

CSR Report 2013

Corporate Social Responsibility



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About Publication of CSR Report 2013

1. Editorial Policy

This CSR (Environmental · Social) Report summarizes the environmental management and conservation activities of Mitsui Engineering and Shipbuilding Co., LTD. during the 2012 fiscal year. While this report was edited to align with the "Environmental Report Guidelines" issued by the Japanese Ministry of the Environment, it also pays a considerable amount of attention to our own corporate governance, societal contributions and other social aspects of our organization. Moreover, this report introduces some recent topics related to our products, enterprises and services that contribute to the preservation of our global environment. In an effort to make this environmental report easier to read and comprehend, we have made use of many photographs, images and tables throughout the document.

2. Coverage Period

This report covers MES Group activities from April 1, 2012 through March 31, 2013.

3. Scope of Coverage

This report covers the activities of MES and its subsidiaries.

Greeting

Go Beyond Boundaries !
Overcome the Present and Move Forward! - A Challenge to Reform

Both internationally and domestically, the current situation can best be summarized with the following simple words: "The continuation of an uncertain future." In 2012, major nations saw changes in leadership. Though President Obama was re-elected in the United States, new leaders took over in France and Russia as well as Asian nations such as Japan, China and Korea. Even with these changes, no drastic signs of improvement have become evident regarding the European debt crisis and other financial problems that hamper developed nations. With the slowing down of emerging nations such as China and India, countries that have come to play a leading role in the world economy, the future remains unpredictable. At the same time, the Japanese domestic economy enjoyed a major boost. This could be seen in both stock prices and the exchange rate following our change in leadership. However, the boom proved to be temporary. As the economy returns to an unstable state, Japan's relative competitiveness continues to be hampered.

Amidst these economic conditions, the MES Group mapped out a three-year Mid-term Management Plan beginning in fiscal 2011 (Mid-term Plan 11). With the slogan of "Do challenge, make progress for the bright future," we have executed a number of action plans. However, as the economic situation has become far more severe than expected, we are making great efforts to front-load the start of our 2014 Mid-term Management Plan (Mid-term Plan 14) during the 2013 fiscal year. The purpose of this is to achieve our stated goals of "Surviving and Creating New Company Values."

In our Mid-term Plan 11, we promote two major strategies. These are "Business Expansion by Exercising Integrated Power and Development of Environment / Energy Related Technology" and "Business Expansion by Developing Global Market" More concretely, within the field of clean energy and energy conservation, we took part in the Fukushima Floating Offshore Wind Farm Demonstration Project as well as initiated a mega-solar plant project in Oita Works. Regarding the use of functional materials within our products in order to promote a reduction in CO₂ emission, we started an business and established a subsidiary for developing, producing and selling the next generation of cathode materials for use in lithium ion batteries. As four our current main products, we have brought an environmentally-friendly and highly fuel-efficient 66,000 dwt type bulk carrier to market. It should be delivered within the 2013 fiscal year. Within the domain of marine diesel engines, we in cooperational with a client carried out a full-scale demonstrational ranning of electronic controlled gas injection diesel engine. It has been created to run on natural gas fuel that has less of an impact on the environment than other fuels. In addition, we have been providing social infrastructure facilities in response to client demand. These include highly efficient gas turbine cogeneration facilities and low-emission power generation plants.

Within the Mid-term Plan 14, we tackle issues such as "Innovation of the manufacturing business", "Expansion of the engineering business" and "Expansion of the business engagement and related service business" With a sense of urgency, we utilize our company's collective strength and on both a domestic and international scale, combining our wide array of products and technologies to solve global problems related the environment and energy use. It is through such challenges that we believes our company can contribute much to society.

The Company Philosophy of the MES Group is "To continue working as a company trusted by society and individuals through products and services we offer," We contribute to society by providing products and services that are environmental friendly and useful for both individuals and society. These products and services are based upon the technology we cultivate in a wide variety of fields. We believe that our steady efforts and willingness to take on new challenges will win the trust of our all stakeholders including clients and create a strong bond between us.

Our company have just been a new management system. And we kindly ask for your further support and cooperation in the future as well.

T. Tanaka

President Takao Tanaka
Mitsui Engineering & Shipbuilding Co., Ltd.



Company Philosophy, Management Policy and Standards of Conduct

MES initially established a Company Philosophy upon the occasion of our 75th anniversary. However, we created new "Company Philosophy," "Management Policy" and "Standards of Conduct" statements on April 1, 2005. These were made to better cope with the dramatic and ever-increasing changes in the social environment surrounding our company and its activities. In particular, there has been an increasingly strong demand for us to address the important issue of CSR (Corporate Social Responsibility). Moreover, considering that the MES Group is a major conglomerate (consisting of our main company as well as 121 subsidiaries, which includes 85 Consolidated Subsidiaries and 36 Equity Law Affiliated Companies), a single "Company Philosophy" that can be shared by our entire group became necessary. In addition to designating the "Standards of Conduct" as a guideline for various activities that deal with corporate culture reform, it is also essential to clearly indicate the company's ideal image of employees. Moreover, the "Management Policy" should show the direction of the company's progress and create both a strong organization and talented workers that can survive future times of turbulence. Our "Company Philosophy", "Management Policy" and "Standards of Conduct" were established on April 1st, 2005. They are as follows :



100th Anniversary Vision

In 2007, upon the company's 90th anniversary, MES mapped out our "100th Anniversary Vision" in an attempt to continue our focus on developing for ten years into the future and beyond. The catchphrase for our "100th Anniversary Vision" is "Beyond 100 Years, Toward a Hopeful Future through Solid Technology." As for our actual "100th Anniversary Vision," we have focused on realizing the following two goals within ten years time.

First, MES has set out to "Become a trusted corporate brand that is known throughout the world for providing environmentally-sound and earth-friendly products and services that are based on high technological capabilities." Secondly, we seek to "Re-establish ourselves as a company that responds to environmental change and evolves alongside both individuals and society. We want to be known for our strong portfolio of growing start-up enterprises as well as our contributions to society through our management's emphasis on CSR." As our employees unite in a collective effort to develop their minds and improve their skills, a spiral of growth bolsters our company's credibility and competitiveness. As a result, we aim to become a company with not only high profits and high growth rates, but also a company that strongly responds to environmental change and fulfills its social responsibilities.



Corporate Profile and Business Activities

Mitsui Engineering & Shipbuilding Co., Ltd.

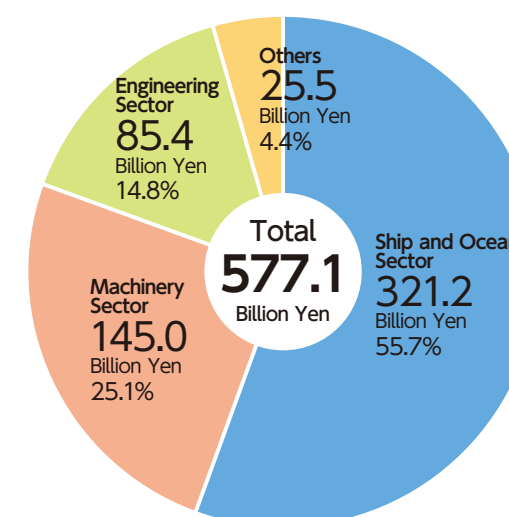
- **Founded on** November 14, 1917
- **Established on** July 31, 1937
- **Capital** 44,385 million yen
- **Head Office**
6-4 Tsukiji 5 Chome, Chuo-ku, Tokyo, Japan 104-8439
Phone: (Domestic) 03-3544-3147
(Int'l): (81)-3-3544-3147 (Public Relations Sect.)
- **Makuhari Center Office**
World Business Garden (WBG) Malibu East,
6-1 Nakase 2 Chome, Mihama-ku, Chiba, Japan 261-7128
Phone: (Domestic) 043-351-9020 (Int'l) 81-43-351-9020
- **Tamano Works**
1-1 Tama 3 Chome Tamano, Okayama, Japan 706-8651
Phone: (Domestic) 0863-23-2010 (Int'l) 81-863-23-2010
- **Chiba Works**
1 Yawatakaigandori Ichihara, Chiba, Japan 290-8531
Phone: (Domestic) 0436-41-1112 (Int'l) 81-436-41-1112
- **Oita Works**
3 Hiyoshibaru Oita, Oita, Japan 870-0395
Phone: (Domestic) 097-593-3111 (Int'l) 81-97-593-3111

