

June 7, 2016

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

To Our Shareholders:

**NOTICE OF THE 113TH ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 113th Ordinary General Meeting of Shareholders of Mitsui Engineering & Shipbuilding Co., Ltd. (the “Meeting”) to be held on Tuesday, June 28, 2016, 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 after reviewing the Reference Documents for the General Meeting of Shareholders.

For those who exercise voting rights in writing, please indicate your vote for each proposal on the voting form enclosed herein, and return it by postal mail. The form shall arrive by 5:00 P.M., Monday, June 27, 2016.

For those who exercise voting rights on the Internet, please access the website designated for voting by the Company (<http://www.web54.net>) by using the voting code and the password written on the voting form, and enter your vote for each proposal in accordance with the online instruction by 5:00 P.M., Monday, June 27, 2016. (The detailed instructions of “Exercise of Voting Rights on the Internet, etc.” are found in the last two pages of the Notice.)

1. Date and Time: Tuesday, June 28, 2016, at 10:00 A.M.

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

*The venue for the meeting is changed from the previous year.

3. Objectives

(a) Matters to be reported

- (1) Report of Business Report and Consolidated Financial Statements for the 113th Business Term from April 1, 2015 to March 31, 2016 (the “Term”) as well as Accounting Auditor’s Report and the 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: Election of ten (10) Directors
- Agenda Item No. 3: Election of three (3) Corporate Auditors
- Agenda Item No. 4: Election of one (1) Substitute Corporate Auditor
- Agenda Item No. 5: Modification of remuneration structure for Directors

4. Arrangements in Convening the Meeting

- (a) For the votes cast twice or more on the Internet, etc. by the same shareholder, the one received at the latest shall prevail.
- (b) For the votes received both by mail and on the Internet, etc. from the same shareholder, the one received later shall prevail. If we receive both on the same day, the vote on the Internet shall prevail.

Please note:

- Shareholders attending this General Meeting of Shareholders are requested to present the enclosed voting form at the reception desk.
- As for Notes to Consolidated Financial Statements and Notes to Financial Statements, the Company is deemed to have provided those to shareholders by means of disclosure by the Internet (on the Company’s website: <http://www.mes.co.jp/>) under laws and regulations and Article 16 of the Company’s Articles of Incorporation.
- In case of amendments to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Financial Statements, such amendments will be published by the Internet. (on the Company’s website: <http://www.mes.co.jp/>)

ATTACHED DOCUMENTS

BUSINESS REPORT

(from April 1, 2015 through March 31, 2016)

1. Current Status of the Company Group

(1) Business Overview

The global economy during the Term showed an uncertain prospect toward the future. In the U. S., although personal consumption kept steadiness due to an improvement of the situation in the labor market, export lacked strength owing to the strong dollar and sluggish external demand. The European economy showed signs of slow recovery principally in major countries, while terrorism and the problem of influx of refugees have increased social unrest. In China and other emerging countries as well as in resource-rich countries, economic slowdowns have become clearer because of downfall in crude oil prices.

In the Japanese economy, the risk of business downturn has increased. Consumer sentiment, which was supported by improvement in environment of employment and income, has become sluggish. In addition, owing to sharp appreciation of the yen and a drop in stock prices since the beginning of the Year 2016 and increasing concerns about a slowdown of the global economy, a tendency toward improvement of corporate earnings has showed a sign of a decline mainly in export industries and investments has been withheld.

Under such circumstances and at the middle year of the 2014 Medium-Term Business Plan (a business plan covering the period from July 2013 to March 2017), the Company Group is 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. We are also promoting innovation of our business domains and business models under these 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. We are aiming for “achieving a balanced business portfolio that combines sustainable growth with income stability,” which we envisioned in the 2014 Medium-Term Business Plan. As a part of the task described above, for “expansion of our engineering business,” we acquired TGE Marine AG as our subsidiary during the Term in order to promote development and sales of medium and small-sized gas carrying vessels. TGE Marine AG is a company in Germany which undertakes EPCS business such as designing, procurement of equipment, and construction supervision of pressure type gas tanks and gas handling systems.

In addition, as the next year is the 100th anniversary of foundation of the Company, we formulated “MES Group 2015 Vision,” a long-term vision which represents future images and direction, and the way we ought to be, and we released it on February 10th, 2016. Considering needs of our society

in the future and advantages of the Company Group, we placed “environment and energy solutions,” “marine logistics and transportation,” and “social and industrial infrastructure” as the business domains which we will focus on hereafter. We also decided a principle “becoming an engineering team which creates values in our society,” as the way we are aiming for. The company Group will unite and go forward in order to realize a better society.

Consolidated amount of orders intake during the Term decreased by 350.2 billion yen from the previous term to 609.6 billion yen, because in the previous term, our subsidiary, MODEC, Inc., received an order for a large sized projects and the Engineering segment received a large scale deal.

Consolidated net sales saw a decrease of 11.1 billion yen over the previous term to 805.4 billion yen because recorded sales decreased in the construction works of Ship & Ocean Project segment to which the completion method is applied. Operating income fell by 1.5 billion yen from the previous term to 11.8 billion yen due to the effects of a sharp drop in profit at the subsidiary in Ship & Ocean Project segment. Ordinary income increased by 0.2 billion yen compared to the previous term to 15.1 billion yen because of improvement of financial accounts and increase of investment return by equity method. Profit attributable to owners of parent for the Term declined by 1.9 billion yen from the previous term to 7.6 billion yen because gains on negative goodwill were recorded as extraordinary income of the previous term.

Status of the business of each business segment was as follows:

From this Term, in order to reinforce social infrastructure business of the Company, we established Infrastructure Business Dept. in Machinery & Systems Hq. and integrated social infrastructure business which had been included in “Ship & Ocean Project,” “Engineering,” and “Others.” In addition, we merged three subsidiaries which had undertaken engineering of ships and equipment, manufacturing of apparatus, and maintenance of facilities. Among those subsidiaries, those included in “Machinery & Systems” and “Others” were integrated in “Ship & Ocean Project.” Comparisons with the previous term are described based on this post-change categorization.

[Ship & Ocean Project]

The marine shipping market is in a severer recession than in the downturns since the last year because of the slowdown of the Chinese economy in addition to excess tonnage due to large volumes of new shipbuilding in recent years. Especially in the field of dry bulk carriers, charter fees continue to be at historically low levels and the market has fallen into and fixed in harsh situation. The market of charter fees of oil tankers and LPG carriers has maintained its steadiness, while in the new shipbuilding market, competition has been intensified and we have been compelled a severe price competition for every types of ships.

In the field of marine development, there is uncertainty for the future outlook since some projects of developing offshore oil fields and natural gas fields slowed down or suspended owing to the

sharp drop in crude oil prices.

Amid these situations, the Company has developed new types of bulk carriers 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, we have steadily received orders for and constructed various eco-friendly bulk carriers from the 56,000 deadweight ton type to the 66,000 deadweight ton type. During the Term, we also received orders for the new type of VLCCs and the total amount of orders for eco-friendly ships we have obtained has reached 69 and we retain a construction backlog of approximately two years. Although in a severe environment for receiving orders, we will leverage our strengths as a leading shipyard for eco-friendly ships. We will make efforts to improve profitability and receive new orders selectively.

Although we received orders for a FSO (floating storage and offloading system) construction project and operation service of FPSO (floating production storage and offloading vessel) projects, consolidated amount of orders intake for the Term dropped by 238.3 billion yen over the previous term to 297.8 billion yen because of diminution of orders intake for FPSO construction projects and bulk carriers. Consolidated net sales fell by 57.2 billion yen over the previous term to 423.8 billion yen owing to decrease of FPSO construction projects. Operating income turned from 9.7 billion yen profit in the previous term to a 13.3 billion yen operating loss mainly due to the effect of the profit deterioration of the offshore supporting vessels.

[Machinery & Systems]

As regards marine diesel engines, the amount of orders intake significantly increased over the previous term due to receiving orders for large-sized engines. The production volume was 181 engines, 3,280,000 horsepower, almost at the same level as the previous term. In the next term, by producing large-sized engines, the production volume is estimated to be almost the same number of engines and 3,800,000 horsepower. As engines fired by new types of fuel, which are excellent in terms of environmental aspects and economic efficiency, we delivered 3 natural gas fired types, 3 methanol fired types, and 1 ethane gas fired type.

In industrial machinery, orders intake decreased from the previous term in the section of reciprocating compressors for oil refineries. It is due to decline in incentives for investments under the influences of drop in oil prices and economic slowdowns of China and other emerging countries. Although consolidated net sales kept almost the same level as the previous term because we had orders we had received in the past few years, the business environment is expected to continue being severe for the time being. We will make effort to enter the non-petroleum fields by expanding sales of high-pressure process compressors for supplying fuels for gas fired marine diesel engines whose demand will increase in the future, and by cooperation with Kaji Technology Co., Ltd., with which we entered into a basic capital and business partnership agreement.

As to material handling machinery, due to ongoing replacement demand for existing container cranes and new demand for dealing with an increase in the size of container ships, inquiries are very robust both within and outside Japan. Although orders intake fell from the previous term because we secured sufficient manufacture quantities and refrained from receiving orders during the first half of the Term, net sales hit the record high. In order to deal with the expanding demand, we are currently implementing a large scale investment of facilities in Oita Works aiming for reinforcement of production capacity. The new facilities is planned to begin operation in October, 2016. In addition, we are also considering manufacturing container cranes overseas.

In the LSS Service (Life-cycle Solution Service and Customer Oriented Service) business, which is centered on after-sales support, both orders intake and net sales reached the record highs. We could seize business opportunities in demand for inspection and repair of ships right before implementation and application of the International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004, and after-sales support for marine diesel engines were good. Furthermore, relocation and demolition works related to cranes increased.

Consolidated amount of orders intake in the Term was 172.2 billion yen, a 31.3 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 171.7 billion yen, a 4.6 billion yen increase from the previous term, and operating income came to 13.8 billion yen, a 3.1 billion yen increase from the previous term because of favorable conditions of after-sales support business and industrial machinery.

