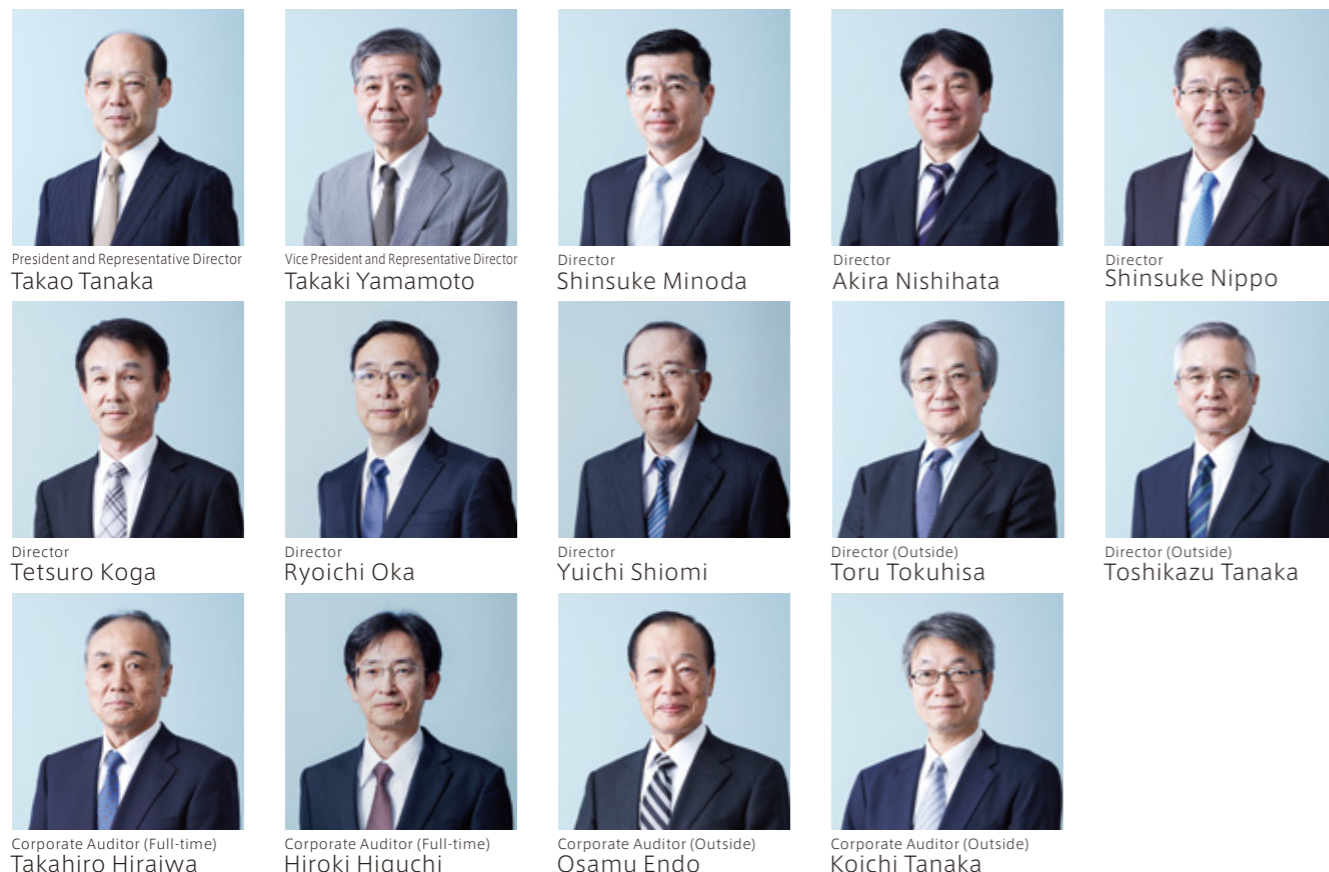


Corporate Governance

Directors / Corporate Auditors



Directors / Executive Officers

President, Representative Director	Takao Tanaka	CEO
Vice President, Representative Director	Takaki Yamamoto	Assistant to President, in charge of Audit Dept. and personnel & general affairs, General Manager of Export Control Dept. and CCO ^{※1}
Director, Managing Executive Officer	Shinsuke Minoda	Supervising Engineering Hq., General Manager of Corporate Planning Hq., and CISO ^{※2}
Director, Managing Executive Officer	Akira Nishihata	In charge of procurement and environmental & safety control CTO ^{※3} and General Manager of Research & Development Hq.
Director, Managing Executive Officer	Shinsuke Nippo	General Manager of Engineering Hq.
Director, Managing Executive Officer	Tetsuro Koga	General Manager of Ship & Ocean Project Hq.
Director, Managing Executive Officer	Ryoichi Oka	General Manager of Machinery & Systems Hq.
Director, Managing Executive Officer	Yuichi Shiomi	CFO ^{※4} , in charge of IR Dept.
Director (Outside)	Toru Tokuhisa	
Director (Outside)	Toshikazu Tanaka	
Managing Executive Officer	Norihisa Fukuda	Director and Senior Managing Executive Officer, Minamippon Shipbuilding Co., Ltd.
Managing Executive Officer	Shoichi Taguchi	General Manager of Tamano Works and Special Mission by President (in charge of manufacturing)
Managing Executive Officer	Yasuki Kishimoto	Deputy General Manager of Machinery & Systems Hq. (President and Representative Director, an overseas subsidiary producing material handling machinery)
Executive Officer	Katsuhiko Yoshida	Deputy General Manager of Engineering Hq. (in charge of plant engineering)
Executive Officer	Toshiro Miyake	Deputy General Manager of Ship & Ocean Project Hq. and General Manager of Tamano Shipyard, Ship & Ocean Project Hq.
Executive Officer	Yuji Kozai	Deputy General Manager of Corporate Planning Hq. and General Manager of Corporate Planning Dept.
Executive Officer	Kiyohiko Murakami	Deputy General Manager of Machinery & Systems Hq. and General Manager of Machinery Factory, Machinery & Systems Hq.
Executive Officer	Keiji Kurosaka	Deputy General Manager of Engineering Hq. (in charge of energy solutions and infrastructure)
Executive Officer	Naokazu Fukui	General Manager of Business Planning Dept., Corporate Planning Hq.
Executive Officer	Shigeki Takitani	General Manager of Procurement Dept.
Executive Officer	Yasunori Iwamatsu	Deputy General Manager of Ship & Ocean Project Hq. and General Manager of Planning & Administration Dept., Ship & Ocean Project Hq.
Executive Officer	Mitsuru Yamada	General Manager of Infrastructure Business Dept., Machinery & Systems Hq.

Corporate Auditors

Corporate Auditor (Full-time)	Takahiro Hiraiwa