Major Subsidiary Companies

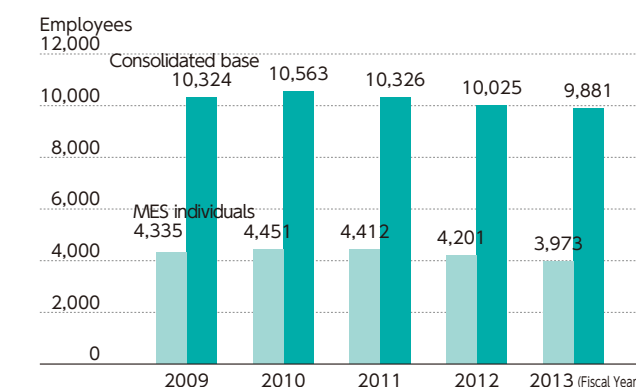
- Mitsui Ocean Development and Engineering Co., Ltd. (MODEC)**
Design, manufacture and installation of offshore structures
Nihonbashi Maruzen Tokyo Bldg.
2-3-1 Nihonbashi Chuo-ku, Tokyo, Japan 103-0027
Phone: (Domestic) 03-5290-1200 (Int'l) 81-3-5290-1200
Capital: 20,185,000,000 yen
- Burmeister & Wain Scandinavian Contractor A/S**
Design and installation of land-based diesel engine power plants
Gydevang 35, P.O.Box 235, DK-3450 Allerød, Denmark
Phone: 45-48-140022 Capital: DKK.150,000,000
- Mitsui Zosen Systems Research Inc.**
Development and sales of computer software
Makuhari Techno Garden
1-3 Nakase Mihama-ku, Chiba, Japan 261-8501
Phone: (Domestic) 043-274-6162 (Int'l) 81-43-274-6162
Capital: 720,000,000 yen
- Mitsui Meehanite Metal Co., Ltd.**
Production, processing, import and sales of cast iron and steel
111 Kaminokawa Okamachi Okazaki, Aichi, Japan 444-0005
Phone: (Domestic) 0564-55-6638 (Int'l) 81-564-6638
Capital: 492,000,000 yen
- Niigata Shipbuilding & Repair, Inc.**
Design, construction and repair of ships
3776 Irifune-cho 4 chome Chuo-ku Niigata, Niigata, Japan 951-8011
Phone: (Domestic) 025-222-6121 (Int'l) 81-25-222-6162
Capital: 475,000,000 yen

(Note)
As of March 31, 2013, there are 85 consolidated subsidiaries of MES. This includes the five subsidiaries mentioned above. There are 36 Equity Law Affiliated Companies.

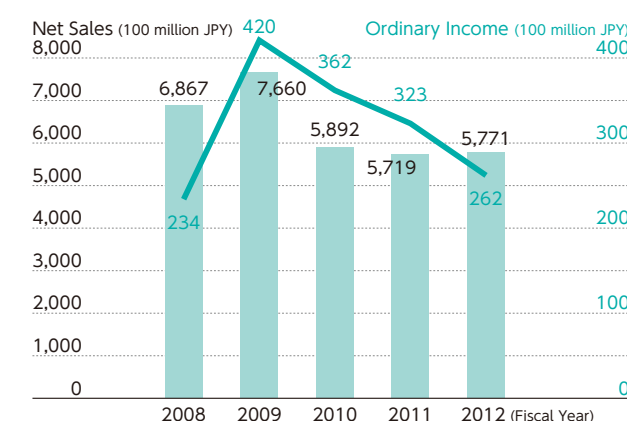
Consolidated Net Sales by Segment (2012 Fiscal Year)



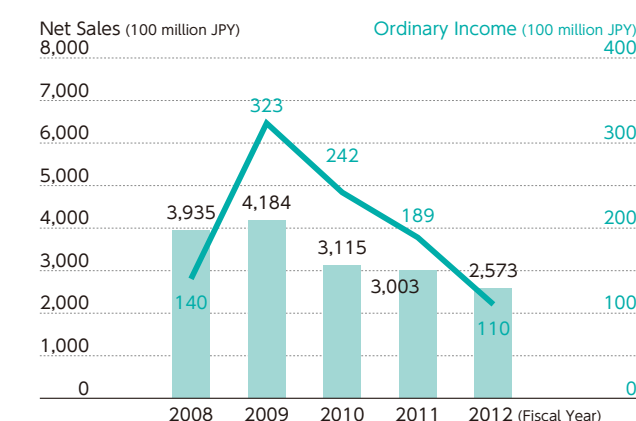
Shift in Number of Employees (as of March 31)



Consolidated Net Sales / Ordinary Income



MES Non-Consolidated Net Sales / Ordinary Income





Tamano Works

Site area: 988,000m²
Building area: 369,000m²

Primary Products

- New shipbuilding
- Ship repair
- High-speed craft
- Offshore projects
- Power plants
- Chemical plants
- Marine diesel engines
- Marine equipment
- Land machineries
- Others

Chiba Works

Site area: 859,000m²
Building area: 197,000m²

Primary Products

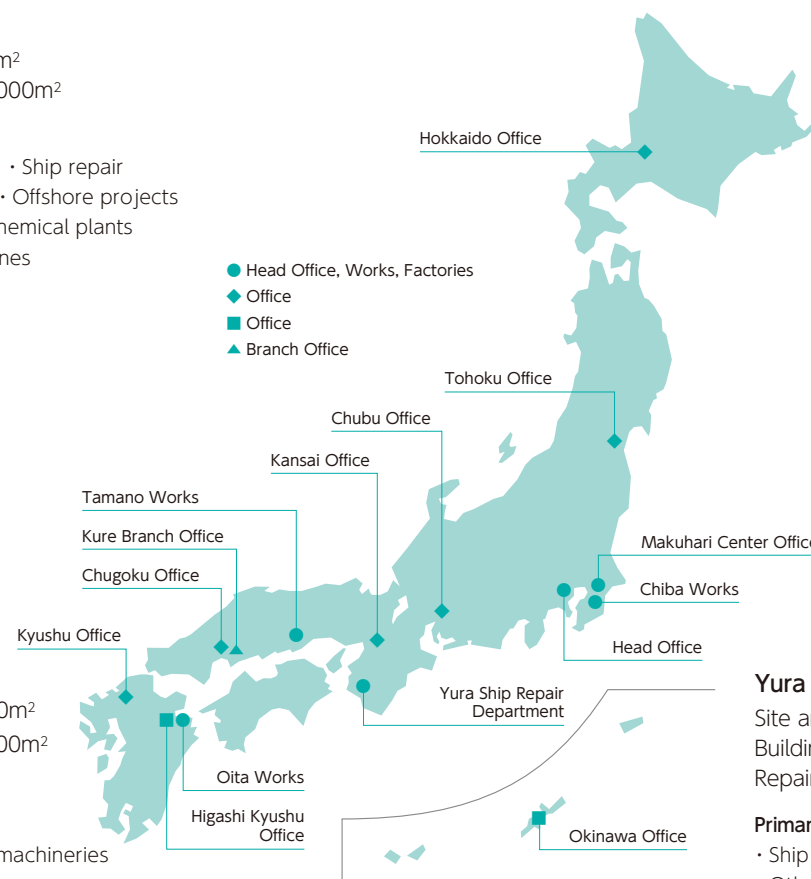
- New shipbuilding
- Ship repair
- Offshore projects
- Others

Oita Works

Site area: 1,701,890m²
Building area: 78,000m²

Primary Products

- Bridge, Pontoon
- Material handling machineries
- Others



Yura Ship Repair Department

Site area: 142,000m²
Building area: 11,000m²
Repair dock: 65m x 405m

Primary Products

- Ship repair
- Others



Position of the Environment within Our Business Operations

In 1999, MES made environmental issues a crucial part of our corporate management structure when we laid out our "Environmental Charter." This charter was based on our "Basic Principles for the Preservation of Global Environment" and "Guidelines for Management of Global Environmental Preservation." In 2002, our "Vision 2010" was formulated to answer the questions, "Who MES should become and who MES wants to be." Between the release of our charter and our 90th anniversary in 2007, many sudden changes had a profound effect on the global business environment. These included the rapid growth of developing nations and the soaring price of crude oil. With these changes in mind, MES used the occasion of our anniversary to once again map out our vision of "the company we want to be in ten years time." We have named it our "100th Anniversary Vision." It states that MES seeks to "become a trusted corporate brand that is known throughout the world for providing environmentally sound and earth-friendly products and services that are based on high technological capabilities." In May of 2011, we also unveiled the MES "Mid-term Management Plan for the 2011 Fiscal Year." It detailed our corporate goal of expanding business through technologies related to sustainable energy as well as our desire to utilize our company's collective strength. Several examples of specific products and services are listed below. In this way, MES is aiming to realize a form of "corporate management that harmonizes societal and economic needs while emphasizing the importance of the environment."

Basic Principles for Preservation of Global Environment

MES recognizes that the preservation of the global environment is one of the most important issues in the world today and will contribute through every business activity to realize an affluent society in harmony with the environment by promoting the good health of mankind and preservation of the global environment.