[Engineering]

In the petrochemical industry, demand for petrochemical products declined owing to the drop in oil prices and a slowdown of the Chinese economy. Investment plans were changed or postponed one after another, and for the Company Group, it affected its plan of receiving orders.

As regards infrastructure overseas, demand for electric power and infrastructure development is still expected to rise accompanied by economic growth of Southeast Asia, while investment projects are continuing to tend to be postponed.

In the environmental energy field, demand for electric power generation business by renewable energy is still vibrant. The market, led by solar power generation, is gradually turning toward wind power, biomass, and biogas power generation business. The Company Group launched a solar power generation business in Oita and commercialized biogas power generation in Hokkaido. In addition, overseas, we commercialized two biomass power generation plans in the United Kingdom. As for wind power generation, we are participating in an experimental study project in Fukushima offshore and are pursuing feasibility of wind power generation business.

Consolidated amount of orders intake decreased by 81.5 billion yen from the previous term to 100.9 billion yen, because orders in the field of petrochemical plants were affected by postponement of investment plans while we obtained orders for two construction works of wind power stations in environmental energy field.

Consolidated net sales increased by 41.7 billion yen over the previous term to 171.3 billion yen. This is because construction works of petrochemical plants in Singapore and North America, and civil engineering works of power generation plants in Vietnam progressed smoothly. Furthermore, in the environmental energy field, construction works of a solar power generation plant were completed. Operating income turned from a 10.6 billion yen operating loss in the previous term to 8.3 billion yen profit by completing unprofitable construction works.

[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 38.6 billion yen, a 0.9 billion yen increase from the previous term.

Consolidated net sales was 38.7 billion yen, almost the same level as the previous term. Operating income was 3.0 billion yen, a 0.6 billion yen decrease from the previous term.

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

(Unit: Million Yen)

Segment	Orders	Sales	Order Backlog
Ship & Ocean Project	297,818	423,786	978,657
Machinery & Systems	172,238	171,690	164,693
Engineering	100,922	171,270	312,442
Others	38,642	38,666	6,501
Total	609,621	805,413	1,462,294

(2) Facilities Investment

The amount of facilities investment by the Company Group during the Term was 16.0 billion yen. Major items included extending works of production capacity of Material Handling Machinery Factory at Oita Works and construction works of FPSO in its subsidiary.

(3) Financing

As for fundraising of the Company Group, we raised long-term debts in the amount of 68.7 billion yen, internal unsecured corporate debentures in the amount of 10 billion yen, and short-term debts, which we appropriated for the scheduled payment for long-term debts, redemption of debentures, and operation funds, etc.

(4) Issues to Address

In the fiscal year 2015, which was the middle year of the 2014 Medium-Term Business Plan, we carried out investment in Machinery Factory, Chiba Shipyard, Tamano Shipyard, and Material Handling Machinery Factory. We aimed at enhancing work efficiency and increasing our competitiveness as innovation of our manufacturing business. In addition, as expansion of our engineering business, we acquired TGE Marine AG, which undertakes engineering business of gas carriers. We also advanced actively sales efforts for such as a plant of manufacturing low density polyethylene in the United States and two biomass power generation plans in the United Kingdom. Furthermore, as expansion of participation in projects and our related services business, we established MES-KHI Yura Dock Co. Ltd. in order to reinforce the business of repairing ships. In the fiscal year 2016, which is the last year of the 2014 Medium-Term Business Plan, we will complete building up organization structure for business expansion through close cooperation of the Company Group and expansion into the global market, which we have promoted so far. We will link each outcome obtained, generate a synergistic effect, and cope with future changes of business environment. We will implement the following measures on accelerated basis:

1) Innovation of our manufacturing business

We aim at realizing increase of our competitiveness and development of high value-added products. We will rebuild the structure of development and production in Japan, arrange a global business structure, and work on raising and expanding the key component business.

2) Expansion of our engineering business

We will stabilize our base for profits and expand the business which will drive generating profits in medium-to long-term. We will increase and expand competitiveness in the field of EPC (engineering, procurement, and construction) such as chemical plant, marine resource development, and environmental energy. We will also strengthen cooperation within the Company Group and in a global scale.

3) Expansion of participation in projects and our related services business

We are aiming at developing and expanding investment in business which has strong ties with each business and peripheral service business. We will reinforce peripheral service of manufacturing business and strengthen upstream and downstream service which sets engineering business as the core.

(5) Financial and Profit/Loss Indicators

a. Consolidated Business Achievement During the Past Four Terms

Term Number (Years to March 31)	110 th (2012)	111 th (2013)	112 th (2014)	113 th (2015)
Order Intake (Million Yen)	662,556	1,107,750	959,784	609,621
Net Sales (Million Yen)	577,093	670,067	816,520	805,413
Ordinary Income (Million Yen)	26,162	26,179	14,899	15,078
Profit (Loss) attributable to owners of parent (Million Yen)	(8,207)	42,854	9,463	7,599
Net Income (Loss) per Share (Yen)	(9.91)	51.80	11.63	9.40
Total Assets (Million Yen)	660,397	932,896	1,074,563	1,094,042
Net Assets (Million Yen)	207,313	323,608	347,305	343,853
Net Assets per Share (Yen)	212.24	266.64	292.86	290.48

b. Company's Business Achievement During the Past Four Terms

Term Number (Years to March 31)	110 th (2012)	111 th (2013)	112 th (2014)	113 th (2015)
Order Intake (Million Yen)	189,743	289,149	320,463	233,789
Net Sales (Million Yen)	257,336	259,854	253,343	280,192
Ordinary Income (Million Yen)	11,005	10,075	8,661	18,001
Net Income (Loss) (Million Yen)	(13,226)	3,027	(1,187)	2,390
Net Income (Loss) per Share (Yen)	(15.97)	3.66	(1.46)	2.96
Total Assets (Million Yen)	419,797	446,242	454,382	463,348
Net Assets (Million Yen)	128,222	130,551	126,875	130,674
Net Assets per Share (Yen)	154.90	157.65	156.78	161.39

(6) Major Subsidiaries

Name	Capital	The Company's Ownership of Voting Rights	Major Business Field
MODEC, Inc.	30,122 million yen	50.1%	Design, construction and installation of ocean structures such as FPSO
Showa Aircraft Industry Co., Ltd.	4,949 million yen	65.6%	Manufacture and sale of transport equipment, real estate leasing and management
Burmeister & Wain Scandinavian Contractor A/S	150 million DKK	100.0%	Construction of diesel power generation plants
TGE Marine AG	1,217 thousand Euro	99.9%	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. DKK stands for Danish Krone.
3. Our 100% subsidiary, Mesco Denmark A/S, holds 100% of shares issued by Burmeister & Wain Scandinavian Contractor A/S as a holding company.
4. Our 100% subsidiary, MES Germany Beteiligungs GmbH, acquired shares issued by TGE Marine AG as a holding company on October 1st, 2015, and made the said company its subsidiary.
5. The Company has 87 consolidated subsidiaries, including 7 major subsidiaries listed above, and 48 affiliates accounted for by the equity method.
6. The percentage of the Company's ownership of voting rights is rounded down to the first decimal place.

(7) Principal Operations (as of March 31, 2016)

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

[Ships and Oceans]: Ships, naval ships, high speed passenger/vehicle ferries, floating production storage and offloading vessels, marine structures, under water equipment, steel structures

[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

(8) Major Offices, Branch Offices and Works (as of March 31, 2015)

a. 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)

Branch: 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
Burmeister & Wain Scandinavian Contractor A/S	Head office: Denmark
TGE Marine AG	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, 2016)

a. Employees of the Company Group:

Segment	Number of Employees
Ship & Ocean Project	5,726
Machinery & Systems	2,600
Engineering	2,342
Others	1,912
Corporate (common)	125
Total	12,705

(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: 3,612 (11 decrease from the previous term)

Average age: 37.8 years old, average years of service per employee: 15.3 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) Major Lenders

a. Major Lenders for the Company (as of March 31, 2016)

Lender	Loan Balance
Sumitomo Mitsui Banking Corporation	22,203million yen
Sumitomo Mitsui Trust Bank, Limited	17,025million yen
Mizuho Bank, Ltd.	16,977million yen

b. Principal Lenders for MODEC, Inc. (as of December 31, 2015)

Lender	Loan Balance
Sumitomo Mitsui Banking Corporation	35,477 million yen
Sumitomo Mitsui Trust Bank, Limited	9,280 million yen
Mizuho Bank, Ltd.	4,218 million yen

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

On October 1, 2015, the Company acquired shares of TGE Marine AG, which has its head office in Germany, and made the said company the Company's subsidiary.

(12) Other Important Matters concerning the Company Group

There are no special matters that should be reported.