Corporate Auditor (Full-time)	Hiroki Higuchi
Corporate Auditor (Outside)	Osamu Endo
Corporate Auditor (Outside)	Koichi Tanaka

※1 CCO stands for Chief Compliance Officer. ※2 CISO stands for Chief Information Security Officer.
 ※3 CTO stands for Chief Technology Officer. ※4 CFO stands for Chief Financial Officer.

(As of August 1, 2017)

Corporate governance

1. Basic philosophy

Based on its Company Philosophy, Business Policy, and Management Policy, MES 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

In accordance with the preceding basic philosophy concerning corporate governance, we will try to enhance our corporate governance based on the following basic policies.

(1) We ensure the substantive rights and equality of our shareholders.

(2) We collaborate appropriately with our shareholders and other stakeholders.

(3) We ensure the appropriate, voluntary disclosure of our corporate information and transparency.

(4) We clarify the roles and responsibilities of our Board of Directors, Corporate Auditors, and Board of Corporate Auditors.

(5) We hold dialogue with our shareholders to help support our sustainable growth and improve medium- and long-term corporate value.

2. Structure

MES is required by law to establish a Board of Corporate Auditors. The function fulfilled by the Board of Corporate Auditors together with the voluntarily established Personnel Advisory Committee and Compensation Advisory Committee form the structure for corporate governance at MES, and we have appointed accounting auditors. As of June 28, 2017, the MES Board of Directors consists of ten members. Two of these members are part-time outside directors. Moreover, our Board of Corporate Auditors consists of four members, two of which are part-time outside corporate auditors. We have 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. The executive officers elected by the Board of Directors are given executive authority related to business

operations, and they perform their assigned duties under the supervision of the chief executive officer (CEO). The Personnel Advisory Committee is chaired by the president and consists of four directors, including two outside directors. It improves the transparency of the procedure for nominating candidates for directors and electing executive officers, and ensures the fairness of the procedure. The Compensation Advisory Committee is chaired by an outside director, and consists of four directors including the two outside directors. It improves the transparency of the procedure for determining the compensation for directors and executive officers, and ensures the appropriateness of the compensation standards and fairness of evaluations.