Guidelines for Management of Global Environment Preservation

1. Observance of regulations and reduction of environmental load
2. Encouraging material/energy saving and recycling to reduce the amount of waste
3. Contribution to environmental preservation by developing new technologies and products
4. Due consideration at overseas activities
5. Promotion of public relations activities and contribution to community
6. Enhancement of environmental consciousness education and participation in other social activities
7. Establishment of an Environmental Administration and Management System
8. Action in concert with subsidiary companies

Accelerate the Development of Energy-saving Material Handling Machineries

Energy Saving Portainer®



New Hybrid Transtainer®



MEsecOTT



Enhancing the Lineup of Energy-saving Products

Saving Electric Power Consumption

- Container Handling Operation with Optimized Speed
- Use of Energy-saving Equipments
- Optimum Use of Auxiliary Equipments

Dramatic Reduction of Fuel Consumption

- Use of Regenerative Energy of Crane
- Rechargeable Battery with Large Capacity
- Small-size Engine

Environmentally Friendly, Emission Free Transtainer

- Use of Regenerative Energy of Crane
- Shore Power Supply from Yard
- Smaller Engine / Battery for Lane charge

Our Approach for Reducing Environmental Impact through Products (Cogeneration)

- Environmental Protection through Gas Turbine CGS -

The CGS Concept

In recent years, as the demand for energy efficiency has increased, co-generation systems (CGS) have attracted much attention. CGS is a system that makes use of what was previously considered waste - the heat energy of exhaust produced by gas-operated engines and turbines. When the heat energy is re-used as steam, hot water or air-conditioning, total energy efficiency can be increased by over 80%. CGS is recognized as an efficient method for promoting energy conservation. At a meeting held by the Agency for Natural Resources and Energy within the Ministry of Economy, Trade and Industry, a goal was set of increasing the CGS generation ratio among all electricity resources by as much as 15% in 2030. Moreover, the government has established a subsidiary aid program in order to accelerate the diffusion of CGS. This suggests that they have high expectations for the CGS system. In addition, CGS can in many cases use natural gases such as manufactured gas as its fuel. This produces fewer toxic substances such as carbon dioxide when burned in comparison to oil and coal. CGS is therefore a more environment-friendly solution for generating power.



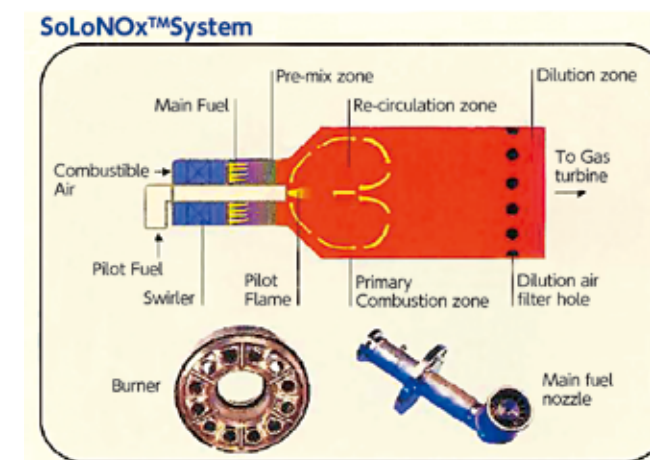
Introducing Our Equipment

At MES, high-efficiency gas turbines made by Solar Turbines Inc., a leading U.S.-based manufacturer of medium-sized industrial gas turbines, are adopted for our MSC series. The MSC series have been developed as 3~15 Megawatt class co-generation systems. The two most notable characteristics of gas turbines made by Solar Turbines Inc. are high thermal efficiency and superior environmental capacity. Since an early stage in their development, Solar Turbines Inc. has equipped their primary products with dry-type lean premixed combustion systems (SoLoNOx™ System). This has allowed them to succeed in keeping the level of NOx (Nitrogen Oxide) emission extremely low. By using clean natural gas as its fuel, this system does not produce any SOx (Sulfur Oxide) whatsoever. By also reducing emissions of NOx and CO₂, this system is very friendly to the environment. MES is also currently involved in a joint gas engine development project with Daihatsu Diesel MFG Co., Ltd. For this project, we take basic diesel engines manufactured by Daihatsu and combine them with MES combustion technology. As a result of this collaboration, we have succeeded in developing an MD series gas engine system in classes from 0.8 ~8MW that use natural gas as their main fuel. Photograph shows a gas engine.

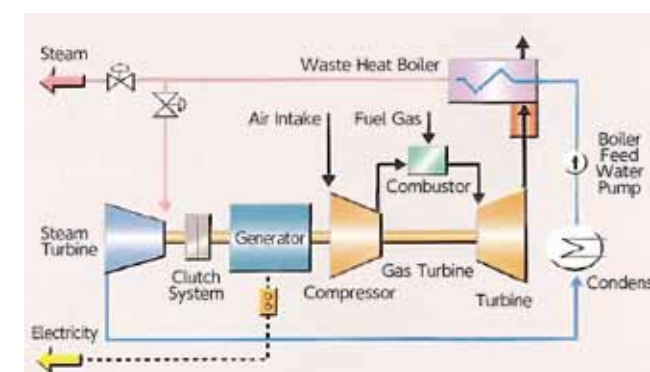


A Special System

By equipping our gas turbines with dry-type lean premixed combustion systems (SoLoNOx™ System), we are able to dramatically suppress the NOx level of emission without injecting water or steam.

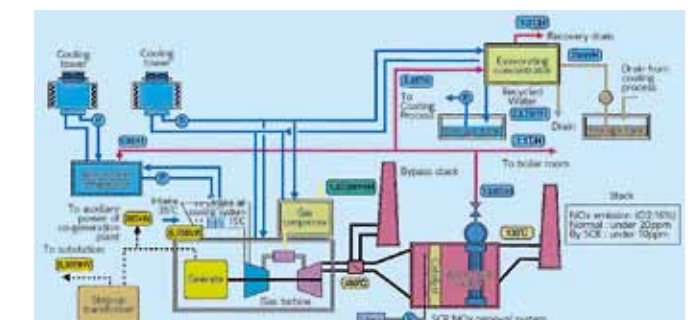


Our product lineup also includes MACS (Mitsui Advanced Cogeneration System) technology in addition to our standard CGS and MSC (Mitsui Solar Cogeneration System) technologies. MACS is equipped with steam turbine, double-end drive generator and clutch system, and can increase more power by steam turbine. A major benefit of this system is that it allows users to flexibly control the variable heat/power ratio depending on customers situations. This is important in cases when there are drastic changes in steam demand due to seasonality and time, or when the electricity and steam do not balance well. This technology allows the system to use all the steam without any waste. Chart shows MACS system flow



Introducing Our Equipment

The Co-Generation System by MES has been adopted by a wide variety of customers. Shown here is a 7 MW class gas turbine Co-Generation System being used at an automobile plant. In addition to energy-saving by utilizing both electricity and steam, a part of generated steam by Waste Heat Boiler is utilized to recycle 1/3 of drainage from the painting process through the desalination plant. This allows the plant to dramatically cut down on its industrial water usage. Moreover, in order to prevent power down during the hot season, a part of generated steam is also used to intake air cooling through the vapor absorption refrigerator. This system suppresses NOx emissions to under 20ppm (O₂ 16%) through the use of city gas as fuel and by utilizing a lean premixed combustion gas turbine system. To execute even more thorough environmental measures, in cases when a photochemical smog or oxidant alert is emitted, the system is equipped with a DeNOx system can be reduced NOx emissions furthermore. Chart shows system flow for example introduced above.



Contributing Environmental Preservation through Technology, Products and business

● Electricity Generation through the Construction of Floating Oceanic Wind Farms

Wind turbine has been fully embraced in both Europe and the United States. Particularly in Europe, large-scale fixed-type offshore wind turbines are being used along with land-based wind turbines. Japan, on the other hand, has few land or shallow ocean areas that will allow for fixed-type offshore wind turbine. This has resulted in a demand for a floating type offshore wind turbine. MES therefore participated in a consortium together with related companies, universities and other organizations during the 2011 fiscal year. Through this consortium, we began to embark on the "Floating offshore Wind Farm Research Project," which was initiated by Japan's Ministry of Economy, Trade and Industry. Through this research project, MES came to take charge of constructing a floating offshore wind-generated electricity facility that is equipped with 2MW class wind turbine off the coast of Fukushima Prefecture. Following the completion of this wind-generated electricity facility, we intend to gather a variety of test data through the 2015 fiscal year in order to examine the safety and economic concerns related to floating wind farms. The image on the right is a conceptual drawing of the floating platform with 2 MW wind turbine.