2. Matters concerning the Company's Shares (as of March 31, 2016)

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: 66,543

d. Major 10 shareholders

Name	Number of Shares Held (Thousand Shares)	Share- holding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	39,481	4.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,701	4.41
Japan Trustee Services Bank, Ltd. (Trust Account 9)	31,396	3.88
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
Trust & Custody Services Bank, Ltd.(Trust Account for securities investment)	15,651	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 4)	14,790	1.82
Sumitomo Mitsui Banking Corporation	13,647	1.68

(Notes)

1. Although the Company holds 22,758,073 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. Subscription Rights to Shares

a. Subscription Rights to Shares held by the Company's Directors at the end of the Term

Name (Date of Resolution of Issuance)	Number of Subscription Rights to Shares	Class and Number of Shares to Be Issued upon Exercise	Amount to Be Paid in for Subscription Rights to Shares	Exercise Price of Subscription Rights to Shares	Exercise Period	Number of Holders
Series I Subscription Rights to Shares (July 30, 2013)	275	Common stock: 275,000 shares (1,000 shares per unit)	144,000 yen per unit (144 yen per share)	1,000 yen per unit (1 yen per share)	From August 24, 2013 to August 23, 2043	9 Directors (excluding Outside Directors)
Series II Subscription Rights to Shares (July 31, 2014)	177	Common stock: 177,000 shares (1,000 shares per unit)	191,000 yen per unit (191 yen per share)	1,000 yen per unit (1 yen per share)	From August 23, 2014 to August 22, 2044	9 Directors (excluding Outside Directors)
Series III Subscription Rights to Shares (July 31, 2015)	238	Common stock: 238,000 shares (1,000 shares per unit)	169,000 yen per unit (169 yen per share)	1,000 yen per unit (1 yen per share)	From August 22, 2015 to August 21, 2045	9 Directors (including Directors also holding positions of Executive Officers, and excluding Outside Directors)

(Note) The number of Subscription Rights to Shares held by the Company's Directors includes the number of those they had been provided before they were assigned as Directors.

b. Subscription Rights to Shares allotted to Executive Officers and Deputy Directors during the Term

Name (Date of Resolution of Issuance)	Number of Subscription Rights to Shares	Class and Number of Shares to Be Issued upon Exercise	Amount to Be Paid in for Subscription Rights to Shares	Exercise Price of Subscription Rights to Shares	Exercise Period	Number of Persons Who Acquired Subscription Rights to Shares
Series III Subscription Rights to Shares (July 31, 2015)	259	Common stock: 259,000 shares (1,000 shares per unit)	169,000 yen per unit (169 yen per share)	1,000 yen per unit (1 yen per share)	From August 22, 2015 to August 21, 2045	13 Executive Officers (excluding Executive Officers also holding positions of Directors) and 17 Deputy Directors

4. Directors and Corporate Auditors of the Company (as of March 31, 2016)

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>Takao Tanaka</i>	President, Representative Director and CEO		—
<i>Masafumi Okada</i>	Vice President and Representative Director	Assistant to President In charge of sales and Marketing Promotion Dept., General Manager of Export Control Dept.	—
<i>Takaki Yamamoto</i>	Managing Director and Representative Director	In charge of auditing, personnel & general affairs, procurement, and environmental & safety control and CCO	—
<i>Hiroyuki Komine</i>	Director and Managing Executive Officer	General Manager of Engineering Hq.	—
<i>Shinsuke Minoda</i>	Director and Managing Executive Officer	General Manager of Machinery & Systems Hq.	—
<i>Norihisa Fukuda</i>	Director and Managing Executive Officer	General Manager of Ship & Ocean Project Hq.	—
<i>Akira Nishihata</i>	Director	In charge of Corporate Planning Dept. and Research & Development Hq.	<i>Director, MODEC, Inc.</i>
<i>Kiyoshi Nakamura</i>	Director	In charge of finance & accounting and IR Dept.	—
<i>Toru Tokuhisa</i>	Director		<i>Executive Vice President and Representative Director, Nusa Tenggara Mining Corp.</i>
<i>Toshikazu Tanaka</i>	Director		<i>Senior Advisor of Mitsui Chemicals, Inc. and Chairperson of Japan Intellectual Property Association</i>
<i>Yasuo Irie</i>	Corporate Auditor, Full Time		—
<i>Yoshihisa Kitajima</i>	Corporate Auditor, Full Time		—
<i>Kazuya Imai</i>	Corporate Auditor		—
<i>Mitsuaki Yahagi</i>	Corporate Auditor		—

(Notes)

1. CEO stands for Chief Executive Officer.
2. CCO stands for Chief Compliance Officer.
3. Messrs. Toru Tokuhisa and Toshikazu Tanaka, Directors, are Outside Directors.
4. Messrs. Kazuya Imai and Mitsuaki Yahagi, Corporate Auditors, are Outside Corporate Auditors.
5. Messrs. Toru Tokuhisa and Toshikazu Tanaka, Directors, and Messrs. Kazuya Imai and Mitsuaki Yahagi, 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.
6. The Company designated Messrs. Toru Tokuhisa and Toshikazu Tanaka, Directors, and Messrs. Kazuya Imai and Mitsuaki Yahagi, 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, 2016)

<i>Name</i>	<i>Title</i>	<i>Responsibilities at the Company</i>
<i>Yasuhiko Katoh</i>	Chairman and Representative Director	
<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>Akira Nishihata</i>	Director and Managing Executive Officer	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
<i>Kiyoshi Nakamura</i>	Director and Managing Executive Officer	CFO and in charge of IR Dept.
<i>Norihisa Fukuda</i>	Director and Managing Executive Officer	Special Mission by President
<i>Masafumi Okada</i>	Director	Auxiliary to President

<i>Name</i>	<i>Title</i>	<i>Responsibilities at the Company</i>
<i>Hiroyuki Komine</i>	Director	Auxiliary to President
<i>Shinsuke Nippo</i>	Managing Executive Officer	General Manager of Engineering Hq.
<i>Tetsuro Koga</i>	Managing Executive Officer	General Manager of Ship & Ocean Project Hq.
<i>Shoichi Taguchi</i>	Managing Executive Officer	General Manager of Tamano Works and Special Mission by President (in charge of manufacturing)
<i>Yasuki Kishimoto</i>	Executive Officer	Deputy General Manager of Machinery & Systems Hq. (in charge of material handling machinery) and General Manager of Oita Works
<i>Yukinori Torii</i>	Executive Officer	General Manager of Research & Development Hq.
<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>Ryoichi Oka</i>	Executive Officer	Deputy General Manager of Machinery & Systems Hq. (in charge of industrial machinery) and General Manager of Technoservice Dept., Machinery & Systems Hq.
<i>Yuichi Shiomi</i>	Executive Officer	General Manager of Finance & Accounting Dept.
<i>Yuji Kozai</i>	Executive Officer	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 Marketing Promotion Dept.
<i>Shigeki Takitani</i>	Executive Officer	General Manager of Procurement Dept.

<i>Name</i>	<i>Title</i>	<i>Responsibilities at the Company</i>
<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.

(Notes)

1. CISO stands for Chief Information Security Officer.
2. CFO stands for Chief Financial 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 financial results 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 base remuneration, remuneration based on financial results, and stock compensation-type stock options. 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)	16 (2)	342 million yen (17 million yen)
Corporate Auditors (of which Outside Corporate Auditors)	4 (2)	75 million yen (18 million yen)
Total	20	418 million yen

(Notes)

1. The above includes five Directors who retired as of the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 26, 2015.
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 includes 42 million yen recorded as expenses for the Term, related to subscription rights to shares allotted as stock option remuneration.
Outside Directors are not eligible for the stock option remuneration.
5. 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 concurrently serves as Executive Vice President and Representative Director of Nusa Tenggara Mining Corp. 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:

- There is nothing to be reported.

(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 16 Board of Directors meetings.

Mr. Toshikazu Tanaka, Director: Attended all 12 Board of Directors meetings.

Mr. Kazuya Imai, Corporate Auditor: Attended 15 of 16 Board of Directors meetings, the ratio of which is 94%, and all 14 Board of Corporate Auditors meetings.

Mr. Mitsuaki Yahagi, Corporate Auditor: Attended 15 of 16 Board of Directors meetings, the ratio of which is 94%, and all 14 Board of Corporate Auditors meetings.

(Note) Mr. Toshikazu Tanaka, Director, was elected in the 112th Ordinary General Meeting of Shareholders held on June 26, 2015. The number of times of his attendance written above is about the Board of Directors meetings held after the 112th Ordinary General Meeting of Shareholders (held 12 times).

- 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. Kazuya Imai, 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.

Mr. Mitsuaki Yahagi, 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 economic trend and management in general based on his experience as management of a financial institution.

5. 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: 250 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 AG, 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, 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.

6. 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, 2016.

- (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 under direct control by the President, 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 an officer in charge of the Corporate Planning Dept., appointed by the President.

During the fiscal year 2015, 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 recent movement of reinforcing internal control and dealing with the reporting system of internal control of past financial reports, such as the system of risk management, amendments to the Companies Act, 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 the fiscal year 2015, 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 the fiscal year 2015 and conducted supervision thoroughly.

- (b) As for observance of the “Code of Corporate Conduct” the Company held training on compliance for its new employees newly appointed executives of subsidiaries, employees in managerial positions, etc., 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 is 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) In the fiscal year 2015, in order to reinforce risk management of the subsidiaries further, the Company newly provided in writing the “Operation Method of Risk-Management in Subsidiaries” as an internal rule. From the fiscal year 2016, through the department which has jurisdiction over the subsidiaries, the Company will confirm and supervise whether the subsidiaries select important risks which should take priority and whether they deal with them properly, and endeavor 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, 2016)

		(Unit: Million Yen)	
<u>ASSETS</u>	1,094,042	<u>LIABILITIES</u>	750,189
CURRENT ASSETS	537,822	CURRENT LIABILITIES	472,508
Cash and Deposits	139,374	Trade Payables	245,635
Trade and Other Receivables	282,419	Short-Term Borrowings	68,986
Merchandise and Finished Goods	4,107	Lease Obligations	2,145
Work in Progress	33,830	Accrued Income Taxes	6,894
Raw Materials and Supplies	5,010	Deferred Tax Liabilities	591
Deferred Tax Assets	14,535	Advances from Customers	84,388
Others	61,011	Provision for Product Warranties	9,881
Allowance for Doubtful Accounts	(2,466)	Provision for Losses on Construction Contracts	10,123
		Asset Retirement Obligations	1
		Others	43,860
NON-CURRENT ASSETS	556,220	LONG-TERM LIABILITIES	277,681
PROPERTY, PLANT AND EQUIPMENT	379,051	Corporate Bonds	40,000
Buildings and Structures	58,339	Long-Term Borrowings	130,886
Machinery and Equipment	45,404	Lease Obligations	7,305
Land	257,694	Deferred Tax Liabilities	51,696
Lease Assets	7,955	Net Defined Benefit Liabilities	12,318
Construction in Progress	6,645	Liability for Severance and Retirement benefits for Directors and Corporate Auditors	522
Others	3,012	Asset Retirement Obligations	1,286
INTANGIBLE ASSETS	32,360	Deferred Tax Liabilities on Reevaluation Reserve for Land	15,086
Goodwill	17,877	Others	18,577
Others	14,482	<u>NET ASSETS</u>	343,853
INVESTMENTS, LONG-TERM LOANS AND OTHER ASSETS	144,807	SHAREHOLDERS' EQUITY	207,140
Investment Securities	81,646	Common Stock	44,384
Long-Term Loans	28,313	Capital Surplus	18,811
Net Defined Benefit Assets	249	Retained Earnings	148,723
Deferred Tax Assets	20,762	Treasury Stock	(4,778)
Others	16,572	ACCUMULATED OTHER COMPREHENSIVE INCOME	27,634
Allowance for Doubtful Accounts	(2,736)	Net Unrealized Holding Gains (Losses) on Securities	6,185
		Unrealized Gains (Losses) on Hedging Derivatives, Net of Tax	(7,653)
		Reevaluation Reserve for Land, Net of Tax	30,540
		Foreign Currency Translation Adjustment, Net of Tax	11,531
		Remeasurements of Defined Benefit Plans	(12,969)
		SUBSCRIPTION RIGHTS TO SHARES	231
		MINORITY INTERESTS	108,845
TOTAL ASSETS	<u>1,094,042</u>	TOTAL LIABILITIES AND NET ASSETS	<u>1,094,042</u>

