

June 7, 2017

Takao Tanaka
President
Mitsui Engineering & Shipbuilding Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-Ku, Tokyo, Japan

To Our Shareholders:

**NOTICE OF THE 114TH ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 114th Ordinary General Meeting of Shareholders of Mitsui Engineering & Shipbuilding Co., Ltd. (the “Meeting”) to be held on Wednesday, June 28, 2017, as described below.

Shareholders not attending the Meeting may vote for or against each of the agenda items to be resolved either in writing or on the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights according to “INFORMATION ON EXERCISING VOTING RIGHTS” in pp. 5-7.

1. Date and Time: Wednesday, June 28, 2017, at 10:00 A.M.

2. Place: 2nd Floor, Hamarikyu-Mitsui Building,
5-6-4, Tsukiji, Chuo-Ku, Tokyo

3. Objectives

(a) Matters to be reported

- (1) Report of Business Report and Consolidated Financial Statements for the 114th Business Term from April 1, 2016 to March 31, 2017 (the “Term”) as well as Accounting Auditor’s Report and Board of Corporate Auditors’ Report on the Consolidated Financial Statements
- (2) Report of Financial Statements for the Term

(b) Matters to be resolved

- Agenda Item No. 1: Appropriation of surplus
Agenda Item No. 2: Share Consolidation
Agenda Item No. 3: Approval of contracts of absorption type- company split

Agenda Item No. 4 : Amendment to the Company's Articles of Incorporation

Agenda Item No. 5 : Election of ten (10) Directors

Agenda Item No. 6 : Election of one (1) Corporate Auditor

Please note:

- Among documents the Company should provide in this Notice, items described below are not included in the attached documents of this Notice because they are provided by the Internet on the Company's website under laws and regulations and Article 16 of the Company's Articles of Incorporation.
 - a) "Subscription Rights to Shares" of the Business Report
 - b) "Consolidated Statements of Changes in Net Assets" and "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" in the Consolidated Financial Statements.
 - c) "Statements of Changes in Net Assets" and "NOTES TO FINANCIAL STATEMENTS" in the Financial Statements.

These items were included in the Business report, the Consolidated Financial Statements, and the Financial Statements which were audited by the Corporate Auditors preparing the Board of Corporate Auditors' Report, and by the independent auditors preparing the Independent Auditor's Report, respectively.

- In case amendments are made to the Reference Documents, Business Report, Consolidated Financial Statements and Financial Statements of the General Meeting of Shareholders, such amendments will be published by the Internet on the Company's website.

The Company's Website : <http://www.mes.co.jp/>

Dear shareholders

I would like to express my gratitude for your continued and exceptional support. Thanks to all of you, the Company will commemorate an anniversary for a centenary of its initiation on November 14, 2017. This is primarily due to support from shareholders among others, and I would like to tender my cordial thanks to you.

I am delighted to present this notice of the 114th Ordinary General Meeting of Shareholders.

As for the forthcoming endeavor, we launched a goal to achieve “improvement of profit ratio and income stability through close cooperation of the Company Group” as set forth in “the 2017 Medium-Term Business Plan,” which is the first step for achieving “MES Group 2025 Vision” announced in February 2016. In order to realize the goal, the entire Company Group will unite and cope with it.

Furthermore, as we announced in March 2017, we are aiming at transitioning to the holding company structure as of April 1st, 2018 and currently proceeding preparation for it. Under the holding company structure, we will establish clear independence of business execution and management responsibility by separating management and business execution. Through these efforts, we will accelerate formulating business strategy and carrying it out, and we will enhance corporate value of the Company Group.

We would appreciate your continued support and cooperation in the future.

June 2017

Takao Tanaka

President, Representative Director, and CEO

<Company Philosophy>

To continue working as a company trusted by the society and people through our products and services.

The main business of the Company Group is manufacturing which provides environmentally friendly products and services helpful for the society and people based on excellent technologies. It is our purpose and mission to achieve trust from the society and people by contributing to development of the society through our manufacturing. Without the trust, our continuation would be impossible.

<Management Policy>

Build further satisfaction for our customers

Provide safe and rewarding workplace environment for employees

Contribute to development of the society

Pursue profits for sustainable continuation of the Company

INFORMATION ON EXERCISING VOTING RIGHTS

Exercise of voting rights in the General Meeting of Shareholders is an important right of our shareholders. You are asked to consider the accompanying Reference Documents for the Meeting and exercise your voting rights.

There are following three methods for exercising your voting rights:

If you attend the Meeting

Present at the Reception Desk

When attending the Meeting, please bring this Notice and present the enclosed voting form at the reception desk.

Date and Time of the Meeting

**Wednesday, June 28, 2017
10:00 A.M.**

If you cannot attend the Meeting

Submit by Postal Mail

Please indicate your vote for each proposal on the voting form and return it.

Exercise Deadline

**A form arriving until
5:00 P.M., Tuesday,
June 27, 2017, is
valid.
(See Instruction (A))**

Enter on the Internet

Please access the website designated for voting by the Company and enter your vote for each proposal in accordance with the online instruction.

**The website
designated for voting
<http://www.web54.net>
Please refer to the
next page for detail.**

Exercise Deadline

**A vote entered until
5:00 P.M., Tuesday,
June 27, 2017, is valid.
(See Instruction (B))**

Instruction (A):

How to fill in the voting form

Please fill in your vote for each proposed agenda on the voting form.

If you are in favor of the agenda item, place a circle mark in **the upper box which describes “Yes.”**

If you are against for the agenda item, place a circle mark in **the lower box which describes “No.”**

In a case you deny some of candidates (Agenda Item No. 5), please place a circle mark in the upper box and fill in the number of the candidate you disagree.

*The “voting code” and the “password,” which are necessary for exercising your voting rights through the Internet, are written at the lower right of the voting form.

*In case that no indication of vote is made for each proposal written above, the Company regard such a proposal as to be voted in favor.

Instruction (B)

Information on Exercising Voting Rights on the Internet

If you exercise your voting right on the Internet, you are asked to access the website designated for voting by the Company by a personal computer or a smart phone and to exercise your voting right in accordance with the online instruction.

A dedicated website for a mobile phone is not established. We would appreciate your understanding.

The website designated for voting by the Company [**http://www.web54.net**](http://www.web54.net)

Deadline of exercising voting right: Accepted until 5:00 P.M., Tuesday, June 27, 2017

1. Access to the website designated for voting

[**http://www.web54.net**](http://www.web54.net)

Click the **left button**
(which means “proceed to
the next page”).

2. Log in

Enter the “**voting
code**” written on your
voting form and click
the left button
(which means “log
in”).

*In case you did not
set “password” on
your own, you are
required to register a
new “password”.

3. Enter the password

Enter the “**password**”
written on your voting
form and click **the
button** (which means
“proceed to the next
page”).

**In the following
pages, please enter
your vote in
accordance with the
online instruction.**

- (1) For the votes cast twice or more by the Internet, etc. by the same shareholder, the one received at the latest shall prevail.
- (2) For the overlapped votes received both by a voting form and by the Internet, etc. from the same shareholder, the vote received at the latest shall prevail, and for the votes by a voting form and by the Internet received on the same day, the vote on the Internet shall prevail.

<Security of a password and a voting code>

- (1) A password is important information by which a voting person is confirmed as a shareholder. Please secure your password confidentiality as same as your bank pin code or seal.
- (2) Please note that if an incorrect password is entered more than a specified number of times, you will be unable to access a main screen. In a case you wish to obtain a new password, please follow instructions on a screen.

(3) The password written on your voting form is effective only for this General Meeting of Shareholders.

<In a case operation method, etc. is unclear>

In a case operation method regarding exercising voting right through the Internet, etc. is unclear, please contact the Securities support described below.

Sumitomo Mitsui Trust and Banking Limited

Securities support dedicated line

Phone: **0120 (652) 031** (Toll free only in Japan)

(open: 9 am - 9 pm, excluding Sat, Sun, and national holidays)

If you have any other inquiries, please contact the following:

(a) For a shareholder holding a securities account at a securities company, please contact your securities company.

(b) For a shareholder not holding a securities account at a securities company (having special account):

Sumitomo Mitsui Trust and Banking Limited Securities Administration Center

Phone: 0120 (782) 031 (Toll free only in Japan)

(open: 9 am - 5 pm, excluding Sat, Sun, and national holidays)

Use of the Platform for Electronic Exercise of Voting Rights

It is also possible for institutional investors to exercise their voting rights by electronic method from the “Platform for Electronic Exercise of Voting Rights” of ICJ Ltd.

REFERENCE DOCUMENTS FOR GENERAL MEETING OF SHAREHOLDERS

For Agenda Item No. 1: Appropriation of surplus

Return of profits to shareholders along with aiming the increase in shareholders' equity is the Company's basic policy on distribution of profits.

Based on the basic policy, we would like to propose the amount of dividends for the Term-end as follows, taking into account a comprehensive range of factors, including return of profits to shareholders and internal reserves for future business development:

(1) Type of dividend property: cash

(2) Allotment of dividend property to shareholders and total amount thereof:

3 yen per share of common stock of the Company

Total dividends: 2,424,660,615 yen

(3) Effective date of the dividend of surplus: June 29, 2017

Basic Policy on Distribution of Profits

Securing return of profits to shareholders is the Company's basic policy along with comprehensively judging facilities investment, research and development investment necessary for business development and increase in shareholders' equity necessary for strengthening the Company's financial status.

As for dividend of surplus, the Company provides in its Articles of Incorporation that it can distribute interim dividends. However, currently, distributing dividends at term-end once in a term is its policy. Decision-making body of interim dividends is the Board of Directors and that of dividends for term-end is the General Meeting of Shareholders.

For Agenda Item No. 2 Share Consolidation

1. Reason for the proposal

The Japanese Stock Exchanges are promoting “Action Plan for Consolidating Trading Units”, which aims to standardize the trading units (the number of shares per unit) for common shares issued by listed domestic corporations at 100 shares by October 1, 2018, seeking to improve convenience of market users including investors. As a corporation listed on Tokyo Stock Exchange, the Company respects the purport of this plan and made a resolution that it will change its number of shares per unit from 1,000 shares to 100 shares at the Board of Directors Meeting held on May 22, 2017.

Accordingly, the Company will consolidate every ten (10) shares into one (1) share in order to maintain the price standard of its shares per trading unit and prevent changes of the number of voting rights of its shareholders after it changes its number of shares per unit. In addition, it will also change its total number of shares authorized to be issued at the same rate as the share consolidation from 1,500 million shares to 150 million shares.

The change of the Company’s number of shares per unit described above shall become effective as of October 1, 2017, subject to this agenda’s approval as proposed.

2. Consolidation ratio

The company would like to consolidate every ten (10) shares into one (1) share.

If a fraction of one (1) share is created as a result of the share consolidation (“fractional share”), the Company will sell all such fractional shares and distribute the sales proceeds to shareholders who held them in proportion to their number according to the provision of the Company Act.

3. Effective date of share consolidation

October 1, 2017

4. Total number of shares authorized to be issued as of the effective date

150,000,000 shares

<Reference>

If this agenda is approved as proposed, Articles 6 and 8 of the Company’s present Articles of Incorporation will be deemed to be amended as follows as of October 1, 2017 without resolution by the General Meeting of Shareholders regarding partial amendment to the Company’s Articles of Incorporation, according to Paragraph 2, Article 182 and Paragraph 1, Article 195 of the Company Act.

(Underlined portions are those to be amended.)

Present Articles	Proposed Amendment
6. (Total number of Authorized Shares to be issued)	6. (Total number of Authorized Shares to be issued)

<p>The total number of shares authorized to be issued by the Company shall be <u>1,500 million (1,500,000,000)</u>.</p>	<p>The total number of shares authorized to be issued by the Company shall be <u>150 million (150,000,000)</u>.</p>
<p>7.</p> <p>(Abbreviated)</p>	<p>7.</p> <p>(Unchanged)</p>
<p>8. (Number of Shares per unit (tangen-kabusikisuu))</p> <p>The number of shares of the Company per unit (tangen) shall be <u>one thousand (1,000)</u>.</p>	<p>8. (Number of Shares per unit (tangen-kabusikisuu))</p> <p>The number of shares of the Company per unit (tangen) shall be <u>one hundred (100)</u>.</p>

For Agenda Item No. 3 Approval of contracts (“Split Contracts”) of absorption type- company split (“Split”)

1. Reason for the Split

As the first step in achieving the Company’s 10 year-long-term vision, “MES Group 2025 Vision,” which represents future images and direction it aims and was announced in February 2016, the Company formulated and announced “the 2017 Medium-Term Business Plan” on February 7, 2017, in which it is planning to focus on three business domains, “environment and energy solutions,” “marine logistics and transportation,” and “social and industrial infrastructure.” The Company considers it necessary to promote “deepening the management foundations” and “deepening management of the Company Group” in order to realize improvement of profit ratio and income stability described in the Plan by close cooperation of the entire Company Group.

Business environment surrounding the Company is entering a period of major changes. In addition to fluctuations of crude oil prices, slowdown of recovery speed of investment for large plants, exchange-rate fluctuations (risk of switching of the U.S. exchange policy), and delay of recovery of demand in the market of commercial ships, there is a rapid catch-up by ship constructing competitors in emerging countries such as China and South Korea including in technical aspects. On the other hand, opportunities of business expansion are increasing in the context of growing energy demand mainly in emerging countries and increasing tendency toward environmental efficiency and energy conservation. Under this business environment, the Company Group decided that it will spin off each of the Company’s ship and ocean business, machinery & systems business, and engineering business into separate business companies and transfer to a holding company structure in order to accelerate deepening of management of the Company Group.

For the purpose of transferring to the holding company structure, the Company intends to execute the Split, which transfers its business (ship and ocean business, machinery and systems business, engineering business) to its three wholly owned subsidiaries (MES Ship & Ocean Project Split Preparation Co., Ltd., MES Machinery and Systems Split Preparation Co., Ltd., and MES Engineering Split Preparation Co., Ltd. (“Succeeding Company” or “Each Succeeding Company” for each of them respectively)) on April 1, 2018 (planned), subject to approval of Agenda No. 4, “Partial Amendment to the Company’s Articles of Incorporation” and the Split entering into effect, and the Company concluded the Split Contract with Each Succeeding Company as of May 22, 2017.

2. Overview of the Split Contracts

(1) Absorption-type Company Split Contract (copy) (MES Ship & Ocean Project Split Preparation Co., Ltd.)

Absorption-type Company Split Contract (copy)

This Absorption-type Company Split Contract (hereinafter referred to as this “Contract”) is entered into by and between Mitsui Engineering & Shipbuilding Co., Ltd. (hereinafter referred to as “MES”) and MES Ship & Ocean Project Split Preparation Co., Ltd. (hereinafter referred to as “NEWCO”) with respect to the absorption-type company split (hereinafter referred to as the “Split”) whereby NEWCO succeeds to the rights and obligations owned by MES in relation to the ship & ocean project business (hereinafter referred to as the “Business”).

Article 1. (Split)

Subject to the terms and conditions of this Contract, MES shall cause NEWCO to succeed to the rights and obligations owned by MES in relation to the Business, and NEWCO shall succeed to the same, by means of the Split.

Article 2. (Trade Names and Addresses of the Parties)

Trade names and addresses of MES and NEWCO are as follows:

(1) MES

Trade name: Mitsui Engineering & Shipbuilding Co., Ltd.

Address: 6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

(2) NEWCO

Trade name: MES Ship & Ocean Project Split Preparation Co., Ltd.

Address: 6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

Article 3. (Rights and Obligations to Be Succeeded)

- 3.1 Assets, liabilities, employment contracts, and any other rights and obligations to which NEWCO will succeed from MES by the Split (hereinafter referred to as the “Succeeded Rights and Obligations”) are as set forth in Exhibit “Detailed List of Succeeded Rights and Obligations.”
- 3.2 Notwithstanding the preceding paragraph, The Parties may, upon mutual consultation, exclude the Succeeded Rights and Obligations that (i) are untransferable by the Split under laws and regulations or local government ordinances, or (ii) cause or may cause a significant obstacle in accordance with the contractual provisions with third parties in relation to the succession by the Split, from the subject of succession.
- 3.3 NEWCO’s succession to all the liabilities from MES pursuant to the provisions of paragraph 1 shall be based on the concomitant assumption method; provided, however, that NEWCO shall assume obligations as the principal in relation to MES in such case, and if MES performs or otherwise assumes the liabilities so succeeded to, MES may claim compensation for all the amount assumed by MES to NEWCO.

Article 4. (Shares to Be Issued, Monies, Etc. Delivered upon the Split)

Upon the Split, NEWCO shall issue Forty-Nine Thousand and Eight Hundred (49,800) common shares of NEWCO, and deliver all of them to MES in exchange for the Succeeded Rights and Obligations.

Article 5. (Amount of NEWCO's Capital, Etc.)

The amounts of NEWCO's capital, legal capital surplus, and other capital surplus to be increased by the Split shall be as follows; provided, however, that the Parties may change such amounts upon mutual consultation, in accordance with the status of assets and liabilities of the Business as of the date on which the Split takes effect (hereinafter referred to as the "Effective Date"):

- (1) capital: 1,990 million yen;
- (2) legal capital surplus: 500 million yen; and
- (3) other capital surplus: the change in equity less the amounts of the preceding items.

Article 6. (Effective Date)

The Effective Date of the Split shall be April 1, 2018; provided, however, that the Parties may change such date upon mutual consultation, if necessary in the course of the procedures of the Split or for any other reasons.

Article 7. (Approval at General Meeting of Shareholders)

Each Party shall hold a General Meeting of Shareholders by the immediately preceding day of the Effective Date to obtain an approval for this Contract and the matters necessary for the Split by resolution at such General Meeting of Shareholders.

Article 8. (Obligation Not to Compete)

MES shall not have any obligation not to compete with NEWCO in relation to the Business even after the Effective Date unless agreed otherwise.

