideal form of the auditing system for overseas Group companies, including the reinforcing of the auditing system for overseas Group companies and overseas branches since fiscal 2018, as the deterioration of business performance of overseas Group companies has had a major impact on the management of the Company.

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 2019, the Board of Corporate Auditors held 9 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, 2020

	(Millions of yen)
Assets	409,531
Current assets	243,106
Cash and time deposits	42,939
Notes and accounts receivable-trade	160,013
Merchandise and finished goods	1,188
Work in progress	16,509
Raw materials and supplies	5,691
Other current assets	20,144
Allowance for doubtful receivables	(3,379)
Noncurrent assets	166,335
Property, plant and equipment, net	[114,290]
Buildings and structures	35,253
Machinery, equipment and vehicles	22,194
Tools, furniture and fixtures	3,167
Land	47,876
Lease assets	920
Right-of-use assets	2,507
Construction in progress	2,370
Intangible assets	[10,395]
Goodwill	2,164
Other intangible assets	8,231
Investments and other noncurrent assets	[41,650]
Investments in securities	15,337
Long-term loans receivable	16
Net defined benefit assets	913
Deferred tax assets	18,089
Other investments and noncurrent assets	7,856
Allowance for doubtful receivables	(562)
Deferred assets	88
Bond issue expenses	88
Total assets	409,531

	(Millions of yen)
Liabilities	290,030
Current liabilities	179,297
Notes and accounts payable-trade	44,140
Electronically recorded obligations	21,731
Short-term borrowings	14,338
Lease obligations	809
Accrued expenses	46,780
Accrued income taxes	3,022
Advances received on work in progress	22,757
Reserve for product warranty	5,602
Reserve for losses on construction contracts	2,714
Other current liabilities	17,399
Noncurrent liabilities	110,732
Bonds payable	25,000
Long-term borrowings	56,359
Lease obligations	3,082
Deferred tax liabilities	393
Net defined benefit liability	20,929
Directors' and corporate auditors' severance and retirement benefits	363
Asset retirement obligations	3,056
Other noncurrent liabilities	1,547
Net assets	119,500
Shareholders' equity	118,009
Common stock	45,442
Capital surplus	8,527
Retained earnings	65,060
Treasury stock, at cost	(1,020)
Accumulated other comprehensive income	(6)
Net unrealized holding gains (losses) on securities	145
Net unrealized holding gains (losses) on hedging derivatives	(6)
Land revaluation difference	(7)
Foreign currency translation adjustments	(110)
Remeasurements of defined benefit plans	(26)
Non-controlling interests in consolidated subsidiaries	1,496
Total liabilities and net assets	409,531

Consolidated Statements of Income

For the business year ended March 31, 2020

		(Millions of yen)
Net sales		402,450
Cost of sales		333,171
Gross profit		69,279
Selling, general and administrative expenses		55,387
Operating income		13,891
Non-operating income		
Interest income	147	
Dividend income	146	
Equity in net income of affiliates	576	
Other non-operating income	1,805	2,675
Non-operating expenses		
Interest expense	846	
Liquidated damages	2,382	
Other non-operating expenses	3,909	7,137
Ordinary income		9,429
Extraordinary income		
Gain on sales of property	10,969	10,969
Extraordinary loss		
Loss on devaluation of investments in securities	9,826	
Loss on overseas business	6,469	
Impairment loss	502	16,798
Profit		3,600
Income taxes-current		5,053
Income taxes-deferred		(3,693)
Profit before non-controlling interests		2,241
Profit attributable to non-controlling interests		44
Profit attributable to shareholders of Hitachi Zosen		2,197

Consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	45,442	8,527	64,856	(1,018)	117,807
Cumulative effects of changes in accounting policies			13		13
Restated balance	45,442	8,527	64,870	(1,018)	117,821
Changes of items during the period					
Cash dividends			(2,022)		(2,022)
Profit attributable to shareholders of Hitachi Zosen			2,197		2,197
Treasury stock purchased, net				(1)	(1)
Sales of shares of foreign consolidated subsidiaries			15		15
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	189	(1)	188
Balance at end of year	45,442	8,527	65,060	(1,020)	118,009