CONSOLIDATED STATEMENTS OF INCOME

(April 1, 2015 – March 31, 2016)

(Unit: Million Yen)

NET SALES		805,413
Cost of Sales		743,530
GROSS PROFIT		61,883
Selling, General and Administrative Expenses		50,070
OPERATING INCOME		11,813
Non-Operating Income		
Interest Income	3,755	
Dividend Income	1,220	
Equity in Earnings of Unconsolidated Subsidiaries and Affiliates	4,838	
Gain on Valuation of Derivatives	3,226	
Others	1,517	14,558
Non-Operating Expenses		
Interest Expenses	3,232	
Foreign Currency Exchange Losses	6,671	
Others	1,389	11,293
ORDINARY INCOME		15,078
Extraordinary Income		
Gain on Disposal of Non-Current Assets	522	
Gain on Sales of Investment Securities	3,296	
Gain on Sales of Subsidiaries and Affiliates' Stocks	321	
Gain on Liquidation of Subsidiaries and Affiliates	586	
State Subsidy	712	
Insurance Income	3,117	
Gain on Forgiveness of Debts	333	
Reversal of Provision for Environmental Preservation Cost	1,730	10,620
Extraordinary Loss		
Loss on Disposal of Non-Current Assets	1,363	
Loss on Impairment of Non-Current Assets	341	
Loss on Sales of Investment Securities	168	
Loss on Valuation of Investment Securities	419	
Loss on Valuation of Investments in Capital of Subsidiaries and Affiliates	112	
Loss on Liquidation of Subsidiaries and Affiliates	686	
Loss on Reduction of Non-Current Assets	712	
Provision of Allowance for Doubtful Accounts	212	
Loss on Shipping Accident	1,159	5,177
PROFIT BEFORE INCOME TAXES		20,521
Income Taxes – Current	10,621	
Income Taxes – Deferred	2,037	12,658
PROFIT		7,863
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		263
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT		7,599

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

From April 1, 2015 to March 31, 2016

(Unit: Million Yen)

	SHAREHOLDERS' EQUITY				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at beginning of current period	44,384	18,247	142,677	(4,761)	200,548
Changes during the Year					
Cash Dividends			(1,616)		(1,616)
Profit attributable to owners of parent			7,599		7,599
Change of scope of consolidation			(23)		(23)
Change of scope of equity method			(25)		(25)
Purchase of Treasury Stock				(18)	(18)
Sales of Treasury Stock		(0)		0	0
Transfer from Reevaluation Reserve for Land, Net of Tax			111		111
Change in treasury shares of parent arising from transactions with non-controlling shareholders		564			564
Net Changes of Items other than Those in Shareholders' Equity					
Total Changes during the Year	-	564	6,045	(17)	6,592
Balance at end of current period	44,384	18,811	148,723	(4,778)	207,140

	ACCUMULATED OTHER COMPREHENSIVE INCOME								
	Net Unrealized Holding Gains (Losses) on Securities	Unrealized Gains (Losses) on Hedging Derivatives, Net of Tax	Reevaluation Reserve for Land, Net of Tax	Foreign Currency Translation Adjustment, Net of Tax	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income	Subscription rights to shares	Non-controlling interests	TOTAL NET ASSETS
Balance at beginning of current period	14,058	(9,718)	24,777	12,704	(5,646)	36,175	146	110,435	347,305
Changes during the Year									
Cash Dividends									(1,616)
Profit attributable to owners of parent									7,599
Change of scope of consolidation									(23)
Change of scope of equity method									(25)
Purchase of Treasury Stock									(18)
Sales of Treasury Stock									0
Transfer from Reevaluation Reserve for Land, Net of Tax									111
Change in treasury shares of parent arising from transactions with non-controlling shareholders									564
Net Changes of Items other than Those in Shareholders' Equity	(7,873)	2,065	5,763	(1,173)	(7,322)	(8,540)	85	(1,589)	(10,044)
Total Changes during the Year	(7,873)	2,065	5,763	(1,173)	(7,322)	(8,540)	85	(1,589)	(3,452)
Balance at end of current period	6,185	(7,653)	30,540	11,531	(12,969)	27,634	231	108,845	343,853

BALANCE SHEET (as of March 31, 2016)

(Unit: Million Yen)

<u>ASSETS</u>	<u>463,348</u>	<u>LIABILITIES</u>	<u>332,674</u>
CURRENT ASSETS	163,632	CURRENT LIABILITIES	211,027
Cash and Deposits	28,380	Notes Payable -Trade	19,718
Notes Receivable - Trade	1,493	Accounts Payable - Trade	45,920
Accounts Receivable - Trade	74,127	Short-Term Borrowings	27,860
Finished Goods	3,122	Current Portion of Long-Term Borrowings	20,682
Work in progress	24,105	Lease Obligations	1,716
Raw Materials and Supplies	1,921	Accounts Payable - Other	6,296
Advance Payments - Trade	2,118	Accrued Expenses	8,367
Prepaid Expenses	206	Accrued Income Taxes	510
Deferred Tax Assets	7,545	Advances from Customers	44,923
Short-Term Loans	3,500	Deposits Received	27,269
Others	18,775	Provision for Product Warranties	2,335
Allowance for Doubtful Accounts	(1,664)	Provision for Losses on Construction Contracts	5,426
NON-CURRENT ASSETS	299,716	Others	0
PROPERTY, PLANT AND EQUIPMENT	135,602	LONG-TERM LIABILITIES	121,646
Buildings	12,807	Corporate Bonds	40,000
Structures	6,334	Long-Term Borrowings	60,533
Docks and Building Berths	702	Lease Obligations	4,145
Machinery and Equipment	7,666	Deferred Tax Liabilities on Reevaluation Reserve for Land	13,739
Vessels	4	Provision for Losses on Business of Subsidiaries and Affiliates	126
Vehicles	87	Provision for Environmental Preservation Cost	1,421
Tools, Furniture and Fixtures	936	Asset Retirement Obligations	560
Land	96,274	Others	1,118
Lease Assets	4,675		
Construction in Progress	6,113		
INTANGIBLE ASSETS	1,331	<u>NET ASSETS</u>	<u>130,674</u>
Patent Right	118	SHAREHOLDERS' EQUITY	100,583
Software	1,138	COMMON STOCK	44,384
Others	73	CAPITAL SURPLUS	18,154
INVESTMENTS, LONG-TERM LOANS AND OTHER ASSETS	162,782	Legal Capital Surplus	18,154
Investment Securities	25,701	RETAINED EARNINGS	42,823
Stocks of Subsidiaries and Affiliates	104,800	Other Retained Earnings	42,823
Investments in Capital	10	Reserve for Special Depreciation	1,291
Investments in Capital of Subsidiaries and Affiliates	4,888	Reserve for Advanced Depreciation of Non-Current Assets	2,624
Long-Term Loans	60	Retained Earnings Brought Forward	38,908
Long-Term Loans - Employees	1	TREASURY STOCK	(4,778)
Long-Term Loans - Subsidiaries and Affiliates	4,819	VALUATION AND TRANSLATION ADJUSTMENTS	29,858
Claims Provable in Bankruptcy, Claims Provable in Rehabilitation and Other	300	Net Unrealized Holding Gains (Losses) on Securities	5,090
Long-Term Prepaid Expenses	21	Unrealized Gains (Losses) on Hedging Derivatives, Net of Tax	1,539
Prepaid Pension Cost	17,840	Reevaluation Reserve for Land, Net of Tax	23,228
Deferred Tax Assets	2,400	SUBSCRIPTION RIGHTS TO SHARES	231
Others	2,564		
Allowance for Doubtful Accounts	(625)		
<u>TOTAL ASSETS</u>	<u>463,348</u>	<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>463,348</u>

STATEMENTS OF INCOME

(April 1, 2015 – March 31, 2016)

(Unit: Million Yen)

NET SALES		280,192
Cost of Sales		252,710
GROSS PROFIT		27,482
Selling, General and Administrative Expenses		14,190
OPERATING INCOME		13,291
Non-Operating Income		
Interest Income	133	
Dividend Income	6,940	
Others	305	7,379
Non-Operating Expenses		
Interest Expense	876	
Interest on Bonds	443	
Provision of Allowance for Doubtful Accounts	809	
Others	540	2,669
ORDINARY INCOME		18,001
Extraordinary Income		
Gain on Disposal of Non-Current Assets	2	
Gain on Sales of Investment Securities	3,272	
Reversal of Provision for Environmental Preservation Cost	1,730	
Gain on sales of Stocks of Subsidiaries and Affiliates	1,662	
Reversal of Provision for Loss on Business of Subsidiaries and Affiliates	36	6,703
Extraordinary Loss		
Loss on Disposal of Non-Current Assets	455	
Loss on Impairment of Non-Current Assets	338	
Loss on Valuation of Stocks of Subsidiaries and Affiliates	13,646	
Loss on Shipping Accident	1,159	
Loss on Valuation of Investment Securities	416	
Loss on Sales of Investment Securities	167	
Loss on Valuation of Investments in Capital of Subsidiaries and Affiliates	107	16,291
PROFIT BEFORE INCOME TAXES		8,413
Income Taxes – Current	1,624	
Income Taxes – Deferred	4,399	6,023
PROFIT		2,390