Article 9. (Management, etc. of Company Properties)

Each Party shall execute business operations, and manage and administer properties, with the duty of due care, from the conclusion hereof to the Effective Date, and if it engages in any act which may significantly impact its properties and rights and obligations, it shall do so upon prior consultation and this Contract between the Parties.

Article 10. (Change of Conditions for or Cancellation of the Split)

If any significant change arises to the status of properties or business management of MES or NEWCO due to acts of God or any other events during the period from the conclusion hereof to the Effective Date, if any circumstance causing a significant obstacle to the execution of the Split arises or is revealed, or otherwise if it becomes significantly difficult to fulfill the purposes hereof, MES and

NEWCO may change the conditions for the Split or contents of this Contract, or cancel this Contract, upon mutual consultation.

Article 11. (Effect of This Contract)

This Contract shall be null and void in the event that this Contract is not approved at a General Meeting of Shareholders of MES or NEWCO as provided for in Article 7, or the approval by the relevant regulatory authorities as provided for by laws and regulations is not obtained by the immediately preceding day of the Effective Date.

Article 12. (Matters for Consultation)

The Parties shall determine any matters necessary in relation to the Split, in addition to those set forth herein, upon mutual consultation pursuant to the purpose of this Contract.

IN WITNESS WHEREOF, the Parties have executed this Contract in duplicate by affixing their names and seals thereto, and each shall retain one (1) copy hereof.

May 22, 2017

(MES) Takao Tanaka, Representative Director
Mitsui Engineering & Shipbuilding Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

(NEWCO) Tetsuro Koga, Representative Director
MES Ship & Ocean Project Split Preparation Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

Exhibit

Detailed List of Succeeded Rights and Obligations

As of the Effective Date, assets, liabilities, employment agreements, and any other rights and obligations to which NEWCO will succeed from MES shall be as follows. Assets and liabilities to which NEWCO will succeed from MES shall be based on MES's balance sheet values and other figures as of March 31, 2017, and be determined after adding or subtracting any increase/decrease up to the immediately preceding day of the Effective Date, to or from such values and figures.

1. Assets

Assets below owned in relation to the Business

(1) Current assets

Any and all current assets related to the Business, including cash and time deposits, trade

receivables, work in progress, advance payments received, prepaid expenses, accounts receivable - other, deferred tax assets, suspense payments, and allowance for doubtful accounts (excluding short-term loans).

(2) Non-current assets

Any and all non-current assets related to the Business, including property, intangible assets, and investments and other assets (excluding land, buildings, long-term loans, welfare facilities for employees, and shares of listed companies and shares of unlisted companies not covered by the Business).

2. Liabilities

Liabilities below owned in relation to the Business

(1) Current liabilities

Any and all current liabilities related to the Business, including trade payables, lease obligations, accounts payable - other, accrued expenses payable, advances from customers, provision for warranties, and other current liabilities (excluding short-term borrowings, and deposits received via CMS loan-deposit system).

(2) Long-term liabilities

Any and all long-term liabilities related to the Business, including lease obligations (excluding corporate bonds, long-term borrowings, and provisions for losses on business of subsidiaries and affiliates).

3. Employment Agreement, Etc.

(1) Employment agreement

Any and all the employment agreements with all employees who belong to Ship & Ocean Project Hq. as of the Effective Date of the Split.

(2) Collective labor agreement

The collective labor agreement concluded between MES and Confederation of Mitsui Zosen Workers' Unions/Mitsui Zosen Workers' Unions as of the Effective Date of the Split that are separately agreed with the above Unions to be subject to the succession.

4. Contracts Other Than Employment Agreement

Any and all contractual status under sales agreement, master transaction agreement, service agreement, subcontract agreement, tenancy agreement, lease agreement, agreement related to intellectual property rights (including know-how; the same shall apply hereafter) such as license agreement, and any other agreement related to the Business, and any and all rights and obligations arising based on the above, excluding those not related to the Business as to procurement agreements or other types of agreements concluded jointly or in common in relation to the Business and business other than the Business, those untransferable in relation to a change of corporate status, those untransferable under contract, and those for which a license or approval needs to be re-obtained but for which the necessary actions have not been completed by the Effective Date of the Split, and those MES needs to retain continuously.

5. Licenses and Approvals, Etc.

Licenses, approvals, authorizations, registrations, filings, etc. related to the Business that are allowed to be succeeded under laws and regulations, excluding those MES needs to retain continuously.

6. Intellectual Property Rights

Any and all intellectual property rights mainly related to the Business

(2) Absorption-type Company Split Contract (copy) (MES Machinery and Systems Split Preparation Co., Ltd.)

Absorption-type Company Split Contract (copy)

This Absorption-type Company Split Contract (hereinafter referred to as this “Contract”) is entered into by and between Mitsui Engineering & Shipbuilding Co., Ltd. (hereinafter referred to as “MES”) and MES Machinery and Systems Split Preparation Co., Ltd. (hereinafter referred to as “NEWCO”) with respect to the absorption-type company split (hereinafter referred to as the “Split”) whereby NEWCO succeeds to the rights and obligations owned by MES in relation to the machinery and systems business (hereinafter referred to as the “Business”).

Article 1. (Split)

Subject to the terms and conditions of this Contract, MES shall cause NEWCO to succeed to the rights and obligations owned by MES in relation to the Business, and NEWCO shall succeed to the same, by means of the Split.

Article 2. (Trade Names and Addresses of the Parties)

Trade names and addresses of MES and NEWCO are as follows:

(1) MES

Trade name: Mitsui Engineering & Shipbuilding Co., Ltd.

Address: 6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

(2) NEWCO

Trade name: MES Machinery and Systems Split Preparation Co., Ltd.

Address: 6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

Article 3. (Rights and Obligations to Be Succeeded)

3.1 Assets, liabilities, employment contracts, and any other rights and obligations to which NEWCO will succeed from MES by the Split (hereinafter referred to as the “Succeeded Rights and Obligations”) are as set forth in Exhibit “Detailed List of Succeeded Rights and Obligations.”

3.2 Notwithstanding the preceding paragraph, The Parties may, upon mutual consultation, exclude the Succeeded Rights and Obligations that (i) are untransferable by the Split under laws and regulations or local government ordinances, or (ii) cause or may cause a significant obstacle in accordance with the contractual provisions with third parties in relation to the succession by the Split, from the

subject of succession.

- 3.3 NEWCO's succession to all the liabilities from MES pursuant to the provisions of paragraph 1 shall be based on the concomitant assumption method; provided, however, that NEWCO shall assume obligations as the principal in relation to MES in such case, and if MES performs or otherwise assumes the liabilities so succeeded to, MES may claim compensation for all the amount assumed by MES to NEWCO.

Article 4. (Shares to Be Issued, Monies, Etc. Delivered upon the Split)

Upon the Split, NEWCO shall issue Forty-Nine Thousand and Eight Hundred (49,800) common shares of NEWCO, and deliver all of them to MES in exchange for the Succeeded Rights and Obligations.

Article 5. (Amount of NEWCO's Capital, Etc.)

The amounts of NEWCO's capital, legal capital surplus, and other capital surplus to be increased by the Split shall be as follows; provided, however, that the Parties may change such amounts upon mutual consultation, in accordance with the status of assets and liabilities of the Business as of the date on which the Split takes effect (hereinafter referred to as the "Effective Date"):

- (1) capital: 1,990 million yen;
- (2) legal capital surplus: 500 million yen; and
- (3) other capital surplus: the change in equity less the amounts of the preceding items.

Article 6. (Effective Date)

The Effective Date of the Split shall be April 1, 2018; provided, however, that the Parties may change such date upon mutual consultation, if necessary in the course of the procedures of the Split or for any other reasons.

Article 7. (Approval at General Meeting of Shareholders)

Each Party shall hold a General Meeting of Shareholders by the immediately preceding day of the Effective Date to obtain an approval for this Contract and the matters necessary for the Split by resolution at such General Meeting of Shareholders.

Article 8. (Obligation Not to Compete)

MES shall not have any obligation not to compete with NEWCO in relation to the Business even after the Effective Date unless agreed otherwise.

Article 9. (Management, etc. of Company Properties)

Each Party shall execute business operations, and manage and administer properties, with the duty of due care, from the conclusion hereof to the Effective Date, and if it engages in any act which may significantly impact its properties and rights and obligations, it shall do so upon prior consultation and

this Contract between the Parties.

Article 10. (Change of Conditions for or Cancellation of the Split)

If any significant change arises to the status of properties or business management of MES or NEWCO due to acts of God or any other events during the period from the conclusion hereof to the Effective Date, if any circumstance causing a significant obstacle to the execution of the Split arises or is revealed, or otherwise if it becomes significantly difficult to fulfill the purposes hereof, MES and NEWCO may change the conditions for the Split or contents of this Contract, or cancel this Contract, upon mutual consultation.

Article 11. (Effect of This Contract)

This Contract shall be null and void in the event that this Contract is not approved at a General Meeting of Shareholders of MES or NEWCO as provided for in Article 7, or the approval by the relevant regulatory authorities as provided for by laws and regulations is not obtained by the immediately preceding day of the Effective Date.

Article 12. (Matters for Consultation)

The Parties shall determine any matters necessary in relation to the Split, in addition to those set forth herein, upon mutual consultation pursuant to the purpose of this Contract.

IN WITNESS WHEREOF, the Parties have executed this Contract in duplicate by affixing their names and seals thereto, and each shall retain one (1) copy hereof.

May 22, 2017

(MES) Takao Tanaka, Representative Director
Mitsui Engineering & Shipbuilding Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

(NEWCO) Ryoichi Oka, Representative Director
MES Machinery and Systems Split Preparation Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

Exhibit

Detailed List of Succeeded Rights and Obligations

As of the Effective Date, assets, liabilities, employment agreements, and any other rights and obligations to which NEWCO will succeed from MES shall be as follows. Assets and liabilities to which NEWCO will succeed from MES shall be based on MES's balance sheet values and other

figures as of March 31, 2017, and be determined after adding or subtracting any increase/decrease up to the immediately preceding day of the Effective Date, to or from such values and figures.

1. Assets

Assets below owned in relation to the Business

(1) Current assets

Any and all current assets related to the Business, including cash and time deposits, trade receivables, work in progress, advance payments received, prepaid expenses, accounts receivable - other, deferred tax assets, suspense payments, and allowance for doubtful accounts (excluding short-term loans).

(2) Non-current assets

Any and all non-current assets related to the Business, including property, intangible assets, and investments and other assets (excluding land, buildings, long-term loans, welfare facilities for employees, and shares of listed companies and shares of unlisted companies not covered by the Business).

2. Liabilities

Liabilities below owned in relation to the Business

(1) Current liabilities

Any and all current liabilities related to the Business, including trade payables, lease obligations, accounts payable - other, accrued expenses payable, advances from customers, provision for warranties, and other current liabilities (excluding short-term borrowings, and deposits received via CMS loan-deposit system).

(2) Long-term liabilities

Any and all long-term liabilities related to the Business, including lease obligations (excluding corporate bonds, long-term borrowings, and provisions for losses on business of subsidiaries and affiliates).

3. Employment Agreement, Etc.

(1) Employment agreement

Any and all the employment agreements with all employees who belong to Machinery & Systems Hq. as of the Effective Date of the Split.

(2) Collective labor agreement

The collective labor agreement concluded between MES and Confederation of Mitsui Zosen Workers' Unions/Mitsui Zosen Workers' Unions as of the Effective Date of the Split that are separately agreed with the above Unions to be subject to the succession.

4. Contracts Other Than Employment Agreement

Any and all contractual status under sales agreement, master transaction agreement, service agreement, subcontract agreement, tenancy agreement, lease agreement, agreement related to intellectual property rights (including know-how; the same shall apply hereafter) such as license agreement, and any other agreement related to the Business, and any and all rights and

obligations arising based on the above, excluding those not related to the Business as to procurement agreements or other types of agreements concluded jointly or in common in relation to the Business and business other than the Business, those untransferable in relation to a change of corporate status, those untransferable under contract, and those for which a license or approval needs to be re-obtained but for which the necessary actions have not been completed by the Effective Date of the Split, and those MES needs to retain continuously.

5. Licenses and Approvals, Etc.

Licenses, approvals, authorizations, registrations, filings, etc. related to the Business that are allowed to be succeeded under laws and regulations, excluding those MES needs to retain continuously.

6. Intellectual Property Rights

Any and all intellectual property rights mainly related to the Business

(3) Absorption-type Company Split Contract (copy) (MES Engineering Split Preparation Co., Ltd.)

Absorption-type Company Split Contract (copy)

This Absorption-type Company Split Contract (hereinafter referred to as this “Contract”) is entered into by and between Mitsui Engineering & Shipbuilding Co., Ltd. (hereinafter referred to as “MES”) and MES Engineering Split Preparation Co., Ltd. (hereinafter referred to as “NEWCO”) with respect to the absorption-type company split (hereinafter referred to as the “Split”) whereby NEWCO succeeds to the rights and obligations owned by MES in relation to the engineering business (hereinafter referred to as the “Business”).

Article 1. (Split)

Subject to the terms and conditions of this Contract, MES shall cause NEWCO to succeed to the rights and obligations owned by MES in relation to the Business, and NEWCO shall succeed to the same, by means of the Split.

Article 2. (Trade Names and Addresses of the Parties)

Trade names and addresses of MES and NEWCO are as follows:

(1) MES

Trade name: Mitsui Engineering & Shipbuilding Co., Ltd.

Address: 6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

(2) NEWCO

Trade name: MES Engineering Split Preparation Co., Ltd.

Address: 6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

Article 3. (Rights and Obligations to Be Succeeded)

3.1 Assets, liabilities, employment contracts, and any other rights and obligations to which NEWCO

will succeed from MES by the Split (hereinafter referred to as the “Succeeded Rights and Obligations”) are as set forth in Exhibit “Detailed List of Succeeded Rights and Obligations.”

3.2 Notwithstanding the preceding paragraph, The Parties may, upon mutual consultation, exclude the Succeeded Rights and Obligations that (i) are untransferable by the Split under laws and regulations or local government ordinances, or (ii) cause or may cause a significant obstacle in accordance with the contractual provisions with third parties in relation to the succession by the Split, from the subject of succession.

3.3 NEWCO’s succession to all the liabilities from MES pursuant to the provisions of paragraph 1 shall be based on the concomitant assumption method; provided, however, that NEWCO shall assume obligations as the principal in relation to MES in such case, and if MES performs or otherwise assumes the liabilities so succeeded to, MES may claim compensation for all the amount assumed by MES to NEWCO.

Article 4. (Shares to Be Issued, Monies, Etc. Delivered upon the Split)

Upon the Split, NEWCO shall issue Forty-Nine Thousand and Eight Hundred (49,800) common shares of NEWCO, and deliver all of them to MES in exchange for the Succeeded Rights and Obligations.

Article 5. (Amount of NEWCO’s Capital, Etc.)

The amounts of NEWCO’s capital, legal capital surplus, and other capital surplus to be increased by the Split shall be as follows; provided, however, that the Parties may change such amounts upon mutual consultation, in accordance with the status of assets and liabilities of the Business as of the date on which the Split takes effect (hereinafter referred to as the “Effective Date”):

- (1) capital: 1,990 million yen;
- (2) legal capital surplus: 500 million yen; and
- (3) other capital surplus: the change in equity less the amounts of the preceding items.

Article 6. (Effective Date)

The Effective Date of the Split shall be April 1, 2018; provided, however, that the Parties may change such date upon mutual consultation, if necessary in the course of the procedures of the Split or for any other reasons.

Article 7. (Approval at General Meeting of Shareholders)

Each Party shall hold a General Meeting of Shareholders by the immediately preceding day of the Effective Date to obtain an approval for this Contract and the matters necessary for the Split by resolution at such General Meeting of Shareholders.

Article 8. (Obligation Not to Compete)

MES shall not have any obligation not to compete with NEWCO in relation to the Business even after the Effective Date unless agreed otherwise.

Article 9. (Management, etc. of Company Properties)

Each Party shall execute business operations, and manage and administer properties, with the duty of due care, from the conclusion hereof to the Effective Date, and if it engages in any act which may significantly impact its properties and rights and obligations, it shall do so upon prior consultation and this Contract between the Parties.

Article 10. (Change of Conditions for or Cancellation of the Split)

If any significant change arises to the status of properties or business management of MES or NEWCO due to acts of God or any other events during the period from the conclusion hereof to the Effective Date, if any circumstance causing a significant obstacle to the execution of the Split arises or is revealed, or otherwise if it becomes significantly difficult to fulfill the purposes hereof, MES and NEWCO may change the conditions for the Split or contents of this Contract, or cancel this Contract, upon mutual consultation.

Article 11. (Effect of This Contract)

This Contract shall be null and void in the event that this Contract is not approved at a General Meeting of Shareholders of MES or NEWCO as provided for in Article 7, or the approval by the relevant regulatory authorities as provided for by laws and regulations is not obtained by the immediately preceding day of the Effective Date.

Article 12. (Matters for Consultation)

The Parties shall determine any matters necessary in relation to the Split, in addition to those set forth herein, upon mutual consultation pursuant to the purpose of this Contract.

IN WITNESS WHEREOF, the Parties have executed this Contract in duplicate by affixing their names and seals thereto, and each shall retain one (1) copy hereof.

May 22, 2017

(MES) Takao Tanaka, Representative Director
Mitsui Engineering & Shipbuilding Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

(NEWCO) Shinsuke Nippo, Representative Director
MES Engineering Split Preparation Co., Ltd.
6-4, Tsukiji 5-chome, Chuo-ku, Tokyo

Detailed List of Succeeded Rights and Obligations

As of the Effective Date, assets, liabilities, employment agreements, and any other rights and obligations to which NEWCO will succeed from MES shall be as follows. Assets and liabilities to which NEWCO will succeed from MES shall be based on MES's balance sheet values and other figures as of March 31, 2017, and be determined after adding or subtracting any increase/decrease up to the immediately preceding day of the Effective Date, to or from such values and figures.