● "Mega Solar" (Large-scale Photovoltaic Power Generation Plant) Construction at the MES Oita Works – A new utility joint-venture between MES and Mitsui Fudosan Co., Ltd.

MES and Mitsui Fudosan Co., Ltd. have initiated a joint project that involves selling electric power to Kyushu Electric Power Co., Inc. The Mega Solar power generation facility, which will be capable of generating approximately 17 MW, is being constructed on idle land (approx. 17.8ha) located within the MES Oita Works (Hiyoshibaru, Oita). Photovoltaic generation is a method of producing electricity without emitting any carbon dioxide during the generation process. Moreover, the source of energy for power generation is very easy to secure.



● Positive Electrode Materials for Next-Generation Lithium Ion Secondary Batteries (Lithium Iron Phosphate)

Through our subsidiary M&T Olivine Co., Ltd., which has already completed construction of a manufacturing plant, MES has initiated a project involving the production and sale of lithium iron phosphate, a positive electrode material used in secondary lithium ion batteries. Lithium iron phosphate is characterized by its long life and stability under heat. Use of this substance as positive electrode material in mid-to-large-sized lithium ion secondary batteries is expected to increase. Batteries of this type are used in a variety of products, including plug-in hybrid and electric vehicles, business-based power supply units, industrial machinery involved in loading and unloading at port facilities, and fixed storage batteries used for smart grids and electricity leveling. MES will continue to contribute to the preservation of our global environment by developing and implementing positive electrode material and its product applications. At the same time, we will actively participate in projects that produce and sell products that aim to reduce CO₂ exhaust tonnage.



MES has already contributed much to the preservation of our global environment through environmentally-friendly technology, products and business. We are dedicated to contributing even more in the future. Below are some examples of how we are contributing to the fields of clean energy and energy conservation.

● Development of Environmentally-Friendly and Highly Fuel Efficient Ships

Because they contribute to global warming, the reduction of Greenhouse Gases (GHG) has inevitably become an important issue within the international marine transportation industry.

Regarding this issue, the Marine Environment Protection Committee of the International Maritime Organization (IMO) was held in July of 2011 at the IMO's headquarters in London. This resulted in an international treaty (International Convention for the Prevention of Pollution from Ships) being revised to include regulations on the limitation and reduction of CO₂ emissions. The treaty's adoption marked the first time such regulations have gone into effect on a global scale. Staying at the forefront of this global movement, MES has already developed for the market an environmentally friendly and highly fuel-efficient 66,000 deadweight ton type bulk carrier (66BC). The first vessel is expected to be delivered within the 2013 fiscal year.

This new type of ship is expected to meet the regulations set by the CO₂ emission index (Energy Efficiency Design Index: An index that corresponds to a vessel's tonnage of CO₂ emission per ton-mile [unitary transportation weight]) for 2013 lowering by about 20%. In addition, our design takes many measures to preserve the marine environment, such as considering both NO_x and SO_x emissions as well as developing future equipment to treat ballast water. Aside from the 66BC, MES has already developed and brought to market a number of environmentally friendly and highly fuel-efficient ships. Through our development and construction of such vessels, we intend to continue contributing to environmental conservation within the international marine transportation industry.



● ME-GI (Marine Electronic Controlled Gas Injection Diesel Engine)

Currently, the primary fuel for marine diesel engines is heavy fuel oil. However, natural gas fuel is starting to attract attention due to its lower environmental impact and economic appeal by recent shale gas discoveries, particularly, in North America. Beginning with LNG Carriers, we fully expect many general commercial ships to begin adopting it. During April, MES in cooperation with Mitsui O.S.K. Lines, Ltd. carried out a full-scale demonstrational running of electronically controlled slow-speed diesel engine for marine use burning natural gas, which is the first of its kind in Japan and is called "ME-GI", and confirmed that the engine had the same reliability with the oil fired diesel engines used for almost all ocean going merchant ships in the world. Through the demonstrational operation, MES has established not only a comprehensive control system of ME-GI including gas supply system but also the supply system of ME-GI to the customers. Moreover, a safety study of the gas injection system for the ME-GI was implemented as both a subsidized project by the Ministry of Land, Infrastructure, Transport and Tourism under the "Support for Technology Development for Curtailing CO₂ from Marine Vessels" program and as a part of our joint research with the Nippon Kaiji Kyokai. We will also establish a sales system to offer to customers ships with ME-GI propulsion system which are economical and environmentally-friendly as well.



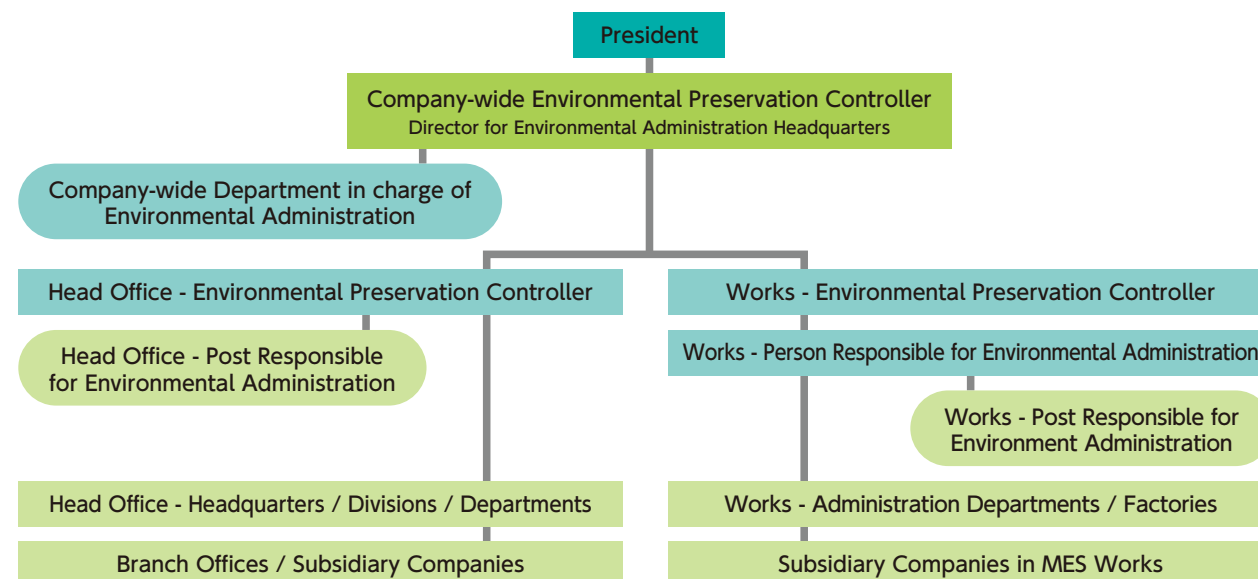
● Development of Environmentally-Friendly Quay Side Gantry Crane with Anti-Seismic Device

With the revision of Port and Harbor Act in 2007, performance verification method of anti-seismic system on crane has changed to the method to consider each area characteristic. In some ports, according to the new Port and Harbor Act much larger acceleration and displacement than ones assumed by previous Port and Harbor Act may be generated. Moreover, depending on quay condition, the residual displacement may be remained between seaside and landside rails after the end of earthquake. At Tohoku earthquake on March 11th of 2011, Sendai Port, where MES Portainer (Quay Side Gantry) Crane with anti-seismic device had been delivered, experienced the seismic intensity of 6 lower on the Japanese seven - stage seismic scale. Our anti-seismic device with elastic isolator was instantly activated when the earthquake occurred, preventing the serious damages to and collapse of the crane. The repair work was completed in a relatively short time and the crane played an important role in logistics in Tohoku area during the earthquake's aftermath. MES will continue to develop and deliver quayside gantry cranes with anti-seismic device that can withstand the large-scale earthquakes expected in the future.



Environmental Administrative Organization

Below is a chart of the MES Environmental Administrative Organization. Having the company president take on the chief executive role within the MES Environmental Administrative Organization shows that we are dedicated to diligently managing and operating all MES business based on an earth-friendly approach.



Enhancing our Environmental Management System

MES received ISO14001 certification at our Tamano Works in October of 2000. This was followed by the same certification at our Chiba and Oita Works in September of 2001. Moreover, all of works shifted to the 2004 version of ISO14001 for the 2005 fiscal year. In fiscal 2010, a third renewal inspection was executed at both our Chiba and Oita Works. Both had their certifications successfully renewed. In Fiscal 2012, a fourth renewal inspection at our Tamano Works allowed it to also renew its certification. In addition, each of our works takes part in biannual system operation examinations by outside organizations. Photographs show scenes from the renewal inspection at our Tamano Works.



Our Approach for Promoting Environmental Preservation

As a manufacturer, MES places a particularly great importance on activities related to environmental preservation such as conserving resources and energy, reducing waste and properly managing chemical substances.