STATEMENT OF CHANGES IN NET ASSETS

From April 1, 2015 to March 31, 2016

(Unit: Million Yen)

	SHAREHOLDERS' EQUITY									
	Common Stock	Capital Surplus			Retained Earnings				Treasury Stock	Total Shareholders' Equity
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings			Total Retained Earnings		
					Reserve for Special Depreciation	Reserve for Advanced Depreciation of non-current assets	Retained Earnings Brought Forward			
Balance at beginning of current period	44,384	18,154	0	18,154	1,501	2,746	37,577	41,825	(4,761)	99,602
Changes during the Year										
Provision of Reserve for Special Depreciation					30		(30)	—		—
Reversal of Reserve for Special Depreciation					(240)		240	—		—
Provision of Reserve for Advanced Depreciation of non-current assets						63	(63)	—		—
Reversal of Reserve for Advanced Depreciation of non-current assets						(185)	185	—		—
Cash Dividends							(1,616)	(1,616)		(1,616)
Profit							2,390	2,390		2,390
Purchase of Treasury Stock									(18)	(18)
Sales of Treasury Stock			(0)	(0)			(0)	(0)	0	0
Transfer from Reevaluation Reserve for Land, Net of Tax							225	225		225
Net Changes in Items other than Those in Shareholders' Equity										
Total Changes during the Year	—	—	(0)	(0)	(209)	(122)	1,330	998	(17)	981
Balance at end of current period	44,384	18,154	—	18,154	1,291	2,624	38,908	42,823	(4,778)	100,583

	VALUATION AND TRANSLATION ADJUSTMENTS				Subscription rights to shares	TOTAL NET ASSETS
	Net Unrealized Holding Gains (Losses) on Securities	Unrealized Gains (Losses) on Hedging Derivatives, Net of Tax	Reevaluation Reserve for Land, Net of Tax	Total Valuation and Translation Adjustments		
Balance at beginning of current period	12,154	(2,439)	17,412	27,126	146	126,875
Changes during the Year						
Provision of Reserve for Special Depreciation						—
Reversal of Reserve for Special Depreciation						—
Provision of Reserve for Advanced Depreciation of non-current assets						—
Reversal of Reserve for Advanced Depreciation of non-current assets						—
Cash Dividends						(1,616)
Profit						2,390
Purchase of Treasury Stock						(18)
Sales of Treasury Stock						0
Transfer from Reevaluation Reserve for Land, Net of Tax						225
Net Changes in Items other than Those in Shareholders' Equity	(7,063)	3,979	5,816	2,732	85	2,817
Total Changes during the Year	(7,063)	3,979	5,816	2,732	85	3,798
Balance at end of current period	5,090	1,539	23,228	29,858	231	130,674

(Translation)

Independent Auditor's Report

May 16, 2016

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, 2016 and for the year from April 1, 2015 to March 31, 2016 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, 2016

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, 2016 and for the year from April 1, 2015 to March 31, 2016 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 2015 (from April 1, 2015 to March 31, 2016). 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

The Board of Corporate Auditors determines auditing policies, schedules and other matters by resolution at Board of Corporate Auditors held on June 26, 2015, each Corporate Auditor conducts audit according to this resolution. 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.

In accordance with the auditing policies and division of duties and in conformity with standards for audits by Corporate Auditors, as determined by the Board of Corporate Auditors, each Corporate Auditor worked to gather information and create an effective audit environment by keeping channels of communication open with Directors, the Internal Audit Department, employees and others. At the same time, 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.

Furthermore, the Board of Corporate Auditors 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 companies. 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 on internal control system on financial reporting and its audit.

Regarding subsidiaries, the Board of Corporate Auditors keeps channels of communication open and exchanges information with Directors, Corporate Auditors of subsidiaries, visited there and received business reports from subsidiaries when deemed necessary.

Based on the above approach, each Corporate Auditor examined the business report and the accompanying supplemental schedules for the term under review.

Moreover, each Corporate Auditor monitored and verified whether the Accounting Auditor KPMG AZSA LLC, 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 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 18, 2016

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

Yasuo Irie (Seal)
Full-time Corporate Auditor

Yoshihisa Kitajima (Seal)
Full-time Corporate Auditor

Kazuya Imai (Seal)
Corporate Auditor

Mitsuaki Yahagi (Seal)
Corporate Auditor

(Note) Mr. Kazuya Imai and Mr. Mitsuaki Yahagi are Outside Corporate Auditors provided by Article 2, item 16 and Article 335, paragraph 3 of the Companies Act.

REFERENCE DOCUMENTS FOR GENERAL MEETING OF SHAREHOLDERS

For Agenda Item No. 1: Appropriation of surplus

Return of investment to the shareholders along with aiming the increase in shareholders' equity is the Company's basic policy on distribution of profits. We would like to propose the amount of dividends for the Term-end as follows, taking into account a comprehensive range of factors, including the outlook for future business performance, the strengthening of the Company's financial standing and internal reserves for future business development:

(1) Type of dividend property: cash

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

4 yen per share of common stock of the Company

Total dividends: 3,232,932,412 yen

(3) Effective date of the dividend of surplus: June 29, 2016

For Agenda Item No. 2: Election of ten (10) Directors

As the terms of office of all Directors (11 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:

Candidate No.: Name of the candidate

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

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

1. Yasuhiko Katoh (May 19, 1947 / 83,000 shares) Candidate for reappointment

April	1973	Entered the Company
April	2004	CEO of Mitsui Babcock Energy Limited
June	2004	Director of the Company, in charge of Mitsui Babcock Energy Limited (resided in the United Kingdom)
December	2006	In charge of special mission
June	2007	President and Representative Director
June	2013	Chairman and Representative Director (to date)

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

Mr. Yasuhiko Katoh has distinguished knowledge of Ship & Ocean Project Hq. He served as President from June 2007 to June 2013 after the office of CEO of Mitsui Babcock Energy Limited, etc., and acquired outstanding management skills through his experience. In addition, he produced excellent results as Chairman of the Board of Directors whose office he has taken since June 2013. Considering those described above, we successively selected him as a candidate for a Director.

2. Takao Tanaka (April 25, 1950 / 64,000 shares) Candidate for reappointment

April	1973	Entered the Company
June	2005	Deputy Director, 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)

[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 produced 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.

3. Takaki Yamamoto (May 22, 1952 / 34,000 shares) Candidate for reappointment

April	1976	Entered the Company
June	2005	General Manger 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 and procurement (to date)
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)

[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. Considering those described above, we successively selected him as a candidate for a Director.

4. Shinsuke Minoda (January 15, 1954 / 21,000 shares) Candidate for reappointment

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. (to date)
April	2014	Managing Director
April	2015	Director and Managing Executive Officer (to date)

[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.

5. Akira Nishihata (May 27, 1955 / 20,000 shares) Candidate for reappointment

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	Deputy Director
June	2013	Director, in charge of Corporate Planning Dept.(to date)
June	2015	In charge of Research & Development Hq. (to date)
April	2016	Managing Executive Officer, in charge of Marketing Promotion Dept. and environmental & safety control, General Manager of Ocean Business Promotion Dept., 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. Akira Nishihata has distinguished knowledge of Ship & Ocean Project Hq. and Corporate Planning Dept. He served as General Manager of Planning & Administration Dept. of Ship & Ocean Project Hq., as General Manager of Corporate Planning Dept., as Director of MODEC, Inc., etc., and acquired outstanding management skills acquired through his experience.

Considering those described above, we successively selected him as a candidate for a Director.

6. Kiyoshi Nakamura (January 12, 1953 / 41,000 shares) Candidate for reappointment

April	1975	Entered the Company
September	2004	General Manager of Accounting Dept., Chiba Works, Manager of Accounting Dept., and Manager of IR Dept.
July	2007	General Manager of Accounting Dept., Tamano Works
April	2010	General Manager of Finance Dept.
April	2011	Executive Officer, MODEC, Inc.
June	2011	Deputy Director
April	2013	General Manager of Finance & Accounting Dept.
April	2014	In charge of finance & accounting In charge of IR Dept. (to date)
June	2014	Director (to date)
April	2016	Managing Executive Officer and CFO (to date)

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

Mr. Kiyoshi Nakamura has distinguished knowledge of finance & accounting. He served as General Manager of Finance & Accounting Dept., etc., and acquired outstanding management skills through his experience. Considering those described above, we successively selected him as a candidate for a Director.

7. Shinsuke Nippo (October 17, 1956 / 13,000 shares) New candidate

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	Deputy Director
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)

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 achieved outstanding results as Director of MODEC, Inc., as Deputy General Manager of Engineering Hq., and as Director of the Company whose office he took from June 2014 to June 2015. Considering those described above, we newly selected him as a candidate for a Director.

8. Tetsuro Koga (November 16, 1956 / 10,000 shares) New candidate

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	Deputy Director
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)

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

Mr. Tetsuro Koga has distinguished knowledge of Ship & Ocean Project Hq. He achieved outstanding results as Deputy General Manager of Planning & Administration Dept. of Ship & Ocean Project Hq., as General Manager of Naval Ship Subdivision of Ship & Ocean Project Hq., and General Manager of Ship & Ocean Project Hq. Considering those described above, we newly selected him as a candidate for a Director.

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

Candidate for reappointment as an independent, Outside Director

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. (to date)
June	2013	Outside Director of the Company (to date)

Important concurrent position outside the Company:

Executive Vice President and Representative Director, Nusa Tenggara Mining Corp.