1. Assets

Assets below owned in relation to the Business

(1) Current assets

Any and all current assets related to the Business, including cash and time deposits, trade receivables, work in progress, advance payments received, prepaid expenses, accounts receivable - other, deferred tax assets, suspense payments, and allowance for doubtful accounts (excluding short-term loans).

(2) Non-current assets

Any and all non-current assets related to the Business, including property, intangible assets, and investments and other assets (excluding land, buildings, long-term loans, welfare facilities for employees, and shares of listed companies and shares of unlisted companies not covered by the Business).

2. Liabilities

Liabilities below owned in relation to the Business

(1) Current liabilities

Any and all current liabilities related to the Business, including trade payables, lease obligations, accounts payable - other, accrued expenses payable, advances from customers, provision for warranties, and other current liabilities (excluding short-term borrowings, and deposits received via CMS loan-deposit system).

(2) Long-term liabilities

Any and all long-term liabilities related to the Business, including lease obligations (excluding corporate bonds, long-term borrowings, and provisions for losses on business of subsidiaries and affiliates).

3. Employment Agreement, Etc.

(1) Employment agreement

Any and all the employment agreements with all employees who belong to Engineering Hq. as of the Effective Date of the Split.

(2) Collective labor agreement

The collective labor agreement concluded between MES and Confederation of Mitsui Zosen Workers' Unions/Mitsui Zosen Workers' Unions as of the Effective Date of the

Split that are separately agreed with the above Unions to be subject to the succession.

4. Contracts Other Than Employment Agreement

Any and all contractual status under sales agreement, master transaction agreement, service agreement, subcontract agreement, tenancy agreement, lease agreement, agreement related to intellectual property rights (including know-how; the same shall apply hereafter) such as license agreement, and any other agreement related to the Business, and any and all rights and obligations arising based on the above, excluding those not related to the Business as to procurement agreements or other types of agreements concluded jointly or in common in relation to the Business and business other than the Business, those untransferable in relation to a change of corporate status, those untransferable under contract, and those for which a license or approval needs to be re-obtained but for which the necessary actions have not been completed by the Effective Date of the Split, and those MES needs to retain continuously.

5. Licenses and Approvals, Etc.

Licenses, approvals, authorizations, registrations, filings, etc. related to the Business that are allowed to be succeeded under laws and regulations, excluding those MES needs to retain continuously.

6. Intellectual Property Rights

Any and all intellectual property rights mainly related to the Business

3. Overview of matters concerning each item prescribed in Article 183 of the Ordinance of Enforcement of the Companies Act

(1) Matters concerning appropriateness of compensation for the Split

a. Matters concerning the number of the shares issued

Each Succeeding Company shall newly issue common shares upon the Split as described below and all of them shall be granted in allotments to the Company as a splitting company. Each Succeeding Company is a wholly owned subsidiary of the Company and the number of shares it will issue in order to grant all of the shares it newly issues upon the Split to the Company were decided through consultations between the Company and Each Succeeding Company. Therefore, the Company has judged the number of shares issued by Each Succeeding Company to be appropriate.

Name of the Succeeding Company	Number of shares issued on the Split
MES Ship & Ocean Project Split Preparation Co., Ltd.	49,800 shares
MES Machinery and Systems Split Preparation Co., Ltd.	49,800 shares
MES Engineering Split Preparation Co., Ltd.	49,800 shares

b. Matters concerning capital and capital reserve

The amount of capital and capital reserve of Each Succeeding Company which will increase by the Split is as follows. The Company has judged it to be appropriate in light of business lineup after the

Split and assets and liabilities Each Succeeding Company will succeed from the Company.

Name of the Succeeding Company	Capital	Capital Reserve	Earned Reserve
MES Ship & Ocean Project Split Preparation Co., Ltd.	1,990 million yen	500 million yen	0 yen
MES Machinery and Systems Split Preparation Co., Ltd.	1,990 million yen	500 million yen	0 yen
MES Engineering Split Preparation Co., Ltd.	1,990 million yen	500 million yen	0 yen

(2) Balance sheets on the day Each Succeeding Company is established

Each Succeeding Company is a company established on May 22, 2017 and therefore, does not have a fixed final fiscal year. Balance sheets on the day Each Succeeding Company is established are as follows:

a. MES Ship & Ocean Project Split Preparation Co., Ltd.

(Unit: Millions of yen)

Account items	Amount	Account items	Amount
Assets		Net assets	
Cash and deposits	10	Capital	10
Total assets	10	Total liabilities and net assets	10

b. MES Machinery and Systems Split Preparation Co., Ltd.

(Unit: Millions of yen)

Account items	Amount	Account items	Amount
Assets		Net assets	
Cash and deposits	10	Capital	10
Total assets	10	Total liabilities and net assets	10

c. MES Engineering Split Preparation Co., Ltd.

(Unit: Millions of yen)

Account items	Amount	Account items	Amount
Assets		Net Assets	
Cash and deposits	10	Capital	10
Total assets	10	Total liabilities and net assets	10

- (3) Disposal of important property, substantial debt burden, or other events that significantly impact the status of Each Succeeding Company's property which occurred after the day they had been established.

Not applicable for Each Succeeding Company

- (4) Disposal of important property, substantial debt burden, or other events that significantly impact the status of the Company's property which occurred after the last day of its final fiscal year.

Not applicable

For Agenda Item No. 4: Amendment to the Company's Articles of Incorporation

1. Reason of Amendment

The Company is planning to transition to the holding company structure as described in Agenda Item No. 3 “Approval of contracts (“Split Contracts”) of absorption type- company split (“Split”).” Along with the transition, in order to change our trade name and business object, we propose to make necessary amendments in Article 1 (Trade name) and Article 2 (Object) of the present Articles of Incorporation. In addition, we propose to set out a supplementary clause which will provide that the amendments will become effective on the effective date of the Split.

2. Proposed Amendments

The proposed amendments are as follows. The amendments to the present Articles of Incorporation described in section 1 above will become effective on the effective date of the Split subject to approval of Agenda Item No. 3 as proposed and the Split entering into effect.

(Underlined portions are those to be amended.)

Present Articles	Proposed Amendments
Article 1. (Trade name) The name of the Company shall be <u>Mitsui Zosen Kabushiki Kaisha</u> and in English it shall be referred to as <u>Mitsui Engineering & Shipbuilding Co., Ltd.</u>	Article 1. (Trade name) The name of the Company shall be <u>Kabushiki Kaisha Mitsui E & S Holdings</u> and in English it shall be referred to as <u>Mitsui E & S Holdings Co., Ltd.</u>
Article 2. (Object) The Company shall have as its object the following lines of business. 1. Design, construction, repair <u>and</u> scrapping of ships, naval craft <u>and</u> hovercraft.	Article 2. (Object) <u>1. The Company shall have as its object controlling and managing business activities of business companies and so on (including companies overseas), associations (including equivalent entities overseas), and other comparable organizations which have following lines of business by means of holding their shares or equities.</u> (1) <u>Design, manufacture, construction, installation, remodeling, repair, procurement, administration, operation, maintenance, management, sales, lease, and</u> scrapping regarding ships, naval ships, <u>air-cushioned landing craft, and related machinery, equipment, components.</u>

<p><u>2.</u> Design, manufacture, installation <u>and</u> repair of offshore work platforms and other offshore structures.</p>	<p><u>(2)</u> Design, manufacture, installation, repair, <u>administration, operation, maintenance, management, sales, lease, and providing technology</u> of offshore work platforms and other offshore structures.</p>
<p><u>3.</u> (Abbreviated)</p>	<p><u>(3)</u> (Unchanged)</p>
<p><u>4.</u> Design, manufacture, installation and repair of chemical and various other industrial plants, machinery, equipment and systems.</p>	<p><u>(4)</u> Design, manufacture, installation and repair of chemical and other various industrial plants, machinery, equipment, systems, <u>and components</u>.</p>
<p><u>5.</u> Design, manufacture, installation and repair of machinery and equipment for atomic industry.</p>	<p><u>(5)</u> Design, manufacture, installation and repair of machinery, equipment, <u>and components</u> for atomic industry.</p>
<p><u>6.</u> Design, manufacture, installation and repair of pollution preventing and environment improvement equipment and systems as well as related facilities.</p>	<p><u>(6)</u> Design, manufacture, installation and repair of pollution preventing and environment improvement equipment, systems, <u>and components</u> as well as related facilities.</p>
<p><u>7.</u> (Abbreviated)</p>	<p><u>(7)</u> (Unchanged)</p>
<p><u>8.</u> Design, manufacture, installation <u>and</u> repair of cranes, vehicles, and other transportation and cargo handling machinery and equipment.</p>	<p><u>(8)</u> Design, manufacture, installation, <u>maintenance, repair, processing, lease, and sales</u> of <u>automobiles, other various vehicles,</u> cranes, vehicles, and other transportation and cargo handling machinery, equipment, <u>and components</u>.</p>
<p><u>9.</u> Design, manufacture, installation and repair of machinery and systems for construction and resource development.</p>	<p><u>(9)</u> Design, manufacture, installation and repair of machinery, systems, <u>and components</u> for construction and resource development.</p>
<p><u>10.</u> Design, manufacture, installation and repair of aircrafts, space equipment, and missiles as well as related facilities and equipment.</p>	<p><u>(10)</u> Design, manufacture, installation and repair of aircrafts, space equipment, and missiles as well as related facilities, equipment, <u>systems, and components</u>.</p>
<p><u>11.</u> Design, manufacture, installation <u>and</u> repair of machinery, and equipment for communication, business, inspection and measurement, separation and refinery, medical instruments and equipment, control systems, robots as well as related</p>	<p><u>(11)</u> <u>Developing,</u> design, manufacture, installation, repair, <u>processing, and sales</u> of machinery and equipment for communication, business, inspection and measurement, separation and refinery, medical instruments and equipment,</p>

equipment.	control systems, robots as well as related equipment <u>and components</u> .
<u>12.</u> Manufacture of cast and forged goods, ceramics, silicone, carbon and other materials as well as design, manufacture, installation and repair of manufacturing and processing equipment for same.	<u>(12)</u> Manufacture <u>and sales</u> of cast and forged goods, ceramics, silicone, <u>silicone-device</u> , carbon, <u>honeycomb structure materials</u> , <u>sandwich structure materials</u> , and other materials as well as design, manufacture, installation and repair of manufacturing and processing equipment, <u>components</u> , <u>metal mold</u> , and <u>wooden mold</u> for the same.
<u>13.</u> (Abbreviated)	<u>(13)</u> (Unchanged)
<u>14.</u> Carrying out civil <u>and</u> architectural works as well as design and supervising execution of same.	<u>(14)</u> Carrying out <u>and constructing</u> civil, architectural, <u>and survey works and so on</u> as well as design and supervising execution of civil and architectural works.
<u>15.</u> Construction of housing sites, design, engineering and supervising of house construction as well as brokerage, management and appraisal of real estate.	<u>(15)</u> Construction of housing sites, design, building and supervising of housing construction as well as <u>possession, lease, sales and purchase</u> , brokerage, <u>agent works</u> , management, and appraisal of real estate <u>and various associated facilities and equipment</u> .
<u>16.</u> (Abbreviated)	<u>(16)</u> (Unchanged)
<u>17.</u> Construction, administration and operation of training, medical and sport facilities, leisure facilities such as play parks, lodging facilities, restaurants and driving schools and parking lots.	<u>(17)</u> Construction, <u>lease</u> , administration, <u>planning</u> , and operation of <u>dormitories</u> , <u>company housings</u> , <u>cafeterias</u> , <u>barber shops</u> , and <u>other welfare facilities of companies</u> , <u>buildings</u> , facilities for training, medical and sport, leisure facilities such as play parks, <u>pharmacies</u> , <u>hotels</u> and lodging facilities, restaurants, <u>hardware stores</u> , <u>garden stores</u> , <u>gas stations</u> , driving schools, <u>cultural schools</u> , <u>sports clubs</u> , and parking lots.
<u>18.</u> Sales of agricultural, livestock and aquatic products, food and beverages, industrial chemicals and medicines, books, sports goods, feed and fuel.	<u>(18)</u> Sales of agricultural, livestock, and aquatic products, food and beverages, <u>cigarettes</u> , <u>cosmetics</u> , industrial chemicals, medicines, <u>postage stamps</u> , <u>prepaid cards</u> ,

<p><u>19. Development, design, and manufacture of computer hardware and software.</u></p> <p><u>20. Business concerning information processing and supply</u></p> <p><u>21.</u> (Abbreviated)</p> <p><u>22.</u> Electricity supply business</p> <p><u>23.</u> (Abbreviated) (To be newly incorporated)</p> <p>(To be newly incorporated)</p> <p>(To be newly incorporated)</p> <p>(To be newly incorporated)</p> <p>(To be newly incorporated)</p>	<p>books, sports goods, <u>stationery, office appliances, learning materials, household appliances, interior goods, precious metals, accessories, craftworks, household items, variety goods, feed, gasoline, kerosene, and other kinds of fuel, and petrochemical products.</u></p> <p><u>(19) Development, design, manufacture, installation, repair, lease, and sales of computer hardware, software, and relating equipment and systems for communications, design, and survey, providing services of operation, maintenance, and management of computer systems, various calculating works by computers, and education and training service, business concerning information processing and supply.</u></p> <p>(Removed)</p> <p><u>(20)</u> (Unchanged)</p> <p><u>(21) Power generation and electricity supply business.</u></p> <p><u>(22)</u> (Unchanged)</p> <p><u>(23) Obtaining, sales, and lease of mining rights concerning development of offshore oil, gas, and mineral resources.</u></p> <p><u>(24) Nursing care business for the elderly, the sick, and handicapped people.</u></p> <p><u>(25) Business concerning tests, inspection, measurement, survey, examination, analysis, and evaluation.</u></p> <p><u>(26) Business of general insurance agency and life insurance solicitation mutual-aid agency business according to Consumer Cooperatives Act.</u></p> <p><u>(27) Providing and managing service of welfare matters and providing service of general affairs.</u></p>
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<p>(To be newly incorporated)</p> <p>(To be newly incorporated)</p> <p><u>24.</u> Consulting <u>and</u> engineering work for each of the foregoing paragraphs 1 through 23.</p> <p><u>25.</u> Sales and purchase, export and import, lending and borrowing of all items listed in the foregoing paragraphs 1 through 24, as well as related or incidental business activities.</p> <p>(To be newly incorporated)</p> <p>Article 3. ~ 42.</p> <p>(Abbreviated)</p> <p>(To be newly incorporated)</p>	<p><u>(28) Business concerning security service and fire and disaster prevention, and business concerning health and safety.</u></p> <p><u>(29) Planning, producing and printing various printed materials, creating, copying, and printing documents by office automation equipment, photography business, commercial photography business, and input-output, processing, and storage of documents and other information by computers.</u></p> <p><u>(30) Business concerning consulting, engineering, operating, and maintenance for listed items in each of the foregoing items (1) through (29).</u></p> <p><u>(31) Sales and purchase, sales of used products, export and import, and lease of listed items in the foregoing items (1) through (30), as well as related or incidental business.</u></p> <p><u>2. The Company shall be able to run all business listed in each of the foregoing paragraphs as well as related or incidental business.</u></p> <p>Article 3. ~ 42.</p> <p>(Unchanged)</p> <p><u>SUPPLEMENTARY CLAUSE</u></p> <p><u>The amendments to the provisions of articles 1 and 2 shall become effective on April 1st, 2018 on the condition that the agenda item regarding approval of contracts of absorption type- company split is approved as proposed and the split entering into effect according to these contracts. This supplementary clause shall be removed after the amendments to the</u></p>
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	<u>Articles of Incorporation described above entering into effect.</u>
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(Note)

Article 6 (Total number of Authorized Shares to be issued) and Article 8 (Number of Shares per unit (tangen-kabusikisuu)) of the present Articles of Incorporation shall be amended as of October 1, 2017, in the case where the Agenda Item No. 2 “Share Consolidation” is approved as proposed. As for the details of the contents of proposed amendment, please refer to <Reference> of the Agenda Item No. 2.

For Agenda Item No. 5: Election of ten (10) Directors

As the terms of office of all Directors (10 members) are to expire at the conclusion of this Ordinary General Meeting of Shareholders, we propose to elect ten (10) members of the Board of Directors.

