

# Corporate Governance

## Basic Philosophy

Based on its Company Philosophy, Business Policy, and Management Policy, Mitsui E&S aims to ensure its sustainable growth and further improve its medium- and long-term corporate value. It recognizes the importance of the social nature of a company and takes into account the global environment, working to ensure that all of its stakeholders find the company beneficial to society. To this end, we have established a system for making fair and transparent decisions promptly and boldly, under which we continuously strive to enhance our corporate governance.

**<Company Philosophy>**  
To continue our role as a trusted company, and as a trusted member of society

**<Business Policy>**  
To fulfill expectations and foster trust in people and society as a manufacturing company that offers products and services representing the culmination of our global business experience and years of advanced technology development in a wide range of fields

**<Management policy>**  
Build further satisfaction for our customers  
Provide safe and effective workplace environment for employees  
Contribute to the development of society  
Pursue profit for the longevity of the company

## Systems of Corporate Governance and Internal Control

Along with enhancing the effectiveness of our auditing functions through corporate auditors, the Company has determined that a governance system in which experienced outside directors monitor the performance of directors' duties from a management perspective is appropriate for the Company's line of business as a manufacturing company. The Company has therefore adopted the current corporate governance system.

The basic policy on our internal control system can be found here:

[https://www.mes.co.jp/investor/information/system\\_policy.html](https://www.mes.co.jp/investor/information/system_policy.html) (Japanese only)

## Internal Control and Risk Management System

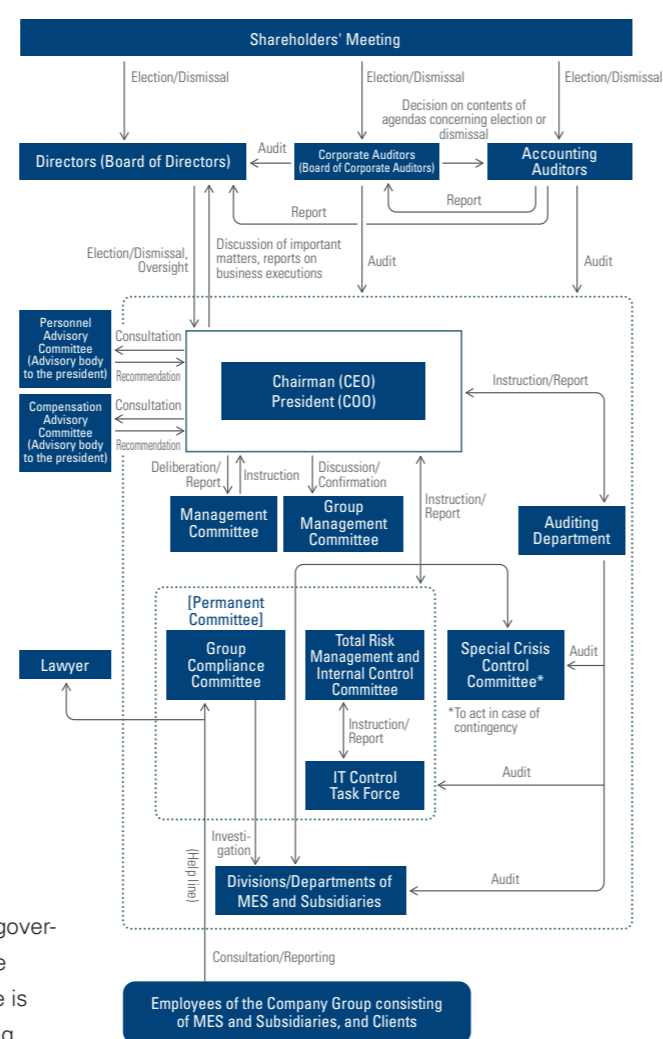
In order to build a Company-wide framework to promote the internal control system in accordance with the CEO's instructions, we have established a Total Risk Management and Internal Control Committee chaired by the director in charge of corporate planning.

The committee met three times in FY2019 ('18/4-'19/3), and in addition to the risk management system, it deliberates on such things as the re-examination of the Company's corporate governance in line with the Corporate Governance Code revised by the Tokyo Stock Exchange, and responds to the internal control reporting system for previous financial reports. Proposals and reports based on the results of the committee's deliberations were made to the management meeting structure and the executive officers of the Company including CEO as appropriate.

