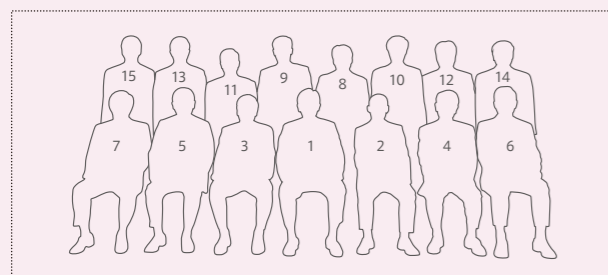


Corporate Governance

Corporate Governance



- 1** Chairman and Representative Director
Yasuhiko Katoh
- 2** President, Representative Director, and CEO**
Takao Tanaka
- 3** Vice President and Representative Director
Masafumi Okada
(Assistant to President, in charge of sales, and Marketing Promotion Dept., and General Manager of Export Control Dept.)
- 4** Managing Director and Representative Director
Takaki Yamamoto
(In charge of Audit Dept., personnel & general affairs, procurement, and environmental & safety control, and CCO**)

** CEO : Chief Executive Officer ** CCO : Chief Compliance Officer

1. Basic Philosophy

MES is a manufacturing company offering products and services representing the culmination of our global business experience and years of advanced technology development. One of management policies is to fulfill expectations and to foster trust in people and society. We use this management policy as the basis for initiatives aimed at being recognized by stakeholders as a company worth supporting. Part of our efforts includes the creation and maintenance of a highly transparent decision-making structure that enables us to adapt quickly to changes in our business environment and the establishment of a fair management system that places emphasis on our shareholders. We recognize these to be extremely important initiatives for the company.

- 5** Director and Managing Executive Officer
Hiroyuki Komine
(General Manager of Engineering Hq.)
- 6** Director and Managing Executive Officer
Shinsuke Minoda
(General Manager of Machinery & Systems Hq.)
- 7** Director and Managing Executive Officer
Norihsa Fukuda
(General Manager of Ship & Ocean Project Hq.)
- 8** Director
Akira Nishihata
(In charge of Corporate Planning Dept., and Research & Development Hq.)
- 9** Director
Kiyoshi Nakamura
(In charge of finance & accounting, and IR Dept.)
- 10** Director
Toru Tokuhisa
(Outside director)
- 11** Director
Toshikazu Tanaka
(Outside director)
- 12** Corporate Auditor (Full-time)
Yasuo Irie
- 13** Corporate Auditor (Full-time)
Yoshihisa Kitajima
- 14** Corporate Auditor
Kazuya Imai
- 15** Corporate Auditor
Mitsuaki Yahagi