The candidates are as follows:

No.	Name	Current position and area of responsibility in the Company	Classification	Frequency of attendance at the Board of Directors meetings (during the Term)
1	Takao Tanaka	President Representative Director, and CEO	Reappointment	15 out of 15 (100%)
2	Takaki Yamamoto	Vice President Representative Director Senior Managing Executive Officer Assistant to President In charge of Auditing Dept. and personnel & general affairs General Manager of Export Control Dept., and CCO	Reappointment	15 out of 15 (100%)
3	Shinsuke Minoda	Director, Managing Executive Officer, General Manager of Corporate Planning Hq., and CISO	Reappointment	15 out of 15 (100%)
4	Akira Nishihata	Director, Managing Executive Officer, CTO In charge of procurement and environmental & safety control General Manager of Research & Development Hq.	Reappointment	15 out of 15 (100%)
5	Shinsuke Nippo	Director, Managing Executive Officer, and General Manager of Engineering Hq.	Reappointment	11 out of 11 (100%)
6	Tetsuro Koga	Director, Managing Executive Officer, and General Manager of Ship & Ocean Project Hq.	Reappointment	10 out of 11 (91%)
7	Ryoichi Oka	Managing Executive Officer and General Manager of Machinery & Systems Hq.	New candidate	

8	Yuichi Shiomi	Managing Executive Officer, CFO, and in charge of IR Dept.	New candidate	
9	Toru Tokuhisa	Outside Director	Reappointment Outside Independent	15 out of 15 (100%)
10	Toshikazu Tanaka	Outside Director	Reappointment Outside Independent	15 out of 15 (100%)

(Notes)

1. New candidate : a candidate for a new Director
2. Reappointment : a candidate for reappointment as a Director
3. Outside : a candidate for an Outside Director
4. Independent : a candidate for an independent Director

Candidate No.: Candidate's name

(Candidate's date of birth / Number of Company's shares owned)

Candidate's career summary, position and area of responsibility in the Company, and important concurrent position outside the Company

1. Takao Tanaka (April 25, 1950 / 71,000 shares) Candidate for reappointment

Term of office as Director : 10 years

Frequency of attendance at the Board of Directors meetings : 15 out of 15 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1973	Entered the Company
June	2005	Associate Executive Officer, Assistant to General Manager of Machinery & Systems Hq.
June	2007	Director, Deputy General Manager of Machinery & Systems Hq. and Research & Development Hq.
June	2009	Managing Director, General Manager of Machinery & Systems Hq.
June	2011	Managing Director, Representative Director, in charge of Corporate Planning Dept. and personnel & general affairs
June	2012	In charge of Corporate Planning Dept.
June	2013	President and Representative Director (to date)
April	2015	CEO (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Director]

Mr. Takao Tanaka has distinguished knowledge of Machinery & Systems Hq. He served as General Manager of Machinery & Systems Hq., as a person in charge of Corporate Planning Dept. and personnel & general affairs, etc., and acquired outstanding management skills through his experience. In addition, he achieved excellent results as President whose office he has taken since June 2013. Considering those described above, we successively selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

2. Takaki Yamamoto (May 22, 1952 / 36,000 shares) Candidate for reappointment

Term of office as Director : 8 years

Frequency of attendance at the Board of Directors meetings : 15 out of 15 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1976	Entered the Company
June	2005	General Manager of Personnel Dept.
June	2009	Director, in charge of general affairs and personnel, General Manager of General Affairs Dept.
June	2011	General Manager of Tamano Works
June	2012	In charge of personnel & general affairs (to date) In charge of procurement
June	2013	Managing Director
April	2014	In charge of Auditing Dept.(to date) In charge of environmental & safety control
April	2015	CCO (to date)
June	2015	Managing Director and Representative Director
April	2016	Vice President, Representative Director, Senior Managing Executive Officer, Assistant to President, and General Manager of Export Control Dept. (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Director]

Mr. Takaki Yamamoto has distinguished knowledge of personnel & general affairs. He served as General Manager of General Affairs Dept., as General Manager of Tamano Works, as CCO, etc., and acquired outstanding management skills through his experience. In addition, he achieved excellent results as Vice President whose office he has taken since April 2016. Considering those described above, we successively selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

3. Shinsuke Minoda (January 15, 1954 / 22,000 shares) Candidate for reappointment

Term of office as Director : 6 years

Frequency of attendance at the Board of Directors meetings : 15 out of 15 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1977	Entered the Company
February	2004	General Manager of Business Co-ordination Dept, Machinery Factory, Machinery & Systems Hq.
April	2008	Assistant to General Manger of Machinery Factory, Machinery & Systems Hq.
January	2009	General Manager of Business Co-ordination Dept., Machinery Factory, Machinery & Systems Hq.
June	2009	General Manager of Planning & Administration Dept., Machinery & Systems Hq. and Manager of IR Dept.
June	2011	Director, General Manager of Machinery & Systems Hq.
April	2014	Managing Director
April	2015	Director and Managing Executive Officer (to date)
April	2017	General Manager of Corporate Planning Hq. and CISO (to date)

[Important concurrent position outside the Company]

Director, MODEC, Inc.

[The reason he was selected as a candidate for a Director]

Mr. Shinsuke Minoda has distinguished knowledge of Machinery & Systems Hq. He served as General Manager of Planning & Administration Dept. of Machinery & Systems Hq., as General Manager of Machinery & Systems Hq., etc., and acquired outstanding management skills through his experience. Considering those described above, we successively selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

4. Akira Nishihata (May 27, 1955 / 22,000 shares) Candidate for reappointment

Term of office as Director : 4 years

Frequency of attendance at the Board of Directors meetings : 15 out of 15 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1980	Entered the Company
July	2001	Manager of Corporate Planning Dept.
April	2007	General Manager of Planning & Co-ordination Dept., Chiba Shipyard, Ship & Ocean Project Hq.
June	2009	General Manager of Planning & Administration Dept., Ship & Ocean Project Hq. and Manager of IR Dept.
March	2011	General Manager of Corporate Planning Dept.
June	2011	Associate Executive Officer
June	2013	Director (to date) In charge of Corporate Planning Dept.
June	2015	In charge of Research & Development Hq.
April	2016	Managing Executive Officer (to date) In charge of environmental & safety control (to date) In charge of Marketing Promotion Dept. and General Manager of Ocean Business Promotion Dept., and CISO
October	2016	General Manager of Corporate Planning Hq.
April	2017	CTO, in charge of procurement and General Manager of Research & Development Hq. (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Director]

Mr. Akira Nishihata has distinguished knowledge of Ship & Ocean Project Hq. and Corporate Planning Hq. He served as General Manager of Planning & Administration Dept. of Ship & Ocean Project Hq., as General Manager of Corporate Planning Hq., as Director of MODEC, Inc., etc., and acquired outstanding management skills through his experience. Considering those described above, we successively selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

5. Shinsuke Nippo (October 17, 1956 / 14,000 shares) Candidate for reappointment

Term of office as Director : 2 years

Frequency of attendance at the Board of Directors meetings : 11 out of 11 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1981	Entered the Company
June	2007	General Manager of Plant Sales Dept., Plant & Environment Hq.
April	2013	General Manager of Energy Solutions & Public Infrastructure Sales Dept. and Plant Sales Dept., Engineering Hq.
June	2013	Associate Executive Officer
April	2014	Deputy General Manager of Engineering Hq.
June	2014	Director
April	2015	Director and Executive Officer
June	2015	Executive Officer
April	2016	Managing Executive Officer and General Manager of Engineering Hq. (to date)
June	2016	Director (to date)

[Important concurrent position outside the Company]

Director, MODEC, Inc.

[The reason he was selected as a candidate for a Director]

Mr. Shinsuke Nippo has distinguished knowledge of Engineering Hq. He served as Director of MODEC, Inc., as General Manager of Engineering Hq., etc. and acquired outstanding management abilities through his experience. Considering those described above, we successively selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

6. Tetsuro Koga (November 16, 1956 / 11,000 shares) Candidate for reappointment

Term of office as Director : 1 year

Frequency of attendance at the Board of Directors meetings : 10 out of 11 (91%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1981	Entered the Company
June	2009	General Manager of Planning & Co-ordination Dept., Chiba Shipyard, Ship & Ocean Project Hq.
February	2011	General Manager of Ship Construction Dept., Tamano Shipyard, Ship & Ocean Project Hq.
June	2013	General Manager of Planning & Administration Dept., Ship & Ocean Project Hq. and Manager of IR Dept.
April	2014	Associate Executive Officer
December	2014	General Manager of Naval Ship Subdivision, Ship & Ocean Project Hq.
April	2015	Executive Officer and Deputy General Manager of Ship & Ocean Project Hq.
April	2016	Managing Executive Officer and General Manager of Ship & Ocean Project Hq. (to date)
June	2016	Director (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Director]

Mr. Tetsuro Koga has distinguished knowledge of Ship & Ocean Project Hq. He served as General Manager of Planning & Administration Dept., as General Manager of Naval Ship Subdivision, as General Manager of Ship & Ocean Project Hq., etc. and acquired outstanding management abilities through his experience. Considering those described above, we successively selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

7. Ryoichi Oka (October 8, 1958 / 18,000 shares) New candidate

[Candidate's career summary, position and area of responsibility in the Company]

April	1981	Entered the Company
July	2005	General Manager of Production Planning Dept., Machinery Factory, Machinery & Systems Hq.
March	2006	General Manager of Quality Assurance Dept., Machinery Factory, Machinery & Systems Hq.
January	2011	General Manager of Diesel Design Dept., Machinery Factory, Machinery & Systems Hq.
November	2013	General Manager of Service Center, Technoservice Dept., Machinery & Systems Hq.
April	2014	Associate Executive Officer and General Manager of Technoservice Dept., Machinery & Systems Hq.
April	2015	Executive Officer
April	2016	Deputy General Manager of Machinery & Systems Hq. (in charge of industrial machinery)
April	2017	Managing Executive Officer and General Manager of Machinery & Systems Hq. (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Director]

Mr. Ryoichi Oka has distinguished knowledge of Machinery & Systems Hq. He served as Deputy General Manager of Machinery & Systems Hq., etc. and achieved excellent management results. Considering those described above, we newly selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

8. Yuichi Shiomi (October 20, 1958 / 8,000 shares) New candidate

[Candidate's career summary, position and area of responsibility in the Company]

April	1982	Entered the Company
April	2010	General Manager of Accounting Dept., Tamano Works
May	2013	Manager of Finance & Accounting Dept. and Manager of Export Control Dept.
April	2014	Associate Executive Officer and General Manager of Finance & Accounting Dept.
April	2015	Executive Officer
April	2017	Managing Executive Officer, CFO, and in charge of IR Dept. (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Director]

Mr. Yuichi Shiomi has distinguished knowledge of Finance & Accounting. He served as General Manager of Finance & Accounting Dept., etc. and achieved excellent management results. Considering those described above, we newly selected him as a candidate for a Director.

[Special interest between the candidate and the Company]

Not applicable

9. Toru Tokuhisa (April 3, 1952 / 0 shares)

Candidate for reappointment as an independent, Outside Director

Term of office as Director : 4 years

Frequency of attendance at the Board of Directors meetings : 15 out of 15 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1976	Entered the Export-Import Bank of Japan
December	1999	Chief Representative of Representative Office in Washington D.C. of Japan Bank for International Cooperation (JBIC)
October	2002	Deputy Director General of JBIC Institute
July	2004	Director General of Country Economic Analysis Dept., JBIC
October	2005	Resident Executive Director for the Americas
September	2006	Resigned JBIC
October	2006	Executive Vice President and Representative Director, Nusa Tenggara Mining Corp.
June	2013	Outside Director of the Company (to date)
November	2016	Resigned Nusa Tenggara Mining Corp.

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for an Outside Director]

Mr. Toru Tokuhisa has sufficient knowledge and experience of international finance and overseas investment acquired as while serving for a governmental financial institution and as an executive of a company for overseas mining business investment for a long period. We expect him to facilitate the Company's business assessment and risk management for overseas business development, and to oversee and supervise management of the Company from an independent position. Considering those described above, we successively selected him as a candidate for an Outside Director.

[Special interest between the candidate and the Company]

Not applicable

[Overview of Liability Limitation Agreement with the candidate]

Based on the provision of Article 427, paragraph 1 of the Companies Act, the Company has entered into a Liability Limitation Agreement with Mr. Toru Tokuhisa that limits the amount of his liability as set forth in Article 423, paragraph 1 of the same Act. The limit on liability

for damages under the said agreement is ten (10) million yen or the minimum liability amount provided by laws and regulations, whichever is higher. When this agenda item is approved, the Company intends to continue the agreement it has entered into with him.

[Matters concerning independence]

Mr. Toru Tokuhisa satisfies the conditions of “The Standard of Independence” provided by Tokyo Stock Exchange, and “The Standard of Independence of Outside Directors and Corporate Auditors,” which the Company determines (See the reference 2 below). When this agenda item is approved, the Company intends to continue assigning him as independent Director.

10. Toshikazu Tanaka (February 7, 1945 / 20,000 shares)

Candidate for reappointment as an independent, Outside Director

Term of office as Director : 2 years

Frequency of attendance at the Board of Directors meetings : 15 out of 15 (100%)

[Candidate's career summary, position and area of responsibility in the Company]

April	1968	Entered Toyo Koatsu Industries Co., Ltd. (Mitsui Toatsu Chemicals Inc.)
June	1999	Director and General Manager of Phenols Division, Basic Chemicals Business Sector of Mitsui Chemicals, Inc.
June	2003	Managing Director and Deputy President of Basic Chemicals Business Group of Mitsui Chemicals, Inc.
June	2004	Basic Chemicals Business Group President
June	2005	Vice President and Basic Chemicals Business Group President
April	2007	Responsible for Basic Chemicals Business Sector, Corporate Planning Division, Group Management Division, Branch Offices and Overseas Subsidiaries & Affiliates
June	2009	President of Mitsui Chemicals, Inc.
April	2014	Director of Mitsui Chemicals, Inc.
June	2014	Senior Advisor of Mitsui Chemicals, Inc. (to date)
June	2015	Outside Director of the Company (to date)

[Important concurrent position outside the Company]

Senior Advisor of Mitsui Chemicals, Inc.

[The reason he was selected as a candidate for an Outside Director]

Mr. Toshikazu Tanaka has sufficient and overall experience and knowledge of domestic and overseas business operation and corporate management acquired as an executive of a major integrated chemical company for a long period. We expect him to advise the overall management of the Company with a broad perspective and to oversee and supervise management of the Company from an independent position. Considering those described above, we successively selected him as a candidate for an Outside Director.

[Special interest between the candidate and the Company]

Not applicable

[Overview of Liability Limitation Agreement with the candidate]

Based on the provision of Article 427, paragraph 1 of the Companies Act, the Company has entered into a Liability Limitation Agreement with Mr. Toshikazu Tanaka that limits the

amount of his liability as set forth in Article 423, paragraph 1 of the same Act. The limit on liability for damages under the said agreement is ten (10) million yen or the minimum liability amount provided by laws and regulations, whichever is higher. When this agenda item is approved, the Company intends to continue the agreement it has entered into with him.

[Matters concerning independence]

Mr. Toshikazu Tanaka satisfies the conditions of “The Standard of Independence” provided by Tokyo Stock Exchange, and “The Standard of Independence of Outside Directors and Corporate Auditors,” which the Company determines (See the reference 2 below). When this agenda item is approved, the Company intends to continue assigning him as independent Director.

There is a business connection about sales and purchase, etc. of parts and material, etc. of plants with Mitsui Chemicals, Inc., where Mr. Toshikazu Tanaka was an executive in the past and now is engaged as a Senior Advisor. However, in the Term, the share of the net sales of the said company from the Company Group is less than 0.1 % of the total consolidated net sales of the said company for the Term. In addition, the share of the net sales of the Company Group from the said company is less than 1 % of the total consolidated net sales of the Company for the Term. Therefore, the business connection has no importance as to influence his independence as Outside Director.

For Agenda Item No. 6: Election of one (1) Corporate Auditor

As the term of office of Mr. Yasuo Irie, Corporate Auditor, is to expire at the conclusion of this Ordinary General Meeting of Shareholders, we propose to elect one (1) Corporate Auditor.

As for proposing this agenda item, we already obtained consent of the Board of Corporate Auditors. The candidate is as follows:

Candidate No.: Name of the candidate

(Candidate's date of birth / Number of Company's shares owned)

Candidate's career summary, position in the Company, and important concurrent position outside the Company

1. Hiroki Higuchi (January 1, 1957 / 3,000 shares) New Candidate

April	1980	Entered the Company
May	2003	Manager of Administration Dept., Steel Structure & Logistics Systems Hq.
October	2008	Manager of Planning & Administration Dept., Steel Structure & Logistics Systems Hq.
April	2011	Manager of Auditing Dept.
October	2011	General Manager of Auditing Dept.
April	2016	Associate Executive Officer
April	2017	Adviser (to date)

[Important concurrent position outside the Company]

Not applicable

[The reason he was selected as a candidate for a Corporate Auditor]

Mr. Hiroki Higuchi has distinguished knowledge in Auditing Dept. We expect him to take advantage of achievement as General Manager of Auditing Dept. and his thorough knowledge of actual circumstances of the Company through his experience. Therefore, we judged him capable of carrying out audit properly and newly selected him as a candidate for a Corporate Auditor.

[Special interest between the candidate and the Company]

Not applicable

<For reference 1> Policy on Designation of the Company's Executives, etc.

When the Company elects candidates for Directors or Corporate Auditors, it establishes an advisory committee on personnel affairs voluntarily, which confirms a standard of election and a proposal for electing Directors or Executive Officers. In addition, the committee confirms whether candidates for Corporate Auditors satisfy the conditions provided by the Board of Corporate Auditors. After the confirmation described above, the President will submit a proposal for electing candidates for Directors or Corporate Auditors, and a proposal for electing Executive Officers to the Board of Directors. The committee consists of four members in total: the President as the chairman of the committee, the Vice President, and two independent Outside Directors.

<For reference 2> Independence of Outside Directors and Outside Corporate Auditors

The Company will not judge a person to be independent if he/she conflicts with “The Standard of Independence” provided by Tokyo Stock Exchange, or if he/she corresponds to any of the conditions of “The Standard of Independence of Outside Directors and Corporate Auditors” described below, as a general rule.

The Standard of Independence of Outside Directors and Outside Corporate Auditors (established on October 30, 2015)

The Company judges whether an Outside Director and an Outside Corporate Auditor is independent by considering the conditions described below as well as considering “The Standard of Independence” provided by Tokyo Stock Exchange.

- a. A person or an entity to whom/which the Company or its consolidated subsidiaries (hereinafter referred to as “the Company Group”) is a main customer (*1), or a person who executes business in an entity to which the Company Group is a main customer
- b. A main customer of the Company Group (*2), or a person who executes business in an entity that is a main customer of the Company Group
- c. A large creditor of the Company (*3), or a person who executes business in a large creditor of the Company
- d. A main shareholder of the Company (*4), or a person who executes business in a main shareholder of the Company
- e. A person who belongs to an auditor which conducts statutory auditing of the Company Group
- f. A consultant, an accounting specialist, or a legal specialist who received money or other monetary

benefits amounting to 10 million yen or more, separate from Officers' remuneration from the Company Group during the last fiscal year (if an entity such as a corporation or an association received the monetary benefit described above from the Company Group, a person who belongs to such an entity.)