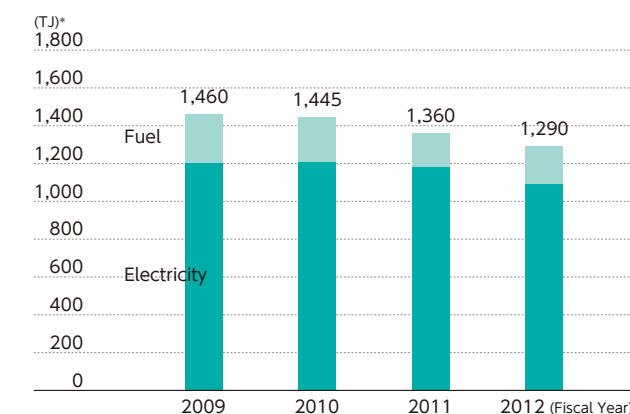
Our Efforts to Conserve Energy and Reduce CO₂ Emission

MES continues to promote a reduction in CO₂ emission through activities such as switching from crude petroleum to natural gas in order to fuel of in-house power generation. The graph below shows MES CO₂ Emission, Total Energy Consumption, and Purchased Electricity from the past 4 years.

Corresponding with a decline in production of ships and marine diesel engines, which are our major products, total energy consumption for the 2012 fiscal year has decreased by approximately 5% when compared to the previous year.

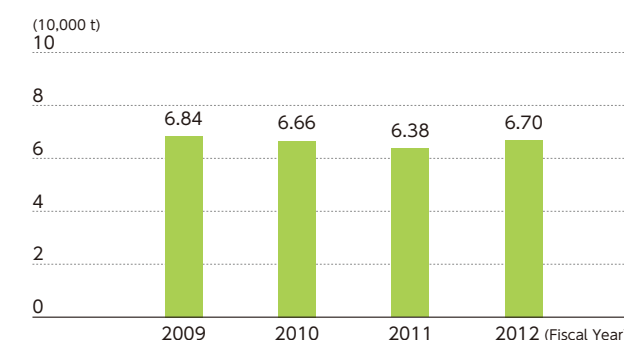
On the other hand, due to nuclear power plant shut downs, CO₂ emission coefficient for each power company have increased. As a direct result, our CO₂ emission went up by approximately 5% last year.

Total Energy Consumption



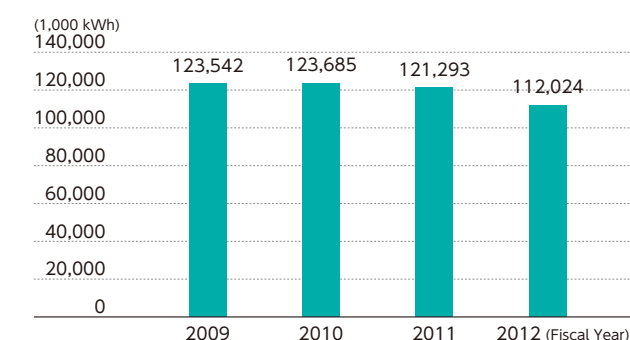
*=TJ: Tera Joule (=10¹²J)

CO₂ Emission



- Emission calculations have been done in accordance with the Ministry of the Environment issued "Guidelines for Calculating Corporate Greenhouse Gases Emissions."
- CO₂ Emission Coefficient for Electric Power
The CO₂ emission coefficient for electric power is in compliance with the "emission coefficient according to the Electric Enterprises" published by the Ministry of Environment.
In the fiscal years of 2009 to 2012, emission coefficient after adjustment was adopted from two types of emission coefficients.

Purchased Electricity

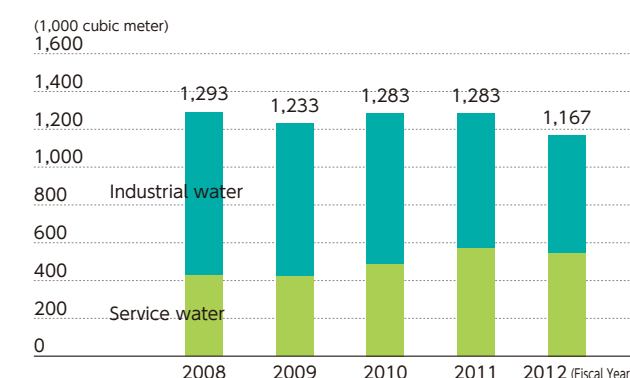


Effective Use of Aquatic Resources

The graph on the right shows the MES five-year usage history of water.

MES uses both service water (clean water) and industrial water (intermediate water). As a result of water conservation efforts during the 2012 fiscal year, the amount of service and industrial water used decreased by approximately 9% in comparison with the previous year.

Water Consumption



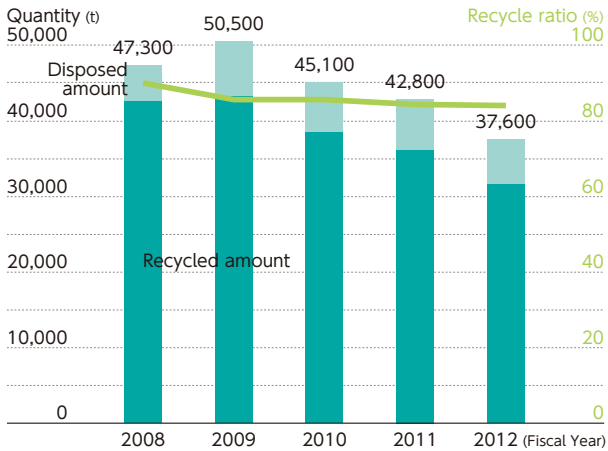
Our Approach for Reducing Waste

Unlawful dumping of industrial waste has become a major social problem. As a producer of industrial waste, MES is making every effort to fulfill our responsibilities in this area. One of these efforts involves our strict management of manifest. This is executed through periodical on-site inspections of disposal companies. Even more important is our effort to reduce the amount of waste itself. To realize this goal, MES works hard to recycle and thoroughly classify our wastes. Graphs below show the waste amount over the past five years, recycle rates and breakdown of waste amount for the 2012 fiscal year.

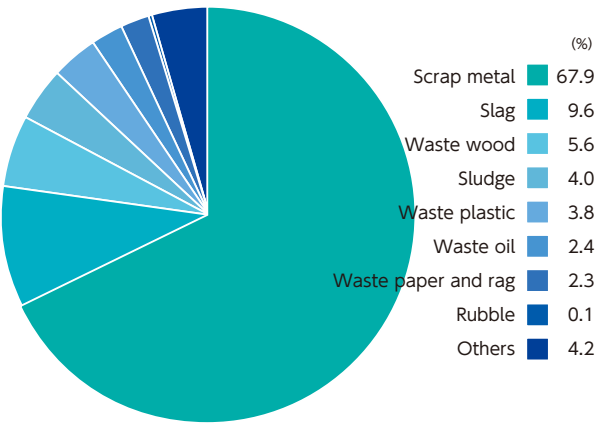
As a result of our efforts to reduce waste generation, fiscal 2012 saw a 12% reduction of wastes in comparison with 2011. Moreover, MES achieved a Recycle Rate of 84%. We will continue our efforts to reduce waste and improve our recycle rate. In addition, we will continue to properly dispose of our waste through strict management.



Total Waste Amount and Recycle Ratio



2012 Fiscal Year Breakdown of Waste Amount

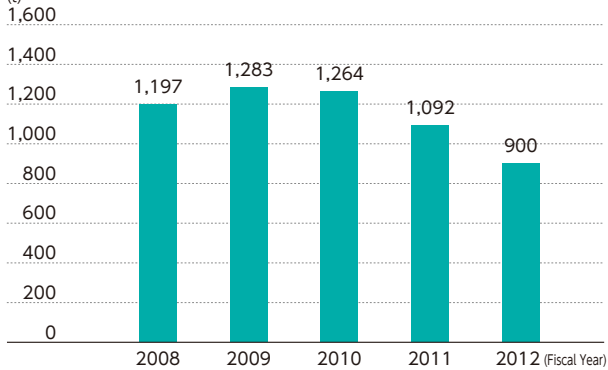


Proper Management of Specific Chemical Substances (PRTR Substances)

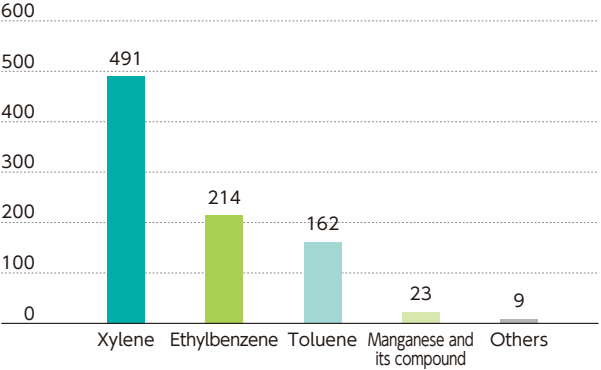
The majority of chemical substances used by MES are solvents and pigments used in paint. Changes in output and travel amount of specific chemical substances over the past five years are shown in the graph below. The other chart describes the breakdown of chemical substances used by MES for the 2012 fiscal year.