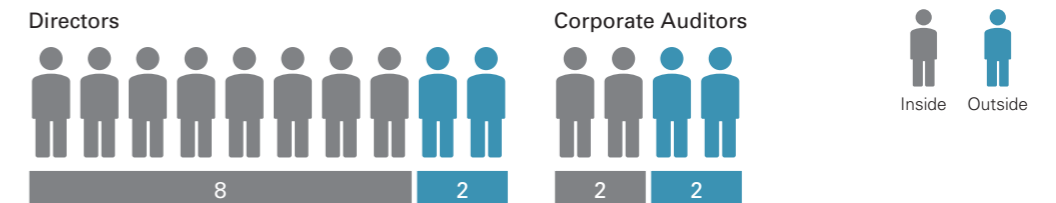
## Governance System

The Company adopts a corporate governance system in the form of a company with a Board of Corporate Auditors and with Accounting Auditors. As of June 26, 2019, the Company's Board of Directors consists of 10 members, 2 of whom are part-time Outside Directors. The Company's Board of Corporate Auditors consists of 4 members, 2 of whom are part-time Outside Corporate Auditors.

### ● Systems of Corporate Governance and Internal Control



Along with enhancing the effectiveness of our auditing functions through corporate auditors, the Company has determined that a governance system in which experienced outside directors monitor the performance of directors' duties from a management perspective is appropriate for the Company's line of business as a manufacturing company. The Company has therefore adopted the current corporate governance system.



In addition to the Board of Directors, the Company has established the Group Management Committee and the Management Committee as a management meeting structure to execute business operations based on basic policy determined by the Board of Directors. The Group Management Committee is composed of full-time directors and presidents of major subsidiaries within the group, and the Management Committee is composed of full-time directors. The Group Management Committee deliberates on the direction of the mid-term and long-term business plans for the entire Group, and formulates and checks the progress of the management strategy for the entire Group. And at the Management Committee, deliberations are made on each business execution of this management strategy.

### <The Board of Directors>

Meet 12 times on a regular basis and 4 times on a temporary basis to decide important matters and supervise business execution. The Board of Directors also reviews, when necessary, basic policy for building internal control systems.

### <The Group Management Committee>

Meets four times with discussions focused on the direction of the mid-term and long-term business plans for the entire Group as described above.

### <The Management Committee>

Meets 12 times on a regular basis and once on a temporary basis to deliberate on business execution for each business as described above.

## Directors' Compensation

### <Policy on Determining the Amount of Remuneration for Directors of the Company>

Directors' compensation is based on the amount determined by each position within the limits approved at the Shareholders' Meeting, taking into account the degree of contribution of directors, such as by reflecting their performance within the Company. Remuneration consists of a basic monthly salary in accordance with the director's position, compensation linked to the Company's stock price, and a profit-based compensation linked to the Company's consolidated results. Compensation for corporate auditors is determined by consultation with the corporate auditors with reference to directors' compensation, etc., and within the limits of remuneration approved at the Shareholders' Meeting. In determining the remuneration of the directors of the Company, an arbitrary Compensation Advisory Committee has been established, which deliberates and reports on directors' compensation policy and compensation system. The committee also confirms whether the level of compensation and parameters for deciding compensation are in accordance with recommendations. Based on this, the president submits the compensation system and parameters for deciding compensation to the Board of Directors. The committee consists of two independent outside directors, the president and a representative director appointed by the president, and is chaired by an independent outside director.

Position	Number of Directors/Auditors	Total Amount of Remuneration, etc.
Directors (of which are outside directors)	11*1 (2)	¥164 million (¥19 million)
Corporate Auditors (of which are outside auditors)	4 (2)	¥74 million (¥18 million)
Total	15	¥238 million

\*1. The above includes three directors who retired at the conclusion of the 115th Annual Shareholders' Meeting held on June 27, 2018.  
 \*2. The total amount of remuneration for directors does not include employee salaries for those directors who also serve as employees.  
 \*3. At the 107th Annual Shareholders' Meeting held on June 25, 2010, the maximum remuneration for directors was decided to be within ¥630 million per year (excluding employee salaries), and the maximum amount of remuneration for corporate auditors was decided to be within ¥90 million per year.  
 \*4. In addition to the above, a stock-linked compensation of ¥12 million was paid to two directors who retired at the conclusion of the 114th Annual Shareholders' Meeting held on June 28, 2017. Outside directors do not receive any stock-linked compensation.  
 \*5. At the conclusion of the 110th Annual Shareholders' Meeting held on June 27, 2013, the Company abolished the retirement bonus system for directors and corporate auditors. It was decided that directors and corporate auditors who continue to serve after the conclusion of the 110th Annual Shareholders' Meeting will be paid a retirement bonus at the time of each director or auditor's retirement, the amount of which corresponds to the time in office held up until the termination of the retirement bonus system.