- g. A person or an entity who/which corresponds to any of the conditions of "a" to "f" described above during the last fiscal year
- h. A close relative (*5) of a person (except for a person who does not have importance to the Company Group) who corresponds to any of the conditions of "a" to "g" described above

*1. A person or an entity to whom/ which the Company Group is a main customer:

A person or an entity whose transaction amount of the last fiscal year with the Company Group is higher than 2 % of his/her/its total consolidated net sales for the last fiscal year

*2. A main customer of the Company Group:

A person or an entity with whom/which the Company Group transacted business during the last fiscal year with a transaction amount that is higher than 2 % of the total consolidated net sales for the last fiscal year of the Company Group

*3. A large creditor of the Company:

A financial institution or another creditor which/who is essential and cannot be substituted for fundraising of the Company

*4. A main shareholder of the Company:

A shareholder which/who holds shares of the Company and whose proportion of voting rights held is 10 % or above

*5. A close relative:

A spouse or a relative in the second degree

ATTACHED DOCUMENTS

BUSINESS REPORT

(from April 1, 2016 through March 31, 2017)

1. Current Status of the Company Group

(1) Business Overview

As for the global economy during the Term, the United States economy showed a sign of slump at the beginning of the Term. However, after the presidential election, corporate sentiment and consumer mind improved owing to a sense of expectation for policies of President Trump's new government. In addition, there was underlying strength in environment of employment and income, which contributed to a moderate recovery trend. In Europe, main countries in Euro zone pulled their economy to recovery by their increase in consumer spending and export, while there still remains deep uncertainty for future politics and economies accompanying the United Kingdom's exit from the European Union. As for emerging countries and resource-rich countries, although Chinese economy showed improvement in business confidence owing to recovery of business performance of manufacturing industry and expansion in public works investment, it bears an economic downward risk associated with the mood of protective trade and drop in resource prices. In Japanese economy, there are concerns about future international status relating to such as the U. S. and Europe. However, the level of weak yen is weaker than currency exchange rates expected by companies and it is boosting up export increase, high stock prices, and improvement of business performance. Furthermore, environment of employment and income steadily transitioned, and moderate economic recovery is continuing.

Under such circumstances and at the last year of the 2014 Medium-Term Business Plan (a business plan covering the period from July 2013 to March 2017), the Company Group aimed for "achieving a balanced business portfolio that combines sustainable growth with income stability," which we envisioned. We formulated basic policies comprised of (1) innovation of our manufacturing business, (2) expansion of our engineering business, (3) expansion of participation in projects and our related services business, and, in addition to these three strategic pillars, (4) strengthening of our management foundations. Under these policies, we have been approaching the task of building up organization structure for business expansion through reinforcement of our close cooperation and expansion into the global market. Furthermore, we have been promoting innovation of our business domains and business models.

As the Company will reach its 100th anniversary of foundation in November, 2017, it has started "MES Group 2025 Vision" from the Term. It is a long-term vision the Company announced on February 10th, 2016 and represents future images and direction it aims, and the way it should be in the coming decade. As a first step in achieving it, the Company formulated and announced "the 2017 Medium-Term Business Plan" on February 7th, 2017, in which it plans to focus on three business domains, "environment and energy solutions," "marine logistics and transportation," and

“social and industrial infrastructure.” It also plans to aim improvement of profit ratio and income stability through close cooperation of the Company Group by pursuing “deepening the management foundations” and “deepening management of the Company Group.”

Furthermore, in the Board of Directors meeting held on March 30th, 2017, the Company made a resolution that it would start deliberations for transition to the holding company structure by company split. The effective date of transition to the holding company structure is planned to be on April 1st, 2018, on the condition that the Company obtains a prescribed resolution by its Ordinary General Meeting of Shareholders scheduled to be held in June, 2017, and necessary approval and license of relevant authorities.

Consolidated amount of orders intake during the Term decreased by 93.0 billion yen from the previous term to 516.6 billion yen, because the orders intake of shipbuilding division decreased owing to the stagnation of the marine shipping market and in the previous term, the Company’s subsidiary, MODEC, Inc., received orders for large sized projects.

Consolidated net sales saw a decrease of 73.9 billion yen over the previous term to 731.5 billion yen because recorded sales decreased in the construction works of offshore developing segment and engineering segment to which the completion method is applied. Operating income fell by 3.5 billion yen from the previous term to 8.3 billion yen due to profit deterioration in construction works of plants by the engineering segment, regardless of improvement in the ship constructing segment and increased profit in the offshore developing segment. Ordinary income decreased by 0.2 billion yen compared to the previous term to 14.9 billion yen accompanying the drop of operating income. Net income for the Term attributable to owners of parent increased by 4.6 billion yen from the previous term to 12.2 billion yen because net income for the Term before adjustments of tax, etc. increased accompanying boost of extraordinary gain, while the total of corporate income tax, etc. and net income for the Term attributable to non-controlling shareholders increased.

[Principal Operations] (as of March 31, 2017)

Design, manufacture, engineering, construction, installation, sales and repair/maintenance of the following products and related equipment, and the following service businesses:

Segment	Major Business Items
Shipbuilding	Ships, Naval ships, High speed passenger/vehicle ferries, Marine structures, Under water equipment, Steel structures
Ocean Development	Floating production storage and offloading vessels
Machinery and Systems	Marine & stationary diesel engines, Marine equipment, Gas engines, Steam turbines, Blowers, Process compressors, Gas turbines, Co-generation systems, Process equipment, Container cranes, Industrial cranes, Container terminal management systems, Remote controlled power manipulators, Radar equipment for sensing underground embedded objects and internal of buildings, Bridge business, Harbor structures, Induction heaters
Engineering	Chemical plant, Overseas civil works, Power generation plant, Renewable-based power generation business, Waste treatment plant, Water treatment plant, Resources recycling plant, PCB disposal plant
Others	Information/communication related equipment, Systems development, Logistics service, Transport equipment, Real estate leasing and management

[Shipbuilding]

The marine shipping market still holds a surplus of tonnage because constructions of large number of new ships have been completed for recent years. Especially in the field of dry bulk carriers, under the circumstances that their charter fees continue to be at their historically low levels, very few lead to inquiries. Although since the beginning of 2017, charter fees have shown a tone of recovery, prices of newly constructed ships have not been at satisfactory level and it seems to take a little more time to a genuine recovery. On the other hand, also in the field of crude oil tankers and LPG carriers, whose market had been comparatively firm, a sense of excessive tonnage has begun to be remarked along with ongoing placement of orders. In future, in addition to decrease of surplus of tonnage by scrapping old ships and high fuel consumption ships, recovery of the market by emerging countries' lasting growth and increase of marine cargo movement is expected.

Amid these situations, the Company has developed new types of bulk carriers and VLCCs that incorporate energy conservation and environmental technologies one after another and brought them to the market. Since we delivered our first eco-friendly ship in November 2013, the number of eco-friendly bulk carriers we delivered reached 50 in total and it consists of various types, such as 56,000 deadweight ton type, 60,000 deadweight ton type, 66,000 deadweight ton type, and 182,000 deadweight ton type.

Although in a severe environment for receiving orders, we will continue to leverage our strengths as a leading shipyard for eco-friendly ships. We will make efforts to improve profitability and receive new orders selectively, and to develop new types of ships which will arouse needs of ship owners, such as LNG fueled vessels. In addition, in the field of ocean developing, we will search for opportunity of receiving orders waiting for the market's recovery, with our new type of FPSO (floating production storage and offloading vessel) Hull Platform, "noah-FPSO Hull", which we developed based on a new concept.

Although we received orders for a governmental and naval ship, etc., consolidated amount of orders intake for the Term dropped by 41.3 billion yen over the previous term to 67.7 billion yen because orders intake for commercial ships were sluggish owing to the slump of the marine shipping market. Consolidated net sales were 126.7 billion yen, almost at the same amount as the previous term. As for operating profit and loss, although it improved by 8.9 billion yen from the previous term due to decrease of low-priced ships and improvement of costs, it resulted in a 9.8 billion yen operating loss because effect of loss arising from offshore supporting vessels has continued.

<TOPICS> Delivery of "YONAKUNI" for Japan Coast Guard

The Company completed building a 1,000 ton type patrol ship "YONAKUNI" for Japan Coast Guard (Hull No. 1925 of the Company), which we had received an order for and had been built in Tamano Works, and we delivered in November, 2016. This ship is the 2nd 1,000 ton type patrol ship, which was planned in supplementary national budget of fiscal year 2013 and its name

“YONAKUNI” derives from Yonaguni-jima in the 11th Regional Coast Guard Headquarters, which is the assigned destination of this ship.

The Company has experience of 29 patrol ships delivery in total since we delivered first one for Japan Coast Guard in 1977. We will continue contributing to activities of saving the sea around Japan through building ships for Japan Coast Guard and Ministry of Defense in the future.

[Ocean Development]

Crude oil price has recovered from the level of the beginning of 2016 and the price of WTI, which is an international indicator of crude oil prices, has rallied to the level of 50 USD per barrel owing to anticipation of resolution of excess in supply in the context of agreement about reducing crude oil production by oil-producing countries. From a viewpoint of supplying energy resources sustainably, oil companies are expected to develop mainly depths of the sea continuously and business relevant to floating production storage and offloading vessels is anticipated growing stably in the medium- to long- term.

Under these circumstances, in order to strengthen driving force to create and realize business on the basis of business fields described in “MES Group 2025 Vision”, which we announced in February 2016, we established Corporate Planning Headquarters, which is in charge of function of company-wide planning. Then we changed the company structure to make our ocean developing business one of the business under direct control of Corporate Planning Headquarters. We will jointly participate with MODEC, Inc., which is expanding ocean developing business in the Company Group, not only in building hull platforms but also in a field of engineering called topside, in after-sales support, in chartering FPSO, etc. We will enhance collaboration across the entire Company Group.

Although we received orders for changing specifications and operating services, etc. for current FPSO projects, consolidated amount of orders intake decreased by 96.1 billion yen from the previous term to 92.7 billion yen due to slippage of the time of receiving an order for a new project, etc. As for consolidated net sales, despite progress of construction work of a current FPSO project, it dropped by 66.6 billion yen over the previous term to 228.4 billion yen because of slippage of the time of receiving an order for a new project, etc. Operating income was 17.9 billion yen, a 12.5 billion yen increase from the previous term owing to improvement of profitability of a current project.

<TOPICS> Launch of charter service of “FPSO MV27” for oil wells offshore of Brazil

The Company’s subsidiary, MODEC, Inc., received an order for and constructed a FPSO from Guar, B.V., which is a subsidiary of Brazilian national oil company, Petrobras, and Guar, B.V. has 45% of its voting shares owned by Petrobras. The FPSO MV27 started producing crude oil and charter service (lease, operation service, and maintenance, etc.) offshore of Brazil in December,

2016. As for the hull part of the FPSO, the Company constructed it. In addition, the Company has made a 9.3% investment for Carioca MV27 B.V., which owns the FPSO, with MODEC, Inc. (20.1%), MITSUI & Co., Ltd. (32.4%), Mitsui O.S.K. Lines, Ltd. (20.6%), and Marubeni Corporation (17.6%). We are making effort to realize stable income.

[Machinery & Systems]

As regards marine diesel engines, the amount of orders intake dropped over the previous term due to decrease of receiving orders for large-sized engines, but we have secured sufficient amount of work volume. Production volume increased over the previous term to 182 engines, 3,780,000 horsepower owing to production of large-sized engines. In the next term as well, by producing large-sized engines, we estimate the production volume to be 3,800,000 horsepower, almost at the same level as the Term. In addition, it was decided that our first commercial, large-sized, low-speed, marine diesel engine, which is equipped with High-pressure Exhaust Gas Recirculation corresponding to IMO NOx Tier requirements III, will be adopted for the first time in Japan.

In the field of industrial machinery, environment for receiving new orders is severe, because in spite of gradual recovery of crude oil prices, facility investment relevant to oil refinery is decreasing. Although the amount of orders intake increased from the previous term, it is still in a sluggish condition. Under these circumstances, the Company made Kaji Technology Co., Ltd., with which we entered into a basic capital and business partnership agreement in January 2015, our consolidated subsidiary through a takeover bid in order to create a stronger synergy effect with the said company. Beginning with manufacture and sales of high-pressure reciprocating pumps for supplying fuel gas for LNG-burning vessels, which we collaboratively developed with Kaji Technology Co., Ltd., we will cooperate with the said company and make effort to expand our business operations.

As to material handling machinery, the amount of orders intake remained at the same level as the previous term. One of the reasons is delay in a project of facility investment because of consolidation of container shipping business of three Japanese major shipping companies. Because inquiries for container cranes are very robust and we can continuously expect solid demand, we made a large-scaled facility investment in Oita Works and reinforced our production capacity by 50 % in order to respond to the demand.

In the field of social infrastructure, orders for coastal structures and PC bridges (prestressed concrete bridges) were robust and the amount of orders intake significantly increased from the previous term.

In the LSS Service (Life-cycle Solution Service and Customer Oriented Service) business, which is mainly engaged in after-sales support, orders intake came close to the level of the previous term, when it had reached a record high. There was an effect of slowdown of marine shipping market in

the first half of the Term, while in the latter half of the Term, the market gradually recovered.

Consolidated amount of orders intake in the Term was 166.8 billion yen, a 5.4 billion yen decrease from the previous term. The details of the orders intake were marine diesel engines, container cranes, bridge business, harbor structures, various kinds of industrial machinery, and after-sales support business. Consolidated net sales by these business were 174.8 billion yen, almost at the same level as the previous term, and operating income came to 14.8 billion yen, a 1.0 billion yen increase compared with the previous term.

<TOPICS> Launch of continuous production of supersized engines

The Company entered into a technology partnership agreement regarding diesel engines with Burmeister & Wain in Denmark (currently MAN Diesel & Turbo) in 1926. Since then, the Company has piled actual production of diesel engines as a leading manufacturer in the world and the cumulative production volume has surpassed 90 million horsepower. In fiscal year 2018, it is expected to reach 100 million horsepower.

The Company received a supersized engine for a large-sized container ship from Imabari Shipbuilding Co., Ltd. We will continuously produce engines whose cylinders have 950 mm calibers (more than 100 thousand horsepower) in Machinery Factory in Tamano Works.

Furthermore, in addition to the supersized engine described above, in order to correspond to market demand, we will make efforts to realize further business expansion as a pioneer of dual-fuel diesel engines and corresponding to IMO NOx Tier requirements III.

[Engineering]

As regards new projects of petrochemical field, there was a delay owing to re-examination of projects such as reorganization of customers' capital investors because of weak oil prices and it had a big effect for our plan of receiving orders.

In the field of infrastructure overseas, a large demand for electric power is expected accompanying economic growth of Southeast Asia. However, investment projects are continuing to tend to be postponed.

As for environmental energy field, electric power generation business by renewable energy is transitioning from solar power generation to wind power, biomass, and biogas power generation business, etc. due to drop in prices of renewable energy caused by the change of the relevant system. The Company Group commercialized two solar power generation business in Oita and one biogas power generation business in Hokkaido, and retains about 20 megawatt of electric-generating capacity.

Consolidated amount of orders intake increased by 49.0 billion yen from the previous term to 149.9

billion yen. Although there was an effect of the delay of the projects of facility investment in the petrochemical field, etc., we received an order for civil engineering works of coal fired power generation for Indonesia in the field of infrastructure overseas and an order for construction works of a wind farm in the environmental energy field. As regards consolidated net sales, although construction works of a petrochemical plant in Singapore and civil engineering works of power generation plants for Vietnam and Indonesia proceeded favorably and there was completion of construction works of a wind farm, etc., it decreased by 8.7 billion yen over the previous term to 162.6 billion yen. Operating profit and loss turned from a 8.3 billion yen profit in the previous term to a 17.3 billion yen operating loss owing to profit deterioration of a plant being constructed by a consolidated subsidiary.

<TOPICS> BWSC expanded investment for biomass power generation business for the United Kingdom

Burmeister & Wain Scandinavian Contractor A/S (BWSC), which is our wholly owned subsidiary, decided investing electric power selling business with biomass cogeneration facility in the United Kingdom jointly with Copenhagen Infrastructure Partners (CIP), which is a major pension fund management company in Denmark. The total amount of the project is about 22 billion yen and about 20% will be invested by BWSC.

In addition, BWSC received orders for engineering, procurement of equipment, installation, construction, trial operation, and operation and maintenance service (O&M) for 20 years for the biomass cogeneration facility described above.

It is the 6th biomass power generation business for BWSC and 3rd cooperative project with CIP.

[Others]

The Company was also engaged in development and sales of information systems, and other various service business such as real estate lease and management business. Consolidated amount of orders intake was 39.4 billion yen, a 0.8 billion yen increase from the previous term. Consolidated net sales increased by 0.2 billion yen from the previous term to 38.9 billion yen and operating income was 2.7 billion yen, a 0.3 billion yen decrease from the previous term.

[Amounts of Consolidated Order Intake and Sales during the Term and Consolidated Order

[Amounts of Consolidated Order Intake and Sales during the Term and Consolidated Order Backlog at the End of the Term by Segment]

(Unit: Millions of Yen)

Segment	Orders	Sales	Order Backlog
Shipbuilding	67,712	126,690	147,541
Ocean Development	92,704	228,419	648,963
Machinery & Systems	166,829	174,847	156,012
Engineering	149,893	162,598	286,290
Others	39,437	38,909	7,030
Total	516,577	731,464	1,245,839

(2) Facilities Investment

The amount of facilities investment by the Company Group during the Term was 20.2 billion yen. Major items included extending works of production capacity of Material Handling Machinery Factory at Oita Works, construction of welfare facility and improvement of information system in its subsidiary.

(3) Financing

As for fundraising of the Company Group, we raised long-term debts in the amount of 57.6 billion yen, internal unsecured corporate debentures in the amount of 15 billion yen, and short-term debts, which we appropriated for the scheduled payment for long-term debts, investments, and operation funds, etc.