[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. Therefore, we judged him capable of facilitating the Company's business assessment for overseas business development and risk management and successively selected him as a candidate for an Outside Director.

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

Candidate for reappointment as an independent, Outside Director

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. Therefore, we judged him capable of advising the overall management of the Company with a broad perspective and successively selected him as a candidate for an Outside Director.

(Notes)

1. There is no special interest between each candidate and the Company.
2. Messrs. Toru Tokuhisa and Toshikazu Tanaka are currently Outside Directors of the Company. As for Mr. Toru Tokuhisa, the term of the office as an Outside Director will be three years as of the conclusion of this Ordinary General Meeting of Shareholders. As for Mr. Toshikazu Tanaka, it will be one year.
3. Based on the provision of Article 427, paragraph 1 of the Companies Act, the Company has entered into a Liability Limitation Agreement with Messrs. Toru Tokuhisa and Toshikazu Tanaka that limits the amount of their 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 for 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 them.
4. Messrs. Toru Tokuhisa and Toshikazu Tanaka satisfy 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 provides. When this agenda item is approved, the Company intends to continue assigning them as independent Directors.

The Company has business connection with Japan Bank for International Cooperation (JBIC), where Mr. Toru Tokuhisa was an executive in the past. One of our affiliate companies is borrowing funds from JBIC for constructing floating production storage and offloading vessel and our consolidated subsidiary, MODEC, Inc., is investing at a rate of 20% and our consolidated subsidiary, MES HOLDINGS B.V., is investing at a rate of 10% for the affiliate company. The Company and MODEC, Inc. had joint liability on a guarantee for the amount of money which is equivalent to 30% of the borrowing of the affiliate company (about 206 million U.S. dollars as of March 31, 2016). However, accompanying full payment of the borrowing by the affiliate company, the said joint liability on a guarantee has disappeared and the business connection has no importance as to influence his independence as an Outside Director.

In addition, 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 has engaged himself 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 an Outside Director.

For Agenda Item No. 3: Election of three (3) Corporate Auditors

As the terms of office of Messrs. Yoshihisa Kitajima, Kazuya Imai, and Mitsuaki Yahagi, Corporate Auditors, are to expire at the conclusion of this Ordinary General Meeting of Shareholders, we propose to elect three (3) members of Corporate Auditors. As for proposing this agenda item, we already obtained consent of the Board of Corporate Auditors. The candidates are as follows:

Candidate No.: Name of the candidate

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

Candidate's career summary, position he has served as so far, and important concurrent position outside the Company

1. Takahiro Hiraiwa (June 21, 1952 / 31,000 shares) New Candidate

April	1975	Entered the Company
October	2005	General Manager of Administration Dept., Steel Structure & Material Handling Machinery Factory, Steel Structure & Logistics Systems Hq.
June	2011	Deputy Director, Deputy General Manager of Steel Structure & Logistics Systems Hq., General Manager of Steel Structure & Material Handling Machinery Factory and Oita Works
June	2012	Director
December	2012	Assistant to General Manager of Machinery & Systems Hq.
April	2014	General Manager of Tamano Works, in charge of manufacturing
April	2015	Director, Managing Executive Officer
June	2015	Managing Executive Officer
April	2016	Adviser (to date)

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

Mr. Takahiro Hiraiwa has distinguished knowledge of Machinery & Systems segment. In addition, he conducted role in the management of the Company as Director and Managing Executive Officer and is familiar with its actual situation. Therefore, we judged him capable of carrying out audit properly and newly selected him as a candidate for a Corporate Auditor.

2. Osamu Endo (December 1, 1949 / 0 shares)

New Candidate for an independent, Outside Corporate Auditor

April	1972	Entered Mitsui Bank
April	2000	Director and General Manager of Nihonbashi Main Office, Sakura Bank
April	2001	Director and General Manager of Nagoya Corporate Banking Dept., Sumitomo Mitsui Banking Corporation
June	2002	Director and General Manager of Tokyo Corporate Banking Dept.III, Sumitomo Mitsui Banking Corporation
June	2003	Managing Director and General Manager of Tokyo Corporate Banking Dept.II, Sumitomo Mitsui Banking Corporation
June	2005	Managing Director, Sumitomo Mitsui Banking Corporation
April	2006	Senior Managing Director, Sumitomo Mitsui Banking Corporation Senior Managing Director, Sumitomo Mitsui Financial Group
June	2006	Director, Sumitomo Mitsui Financial Group
April	2007	Director and Deputy President, Sumitomo Mitsui Banking Corporation Director, Sumitomo Mitsui Financial Group
April	2009	Director, Sumitomo Mitsui Banking Corporation
May	2009	Adviser, SMBC Friend Securities Co., Ltd.
June	2009	President, SMBC Friend Securities Co., Ltd.
June	2013	Adviser, Mitsui Life Insurance Company Ltd.
June	2013	Chairman, Mitsui Life Insurance Company Ltd.
April	2016	Special Adviser, Mitsui Life Insurance Company Ltd. (to date)

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

Mr. Osamu Endo has sufficient knowledge of economic trends and overall corporate management based on his long-term experience as an executive of financial institutions. Therefore, we judged him capable of carrying out audit properly from an objective point of view and newly selected him as a candidate for an Outside Corporate Auditor.

3. Koichi Tanaka (October 21, 1955 / 0 shares)

New Candidate for an independent, Outside Corporate Auditor

April	1980	Entered Mitsui & Co., Ltd.
October	2003	General Manager of Finance Division, Mitsui & Co., Ltd.
April	2009	General Manager of Segment Controller Division, Mitsui & Co., Ltd.
April	2010	Managing Officer and General Manager of Segment Controller Division, Mitsui & Co., Ltd.
April	2011	Managing Officer, Deputy CFO and General Manager of Segment Controller Division, Mitsui & Co., Ltd.
April	2012	Executive Managing Officer and CCO, Mitsui & Co., Ltd.
June	2012	Representative Director, Executive Managing Officer and CCO, Mitsui & Co., Ltd.
April	2014	Representative Director, Senior Executive Managing Officer and CCO, Mitsui & Co., Ltd.
April	2015	Director, Mitsui & Co., Ltd.
June	2015	Counselor, Mitsui & Co., Ltd. (to date) Outside Director of AIG Japan Holdings KK (to date)

Important concurrent position outside the Company:

Outside Director of AIG Japan Holdings KK

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

Mr. Koichi Tanaka has sufficient discernment of business operation and overall corporate management acquired through his experience mainly as an executive of a general trading company. In addition, he was engaged in financial affairs and accounting for a long period and has substantial knowledge of financial affairs and accounting. Therefore, we judged him capable of carrying out audit properly based on an objective point of view and newly selected him as a candidate for an Outside Corporate Auditor.

(Notes)

1. There are no special interests between any of the candidates and the Company.
2. When this agenda is approved, the Company intends to enter into an agreement which limits indemnity liability of Messrs. Osamu Endo and Koichi Tanaka as set forth in Article 423, paragraph 1 of the Companies Act with both of them, based on the provision of Article 427, 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 for by laws and regulations, whichever is higher.
3. The Company judges that Messrs. Osamu Endo and Koichi Tanaka satisfy 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 provides. When this agenda is approved, the Company intends to report them as independent officers to Tokyo Stock Exchange.

The Company is borrowing 22,203 million yen as of March 31, 2016 from Sumitomo Mitsui Banking Corporation, where Mr. Osamu Endo was an executive in the past, and the said bank holds a part of shares of the Company. However, neither the Company’s degree of dependency on borrowings from the said bank, nor the said bank’s shareholding ratio in the Company are higher than those of other companies. In addition, there is a business connection with respect to life insurance and defined-benefit corporation pension insurance between the Company and Mitsui Life Insurance Company Limited, where he was an executive in the past. However, the business connection is not at a level of importance that would influence his independence as an Outside Corporate Auditor, as the share of the net sales (insurance premiums) of the said company from the Company Group is less than 0.1 % of the consolidated revenue including insurance premiums of the said company for the Term, and the share of the net sales of the Company Group from the said company is less than 0.1 % of the total consolidated net sales of the Company for the Term.

There is a business connection with respect to such as sales of ships and machinery, etc. and purchase of raw material and equipment between the Company and Mitsui & Co., Ltd., where Mr. Koichi Tanaka was an executive in the past. However, the business connection is not at a level of importance that would influence his independence as an Outside Corporate Auditor, as 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.

For Agenda Item No. 4: Election of one (1) Substitute Corporate Auditor

The validity of election of Mr. Nobuhiko Kitamura, who was elected as a Substitute Corporate Auditor at the Ordinary General Meeting of Shareholders held on June 28, 2012, is to expire at the opening of this Ordinary General Meeting of Shareholders. In case we lack proper number of Corporate Auditors which is provided by laws and regulations, we propose to elect one (1) Substitute Corporate Auditor again in this Ordinary General Meeting of Shareholders. As for proposing this agenda item, we already obtained consent of the Board of Corporate Auditors. The candidate is as follows:

Name of the candidate

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

Candidate's career summary, position he has served as so far, and important concurrent position outside the Company

Akira Takenouchi (May 26, 1947 / 0 shares) New Candidate for an Outside Corporate Auditor

April	1979	Registered at Tokyo Bar Association, entered Tsuji Makoto law firm (to date)
June	2002	Outside Corporate Auditor of Alps Electric Co., Ltd., Outside Corporate Auditor of Alps Logistics Co., Ltd.
April	2011	President of Tokyo Bar Association, Vice President of Japan Federation of Bar Associations
June	2014	Outside Corporate Auditor of Amada Co., Ltd. (Amada Holdings Co., Ltd.) (to date)
June	2015	Auditor of Yoshida Scholarship Foundation (to date)

Important concurrent position outside the Company:

Lawyer in Tsuji Makoto law firm
Outside Corporate Auditor of Amada Holdings Co., Ltd.
Auditor of Yoshida Scholarship Foundation

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

Mr. Akira Takenouchi has sufficient, experience and specialty as a lawyer for a long period. In addition, he has served as an outside corporate auditor of listed companies after successively holding posts such as Vice President of Japan Federation of Bar Associations, and has substantial discernment for overall corporate management. Therefore, we judged him capable of carrying out audit properly from an objective point of view and newly selected him as a candidate for a Substitute, Outside Corporate Auditor.