In May of 2004, a partial revision of the Air Pollution Control Law was announced. By maintaining strict control of our emissions and by using low-emission airtight containers, MES will continue our efforts to conform to the objectives of this law.

Specified Chemical Substances (amount of emissions + travel amount)



Breakdown of Specified Chemical Substances (amount of emissions + travel amount) in the Fiscal Year of 2012



Environmental Management at MES Works

In order to cope with the increasing size of ships, our Chiba Works began operations in 1962 on some bayside reclaimed land in Ichihara City of Chiba Prefecture. In May of 2012, this works marked its 50th anniversary. When operations began in Chiba, the works included a chemical equipment factory in order to prepare for the setting up of additional facilities on land adjacent to our shipyards in the Keiyo Seaside Industrial Zone. Thereafter, along with other MES Works, a factory for building steel structure bridges was added. However, following our works reorganization project, only the shipyards remains. In addition, the research and development of technologies such as natural gas methane hydrate, bioethanol and the positive electrode material for 3rd generation lithium ion battery is being pushed forward at our Chiba Technology Center. Since 1976, we have been making efforts to preserve the environment in accordance with our "Agreement on Environmental Maintenance" (originally called "Treaty on the Prevention of Pollution"), which was concluded with Chiba Prefecture and the City of Ichihara. This agreement sets stricter emission standards than the national law and is applied to production-related companies that operate on the premises.



Striving to Reduce Environmental Impact and Improve Safety and Health

All 24 divisions and MES Group subsidiaries at our Chiba Works obtained ISO14001 Environmental Management System Certification in 2001. Aiming to reduce our environmental impact through effective operations, our Chiba Works has taken up the challenge of environmental preservation. Moreover, this works earned OHSAS18001 Safety and Health Management System Certification for 18 divisions and MES subsidiaries related to shipbuilding. They have embarked on activities to reduce risk while increasing safety and health awareness in the workplace.



Energy-Saving Activities

In order to reduce electricity consumption, which makes up approximately 90% of the Chiba Works total energy consumption, all divisions came together to set an Electricity Conservation Action Plan. This plan sees to it that each division thoroughly enacts energy-saving measures. Energy use is monitored and evaluated by patrolling efforts undertaken by both the chief electrical engineer and a designated point person from works Section of the General Affairs Department. Moreover, in order to contribute to energy conservation, the air compressors that provide air for the entire factories have been switched from inefficient models (high-power consumption type) to a new energy-efficient variety.



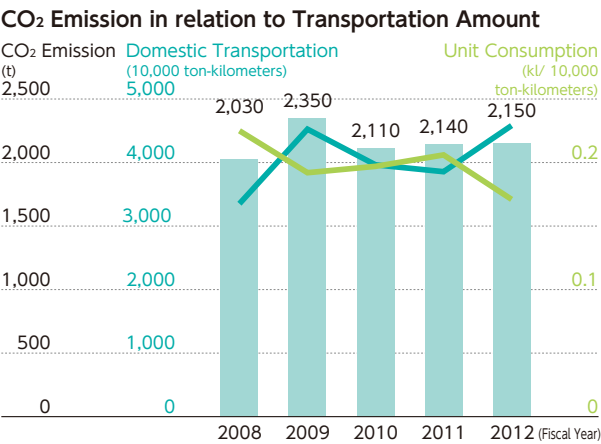
Wind Power and Biomass Power Generation Projects by MES Associated Companies

On site at the Chiba Works are a 1,500kW wind power generation (MJ Wind Power Ichihara Co., Ltd.) as well as a 49,900kW Biomass Power Generation (Green Power Ichihara Co., Ltd.). This output makes it the largest Biomass Power Generation in Japan. Set up by MES associated companies, the generated electricity is then sold to Tokyo Electric Power Company, Inc. As fuel, the Biomass Power Generation utilizes wooden chips that were created from the waste products of dismantled wood houses. Within this power generation, electricity is made from the resultant steam of fuel combustion. Through packing materials and other products, the Chiba Works itself produces approximately 290 tons of wood waste yearly. In order to recycle this waste, MES has commissioned an industrial waste disposal company to crush the wood and form it into usable chips.



Promoting Environmentally-Friendly Transportation

MES, as a cargo owner, is actively tackling the issue of energy conservation within the field of transportation as well. Specifically, we try to increase transportation loading rates while reducing the number of shipments by aggregating things such as shipping dates and destinations. Moreover, we are attempting to expand the usage of consolidated shipments. All of these activities aim to reduce both CO₂ emission and energy consumption. The graph on the right shows MES CO₂ emission over the past 5 years as well as domestic transportation (ten thousand tons / kilo) and unit consumption (= amount of energy consumed for transportation per amount transported). When comparing 2011 and 2012 fiscal years, it is evident that domestic transportation increased by approximately 20% while energy use per transportation decreased by approximately 17%.

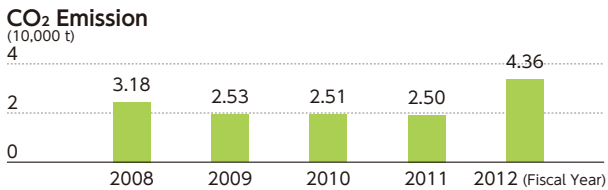


Subsidiary Environmental Management Data

The below chart shows environmental management data covering the past 5 years for domestic factories of MES subsidiaries within Japan.

(a) Conserved Energy and CO₂ Emission

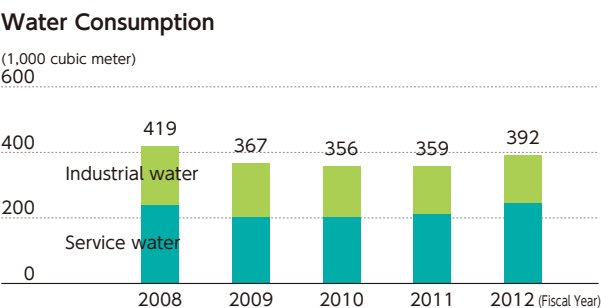
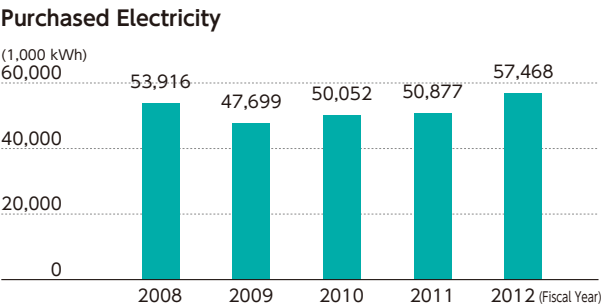
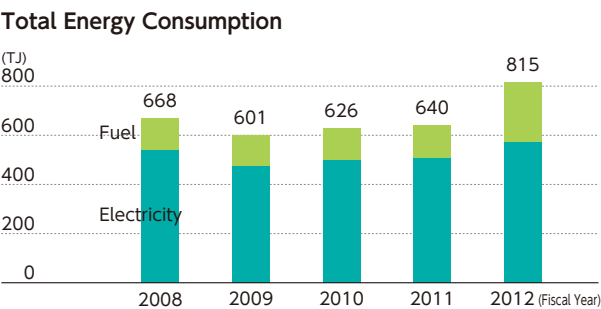
Due to an increase in the number of domestic subsidiaries that were subject to this data, the total amount of subsidiary energy consumption for the 2012 fiscal year increased approximately 27% when compared with the 2011 fiscal year numbers. While, during the same timeframe, the amount of electricity purchased by subsidiaries was limited to a 13% increase. Due to an increase in the number of our domestic subsidiaries coupled with the closure of numerous nuclear power plants, the fiscal 2012 CO₂ emission saw a 1.7 times increase from the previous year.



- Emission calculations have been done in accordance with the Ministry of the Environment issued "Guidelines for Calculating Corporate Greenhouse Gases Emissions."
- CO₂ Emission Coefficient for Electric Power
The CO₂ emission coefficient for electric power is in compliance with the "emission coefficient according to the Electric Enterprises" published by the Ministry of Environment. In the fiscal years of 2009 to 2012, emission coefficient after adjustment was adopted from two types of emission coefficients.