(4) Major Lenders

a. Major Lenders for the Company (as of March 31, 2017)

Lender	Loan Balance
Sumitomo Mitsui Banking Corporation	22,931million yen
Sumitomo Mitsui Trust Bank, Limited	19,064million yen
Mizuho Bank, Ltd.	18,839million yen

b. Principal Lenders for MODEC, Inc. (as of December 31, 2016)

Lender	Loan Balance
Sumitomo Mitsui Banking Corporation	31,140 million yen
Sumitomo Mitsui Trust Bank, Limited	8,970 million yen
Mizuho Bank, Ltd.	4,077 million yen

(5) Financial and Profit/Loss Indicators

Consolidated Business Achievement During the Past Four Terms

Term Number (Years to March 31)	111 th (2013)	112 th (2014)	113 th (2015)	114 th (2016)
Order Intake (Million Yen)	1,107,750	959,784	609,621	516,577
Net Sales (Million Yen)	670,067	816,520	805,413	731,464
Operating Income (Million Yen)	19,969	13,298	11,813	8,304
Ordinary Income (Million Yen)	26,179	14,899	15,078	14,859
Profit (Loss) attributable to owners of parent (Million Yen)	42,854	9,463	7,599	12,194
Net Income (Loss) per Share (Yen)	51.80	11.63	9.40	15.09
Total Assets (Million Yen)	932,896	1,074,563	1,094,042	1,096,735
Net Assets (Million Yen)	323,608	347,305	343,853	367,608
Net Assets per Share (Yen)	266.64	292.86	290.48	309.78

(6) Issues to Address

In the 2014 Medium-Term Business Plan, the Company Group aimed for “achieving a balanced business portfolio that combines sustainable growth with income stability. In order to realize the aim, we formulated basic policies comprised of (1) innovation of our manufacturing business, (2) expansion of our engineering business, (3) expansion of participation in projects and our peripheral service business, and, in addition to these three strategic pillars, (4) strengthening of our management foundations. We have been approaching the task of building up organization structure for business expansion through reinforcement of close cooperation of the Company Group and expansion into the global market. Furthermore, we have been promoting innovation of our business domains and business models.

During the period of the 2014 Medium-Term Business Plan, we could not reach the numerical target (as of March 2017) due to losses in several works. However, on the other hand, as to net sales of each business model, sales ratio improved in the field of engineering and in the field of participation in projects and peripheral services business. Our business portfolio has become balanced and close to the value we targeted we formulated the 2014 Medium-Term Business Plan. And thus, we have been steadily innovating our business models.

From the next term, the 2017 Medium-Term Business Plan will start, aiming for “improving profit ratio and stabilizing income through exerting close cooperation of the Company Group.” Taking into account the review of the 2014 Medium-Term Business Plan, in order to realize this endeavor, issues to address of the Company Group are as follows:

1) Reinforcing risk management

In order to secure profit in large projects such as EPC (engineering, procurement, construction works), we will achieve stronger ability to collect information and to build up organization structure for preventing a contingent trouble.

2) Creating an optimum framework of manufacture and establishing a flexible structure of carrying out EPC projects

We will create an optimum framework of manufacture including optimal location of manufacture and will build a flexible structure for EPC projects so that we will be able to improve our cost competitiveness and provide high-quality and reasonable products and services.

3) Reinforcing the financial status of the Company Group

We will reinforce financial status by reducing our interest-bearing debt which has increased in recent years because of several operating loss.

(7) Major Subsidiaries

Name	Capital	The Company's Ownership of Voting Rights	Major Business Field
MODEC, Inc.	30,122 million yen	50.1%	Design, construction, lease, operation and maintenance of FPSOs
Showa Aircraft Industry Co., Ltd.	4,949 million yen	65.6%	Manufacture and sale of transport equipment, real estate leasing and management
KAJI TECHNOLOGY CORPORATION	1,440 million yen	51.3%	Manufacture and sale of high/ultrahigh pressure small compressors for air/various gases
Burmeister & Wain Scandinavian Contractor A/S	150 million DKK	100.0%	Construction of diesel power generation plants
TGE Marine Gas Engineering GmbH	3,017 thousand Euro	100.0%	Design, procurement and construction supervision of fuel gas supply system
Mitsui Zosen Systems Research Inc.	720 million yen	100.0%	Development and sale of information systems
Mitsui Meehanite Metal Co., Ltd.	492 million yen	100.0%	Manufacture, import and sale of iron and steel casting products
Niigata Shipbuilding & Repair, Inc.	300 million yen	100.0%	Design, manufacture and repair of ships

(Notes)

1. The relevant percentage of the Company's ownership of voting rights for Showa Aircraft Industry Co., Ltd. incorporates 5,131,000 shares (that correspond to 15.7% voting rights) the Company contributed to Sumitomo Mitsui Trust Bank, Limited as a retirement benefit trust (with the Company retaining the right to instruct the exercise of voting rights).
2. The Company acquired shares of KAJI TECHNOLOGY CORPORATION through a takeover bid and made the said company the Company's subsidiary on March 16, 2017.
3. DKK stands for Danish Krone.
4. Our 100% subsidiary, Mesco Denmark A/S, holds 100% of shares issued by Burmeister & Wain Scandinavian Contractor A/S as a holding company.
5. TGE Marine AG was excluded from the list of Major Subsidiaries due to the absorption-type merger of MES Germany Beteiligungs GmbH, our 100% subsidiary as a surviving company and TGE Marine AG as a merged company on October 5, 2016.

6. TGE Marine Gas Engineering GmbH was a subsidiary of TGE Marine AG. However, as a result of the merger stated above, MES Germany Beteiligungs GmbH holds 100% of shares issued by TGE Marine Gas Engineering GmbH as a holding company.
7. The Company has 86 consolidated subsidiaries, including 8 major subsidiaries listed above, and 47 affiliates accounted for by the equity method.
8. The percentage of the Company's ownership of voting rights is rounded down to the first decimal place.

(8) Major Offices, Branch Offices and Works (as of March 31, 2017)

a. The Company

Head Office	6-4, Tsukiji 5-chome, Chuo-Ku, Tokyo
Makuhari Center	World Business Garden Marib East Bldg., 2-6-1, Nakase, Mihama-Ku, Chiba City, Chiba
Works	Tamano (Tamano City, Okayama), Chiba (Ichihara City, Chiba), Oita (Oita City, Oita)
Branches	Hokkaido (Sapporo City, Hokkaido), Tohoku (Sendai City, Miyagi), Chubu (Nagoya City, Aichi), Kansai (Osaka City, Osaka), Chugoku (Hiroshima City, Hiroshima), Kyushu (Fukuoka City, Fukuoka), Higashi-Kyushu (Oita City, Oita), Okinawa (Naha City, Okinawa), Kure (Kure City, Hiroshima) and 3 oversea offices

b. Subsidiaries

MODEC, Inc.	Head office: Chuo-Ku, Tokyo
Showa Aircraft Industry Co., Ltd.	Head office: Akishima City, Tokyo
KAJI TECHNOLOGY CORPORATION	Head office: Sakai City, Osaka
Burmeister & Wain Scandinavian Contractor A/S	Head office: Denmark
TGE Marine Gas Engineering GmbH	Head office: Germany
Mitsui Zosen Systems Research Inc.	Head office: Chiba City, Chiba
Mitsui Meehanite Metal Co., Ltd.	Head office: Okazaki City, Aichi
Niigata Shipbuilding & Repair, Inc.	Head office: Niigata City, Niigata

(9) Number of Employees (as of March 31, 2017)

a. Employees of the Company Group:

Segment	Number of Employees
Shipbuilding	2,686
Ocean Development	3,294
Machinery & Systems	2,887
Engineering	2,455
Others	1,716
Corporate (common)	133
Total	13,171

(Note) The number of employees includes the employees seconded from out-of-group companies, but excludes the employees seconded from Group companies to out-of-group companies.

b. Employees of the Company: 3,717 (105 increase from the previous term)

Average age: 37.0 years old, average years of service per employee: 14.3 years

(Note) The number includes the employees seconded from other companies to the Company, but excludes the employees seconded from the Company to other companies.

(10) Acts of Business Reorganizations Including Business Transfers and Mergers

The Company acquired shares of KAJI TECHNOLOGY CORPORATION, which has its head office in Osaka, Japan, through a takeover bid and made the said company the Company's subsidiary on March 16, 2017.

(11) Other Important Matters concerning the Company Group

At the Company's Board of Directors meeting held on May 22, 2017, the Board approved the contracts on absorption type company split ("Split Contracts") with three (3) wholly owned subsidiaries for the purpose of transition to a holding company structure through the absorption type company split scheduled to be effective as of April 1, 2018 and entered into such Split Contracts with such subsidiaries on the same date. The execution of the Split Contracts is subject to the resolution by shareholders at the 114th Ordinary General Meeting of Shareholders held on June 28, 2017.

2. Matters concerning the Company's Shares (as of March 31, 2017)

- a. Number of shares authorized to be issued: 1,500,000,000 Shares
- b. Number of outstanding shares: Common Shares 830,987,176 Shares
Amount of Capital 44,384,954,321 yen
- c. Number of shareholders: 63,195
- d. Major 10 shareholders

Name	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,970	5.31
Japan Trustee Services Bank, Ltd. (Trust Account)	34,081	4.21
Japan Trustee Services Bank, Ltd. (Trust Account 9)	28,088	3.47
Mitsui & Co., Ltd.	25,500	3.15
The Hyakujushi Bank, Ltd.	25,460	3.15
Japan Trustee Services Bank, Ltd. (Trust Account for the retirement allowance for Sumitomo Mitsui Trust Bank, Limited)	23,316	2.88
Mitsui Life Insurance Company Ltd.	16,000	1.97
DFA INTL SMALL CAP VALUE PORTFOLIO	14,505	1.79
Japan Trustee Services Bank, Ltd. (Trust Account 4)	14,297	1.76
Sumitomo Mitsui Banking Corporation	13,647	1.68

(Notes)

1. Although the Company holds 22,770,971 treasury shares, it is excluded from Major shareholders described above. Those treasury shares include 4,000 shares nominally owned by the Company of which the Company is not the practical shareholder.
2. The shareholding ratio is calculated after deducting the treasury shares.
3. The shares held by Japan Trustees Service Bank, Ltd. (Trust Account for the retirement allowance for Sumitomo Mitsui Trust Bank, Limited) are the trusted property of the retirement allowances entrusted by Sumitomo Mitsui Trust Bank, Limited.

3. Directors and Corporate Auditors of the Company (as of March 31, 2017)

a. Names, titles and responsibilities at the Company, and important concurrent positions outside the Company of Directors and Corporate Auditors

<i>Name</i>	<i>Title</i>	<i>Responsibilities at the Company</i>	<i>Important Concurrent Positions Outside the Company</i>
<i>Yasuhiko Katoh</i>	Chairman and Representative Director		<i>Outside Director Eisai Co., Ltd.</i>
<i>Takao Tanaka</i>	President, Representative Director and CEO		—
<i>Takaki Yamamoto</i>	Vice President, Representative Director and Senior Managing Executive Officer	Assistant to President In charge of Audit Dept., personnel & general affairs and procurement General Manager of Export Control Dept., and CCO	—
<i>Shinsuke Minoda</i>	Director and Managing Executive Officer	General Manager of Machinery & Systems Hq.	<i>Director, MODEC, Inc.</i>
<i>Akira Nishihata</i>	Director and Managing Executive Officer	General Manager of Corporate Planning Hq. In charge of Research & Development Hq., and environmental & safety control, and CISO	—
<i>Kiyoshi Nakamura</i>	Director and Managing Executive Officer	In charge of IR Dept. and CFO	—
<i>Shinsuke Nippo</i>	Director and Managing Executive Officer	General Manager of Engineering Hq.	<i>Director, MODEC, Inc.</i>
<i>Tetsuro Koga</i>	Director and Managing Executive Officer	General Manager of Ship & Ocean Project Hq.	—
<i>Toru Tokuhisa</i>	Director		—
<i>Toshikazu Tanaka</i>	Director		<i>Senior Advisor of Mitsui Chemicals, Inc.</i>
<i>Yasuo Irie</i>	Corporate Auditor, Full Time		—
<i>Takahiro Hiraiwa</i>	Corporate Auditor, Full Time		—
<i>Osamu Endo</i>	Corporate Auditor		—
<i>Koichi Tanaka</i>	Corporate Auditor		<i>Outside Director, AIG Japan Holdings KK</i>

(Notes)

1. CEO stands for Chief Executive Officer.
2. CCO stands for Chief Compliance Officer.
3. CISO stands for Chief Information Security Officer.
4. CFO stands for Chief Financial Officer.
5. Messrs. Toru Tokuhisa and Toshikazu Tanaka, Directors, are Outside Directors.
6. Messrs. Osamu Endo and Koichi Tanaka, Corporate Auditors, are Outside Corporate Auditors.
7. As of October 1, 2016, Mr. Akira Nshihata's responsibilities at the Company have been changed as follows:

Before October 1, 2016	On or after October 1, 2016
In charge of Corporate Planning Dept., Research & Development Hq., Marketing Promotion Dept., and environmental & safety control, General Manager of Ocean Business Promotion Dept., and CISO	General Manager of Corporate Planning Hq. In charge of Research & Development Hq., and environmental & safety control, and CISO

8. Changes of important concurrent positions of directors during the fiscal year are as follows.

<i>Name</i>	<i>Company</i>	<i>Concurrent Post</i>	
<i>Yasuhiko Katoh</i>	Eisai Co., Ltd	Outside Director	Appointed as of June 17, 2016
<i>Shinsuke Minoda</i>	MODEC, Inc.	Director	Appointed as of March 24, 2017
<i>Akira Nishihata</i>	MODEC, Inc.	Director	Resigned as of March 24, 2017
<i>Toru Tokuhisa</i>	Nusa Tenggara Mining Corp.	Executive Vice President and Representative Director	Resigned as of November 25, 2016

9. Mr. Koichi Tanaka, Corporate Auditor, who worked for Mitsui & Co., Ltd. for many years in finance and accounting, has considerable knowledge on finance and accounting.
10. Messrs. Toru Tokuhisa and Toshikazu Tanaka, Directors, and Messrs. Osamu Endo and Koichi Tanaka, Corporate Auditors, have each entered into a Liability Limitation Agreement with the Company that limits the amount of their liability as set forth in Article 423, paragraph 1 of the Companies Act to 10 million yen or the minimum liability amount provided for by laws and regulations, whichever is higher.
11. The Company designated Messrs. Toru Tokuhisa and Toshikazu Tanaka, Directors, and Messrs. Osamu Endo and Koichi Tanaka, Corporate Auditors, as independent directors/auditors under the regulations of Tokyo Stock Exchange, and reported it to Tokyo Stock Exchange.

<For Reference>

Responsibilities of the Company's Directors and Executive Officers (as of April 1, 2017)

<i>Name</i>	<i>Title</i>	<i>Responsibilities at the Company</i>
<i>Takao Tanaka</i>	President, Representative Director, and CEO	
<i>Takaki Yamamoto</i>	Vice President Representative Director and Senior Managing Executive Officer	Assistant to President In charge of Auditing Dept. and personnel & general affairs General Manager of Export Control Dept. and CCO
<i>Shinsuke Minoda</i>	Director and Managing Executive Officer	General Manager of Corporate Planning Hq. and CISO
<i>Akira Nishihata</i>	Director and Managing Executive Officer	CTO, In charge of procurement and environmental & safety control General Manager of Research & Development Hq.
<i>Shinsuke Nippo</i>	Director and Managing Executive Officer	General Manager of Engineering Hq.
<i>Tetsuro Koga</i>	Director and Managing Executive Officer	General Manager of Ship & Ocean Project Hq.
<i>Yasuhiko Katoh</i>	Director and Senior Adviser	
<i>Kiyoshi Nakamura</i>	Director	Auxiliary to President
<i>Norihisa Fukuda</i>	Managing Executive Officer	Director and Senior Managing Executive Officer, Minaminippon Shipbuilding Co., Ltd.
<i>Shoichi Taguchi</i>	Managing Executive Officer	General Manager of Tamano Works and Special Mission by President (in charge of manufacturing)
<i>Ryoichi Oka</i>	Managing Executive Officer	General Manager of Machinery & Systems Hq.
<i>Yuichi Shiomi</i>	Managing Executive Officer	CFO and in charge of IR Dept.
<i>Yasuki Kishimoto</i>	Managing Executive Officer	Deputy General Manager of Machinery & Systems Hq. (in charge of material handling machinery) and General Manager of Oita Works

<i>Name</i>	<i>Title</i>	<i>Responsibilities at the Company</i>
<i>Katsuhiko Yoshida</i>	Executive Officer	Deputy General Manager of Engineering Hq. (in charge of plant engineering)
<i>Toshiro Miyake</i>	Executive Officer	Deputy General Manager of Ship & Ocean Project Hq. and General Manager of Tamano Shipyard, Ship & Ocean Project Hq.
<i>Yuji Kozai</i>	Executive Officer	Deputy General Manager of Corporate Planning Hq. and General Manager of Corporate Planning Dept.
<i>Kiyohiko Murakami</i>	Executive Officer	General Manager of Machinery Factory, Machinery & Systems Hq.
<i>Keiji Kurosaka</i>	Executive Officer	Deputy General Manager of Engineering Hq. (in charge of energy solutions and infrastructure)
<i>Naokazu Fukui</i>	Executive Officer	General Manager of Business Planning Dept., Corporate Planning Hq.
<i>Shigeki Takitani</i>	Executive Officer	General Manager of Procurement Dept.
<i>Yasunori Iwamatsu</i>	Executive Officer	Deputy General Manager of Ship & Ocean Project Hq. and General Manager of Planning & Administration Dept., Ship & Ocean Project Hq.
<i>Mitsuru Yamada</i>	Executive Officer	General Manager of Infrastructure Business Dept., Machinery & Systems Hq.