(Notes)

1. There are no special interests between the candidate and the Company.
2. Although Mr. Akira Takenouchi does not have an experience of directly being responsible for corporate management in the past, he is conversant with corporate legal work as a lawyer. In addition, he has served as an Outside Corporate Auditor of a listed company and has sufficient knowledge of overall corporate management. Therefore, we judge him capable of carrying out duties of an Outside Corporate Auditor properly.
3. When Mr. Akira Takenouchi takes office as a Corporate Auditor, the Company intends to enter into an agreement which limits indemnity liability as set forth in Article 423, paragraph 1 of the Companies Act with him based on the provision of Article 427, 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 for by laws and regulations, whichever is higher.
4. The Company judges Mr. Akira Takenouchi 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 provides. When he takes office as the Company’s Outside Corporate Auditor, the Company intends to report him as an independent Corporate Auditor to Tokyo Stock Exchange.

<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 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 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

For Agenda No. 5 Modification of remuneration structure for Directors

At the 110th General Shareholders Meeting held on June 27, 2013, it was resolved to allocate stock acquisition rights as stock options (“Stock Compensation-Type Stock Options”) to Directors (except for Outside Directors). However, the Company would like to propose to abandon this practice pursuant to recommendation and discussion by its remuneration committee commenced since December 2015, and to introduce remuneration corresponding to the stock price of the Company (“Remuneration Corresponding to Stock Price”) as deferred after retirement as new medium-to long-term incentives.

Also, pursuant to recommendation and discussion by its remuneration committee, the Company would like to modify its remuneration structure for Directors, and to introduce remuneration corresponding to its profits (“Remuneration Corresponding to Profits”) for the purpose of increased reflection of consolidated business performance onto Directors’ remuneration and further promoting management with increased efficiency of equity.

It is proposed to resolve an amount of remunerations based on Remuneration Corresponding to Stock Price and Remuneration Corresponding to Profits as described below.

1. Details of Remuneration Corresponding to Stock Price

(1) Purpose of abandoning Stock Compensation-Type Stock Options and introducing Remuneration Corresponding to Stock Price

The current Stock Compensation-Type Stock Options have problems as tax procedures and implementation of rights execution are complex, and a solution to improve the efficiency as a system is needed.

Therefore, it is proposed to introduce Remuneration Corresponding to Stock Price as a more efficient remuneration system that does not negatively affect the purpose of medium-to long-term incentives.

Regarding this Remuneration Corresponding to Stock Price, Directors (except for Outside Directors) will receive remuneration corresponding the Company’s stock prices after their retirement and therefore it works as a medium-to long-term incentives during the said Directors’ terms of office and facilitates the improvement of the medium-to long-term business performance of the Company.

Also, it is believed that it works further as an incentive because the period of accumulation of Remuneration Base Amount and the period to receive Remuneration Corresponding to Stock Price are designed to be equal, which makes each Director responsible for the same period as his terms of office after his retirement.

The number of Directors is currently 11, and when the Agenda No. 2 is approved, it will be 10, among whom 2 are Outside Directors. (Note this structure is not applicable to Outside Directors.)

(2) Methods of Calculation of Remuneration Corresponding to Stock Price

1) An amount that is two months of monthly base salary (“Monthly Base Salary”) that is to be paid monthly in a fixed amount to each Director (except for Outside Directors) is allotted each year as Remuneration Base Amount of Remuneration Corresponding to Stock Price.

2) Payment of Remuneration Corresponding to Stock Price will commence in the year following each Director’s retirement, and its period of payment (“Payment Period”) will be equal to the period of accumulation of Remuneration Base Amount which is also equal to each Director’s tenure after introduction of Remuneration Corresponding to Stock Price.

Remuneration Corresponding to Stock Price will be paid initially in the year following each Director’s retirement, pursuant to the calculation methods provided below based on Remuneration Base Amount in the year said Director was initially elected (or in the year of introduction of this remuneration for those who were elected as Director previously). Thereafter it will be paid pursuant to the calculation methods provided below based on the Remuneration Base Amount corresponding to the period of his or her terms of office during the Payment Period, moving one year forward each year after the year of the initial remuneration payment.

Remuneration amount on each year of the Payment Period=

$$\begin{array}{l} \text{Remuneration Base Amount in the} \\ \text{corresponding year of the} \\ \text{accumulation period} \end{array} \times \frac{\begin{array}{l} \text{Stock price on the last business day of June of the relevant year} \\ \text{of the Payment Period} \end{array}}{\begin{array}{l} \text{Stock price on the last business day of June in the} \\ \text{corresponding year of the accumulation period} \end{array}}$$

3) Stock price shall be the closing price of common stock of the Company at Tokyo Stock Exchange. (In the event there is no closing price, it shall be the reference price of the following business day.)

4) The total amounts of Remuneration Corresponding to Stock Price to be paid to retired Directors for each year shall not exceed 100,000,000 yen regardless of fluctuation of the Company’s stock price. We propose remuneration amount and timing of payment to each retired Director to be at determined by the Board of Directors. It was resolved that the grand total remuneration amount for Directors (excluding salary for employees) shall be subject to the limit of 630,000,000 yen at the 107th General Shareholders Meeting held on June 25, 2010. The total remuneration limit of 100,000,000 yen is in the range of this grand total remuneration limit for Directors. This grand total remuneration limit for Directors will not change regardless of the introduction of Remuneration Corresponding to Stock Price in Article 1 and Remuneration Corresponding to Profits in the following Article 2.

5) Remuneration Corresponding to Stock Price shall not be applicable to Outside Directors because they are in positions independent from the execution of management. The Company pays Outside Directors an

amount that is 12 months of Monthly Base Salary (“Remuneration by Month”) only.

<For reference>

Example remuneration amount for Remuneration Corresponding to Stock Price each year for a Director who is elected in June 2016, served his/her position for 5 years, and retired in June 2021:

(The 1st payment to be paid in July 2022)

$$\text{Remuneration Base Amount in 2016} \times \frac{\text{Stock price on the last business day in June 2022}}{\text{Stock price on the last business day in June 2016}}$$

(The 2nd payment to be paid in July 2023)

$$\text{Remuneration Base Amount in 2017} \times \frac{\text{Stock price on the last business day in June 2023}}{\text{Stock price on the last business day in June 2017}}$$

(The 3rd payment to be paid in July 2024)

$$\text{Remuneration Base Amount in 2018} \times \frac{\text{Stock price on the last business day in June 2024}}{\text{Stock price on the last business day in June 2018}}$$

(The 4th payment to be paid in July 2025)

$$\text{Remuneration Base Amount in 2019} \times \frac{\text{Stock price on the last business day in June 2025}}{\text{Stock price on the last business day in June 2019}}$$

(The 5th payment to be paid in July 2026)

$$\text{Remuneration Base Amount in 2020} \times \frac{\text{Stock price on the last business day in June 2026}}{\text{Stock price on the last business day in June 2020}}$$

2. Details of Remuneration Corresponding to Profits

(1) Purpose of introducing Remuneration Corresponding to Profits

Remuneration Corresponding to Profits is paid to Directors (excluding Outside Directors) annually, within a certain period (not exceeding one month) after finalizing financial results for the term. It is calculated based on financial results for the term that are approved by the General Shareholders Meeting using methods disclosed in advance in the Company's annual security report. Introducing Remuneration Corresponding to Profits is proposed in order to have remuneration and financial results correspond more closely by changing the current remuneration system into a new one based on performance evaluation indicators which conform with the Company's management strategy.

The number of Directors is currently 11, and when the Agenda No. 2 is approved, it will be 10, among whom 2 are Outside Directors. (Note this structure is not applicable to Outside Directors.)

(2) Methods of Calculation of Remuneration Corresponding to Profits

1) Remuneration Corresponding to Profits is intended to change the current remuneration system which varies pursuant to Directors' positions, and is calculated according to performance evaluation indicators in Figure 1 and the calculation methods in Figures 2 based on "Standard Remuneration" which consists of the total amounts of Remuneration by Month and Remuneration Base Amount of Remuneration Corresponding to Stock Price in the Article 1 above. Thus, Remuneration Corresponding to Profits will fluctuate in relation to Standard Remuneration at a certain proportion.

The figure below shows Standard Remuneration used in the concept of Remuneration Corresponding to Profit, and the proportion range of Remuneration Corresponding to Profits (the proportion compared to Standard Remuneration).

Standard Remuneration		Proportion range of Remuneration Corresponding to Profits (Proportion compared to Standard Remuneration)
Remuneration by Month	Remuneration Base Amount of Remuneration Corresponding to Stock Price	
Amount equal to 12 months of Monthly Base Salary	Amount equal to 2 months of Monthly Base Salary	0%-50%

*Maximum number in the proportion range shall be the limit. An amount exceeding such limit will not be paid.

In FY 2016, which is the initial year to introduce Remuneration Corresponding to Profits, a temporary measure is to be implemented because remuneration amount by month is intentionally reduced compared to the current remuneration system, under system of Remuneration Corresponding to Profits. To be more precise, in FY2016, Remuneration by Month is set higher than the level in FY2017 and after, but the maximum amount of fluctuation of Remuneration Corresponding to Profits is set lower than the level in FY2017 and after. However, even in FY 2016, the maximum amount provided in paragraph 2) below does

not change.