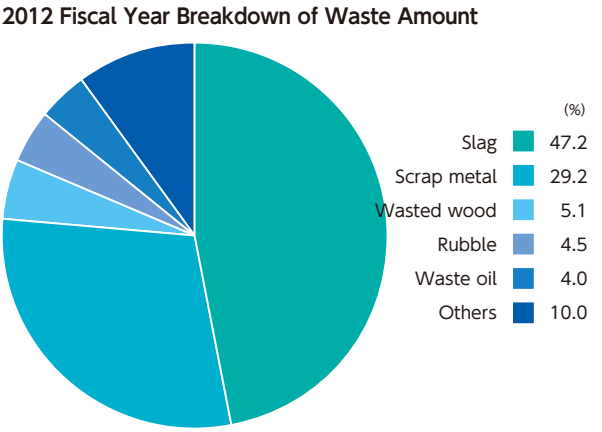
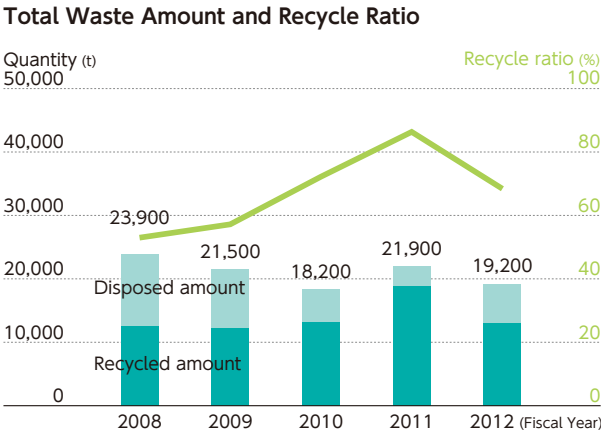
(b) Effective Use of Aquatic Resources

Due to an increase in the number of domestic subsidiaries that were subject to this data, the total amount of subsidiary water consumed during the fiscal year of 2012 increased approximately 9% when compared with Fiscal 2011 numbers.



(c) Waste-related Information

Despite an increase in the number of MES domestic subsidiaries, the amount of waste produced during the fiscal year of 2012 showed a decrease from Fiscal 2011 numbers. 47% of the waste produced by domestic subsidiaries consisted of slag. Due to insufficient recycling of this slag, our recycle rate in this area dropped to 68%.



Environmental Accounting

MES spent a total of 5,530 million yen on investment and cost related to environmental preservation. A detailed breakdown of these expenditures is shown below. Categories of environmental preservation costs are based on the document of "Environmental Conservation Cost Categories" within the "Environmental Accounting Guidelines 2005". Among the above expenditures, a total amount of 1,000 million yen was spent on "investment". This includes 800 million yen spent on global environmental conservation, 140 million yen spent on research and development and 70 million yen spent on pollution prevention such as exhaust gas measures. In addition, total non-investment costs came to 4,520 million yen. This includes 3,690 million yen spent on the research and development of earth-friendly energy-saving products, 490 million yen allocated to resource circulation cost such as waste treatment, 230 million yen for pollution prevention, and 100 million yen spent on administration cost.

Environmental Preservation Cost (= Sum of Investment and Cost) : 5,527.4million yen

| Categories Corresponding to Business Activities | Investment | Cost | Major Efforts and Effects |
|---|----------------|----------------|---|
| 1. Business Area Cost | | | |
| ① Pollution Prevention Cost | 66.4 | 230.4 | Exhaust Gas Measures, Wastewater Treatment, Dust Control and other Pollution Control |
| ② Global Environmental Conservation Cost | 797.6 | 18.8 | Energy Saving |
| ③ Resource Circulation Cost | - | 485.9 | Waste Treatment |
| 2. Upstream / Downstream Costs | - | 1.0 | Use of Recycled Paper as Copy Paper |
| 3. Administration Cost | - | 97.1 | Environmental Management System Implementation, Environmental Reports and Environmental Education |
| 4. Research & Development Costs | 140.6 | 3,686.1 | Development of Various Environmentally-Friendly Products |
| 5. Social Activity Cost | - | 0.8 | Support of Environmental Preservation |
| 6. Environmental Remediation Cost | - | 2.6 | Environmental Damage Countermeasure |
| Total | 1,004.6 | 4,522.7 | |

Note: Classification of environmental preservation costs is based on the Ministry of the Environment issued "Environmental Accounting Guidelines 2005"

Learning from Customers • Together with Customers



● Commitment to Improving Customer Satisfaction

MES maintains the following corporate philosophy: "Continue being a "maker of things" that is trusted by both individuals and society." To support this philosophy, we have injected our business policy with the all-important objective of "Providing customers with a "Higher Level of Satisfaction."" Among the specific codes that we have our employees adhere to, we view the following tenet to be most important: "Become customer-oriented by reflecting on yourself from the perspective of customers." Based on this

awareness of "customer voices," we make every effort to "develop and offer a wide range of products and services."

● Our Changing Approach to CS Activities

Based on our company-wide CS slogan of "The Voices of Our Customers are a Gold Mine - Look, Listen and Study to Deepen Understanding," MES uses customer feedback to promote improvement and reform of products and services. In particular, regarding all of our current products and services, we strive to provide customers with "thorough, speedy and organized responses and solutions to every request, opinion and problem."

Moving forward, in addition to quickly responding to customer enquiries, we intend to utilize customer feedback to improve our future products and services as well as to prevent problems from re-occurring. Our dedication to constantly providing better products and services for both customers and society can be seen in our ultimate 3-pronged goal: "Being good for the sellers, being good for the buyer, and being good for the society."

● CS Activity Policy for Fiscal 2013

By continuing to develop on the CS activities we conducted through the 2010 fiscal year, we have set our 2013 objectives as follows:

"Achieve good results by practicing the PDCA Cycle^(*) on a daily basis and improve products and services by better reflecting on "customer voices"."
(*) **PLAN, DO, CHECK, ACTION**

Through our use of the PDCA Cycle to better grasp customer voices, we have addressed our dedication to improve CS and consciously strive to continuously better our products and services.

<PDCA Cycle>

- Plan improvements of products and services (P).
- Do as planned (D).
- Check with customers regarding the quality of service or product provided in order to acquire "awareness" (C).
- Take Action (A) if "Product and Service" improvement plan has not been successful.

Continue to repeat the cycle above in order to improve the quality of products and services.

● CS Activity Summary

In order to establish and institute CS Activities, we are carrying out the following measures.

[Exclusive Website for CS Activities]

Introducing customer feedback involving feelings of "Dissatisfaction, Expectation, and Appreciation" as a basis for CS Activities.

[Distribution of Intra-Office CS-related News]

Try to illuminate employees and increase their motivation by introducing companies with advanced CS activities, showcasing CS-related topics and providing examples of CS efforts made by other sections within the company.

[Speeding-up the Customer's Complaint Handling Process]

To continue to be a trusted "maker of goods" by our customers and to ensure further improvements in our customer's complaint handling process, we periodically follow-up on past claims.

[System for Promoting CS Activities]

To ensure that the PDCA Cycle for CS Activities continues to work, we have created a system that focuses on "Organizational Effort" and "Making it Visible."

[CS Activity Intra-Office Website]



Together with Shareholders and Investors

We position investor relations as long-term management and financial strategy by top management. We focus on active and fair disclosure to improve understanding to our company groups activity by our shareholders and investors.

● Disclosure and IR Activities

In order to build a stronger relationship with shareholders and investors, we try to disclose proper information on a timely basis. Our IR activities involve top management in an attempt to explain our specific management policies and visions of the future as well as to support our goal of pursuing a highly transparent form of management.

● Transmission of IR Information

Information regarding our corporation is transmitted through our website in a proper and timely manner. After renewing our website last year, we now offer video introductions to projects that allow viewers to gain a better sense of how MES activities work in reality. We will continue to strive to transmit information in a speedy and comprehensive manner. Regarding documents for distribution, we published a 2012 Company Overview and Annual Report (English).

● Explanation of Our Work

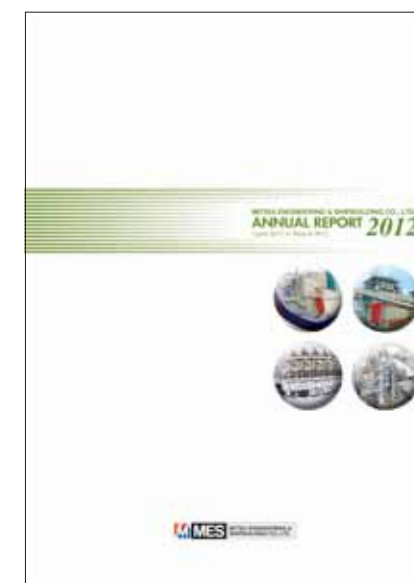
For the fiscal year 2012, we held briefings on financial earnings at the end of the second quarter as well as at year-end. In addition to individual interviews with investors throughout the year, we organized conferences for institutional investors and held overseas IR Road Shows. We use these opportunities to explain our present financial situation and discuss new business opportunities. In March of 2013, we held a factory tour for institutional investors at our Tamano Works. This allowed them to deepen their understanding of our role as both a manufacture and developer of technology. This photograph shows us announcing our financial statements.