(Note)

1. CTO stands for Chief Technology Officer.

b. Regarding remuneration to Directors and Corporate Auditors

(a) Policy on determining remuneration to the Company's executives

In regard to remunerations to Directors, they are designed with consideration given to each Director's contribution to financial results reflecting those of business headquarters each Director is in charge of as well as those of the Company, based on remuneration amount pursuant to each Director's position, subject to the limit amount approved at the General Shareholders Meeting. Remunerations consist of remuneration by month pursuant to each Director's position, remuneration corresponding to stock price, remuneration corresponding to profits on consolidated basis. In regard to remunerations to Corporate Auditors, they are determined through discussion by the Board of Corporate Auditors, considering remunerations to Directors, subject to the limit amount approved at the General Shareholders Meeting.

When the Company determines remunerations to Directors and Executive Officers, it establishes an advisory committee on remuneration voluntarily, which discusses and recommends standards of determining remunerations and remuneration structure, and confirms whether standards and indicators satisfy the conditions provided by its recommendation. After the confirmation described above, the President will submit a proposal for remuneration structure and indicators for Directors and Executive Officers to the Board of Directors. The committee consists of four members in total: the President, a Director in charge of personal affairs, and two independent Outside Directors. One of the said independent Outside Directors serves as the chairman of the committee.

(b) Remunerations for Directors and Corporate Auditors

Total amount of remunerations paid for the Term

Classification	Number of Recipients	Total Amount of Remunerations
Directors (of which Outside Directors)	13 (2)	262 million yen (20 million yen)
Corporate Auditors (of which Outside Corporate Auditors)	7 (4)	77 million yen (19 million yen)
Total	20	339 million yen

(Notes)

1. The above includes three Directors and three Corporate Auditors (among whom two are outside Corporate Auditors) who retired as of the conclusion of the 113th Ordinary General Meeting of Shareholders held on June 28, 2016.
2. Remunerations for the Directors do not include the employee salaries paid to the Directors who concurrently serve as employees.
3. Remunerations for Directors and for Corporate Auditors were resolved at the 107th Ordinary General Meeting of Shareholders held on June 25, 2010 to be not more than 630 million yen per year (excluding the employee salaries) and not more than 90 million yen per year, respectively.
4. The total amount of remunerations for Directors specified above includes (i) 10 million yen

related to subscription rights to shares allotted as stock option remuneration and (ii) 10 million yen as remuneration corresponding to profits.

Outside Directors are not eligible for the stock option remuneration and remuneration corresponding to profits.

5. The above does not include value of remuneration corresponding to stock price, because it is not recognized at the time of issuance of this report. Outside Directors are not eligible to receive remuneration corresponding to profits.
6. As of the conclusion of the 110th Ordinary General Meeting of Shareholders held on June 27, 2013, the Company abolished the retirement benefits program for Directors and Corporate Auditors. It was also resolved that, for Directors and Corporate Auditors holding offices subsequently to the conclusion of that Meeting, retirement benefits for Directors and Corporate Auditors corresponding to the terms of office prior to abolishment of the retirement benefits program for Directors and Corporate Auditors will be provided to each of the eligible persons upon retirement.

c. Matters concerning Outside Directors and Corporate Auditors

- (a) Important concurrent post held by Outside Directors and Corporate Auditors at corporations in which they are persons who execute business and relationship between the Company and such corporations:
 - Mr. Toru Tokuhisa, Director resigned Executive Vice President and Representative Director of Nusa Tenggara Mining Corp as of November 25, 2016. The Company has no special relationship with Nusa Tenggara Mining Corp.
- (b) Important concurrent post held by Outside Directors and Corporate Auditors at corporations for which they serve as outside directors or corporate auditors and relationship between the Company and such corporations:
 - Mr. Koichi Tanaka, Corporate Auditor concurrently serves as outside director of AIG Japan Holdings KK. The Company has no special relationship with AIG Japan Holdings KK.
- (c) Major activities during the Term:
 - Attendance at the Board of Directors meetings and Board of Corporate Auditors meetings.
 - Mr. Toru Tokuhisa, Director: Attended all 15 Board of Directors meetings.
 - Mr. Toshikazu Tanaka, Director: Attended all 15 Board of Directors meetings.
 - Mr. Osamu Endo, Corporate Auditor: Attended all 11 Board of Directors meetings and all 10 Board of Corporate Auditors meetings.
 - Mr. Koichi Tanaka, Corporate Auditor: Attended all 11 Board of Directors meetings and all 10 Board of Corporate Auditors meetings.

(Notes)

1. Messrs. Osamu Endo and Koichi Tanaka, Corporate Auditors, were elected in the 113th Ordinary General Meeting of Shareholders held on June 28, 2016. The number of times of their attendance written above is about the Board of Directors meetings and the Corporate Auditors meetings held after the 113th Ordinary General Meeting of Shareholders (held 11 times and 10 times, respectively) .
2. In addition to the above-mentioned number of times the Board of Directors meetings held, one resolution was deemed to be made by the Board of Directors through voting in writing, pursuant to Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation.

- Expressions of opinions and other at the Board of Directors meetings and Board of Corporate Auditors meetings:

Mr. Toru Tokuhisa, Director, raised questions and expressed his opinions when necessary at the Board of Directors meetings he attended, based on his experience as an employee of a governmental financial institution and the management of a company in the business of investment financing for overseas mines, leveraged his abundant knowledge of international finance and management in general.

Mr. Toshikazu Tanaka, Director, raised questions and expressed his opinions when necessary at the Board of Directors meetings he attended, with his abundant discernment regarding business activity and management in general based on his experience as management of a major general chemical company.

Mr. Osamu Endo, Corporate Auditor, raised questions and expressed his opinions when necessary at the Board of Directors meetings and Board of Corporate Auditors meetings he attended with his abundant discernment regarding economic trend and management in general based on his experience as management of a financial institution.

Mr. Koichi Tanaka, Corporate Auditor, raised questions and expressed his opinions when necessary at the Board of Directors meeting and Board of Corporate Auditors meetings he attended with his abundant discernment regarding business activity and management in general based on his experience as management of a general trading company.

4. Accounting Auditor

a. Name of Accounting Auditor: KPMG AZSA LLC (in Japanese *Azusa Kansa-Hojin*)

b. Amount of fees paid to the Accounting Auditor

Fees to the Accounting Auditor for the Term: 97 million yen

Total of cash and other financial profits payable by the Company and its subsidiaries to the Accounting Auditor: 269 million yen

(Notes)

1. In the audit agreement between the Company and the Accounting Auditor, no distinction is made between the remuneration that it pays for auditing services governed by the Companies Act and for auditing services governed by the Financial Instruments and Exchange Act, and such distinction is actually impossible. Consequently, the amount shown above is a sum of these two amounts.
2. Among our major subsidiaries, overseas subsidiaries of MODEC, Inc., Showa Aircraft Industry Co., Ltd., Burmeister & Wain Scandinavian Contractor A/S, and TGE Marine Gas Engineering GmbH, are audited by other auditing firms.

c. Consent to the amount of fees paid to the Accounting Auditor

As a result of examining the contents of the auditing plan submitted by the Accounting Auditor, the status of accounting audit duties being carried out, and the basis for calculating estimates of the amount of fees, the Board of Corporate Auditors judged them appropriate and gave its consent to the amount of fees paid to the Accounting Auditor.

d. Non-audit professional services provided by the Accounting Auditor

The Company and its subsidiaries also paid compensation to the Accounting Auditor for financial and taxation due diligence, preparation of a comfort letter in relation to issuance of the corporate debentures by the Company, advises on International Financial Reporting Standards (IFRS), etc., which are not statutory auditing duties stipulated in Article 2, paragraph 1 of the Certified Public Accountants Act.

e. Policy for decisions on dismissal or non-reappointment of the Accounting Auditor

Concerning dismissal or non-reappointment of the Accounting Auditor, the Board of Corporate Auditors shall decide contents of a proposed resolution they submit to the General Meeting of Shareholders, in the event they judge it necessary to do so in cases such as where the Accounting Auditor is recognized to have difficulty in properly fulfilling its auditing duties.

In addition, the Board of Corporate Auditors shall be entitled to dismiss the Accounting Auditor by a unanimous vote when it is recognized that the Accounting Auditor falls under any of the items stipulated in Article 340, paragraph 1 of the Companies Act. In such event, a Corporate Auditor nominated by the Board of Corporate Auditors shall report at the first Ordinary General Meeting of Shareholders held after such dismissal the fact of dismissal and the reason thereof.

5. System to Ensure Properness of Operations and its Operating Status

I. System to Ensure Properness of Operations

The Company resolved at a meeting of the Board of Directors held on May 10, 2006 the “Basic Policy regarding Establishment of Internal Control System,” and has kept reviewing and making amendments to the “Basic Policy” every year for further enrichment of the Internal Control System. Most recently, the review was approved as follows at a meeting of the Board of Directors held on March 30, 2017.

- (i) System to ensure execution of duties by Directors to be in conformity with laws and regulations and the Articles of Incorporation of the Company;
 - (a) To ensure the manner of business execution to be appropriate and sound as a whole, the Board of Directors will further strengthen corporate governance, and consolidate effective risk control system, internal control system, and compliance system for the Company Group comprised of the Company and its subsidiaries.
 - (b) To strengthen the functions of oversight by the Board of Directors, Outside Directors of independent standing shall be elected.
 - (c) To reinforce functions of the Board of Directors to decide and oversee important matters, and to make corporate business execution effective, the Company shall introduce the “Executive Officer System”.
 - (d) The Company shall take measures to ensure the reliability of the information that could have significant impact on the financial reporting.
 - (e) Based on the audit report by the Corporate Auditors and the Board of Corporate Auditors on the effectiveness of the risk control system, internal control system and compliance system, the Board of Directors will exert effort for early discovery of problems and rectification, if necessary.
- (ii) System to ensure the preservation and management of information related to execution of duties by Directors;
 - (a) The secretary of respective management committees will prepare the documents (including electronic documents) recording the resolutions by the management and the execution of duties in accordance with the relevant rules, and will preserve and manage them in the appropriate manner.
 - (b) The Directors and Corporate Auditors may review such documents whenever necessary.
- (iii) Regulations and other organizational structures related to the management of the risk of loss;
 - (a) To promote “total risk management” to exhaustively grasp and evaluate all risks related to overall business activities, and to continuously confirm and control on management level

whether appropriate measures are taken against important risks of high priority.

- (b) In case unexpected events which may significantly negatively influence continuation of business, safety and securing of personnel life or significant emergency which may threaten continuation as enterprise occurs, the “Special Risk Management Committee” headed by Representative Director will deliberate necessary countermeasures to minimize losses.
 - (c) Regarding the control of business operation risk that could have large impact to the management, each operational Hq. shall establish a “Hq. Internal Review Meeting for Risk Control” based on the “Company-wide Standard of Risk Control and Decision Making” and carry out the checking of risks by themselves.
 - (d) The Audit Dept., which is independent and objective, shall be responsible for verifying effectiveness of the internal audit of risk management by the operational divisions, and recommend corrective measures to any defects.
- (iv) System to ensure efficient execution of duties by Directors;
- (a) Besides the monthly ordinary meetings and extraordinary meetings of the Board of Directors, in order for the Directors to execute their duties properly and efficiently, the Company organizes management body such as the Management Strategy Committee and the Management Committee, and deliberates and decides the matters depending on their respective functions.
 - (b) Directors execute their duties properly with responsibility and authorization based on the work assignment decided at the Board of Directors. Directors report the status to the Board of Directors more than once in every three months.
 - (c) By transferring authority of business execution to Executive Officers elected at the Board of Directors, the Company shall endeavor to optimize Directors’ execution of their duties.
 - (d) With clear objectives and strictly pursuing profitability for strengthening its market competitiveness, the Board of Directors shall have the Company and each of the business divisions formulate its targets as annual budget plans. Directors or Executive Officers report the status every three months to the member of the Management committees, the member of the Board of Directors, and other related persons.
- (v) System to ensure execution of duties by employees to be in conformity with laws and regulations and the Articles of Incorporation of the Company;
- (a) As for Compliance, the Company shall establish a “Compliance Committee” based on the “Internal Rules on Operation of Compliance” for overseeing and promoting compliance. Its members consist of the compliance officers of the Head Office, Works, and subsidiaries, and Chief Compliance Officer (hereinafter called “CCO”) elected at the Board of Directors serves as the chairman of the Committee.

- (b) As for observance of the Anti-Monopoly Act, the Company, particularly in order to strengthen monitoring of its observance, shall establish the “Supervisory Committee for Compliance with Anti-Monopoly Act” as a subcommittee of the “Compliance Committee” in order for the Company to thoroughly oversee the activity of this subject. Its members consist of senior-ranked employees from each corporate departments and sales departments of the business divisions, and the CCO serves as the chairman of the Committee.
 - (c) For the observance of the Code of Corporate Conduct, the Company shall promote education and enlightenment to the officers and employees of the Company and subsidiaries for their better understanding of the Code.
 - (d) In order to detect activity which would violate the laws and regulations and other problems related to compliance in early stages, the Company ensures effectiveness of the “Help-line” system (whistle-blowing system) that connects officers and employees of the Company, its subsidiaries, and their business connections directly to the outside attorney-at-law and/or the chief of compliance bureau based on the “Internal Rules on Operation of Whistle-blowing System,” provided in accordance with the “Whistleblower Protection Act.”
 - (e) As for Compliance System, the Audit Dept. examines the effectiveness of the system and, in the event that defect in the system is found, corrective measures are to be taken.
 - (f) To ensure the reliability of the information which could have significant impact to the financial reporting, and as for disclosure of the financial information or other information of the Company, the Company discloses adequately and timely the Company’s information in accordance with the internal rules on disclosure of the Company’s information.
- (vi) System to ensure appropriate operations of the Company Group consisting of the Company and its subsidiaries;
- (a) By means of stipulating “Corporate Principle,” “Business Attitude,” and “Code of Conduct” for the Company Group, each member companies ensure necessary systems for appropriate operations.
 - (b) As for management control of the Company Group, in addition to dispatching Directors and Corporate Auditors to each subsidiary for supervision, the Company manages and supervises through its decision-making system and reporting system in accordance with the “Internal Rules on Company Group Management Control.”
 - (c) As for the internal control of the Company Group related to financial reporting, in addition to the self-check by means of own evaluation effectiveness thereof is inspected and checked through the independent internal audit by the Audit Dept., and is rectified, if necessary.
 - (d) As for compliance, “Internal Rules on Operation of the Compliance” is also applied to the directors of the subsidiaries. President of each of the subsidiaries ensures compliance system tailored for each business of the subsidiaries as the Compliance Officer pursuant to instructions

of the “Compliance Committee.”

- (e) Directors and employees of the subsidiaries may also use the “Help-line” system mentioned above.
- (f) Based on the “Operation Method of Risk-Management in Subsidiaries,” the Company shall confirm and supervise whether its subsidiaries select important risks to be prioritized and whether they deal with them properly through the department supervising each subsidiary, and the Company shall make an effort to reduce risks further in order to prevent risks from arising in the Company Group.
- (vii) Treatment of employees in the event that Corporate Auditors request employees to assist in carrying out their auditing duties;
 - (a) In order to assist Corporate Auditors to carry out their duties, the “Corporate Auditor’s Staff,” which have employees to serve on full time basis, and which is independent of operational divisions, is to be established.
 - (b) The staff belonging to the Corporate Auditor’s Staff shall assist Corporate Auditors in accordance with their instructions.
- (viii) Independence of the employees assigned to assist Corporate Auditors from Directors referred to in the preceding paragraph and ensuring effectiveness of instructions by Corporate Auditors to the employees;
 - (a) The employees belonging to the Corporate Auditor’s Staff are free from orders or supervision by Directors.
 - (b) Personal affairs of the employees belonging to the Corporate Auditor’s Staff shall be decided through deliberation with Corporate Auditors.
- (ix) Reporting System to Corporate Auditors;
 - (a) System for Directors’ and employees’ reporting to Corporate Auditors and other system relating to reporting to Corporate Auditors
 - a) The Corporate Auditors shall attend the Management Strategy Committee and the Management Committee, and the secretary shall furnish minutes of the meetings to the Corporate Auditors.
 - b) Directors and employees shall immediately report to Corporate Auditors in case they find facts which would give material damages to the Company.
 - c) As to matters to be reported to Corporate Auditors by Directors and employees, they shall, in a timely and appropriate manner, submit reports to the Board of Corporate Auditors prepared in accordance with the rules of items to be reported and the manner of reporting to be decided after consultation with the Board of Corporate Auditors.

- d) Corporate Auditors may require Directors and employees to submit reports whenever Corporate Auditors deem necessary.
- (b) System for reporting to the Company's Corporate Auditors by its subsidiaries' Directors, Corporate Auditors, employees, or persons who received reports from those
 - a) Directors, Corporate Auditors, employees of the subsidiaries, or persons who received reports from those, shall immediately report to the Company's Corporate Auditors in case they find facts which would give material damages to the subsidiaries.
 - b) As to matters to be reported to the Company's Corporate Auditors by its subsidiaries' Directors, Corporate Auditors, employees, or persons who received reports from those, they shall, in a timely and appropriate manner, submit reports to the Board of Corporate Auditors prepared in accordance with the rules of items to be reported and the manner of reporting to be decided after consultation with the Board of Corporate Auditors.
 - c) Corporate Auditors may require the subsidiaries' Directors, Corporate Auditors, employees or persons who received reports from those to submit report whenever Corporate Auditors deem necessary.
- (x) System ensuring those who reported as referred in the preceding paragraph do not receive disadvantageous treatment due to their reports;
 - (a) The Company ensures effectiveness of the system in accordance with the "Internal Rules on Operation of Whistle-blowing System" established based on the "Whistleblower Protection Act."
- (xi) Procedures for pre-payment or refund of expenses arising from execution of duties by the Corporate Auditors and policy on other means of payment of expenses and debts arising from their auditing duties;
 - (a) When the Board of Corporate Auditors requires, the Company shall appropriately and swiftly pay expenses or debts in order not to disturb execution of duties by Corporate Auditors.
- (xii) Other systems ensuring effective auditing by Corporate Auditors;
 - (a) Representative Directors will have meetings with Corporate Auditors as frequently as possible to exchange opinions and to communicate in regard to operation of the Company other than their reports on business to Corporate Auditors.
 - (b) Directors shall cooperate with Corporate Auditors so that Corporate Auditors may conduct audit efficiently in cooperation with the Accounting Auditor, the internal audit segment and the Corporate Auditors of the subsidiaries.