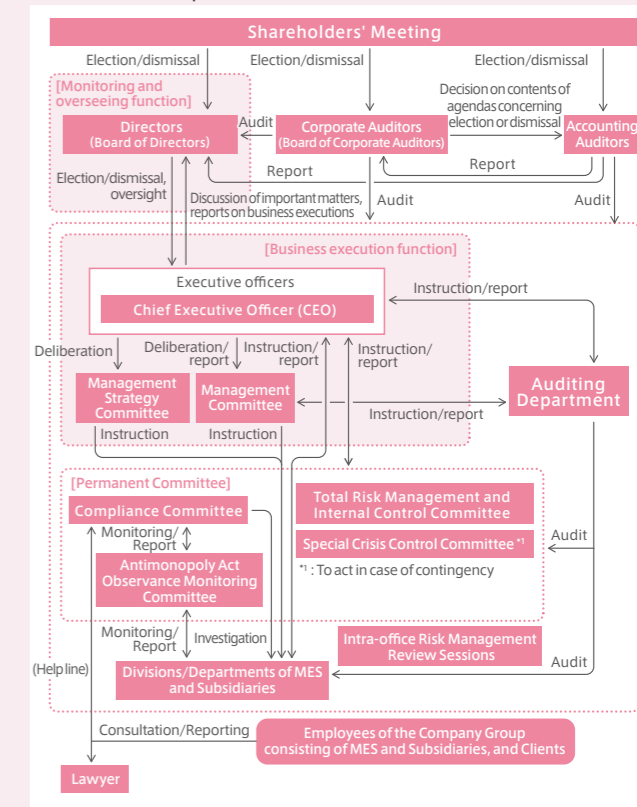
2. Structure

By law, MES is required to establish a Board of Corporate Auditors. The function fulfilled by the Board of Corporate Auditors together with the appointment of an auditing firm form the structure for corporate governance at MES. As of June 26, 2015, the MES Board of Directors consists of eleven members. Two of these members are outside directors. Moreover, our Board of Corporate Auditors consists of four members, two of which are part-time corporate auditors. We also adopted an executive officer system to improve decision-making on vital matters by the Board of Directors, improve supervisory functions, and streamline business operations. Executive officers elected by the Board of Directors are allocated executive authority related to business operations and execute their assigned duties under the supervision of the chief executive officer (CEO).

Internal Control System

We recognize the objectives of our Internal Control System as following: "Assuring efficiency and work performance (achieving objectives)," "Assuring the reliability of financial reports," and "Complying with the law (compliance)" and we are making efforts to reinforce and improve our internal control more than ever. In our Internal Control System, Total Risk Management and Internal Control Committee bears deliberation of basic policy regarding internal control which the Companies Act and the Financial Instruments and Exchange Act require. It also bears company-wide promotion of measures based on policy decided by management committees. To achieve our internal control objectives, a business operation system, compliance system, a risk management system, and an internal control promotion system for financial reports have been established and the internal auditing section (Auditing Department) confirms efficacy.

Flow Chart of Corporate Governance and Internal Control



1. Business Execution System

To execute business operations in accordance with basic policy decided by the Board of Directors, we have established the "Management Strategy Committee" and "Management Committee" as management committees. Deliberations are held based on the functions of each organization to promote rapid and flexible decision-making. As for Business Execution System, we transferred the authority to execute business from Directors to Executive Officers elected by the Board of Directors. This streamlines the execution of duties performed by directors.

2. Compliance Systems

"Corporate Code of Conduct" is distributed to all officers and employees of the Company Group comprised of MES and our domestic subsidiaries to promote awareness. Moreover, for overseas subsidiaries, we work with the presidents of each of them in a timely manner for each area's situation to confirm compliance systems and their states of implementation. We have established the "Compliance Committee" as an entity for promoting awareness of compliance policy and reporting results of surveys. Moreover, we have instituted "Help-line" in order to detect compliance problems in their early stages. Either the Secretary General of the Compliance Committee or a lawyer can provide consultations or receive reports directly from employees. To ensure legal compliance during activities aimed at winning new orders for public projects, each division and department conducts checks by themselves and we have established the "Antimonopoly Act Observance Monitoring Committee" to conduct monitoring.

Specific Initiatives in Fiscal 2014

In addition to compliance workshops for new employees of MES and new executives of our subsidiaries to deepen their understanding of relevant laws and our "Corporate Code of Conduct", we also held 13 training sessions during the year for our sales departments, branch managers, and subsidiaries. In October, which is defined as Business Ethics Enhancement Month, MES executives, general managers, and presidents of subsidiaries are required to present a written pledge of their legal compliance.

3. Risk Management System

MES is promoting Total Risk Management System that systematically grasps and evaluates various risks related to all aspects of business activities to ensure we conduct business activities within a proper limit in which we can take risks. The Total Risk Management and Internal Control Committee works based on total risk management policy determined at the Management Strategy Conference to promote group-wide risk management. As for risks related to business operations, each headquarter holds "Intra-office Risk Management Review Sessions", and executes risk analysis on their own. Moreover, in cases of contingency, "Special Crisis Control Committee", in which the Representative Director serves as Chairman, quickly copes with the problem.

Specific Initiatives in Fiscal 2014

In order for each Director executing business to appropriately review risks corresponding to changes in the internal and external business environments, and to confirm and share respective policy, we reviewed important risks and basic policy of internal control in business each Director is taking charge of, and then thoroughly notified the division they supervise about the risks and policy.

4. Internal Control Promotion System for Financial Reports

To assure the credibility of financial reports, basic policy concerning evaluation of internal control for financial reports is established at annual management committees and the Total Risk Management and Internal Control Committee evaluates the preparation and operation status of said internal control, and make corrections if necessary.