Internal control system

Basic philosophy

We view the objectives of our internal control system as "Assuring efficiency and work performance (achieving objectives)," "Assuring the reliability of financial reports," and "Complying with the law (compliance)." We are making efforts to reinforce and improve our internal control more than ever. In our internal control system, the Total Risk Management and Internal Control Committee deliberates the basic policy regarding internal control required by the Companies Act, the Financial Instruments and Exchange Act, and other

matters. It also undertakes the company-wide promotion of measures based on the policy decided by management committees and other bodies.

To achieve our internal control objectives, we have established a business execution system, compliance system, a risk management system, and an internal control promotion system for financial reports. The internal auditing section (Auditing Department) confirms the efficacy of these systems.

Systems of corporate governance and internal control

1. Business execution system

To execute business operations in accordance with the basic policy decided by the Board of Directors, we have established two managing committees: the Management Strategy Committee and the Management Committee.

Deliberations are held based on the functions of each organization to promote rapid, flexible decision-making. As for the 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

We operate our businesses by keeping legal compliance in mind, and continually review and reinforce our compliance systems. Specifically, we deliver the Corporate Code of Conduct to all officers and employees of the corporate group made up of MES and its domestic subsidiaries. We have also established a system in which guidebooks and collections of cases, which are materials used as references for daily operations, are available for review at all times. We distribute an English version of the Corporate Code of Conduct to our overseas subsidiaries and work with the presidents of those subsidiaries in a timely manner based on the situation of each area to confirm compliance systems and the status of their implementation. Likewise, we have established the Compliance Committee as an entity for promoting awareness of compliance policy and reporting results of surveys. To ensure legal compliance during activities aimed at winning new orders for public projects, each division and department conducts checks by themselves. We have also established

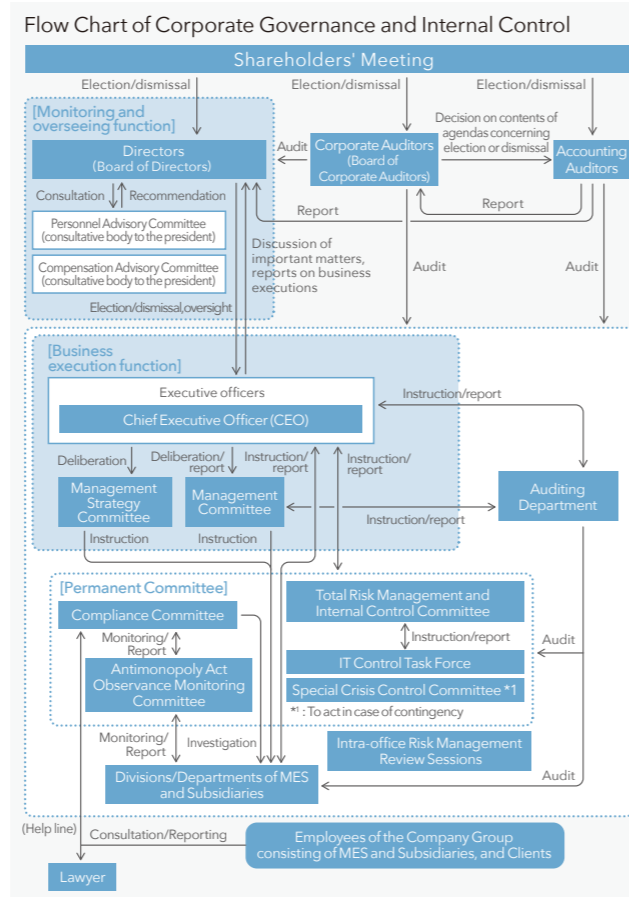
3. Risk management system

MES is promoting Total Risk Management System that systematically identifies and evaluates risks related to all aspects of business activities. This system is designed to ensure that we conduct business activities within the proper limit in which we can take risks. Under the Total Risk Management and Internal Control Committee, we promote group-wide risk management in line with the total risk management policy determined at the Management Strategy Committee.

In regards to risks related to business operations, each headquarters holds Intra-office Risk Management Review Sessions and conducts risk analysis on their own. For orders received and things such as investment and loan projects, key members of relevant divisions and departments examine

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



an Antimonopoly Act Observance Monitoring Committee. In addition, we have set up a "Help-line" to detect compliance problems in their early stages. Employees can directly consult or submit reports to either the Secretary General of the Compliance Committee or a lawyer.

the risk management status before they are submitted to the Management Committee for deliberation.