# Corporate Governance

## Initiatives to Improve Compliance

Based on the Group Compliance Management Regulations, the Group Compliance Committee was held twice in FY2019 ('18/4-'19/3) to exchange and share information across the whole Company in order to strengthen compliance within the Company and its subsidiaries. In terms of compliance with antimonopoly laws, the Group Compliance Committee is continuously making thorough efforts to monitor such compliance.

Regarding compliance with the Corporate Code of Conduct, we conducted compliance training for newly hired employees as well as management professionals and sales representatives of subsidiaries, and continued education and awareness activities for executives and employees of the Company and its subsidiaries.

### ● Number of Employees who have Completed Compliance Training

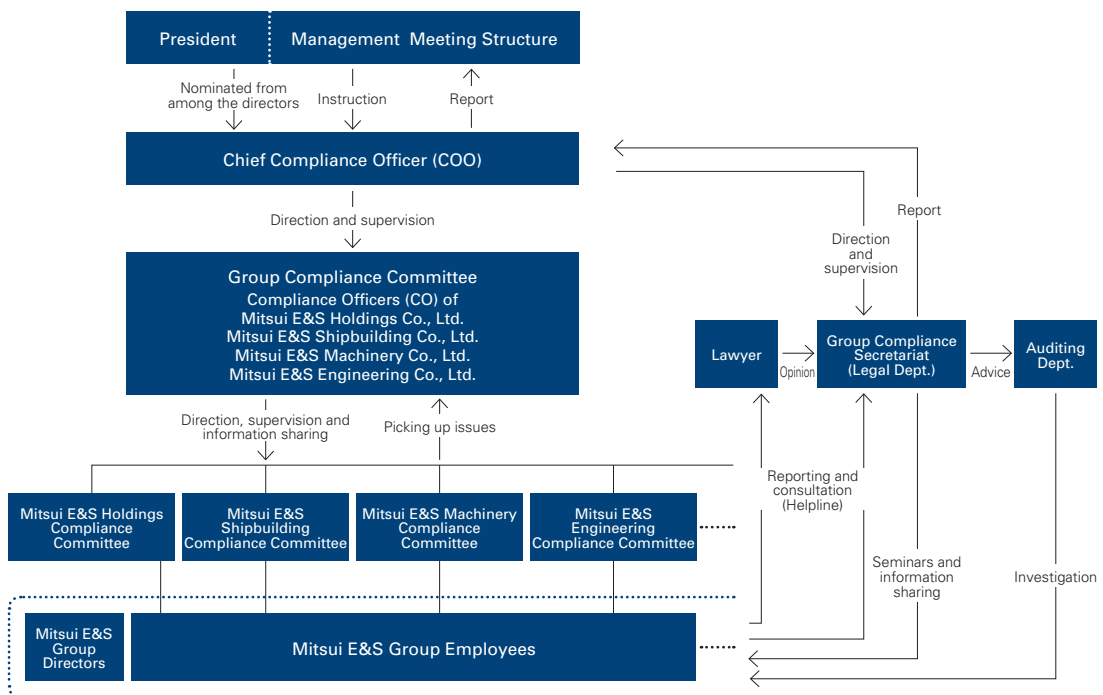
FY2016 ( '15/4-'16/3)	FY2017 ( '16/4-'17/3)	FY2018 ( '17/4-'18/3)	FY2019 ( '18/4-'19/3)
1,573	859	1,308	489

### <Helpline (Internal Reporting System)>

In order to detect legal violations and other compliance issues at an early stage, we have established a helpline (internal reporting system) so that all executives and employees of the Company and its subsidiaries, as well as their business partners, may contact the Company directly to discuss or report any issues. Based on our rules regarding the system for reporting compliance issues in accordance with the Whistleblower Protection Act, we will respond appropriately in the event of any reports.

 [https://www.mes.co.jp/investor/information/system\\_policy.html](https://www.mes.co.jp/investor/information/system_policy.html)

### ● Compliance System



## TOPICS

The Company has designated October as its Corporate Ethics Reinforcement Month, carrying out compliance-focused activities. In FY2019 ('18/4-'19/3), an E-learning course on annual compliance matters was given mainly to executives and management professionals from Mitsui E&S Shipbuilding, Mitsui E&S Machinery, Mitsui E&S Engineering, and Mitsui E&S Business Service, with a total of approximately 1,700 people, including some executives and employees of domestic Group companies, having taken part.

Furthermore, this year's compliance slogan of "Toward the next generation through faith and trust", collected and selected from within the Mitsui E&S Group, has been shared with all workplaces, helping to raise awareness of compliance.