	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	280	(146)	(7)	1,335	209	1,671	931	120,410
Cumulative effects of changes in accounting policies								13
Restated balance	280	(146)	(7)	1,335	209	1,671	931	120,424
Changes of items during the period								
Cash dividends								(2,022)
Profit attributable to shareholders of Hitachi Zosen								2,197
Treasury stock purchased, net								(1)
Sales of shares of foreign consolidated subsidiaries								15
Net changes of items other than shareholders' equity	(134)	139	-	(1,446)	(235)	(1,677)	564	(1,112)
Total changes of items during the period	(134)	139	-	(1,446)	(235)	(1,677)	564	(924)
Balance at end of year	145	(6)	(7)	(110)	(26)	(6)	1,496	119,500

[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, 2020

	(Millions of yen)
Assets	316,986
Current assets	156,776
Cash and time deposits	23,161
Trade notes receivable	2,905
Trade accounts receivable	83,763
Work in progress	10,759
Raw materials and supplies	2,959
Advance payments	6,286
Prepaid expenses	997
Other accounts receivable	6,510
Advances paid	5,476
Short-term loans receivable	17,236
Other current assets	983
Allowance for doubtful receivables	(4,264)
Noncurrent assets	160,121
Property, plant and equipment, net	[77,985]
Buildings	20,276
Structures	5,070
Machinery and equipment	11,731
Vehicles	106
Tools, furniture and fixtures	1,240
Land	38,586
Lease assets	530
Construction in progress	442
Intangible assets	[5,504]
Patent rights	3
Software	4,195
Rights of using facilities	101
Other intangible assets	1,204
Investments and other noncurrent assets	[76,631]
Investments in securities	3,692
Stocks of subsidiaries and affiliates	46,013
Investments in capital of subsidiaries and affiliates	3,630
Long-term loans receivable	13,689
Noncurrent prepaid expenses	447
Deferred tax assets	9,144
Other investments and noncurrent assets	3,117
Allowance for doubtful receivables	(3,103)
Deferred assets	88
Bond issue expenses	88
Total assets	316,986

	(Millions of yen)
Liabilities	227,002
Current liabilities	137,409
Trade notes payable	4,944
Electronically recorded obligations	17,211
Trade accounts payable	23,626
Short-term borrowings	8,853
Lease obligations	156
Other accounts payable	6,876
Accrued expenses	28,559
Accrued income taxes	2,079
Advances received on work in progress	12,453
Deposits received	28,294
Reserve for product warranty	2,572
Reserve for losses on construction contracts	782
Other current liabilities	999
Noncurrent liabilities	89,592
Bonds payable	25,000
Long-term borrowings	49,710
Lease obligations	335
Employees' severance and retirement benefits	11,483
Asset retirement obligations	2,760
Other noncurrent liabilities	302
Net assets	89,984
Shareholders' equity	90,406
Common stock	45,442
Capital surplus	11,080
Legal capital surplus	5,946
Other capital surplus	5,133
Retained earnings	34,903
Legal retained earnings	1,765
Other retained earnings	33,138
Retained earnings brought forward	33,138
Treasury stock, at cost	(1,020)
Valuation and translation adjustments	(422)
Net unrealized holding gains (losses) on securities	(74)
Net unrealized holding gains (losses) on hedging derivatives	(6)
Land revaluation difference	(340)
Total liabilities and net assets	316,986

Non-consolidated Statements of Income

For the business year ended March 31, 2020

		(Millions of yen)
Net sales		230,074
Cost of sales		196,655
Gross profit		33,418
Selling, general and administrative expenses		24,858
Operating income		8,560
Non-operating income		
Interest income	302	
Dividend income	2,401	
Other non-operating income	1,891	4,596
Non-operating expenses		
Interest expense	783	
Other non-operating expenses	6,498	7,281
Ordinary income		5,874
Extraordinary income		
Gain on sale of property	11,109	11,109
Extraordinary loss		
Loss on devaluation of investments in securities	9,826	
Loss on overseas business	6,469	
Loss on devaluation of stocks of subsidiaries and affiliates	836	17,132
Loss before income taxes		148
Income taxes-current		2,493
Income taxes-deferred		(3,231)
Profit		589

Non-consolidated Statements of Changes in Net Assets

For the business year ended March 31, 2020

(Millions of yen)