To address information security risks, we have established the IT Control Task Force, a group-wide organization and subordinate body of the Total Risk Management and Internal Control Committee. This organization formulates basic policies on security measures. Following these basic policies, we promote specific measures such as formulating security policies, obtaining the latest information by cooperating with external organizations, monitoring network and IT equipment, taking countermeasures against attacks from the outside, and providing related education and training. In cases of contingency, the Special Crisis Control Committee stands ready to quickly cope with the problem.

and the Total Risk Management and Internal Control Committee evaluates the preparation and operation status of said internal control, and make corrections if necessary.

Outside Director Message

Outside Director
Toshikazu Tanaka

Mr. Tanaka served as a Director, Managing Director, Executive Vice President, and President and Chief Executive Officer of Mitsui Chemicals, Inc. and now serves as the Senior Advisor of the company. He became a Director of MES in June 2015.



Outside Director
Toru Tokuhsa

Mr. Tokuhsa worked for the Japan Bank for International Cooperation (JBIC) as the Chief Representative of Representative Office in Washington D.C., Deputy Director General of JBIC Institute, Director General of Country Economic Analysis Dept., and Resident Executive Director for the Americas. He then served as the Executive Vice President and Representative Director, Nusa Tenggara Mining Corp. until November 2016. He became a Director of MES in June 2013.

Proceed to the next stage by taking actions quickly. Toru Tokuhsa

MES celebrates its centenary this year. I think that the mere fact that the company has survived for 100 years in this era of rapid change allows us to say that it is a blue-chip company whose value has been recognized by society. However, in the coming age, when the pace of change will only increase, our ability to respond to change will be even more important than ever.

From this perspective, we first developed the MES Group 2025 Vision in February 2016 and disclosed our vision for the MES Group in 2025. In February 2017, we developed the Mid-Term Business Plan 2017, which shows the specific business policy for the coming three years. To execute these plans quickly, we decided to change the management structure of the MES Group into a holding company structure in April 2018, receiving shareholder approval at the Ordinary General Meeting of Shareholders in June 2017. Moves to reform our Board of Directors, where these medium- and long-term business plans are finalized, have accelerated, with a particular contribution from the Corporate Governance Code that took effect in June 2015. We have instituted various reforms,

including the introduction of the executive officer system, the reduction of the number of Directors, the increase in the number of Outside Directors, and the enhancement of the supervisory functions that was made through a revision of the rules of the Board of Directors. I think that, as a result of these reforms, discussions at meetings of the Board of Directors have begun to be made from a company-wide perspective and in consideration of the standpoints of stakeholders, including our regular shareholders. The MES Group operates businesses related to infrastructure and energy, as well as a shipbuilding business. I believe that we have developed industry-leading technologies and experience in each of these fields. Previously, we were working in a so-called vertical organization, with the possibility of failing to maximize synergies. We were also leaning on each other in a way, in terms of revenues. Moving forward, however, I would like the Group to be managed quickly and flexibly under the holding company structure and evolve into a corporate group that will provide value and thus make an even bigger contribution to society.

The framework has been laid out. Now we should take bold actions! Toshikazu Tanaka

The last two years have seen great reforms in the company, such as the introduction of the executive officer system, establishment of the Personnel Advisory Committee and Compensation Advisory Committee, and implementation of the Corporate Governance Code. I think we have achieved a major transformation to a management structure that is conscious of our stakeholders, with such elements as clear responsibility and authority and transparent management. We have also clarified our direction in the MES Group 2025 Vision and the Mid-Term Business Plan 2017 and have begun to plan a holding company structure aimed at achieving targets. In this way, we are about to finish laying out the framework for surviving the fierce competition that we face in the industry.

On the other hand, I feel that we need to respond even more quickly and boldly to the radical changes in the environment, such as through business tie-ups and the management of subsidiaries, although we are blessed with technologies cultivated through 100 years of history and competent, hard-working employees. In addition, because our organization is vertical, we lack the strength that would

be felt from a company where all employees work together. I think this is an issue we should address. Today, our business environment is experiencing very real and sweeping change with the Fourth Industrial Revolution, including artificial intelligence and the Internet of Things, not to mention the chaos of world politics. The Environment & Energy, Marine Logistics & Transportation, and Social & Industrial Infrastructure domains, where we aim to grow, are not immune from this upheaval. I think that the only way to survive in this business environment, where our previous rules of thumb are not useful at all, is to try to trigger innovative change quickly and boldly with confidence. We have laid out the management framework for executing the strategies for our medium- and long-term goals, such as M&A and business tie-ups. Facing a truly critical stage, we now need to take quicker, more specific actions. As an Outside Director, I would like to help the company trigger innovative changes, from the perspectives of various stakeholders.