II. Overview of Operating Status of the "System to Ensure Properness of Operations"

The Company maintains and operates the system based on the "Basic Policy regarding Establishment of Internal Control System" and makes efforts to further enrich the Internal Control System. The

overview of operating status during this Term is as follows:

(i) System to promote Internal Control System

- (a) In order to build a company-wide “System to promote Internal Control System” following the President’s directions, the Company has established “Committee on Total Risk and Internal Control,” whose chairman is General Manager of Corporate Planning Hq., appointed by the President.

During this Term, the committee was held four times and it properly made proposals and reports to management committees, the President, and other Company’s executives which would contribute to the enhancement of corporate governance and dealing with the reporting system of internal control of past financial reports, such as the system of risk management and the application of “Japan’s Corporate Governance Code” provided by Tokyo Stock Exchange, etc.

(ii) Risk Management System

- (a) At the beginning of each term, the Company practices total risk management, by which the Company comprehends and evaluates all risks concerning overall corporate management activities, selects important risks to be prioritized, and continuously confirms and administers, at the management level, whether proper actions are taken for the important risks. The “Committee on Total Risk and Internal Control” conducted monitoring about whether the Company’s executives properly dealt with the important risks.
- (b) The Company checked risks on its own at the “Hq. Internal Review Meetings for Risk Control,” which were established in each Hq. based on the “Company-wide Standard of Risk Control and Decision Making” and managed risks to business operation which had significant impacts on corporate management.
- (c) As for status of risk management in segments executing business, the Audit Dept., which has maintained independency and objectivity, confirmed the status of self - risk- checks of each Hq., based on internal rules. It also conducted internal audit for its group companies based on its annual auditing plan.

In addition, it reported the results of the audit to the Board of Directors, Management Committee, and an Officer in charge of Audit Dept.

(iii) Compliance System

- (a) In this Term, based on the “Internal Rules on Operation of Compliance,” the Company held the “Compliance Committee” four times, where company-wide information exchange and dissemination of information were carried out in order to reinforce compliance of the Company and its subsidiaries. Especially in regard to observance of the Anti-Monopoly Act, the Company carried out the “Supervisory Committee for Compliance with Anti-Monopoly

Act” four times during this Term and conducted supervision thoroughly and continuously.

- (b) As for observance of the “Code of Corporate Conduct” the Company held classroom training on compliance for its new employees and newly appointed executives of subsidiaries, e-learning training on executives and employees of the Company and its subsidiaries, and continuously carried out education and enlightenment for executives and employees of the Company and its subsidiaries.
- (c) In order to detect activity which would violate the laws and regulations and other problems related to compliance in early stages, the Company has established the “Help-line” system (whistle-blowing system) which executives, employees, etc. of the Company, subsidiaries, and their business connections can directly consult with or report to. When a report was made, the Company dealt with it properly based on the “Internal Rules on Operation of Whistle-blowing System,” provided in accordance with the Whistleblower Protection Act.

(iv) Group Management System

- (a) In addition to dispatching Directors and Corporate Auditors to each subsidiary for supervision, the Company has managed and supervised its subsidiaries through its decision-making system and reporting system in accordance with the “Internal Rules on Company Group Management Control.”
- (b) During this Term, based on the “Operation Method of Risk-Management in Subsidiaries,” through the department which has jurisdiction over the subsidiaries, the Company has confirmed and supervised whether the subsidiaries selected important risks which should take priority and whether they dealt with them properly, and endeavored to reduce risks further in order to prevent risks from arising in the Company Group based on that rule.

Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of Yen)

Assets	
Current assets	
Cash and time deposits	119,811
Trade receivables	261,673
Merchandise and finished goods	4,090
Work in progress	35,585
Raw materials and supplies	5,976
Deferred tax assets	10,791
Short-term loans	56,495
Others	46,248
Allowance for doubtful accounts	(3,300)
Total current assets	537,372
Non-current assets	
Property, plant and equipment	
Buildings and structures	201,236
Accumulated depreciation	(139,833)
Buildings and structures, net	61,403
Machinery, equipment and vehicles	181,690
Accumulated depreciation	(136,900)
Machinery, equipment and vehicles, net	44,789
Land	249,265
Lease assets	18,195
Accumulated depreciation	(9,680)
Lease assets, net	8,515
Construction in progress	2,033
Others	20,715
Accumulated depreciation	(17,464)
Others, net	3,250
Total property, plant and equipment	369,257
Intangible assets	
Goodwill	14,348
Others	15,413
Total intangible assets	29,761
Investments, long-term loans and other assets	
Investment securities	88,170
Long-term loans	31,488
Net defined benefit asset	6,697
Deferred tax assets	17,450
Others	17,285
Allowance for doubtful accounts	(749)
Total investments, long-term loans and other assets	160,342
Total non-current assets	559,362
Total assets	1,096,735

Liabilities	
Current liabilities	
Trade payables	195,849
Short-term borrowings	14,124
Current portion of long-term borrowings	47,632
Current portion of bonds	15,000
Lease obligations	2,433
Accrued income taxes	13,736
Deferred tax liabilities	536
Advances from customers	72,904
Provision for product warranty	10,542
Provision for losses on construction contracts	15,857
Asset retirement obligations	9
Others	40,857
Total current liabilities	429,483
Long-term liabilities	
Bonds	40,000
Long-term borrowings	148,419
Lease obligations	7,312
Deferred tax liabilities	50,316
Deferred tax liabilities for land revaluation	18,616
Liability for severance and retirement benefits for directors and corporate auditors	425
Net defined benefit liabilities	12,777
Asset retirement obligations	1,284
Others	20,490
Total long-term liabilities	299,642
Total liabilities	729,126
Net assets	
Shareholders' equity	
Common stock	44,384
Capital surplus	18,808
Retained earnings	146,961
Treasury stock	(4,778)
Total shareholders' equity	205,376
Accumulated other comprehensive income	
Net unrealized holding gains (losses) on securities	9,957
Unrealized gains (losses) on hedging derivatives	(6,611)
Revaluation reserve for land	41,263
Foreign currency translation adjustments	5,595
Remeasurements of defined benefit plans	(5,211)
Total accumulated other comprehensive income	44,993
Subscription rights to shares	236
Non-controlling interests	117,002
Total net assets	367,608
Total liabilities and net assets	1,096,735

Consolidated Statements of Income

(April 1, 2016 to March 31, 2017)

(Millions of yen)

Net sales	731,464
Cost of sales	672,579
Gross profit	58,885
Selling, general and administrative expenses	50,580
Operating income	8,304
Non-operating income	
Interest income	4,532
Dividend income	1,138
Equity in earnings of unconsolidated subsidiaries and affiliates	5,548
Others	2,064
Total non-operating income	13,283
Non-operating expenses	
Interest expenses	3,417
Foreign currency exchange losses	1,889
Loss on valuation of derivatives	204
Others	1,217
Total non-operating expenses	6,728
Ordinary income	14,859
Extraordinary income	
Gain on disposal of non-current assets	27,259
Gain on sales of investment securities	294
Gain on bargain purchase	272
Total extraordinary income	27,826
Extraordinary losses	
Loss on disposal of non-current assets	1,055
Loss on impairment of non-current assets	5,090
Loss on sales of investment securities	2
Loss on valuation of investment securities	10
Loss on valuation of investments in capital of subsidiaries and affiliates	5
Loss on valuation of shares of subsidiaries and affiliates	272
Loss on step acquisitions	436
Loss on settlement	1,084
Provision for loss on litigation	714
Total extraordinary losses	8,672
Profit before income taxes	34,014
Income taxes - current	11,612
Income taxes - deferred	3,839
Total income taxes	15,452
Profit	18,562
Profit attributable to non-controlling interests	6,368
Profit attributable to owners of parent	12,194

BALANCE SHEET

(as of March 31, 2017)

(Millions of Yen)

Assets	
Current assets	
Cash and time deposits	43,873
Notes receivable - trade	1,466
Accounts receivable - trade	102,182
Finished goods	2,985
Work in progress	26,113
Raw materials and supplies	1,925
Advance payments - trade	857
Prepaid expenses	52
Deferred tax assets	5,216
Short-term loans	4,091
Others	19,968
Allowance for doubtful accounts	(2,040)
Total current assets	206,693
Non-current assets	
Property, plant and equipment	
Buildings	15,738
Structures	7,906
Docks and building berths	766
Machinery and equipment	11,280
Vessels	12
Vehicles	161
Tools, furniture and fixtures	1,167
Land	86,323
Lease assets	5,408
Construction in progress	1,297
Total property, plant and equipment	130,064
Intangible assets	
Patent right	78
Software	1,262
Others	69
Total intangible assets	1,410
Investments, long-term loans and other assets	
Investment securities	31,461
Stocks of subsidiaries and affiliates	105,728
Investments in capital	10
Investments in capital of subsidiaries and affiliates	4,995
Long-term loans	129
Long-term loans - employees	0
Long-term loans - subsidiaries and affiliates	4,313
Claims provable in bankruptcy, claims provable in rehabilitation and other	37
Long-term prepaid expenses	13
Prepaid pension cost	13,712
Deferred tax assets	7,244
Others	1,818
Allowance for doubtful accounts	(401)
Total investments, long-term loans and other assets	169,063
Total non-current assets	300,538
Total assets	507,231

Liabilities	
Current liabilities	
Notes payable – trade	19,601
Accounts payable – trade	38,820
Short-term borrowings	11,690
Current portion of long-term borrowings	28,172
Current portion of bonds	15,000
Lease obligations	2,014
Accounts payable - other	7,680
Accrued expenses	6,617
Accrued income taxes	2,151
Advances from customers	37,982
Deposits received	22,966
Provision for product warranty	2,275
Provision for losses on construction contracts	4,876
Provision for loss on litigation	297
Others	2
Total current liabilities	200,148
Long-term liabilities	
Bonds	40,000
Long-term borrowings	84,861
Lease obligations	4,325
Deferred tax liabilities for land revaluation	17,711
Provision for losses on business of subsidiaries and affiliates	27,019
Provision for environmental preservation cost	1,230
Asset retirement obligations	560
Others	587
Total long-term liabilities	176,297
Total liabilities	376,445
Net assets	
Shareholders' equity	
Common stock	44,384
Capital surplus	
Legal capital surplus	18,154
Total capital surpluses	18,154
Retained earnings	
Other retained earnings	
Reserve for special depreciation	1,042
Reserve for advanced depreciation of non-current assets	2,447
Retained earnings brought forward	23,364
Total retained earnings	26,855
Treasury stock	(4,778)
Total shareholders' equity	84,615
Valuation and translation adjustments	
Net unrealized holding gains (losses) on securities	8,982
Unrealized gains (losses) on hedging derivatives	586
Revaluation reserve for land	36,363
Total valuation and translation adjustments	45,933
Subscription rights to shares	236
Total net assets	130,785
Total liabilities and net assets	507,231

Statements of Income (April 1, 2016 to March 31, 2017)

(Millions of yen)

Net sales	266,550
Cost of sales	236,454
Gross profit	30,096
Selling, general and administrative expenses	15,195
Operating income	14,900
Non-operating income	
Interest income	144
Dividend income	4,711
Others	833
Total non-operating income	5,689
Non-operating expenses	
Interest expenses	1,071
Interest on bonds	446
Others	911
Total non-operating expenses	2,428
Ordinary income	18,161
Extraordinary income	
Gain on disposal of non-current assets	27,242
Gain on sales of investment securities	195
Total extraordinary income	27,438
Extraordinary losses	
Loss on disposal of non-current assets	752
Loss on impairment of non-current assets	3,498
Loss on sales of investment securities	2
Loss on valuation of investment securities	3
Loss on valuation of shares of subsidiaries and affiliates	8,955
Loss on valuation of investments in capital of subsidiaries and affiliates	5
Provision for losses on business of subsidiaries and affiliates	26,893
Provision for loss on litigation	297
Loss on settlement	1,084
Total extraordinary losses	41,491
Profit before income taxes	4,107
Income taxes - current	3,540
Income taxes - deferred	164
Total income taxes	3,705
Profit	402

(Translation)

Independent Auditor's Report

May 16, 2017

The Board of Directors
Mitsui Engineering & Shipbuilding Co., Ltd.

KPMG AZSA LLC

Teruhiko Tanaka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shigemori Akiyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Takeda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Mitsui Engineering & Shipbuilding Co., Ltd. as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

presentation of the consolidated financial statements.

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

Opinion

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

Other Matter

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

(Translation)

Independent Auditor's Report

May 16, 2017

The Board of Directors
Mitsui Engineering & Shipbuilding Co., Ltd.

KPMG AZSA LLC

Teruhiko Tanaka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shigemori Akiyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Takeda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Mitsui Engineering & Shipbuilding Co., Ltd. as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Mitsui Engineering & Shipbuilding Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

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

The Board of Corporate Auditors' Report (Copy)

(Translation)

REPORT BY THE BOARD OF CORPORATE AUDITORS

This audit report was prepared following discussions based on the audit reports of each Corporate Auditor concerning the conduct of the Directors in the execution of their duties during the Company's fiscal year 2016(from April 1, 2016 to March 31, 2017). The Board of Corporate Auditors submits its report as follows.

1. Methods and Details of Audits by the Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors established auditing policies, schedules and other matters and received reports on the status and result of audits from each Corporate Auditor. In addition, the Board of Corporate Auditors received reports from Directors, and the Accounting Auditor, and others concerning the execution of their duties, and requested explanations when deemed necessary.
- (2) In accordance with the auditing policies, schedules and other matters and in conformity with standards for audits by Corporate Auditors, as established by the Board of Corporate Auditors, each Corporate Auditor worked to gather information, create an effective audit environment by keeping channels of communication open with Directors, the Internal Audit Department, employees and others and conducted the audits in the following manner.
 - (a) Each Corporate Auditor attended meetings of the Board of Directors and other important management meetings, requested reports from Directors, employees and others concerning the execution of their duties as well as explanations when deemed necessary, and examined important documents supporting decisions and other records and surveyed the status of operations and assets at the Head Office and main offices. Regarding subsidiaries, the Board of Corporate Auditors have kept channels of communication open and exchanged information with Directors and Corporate Auditors of subsidiaries, and visited there and received business reports from subsidiaries when deemed necessary.
 - (b) Each Corporate Auditor regularly received reports and further explanation as necessary, from Directors, employees and others about the design and operation of the internal control system, which was established based on the Board of Directors resolutions regarding the establishment of an internal control system, pursuant to Article 100, paragraphs 1 and 3 of the Companies Act Enforcement Regulations as essential for ensuring the execution of duties by Directors described in the business report conforms with laws and the Company's Articles of Incorporation and for otherwise ensuring proper business conduct by the corporate group consisting of the Company and its subsidiaries. The Board of Corporate Auditors requested explanations when deemed necessary and Corporate Auditors expressed their opinions. In addition, the Board of Corporate Auditors regularly received reports and required further explanation as necessary, from KPMG AZSA LLC, the Accounting Auditor on the status of discussion between the Company and the Accounting Auditor and internal control system on financial reporting and its audit.
 - (c) Each Corporate Auditor monitored and verified whether KPMG AZSA LLC, the Accounting Auditor maintained independence and conducted proper audits. At the same time, reports were received from the Accounting Auditor regarding the status of the execution of its duties, and explanations were requested where deemed necessary. The Board of Corporate Auditors also received notification from the Accounting Auditor that it had established a system for ensuring that duties are performed properly, as prescribed by items in Article 131 of the Ordinance on Accounting of Companies, in accordance with the standards issued by the Business Accounting Council and the rules issued by the Japanese Institute of Certified Public Accountants.

Explanations were requested where deemed necessary.

Based on the above approach, the Board of Corporate Auditors examined the business report and the accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes concerning significant accounting policies and other notes) and the accompanying supplemental schedules of the Company as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of shareholders' equity and the related notes) for the term under review.

2. Audit Results

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

As a result of these activities, we certify that:

- (a) the business report and the accompanying supplemental schedules present the Company's situation correctly in accordance with laws and regulations and the Articles of Incorporation of the Company;
- (b) there was no improper behavior detected on the part of Directors in the conduct of their duties and no grave instances of violations of either applicable laws and regulations or the Articles of Incorporation of the Company; and
- (c) the details of the Board of Directors resolutions concerning the internal control system were appropriate and adequate. Furthermore, there was nothing we must point out regarding the contents of the business report and financial reporting or the performance of duties by Directors in connection with said internal control system.

(2) Results of Audit of Non-Consolidated Financial Statements and the Accompanying Supplemental Schedules

In our opinion, the auditing method and results of KPMG AZSA LLC, the Accounting Auditor, are appropriate and adequate.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the auditing method and results of KPMG AZSA LLC, the Accounting Auditor, are appropriate and adequate.

May 19, 2017

Board of Corporate Auditors
Mitsui Engineering & Shipbuilding Co., Ltd.

Yasuo Irie (Seal)
Full-time Corporate Auditor

Takahiro Hiraiwa (Seal)
Full-time Corporate Auditor

Osamu Endo (Seal)
Corporate Auditor

Koichi Tanaka (Seal)
Corporate Auditor

(Note)

Messrs. Osamu Endo and Koichi Tanaka are Outside Corporate Auditors provided by Article 2, item 16 and Article 335, paragraph 3 of the Companies Act.