	Shareholders' equity								Total shareholders' equity
	Common stock	Capital surplus			Retained earnings			Treasury stock	
		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	1,563	34,773	36,337	(1,018)	91,840
Changes of items during the period									
Cash dividends						(2,022)	(2,022)		(2,022)
Reserve for dividends payment					202	(202)	-		-
Profit						589	589		589
Treasury stock purchased, net								(1)	(1)
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	-	-	202	(1,635)	(1,433)	(1)	(1,434)
Balance at end of year	45,442	5,946	5,133	11,080	1,765	33,138	34,903	(1,020)	90,406

	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	15	(31)	(340)	(356)	91,483
Changes of items during the period					
Cash dividends					(2,022)
Reserve for dividends payment					-
Profit					589
Treasury stock purchased, net					(1)
Net changes of items other than shareholders' equity	(90)	24	-	(65)	(65)
Total changes of items during the period	(90)	24	-	(65)	(1,499)
Balance at end of year	(74)	(6)	(340)	(422)	89,984

[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 28, 2020

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC

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

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

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

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Hitachi Zosen Corporation, which comprise the consolidated balance sheets, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements applicable to the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of Hitachi Zosen Corporation and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Independent Auditor's Report

May 28, 2020

The Board of Directors
Hitachi Zosen Corporation

KPMG AZSA LLC

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

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Certified Public Accountant

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Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), Item (i) of the Companies Act, we have audited the non-consolidated financial statements of Hitachi Zosen Corporation, which comprise the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules (hereafter referred to as “the non-consolidated financial statements and others”) of Hitachi Zosen Corporation applicable to the 123rd business year from April 1, 2019 through March 31, 2020.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Hitachi Zosen Corporation, applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption

of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

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

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

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

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

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

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

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

Conflicts of Interest

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

Audit Report

With respect to the Directors' performance of their duties during the 123rd business year (from April 1, 2019 to March 31, 2020), the Board of Corporate Auditors has prepared this audit report as the consensus of all its members after deliberations based on the audit reports prepared by each Corporate Auditor, and hereby reports as follows:

1. Method and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors determined the audit policies, audit plan, etc., received reports from each Corporate Auditor on the progress and results of audits, exchanged opinions, and shared information. Additionally, they received reports from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary.
- (2) In accordance with the audit standards for Corporate Auditors determined by the Board of Corporate Auditors and based on the audit policies and audit plan, each Corporate Auditor took steps to facilitate mutual understanding with Directors, the department in charge of internal auditing, and other employees, strove to collect information and establish an environment for auditing, and performed audits using the methods below. Regarding the results of their investigations or audit activities, each Corporate Auditor provided opinions to Directors and those in charge of various departments as necessary.
 - (i) Each Corporate Auditor attended meetings of the Board of Directors and other important meetings, received reports from Directors and other employees on the status of their performance of duties and requested explanations as necessary, inspected documents regarding important decisions and the like, and investigated the status of the business operations and assets at Head Office and major business locations. With respect to the subsidiaries, they took steps to facilitate mutual understanding and information exchange with Directors, Corporate Auditors, etc., at each subsidiary, received reports from subsidiaries on their respective businesses periodically, and investigated as necessary.
 - (ii) Each Corporate Auditor discussed the audit plan with the department in charge of internal auditing in advance and received explanations on the results of audits, and regarding matters mentioned in audits, each Corporate Auditor confirmed that they had been rectified in a timely manner.
 - (iii) Each Corporate Auditor received reports on a regular basis from the Directors and employees, etc., requested explanations as necessary, and provided opinions with respect to matters mentioned in the business report. Such matters consist of the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group consisting of a joint stock company (kabushiki kaisha) and its subsidiaries, and the systems developed and maintained based on such resolutions (internal control systems). Regarding internal control over financial reporting, each Corporate Auditor received reports from Directors and others as well as KPMG AZSA LLC concerning the evaluation of said internal control and the audit status, and requested explanations as necessary.
 - (iv) Each Corporate Auditor monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from

the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. In addition, each Corporate Auditor was informed of the establishment of the “System for ensuring that duties are performed appropriately” (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005), etc. by the Accounting Auditor and requested explanations as necessary.

Based on the above-described methods, each Corporate Auditor examined the business report and the supplementary schedule thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and the supplementary schedule thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), for the business year under consideration.

2. Results of Audits

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

June 1, 2020

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)