Figure 1: Performance evaluation indicators

Roles	Performance evaluation indicators	Ratio
Directors whose roles are not managing business headquarters (except for Outside Directors) and Directors whose roles are managing corporate units	Consolidated rate of return on Investment (ROIC)	100%
Directors whose roles are managing business headquarters	Consolidated rate of return on Investment (ROIC)	50%
	Operating profit rate of a relevant business headquarters (segment)	50%

* ROIC= (Operating profits + interest income + dividend income) / (average shareholder's equity in the previous term + average borrowings in the preceding term)

* Operating profits rate of a business headquarters (segment) = operating profits of a relevant business headquarters (segment) / net sales of a relevant business headquarters (segment)

Figure 2: Calculation method (FY 2017 and after)

Performance evaluation indicators	Calculation method	
Consolidated rate of return on Investment (ROIC)	Up to ROIC 2%	3.15% of Fixed Remuneration to each 1% of ROIC
	From ROIC 2% though ROIC 9%	6.25% of Fixed Remuneration to each 1% of ROIC
Operating profit rate of relevant business headquarters (segment)	Up to operating profit rate 8%	6.25% of Fixed Remuneration to each 1% of operating profit rate

* Regarding Directors whose roles are managing business headquarters, the coefficient of 1/2 shall be applied to each.

2) The total amount of Remuneration Corresponding to Profits to Directors shall not exceed 152,000,000 yen. We propose remuneration amount and payment timing for each Director (except for Outside Directors) to be determined by the Board of Directors.

As mentioned above, the grand total remuneration limit for the Directors was approved at the 107th General Shareholders Meeting held on June 25, 2010, and this grand total remuneration limit for the Directors does not change, even though Remuneration Corresponding to Stock Price (described in 1. above) and Remuneration Corresponding to Profits are to be introduced subject to approval.

3) Remuneration Corresponding to Profits shall not be applicable to Outside Directors because they are in positions independent from the execution of management. The Company pays Remuneration by Month only to Outside Directors.

<For reference>

Remuneration structure after introducing Remuneration Corresponding to Stock Price and Remuneration Corresponding to Profits

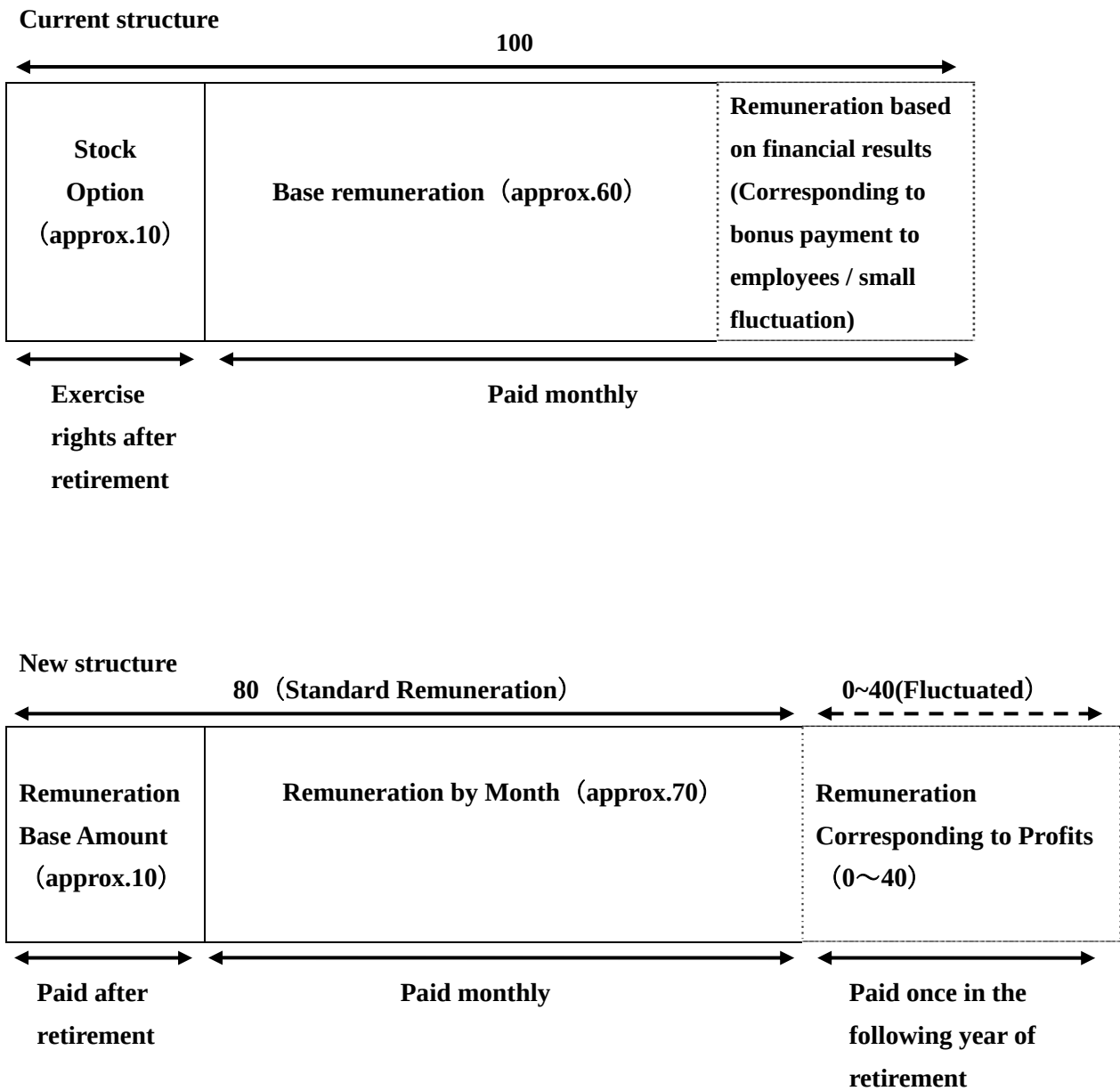
The following shows details of remuneration to be paid to Directors, subject to the grand total remuneration limits for Directors, upon approval of Remuneration Corresponding to Stock Price and Remuneration Corresponding to Profits.

Type of remuneration	Details of remuneration	Fixed / Fluctuated (note)
Remuneration by Month	Remuneration determined pursuant to the Director's position is to be paid monthly. (12 months of Monthly Base Salary)	Fixed
Remuneration Corresponding to Stock Price	Remuneration Base Amount that is 2 months of Monthly Base Salary is allotted each year, and remuneration based on that allotted amount that is corresponding to stock price after retirement is to be paid. The period of accumulation of Remuneration Base Amount and the period of its payment are designed to be equal. It will be paid, reflecting stock price, based on Remuneration Base Amount corresponding to the period of the Director's terms of office during the Payment Period, moving one year forward each year after the year of the initial remuneration payment.	Fluctuated (The amount to be allotted during Director's terms of office is a fixed amount.) (Medium-to long-term)
Remuneration Corresponding to Profits	Remuneration Corresponding to Profits is paid to Directors (excluding Outside Directors) annually, within a certain period (not exceeding one month) after finalizing financial the results for the term. It is calculated based on financial results for the term that are approved at the General Shareholders Meeting using methods disclosed in advance in the Company's annual security report.	Fluctuated (Each fiscal year)

(note)

In the event that the amount to be paid is fixed, the figure describes "Fixed," and in the event it fluctuates pursuant to financial results, the figure describes "Fluctuated." In the event that remuneration correlates with financial results in the previous fiscal year, the figure describes "Each fiscal year." Remuneration Corresponding to Stock Price is designed as a medium-to long-term incentives, and therefore the figure describes "Medium-to long-term."

< For reference > Comparison of the current and new remuneration structure (Image figure)



(Note)

The numerical values described above indicate the supposed numerical values of the remuneration amount to be paid in the new remuneration structure, when we assume the whole amount of remunerations to be paid in the present remuneration structure to be 100.

EXERCISE OF VOTING RIGHTS ON THE INTERNET, ETC.

Shareholders exercising voting rights on the Internet, etc. are asked to kindly note the following matters.

1. Website for Exercise of Voting Rights

The exercise of voting rights on the Internet is only possible by using a website designated by the Company for voting (<http://www.web54.net>).

Mobile phone terminals are not set up for this purpose.

2. Treatment of Voting

- (1) For those who exercise the voting rights on the Internet, please access the website above by using the voting code and the password written on the voting form and fill in the electronic voting form in accordance with the online instructions.
- (2) A voting deadline is 17:00, June 27, 2016. Please exercise your voting right before this deadline.
- (3) In order to use the website for voting, any fees for connection or communication shall be borne by each shareholder.

3. Security of Passwords

- (1) Passwords are the means by which persons exercising voting rights are confirmed as shareholders. Please secure passwords confidentiality as same as your bank pin codes or seal.
- (2) Please note that if an incorrect password is entered more than a specified number of times, shareholders will be unable to access a main screen. In such case, please follow instructions on a screen.
- (3) Passwords are effective only for this General Meeting of Shareholders.

4. The Following System Specifications are Necessary in Order to Use the Website for Voting

Necessary Conditions for System for voting through the Internet access:

- (1) The computer monitor resolution must be at least 800 x 600 (dots wide by long - SVGA).
- (2) Software Applications:
 - (a) Microsoft® Internet Explorer version 5.01 Service Pack 2 or above must be installed on a computer.
 - (b) Adobe® Acrobat® Reader® version 4.0 or above or Adobe® Reader® version 6.0 or above (Microsoft® and Internet Explorer, Adobe® Acrobat® Reader® and Adobe® Reader®, are registered trade marks, trade marks or product names of respectively Microsoft Corporation and Adobe Systems Incorporated in the U.S. and other countries.)
- (3) If Pop Up Block function is in effect in your web browser and ad-in-tool, please make these functions ineffective (at least temporarily) and permit Cookie function usable in your privacy setting.
- (4) If you cannot access the above Website, there are cases where communications over the Internet are restricted by settings of firewalls or other security measures. Please check the settings of your network access.

5. Enquiries

- (1) For enquiries on operations of your computer concerning the exercise of voting rights on the Internet, please contact the following:

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)

- (2) For all other enquiries of a general nature (such as the registered address or registered shareholdings), 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)

6. Use of the Platform for Electronic Exercise of Votes for Institutional Investors

Where institutional investors may, as an alternative to exercising voting rights on the Internet as detailed above, use such platform of ICJ Ltd. as another way of exercising voting rights.