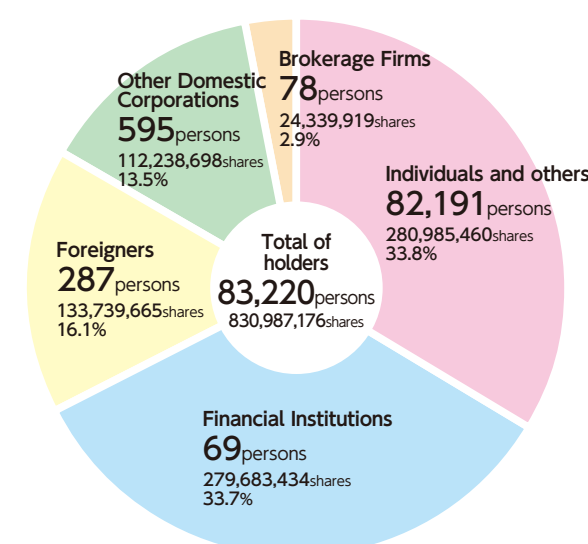
Transition of annual dividends

Fiscal year 2008: ¥4.0
Fiscal year 2009: ¥5.0
Fiscal year 2010: ¥4.0
Fiscal year 2011: ¥4.0
Fiscal year 2012: ¥3.0
(per share)

[Annual Report]



Status of Stocks and Shareholders (as of March 31, 2013)



Together with the Business Partners

MES aims to provide high-quality products with cost competitiveness as a "manufacturer". For the procurement of equipment and materials to produce the products, we make every effort to fulfill our social responsibilities by the creation of a prosperous coexistence with business partners through fair dealing with them.

Basic Policies for Selection of Business Partners

MES established a company-wide operation procedure rules in 1994 (Mitsui Administration Manual/MAM). The rules stipulates "As a fundamental principle, when procurement department selects a business partner, all companies that wish to be a business partner of MES shall be given an equal and fair opportunity to do such. This process shall be carried out justly." All our procurement activities shall therefore be carried out in accordance with this principle.

For Fair and Fair Dealings

MES established "Ethics for Procurement Activities" in November of 2002. It shows the ethics, behavior and activity standards for all staff engaged in procurement work for materials. Aiming for utmost integrity, we strive to build equal and fair relationships with business partners that are based on mutual trust.

No Relation with Anti-Social Forces

In our "Corporate Action Standards" enacted in 2003, MES has declared that we "firmly exclude relationships with any anti-social forces such as the Yakuza (organized crime syndicates)." Moreover we refuse to have any relationship with anti-social forces in our procurement activities and we stipulate in our "Basic Contract Agreement" that all our business partners are required to have no connection to anti-social forces.

[Photograph shows scene from workshop]



Enforcing Compliance

In order to observe the related laws and regulations for procurement activities, such as "Law for Subcontract" and "Construction Business Act", and to conduct proper dealings, MES makes efforts to educate employees concerned about these issues through the following concrete activities.

- ① All staff of procurement department attend external training session for "Law for Subcontract".
- ② Since compliance, such as the "Law for subcontract" and "Construction Business Act", is put into practice, MES is carrying out training session in various section in the company.

[Rules and Ethics for Material Procurement]

| | | |
|--|-----------|---|
| Mitsui ADMINISTRATION MANUAL 三井物産株式会社 全社共通 業務規程 | 資材・調達倫理規定 | MAM-GA 70012 REV. 0 02-11-18 PAGE 1 OF 5 |
|--|-----------|---|

1. 目的
当社における資材調達業務に関する倫理規定について定めたものである。
2. 適用
全社の発注業務に携わる管理者・担当者に適用する。
3. 関連MAM
MAM-GA 70001 資材管理規定
MAM-GA 70003 現金管理規定
MAM-GA 70021 下請代金支払遅延等防止法への対応要領
MAM-GA 70101 資材調達業務分掌一覧表
MAM-GA 70102 発注業務担当部署一覧表
MAM-GA 70103 事業部門における発注業務担当部署・管理者・担当者の役割に関する規定
MAM-GA 70111 資材調達発注金支払基準
MAM-GA 70301 新規取引先選定基準
MAM-GA 71101 要求見積手続要領
MAM-GA 71111 材料支給要領要領
MAM-GA 71121 大口資材発注に関する情報管理要領
4. 倫理・行動指針
資材・調達部門は企業活動における中核機能の一部を担っており、特に、その対外的関係において、事業部門と共に企業の顔として位置づけられる。従って、資材・調達業務従事者はその担当する業務の重要性をよく認識し、業務遂行に必要な専門的知識と技能の向上を計ることに加え、企業の顔として社内外からの信頼と尊敬を得られるにふさわしい人格の培養に努めなければならない。
以下は、資材・調達業務担当者とその業務遂行と人格形成において、常に心がけ且つ守るべき倫理及び行動指針を示すものであり、社内「コンプライアンスガイドブック」も合わせて理解し遵守に努めなければならない。

- (1) 資材・調達業務担当者の心構え
資材・調達業務担当者は資材・調達業務関連法規の遵守に努めなければならない。主な資材・調達業務関連法規は、民法、商法、下請代金支払遅延防止法、印刷税法、関税法、外国為替及外国貿易管理法（外為法）、工業所有権法、労働安全衛生法、消防法、消費税法等であり、資材・調達担当者はいかなる法規をもよく研究し、その遵守につとめなければならない。又、新団体の「購買取引行動指針」、進捗者の「透明性、内外無差別性を確保した調達活動のあり方について」及び公正取引委員会の「流通・取引銀行に関する独占禁止法上の指針」等の指針もよく理解しておかなければならない。
- (2) 利益の造出
製造原価の約10%が材料費で占められていることから、企業が更なる利益の造出を図るためには、いかにこの材料費の低減を図るか、換言すれば資材・調達部門の調達方法の巧拙が企業利益に大きく影響することになる。従って、資材調達担当者の役割は、事業部門で決められた仕様のものを取引先から所定の単価を越えて納品どおり購入するだけでは役目を果たしたことになる。資材調達を通じて常に設計、製造、管理、財務及び営業等の関連部門と密に連携し、一体となって資材・調達機能の発揮を計り「より安く」を目標に利益の造出に努めることにある。

- ③ Public awareness activities by printing of the description data for "Law for Subcontract" and "Q&A for Law for Subcontract" to an in-company homepage.
- ④ Providing adequate instructions on filing Import Declarations in conjunction with an increase in overseas procurement (prevention for underreporting)

Enforcement of Internal Audits to Prevent Injustice and Unfair Dealings

In order to confirm fair and proper procurement activities that are in accordance with relevant laws and regulations, MES enforces an internal audit suitably. Regarding procurement of the materials, we separate the roles of requesting, ordering and receiving to prevent of injustice dealings by using a check function mutually. Through a random sampling taken in our every year "Internal Control Audit", we confirm the effectiveness of this execution. Moreover, our auditing department executed "Follow-up audits to evaluate proper management for ordering and receiving" for all the sections engaged in procurement in the 2012 fiscal year, and it checked the compliance situation.

[Explanatory materials regarding "Law for Subcontract" and "Q & A on Subcontract Law" available on Intranet Website]



[Procurement Department Intranet Website]



● Corporate Governance

1. Basic Philosophy

MES maintains the following corporate philosophy: "Continue being a "maker of goods" that is trusted by both individuals and society." Under this philosophy, we have crafted a management policy that is based on improving trust and responding to the expectations of both society and individuals. We shall achieve these goals by providing products and services that harmonize the wide-ranging and complex technologies we have cultivated along with the comprehensive business experiences we have accrued as a global "manufacturing company." Within this management policy, we emphasize the following four management attitudes: 1. "Provide a higher level of customer satisfaction." 2. "Provide a safe and constructive workplace." 3. "Contribute to the development of society." And 4. "Pursue profit for the purpose of achieving corporate perpetuity." With these ideas in mind, we make every effort to be a company that is valued by all stakeholders and deserving of a continued existence. In this way, MES constantly strives to recognize its societal nature while improving its corporate value. With this in mind, we understand that it is of extreme importance to build and sustain a highly transparent decision-making mechanism that can quickly react to the changes in the business environment. This system of management should not only be fair, but also attach great importance to our stockholders.

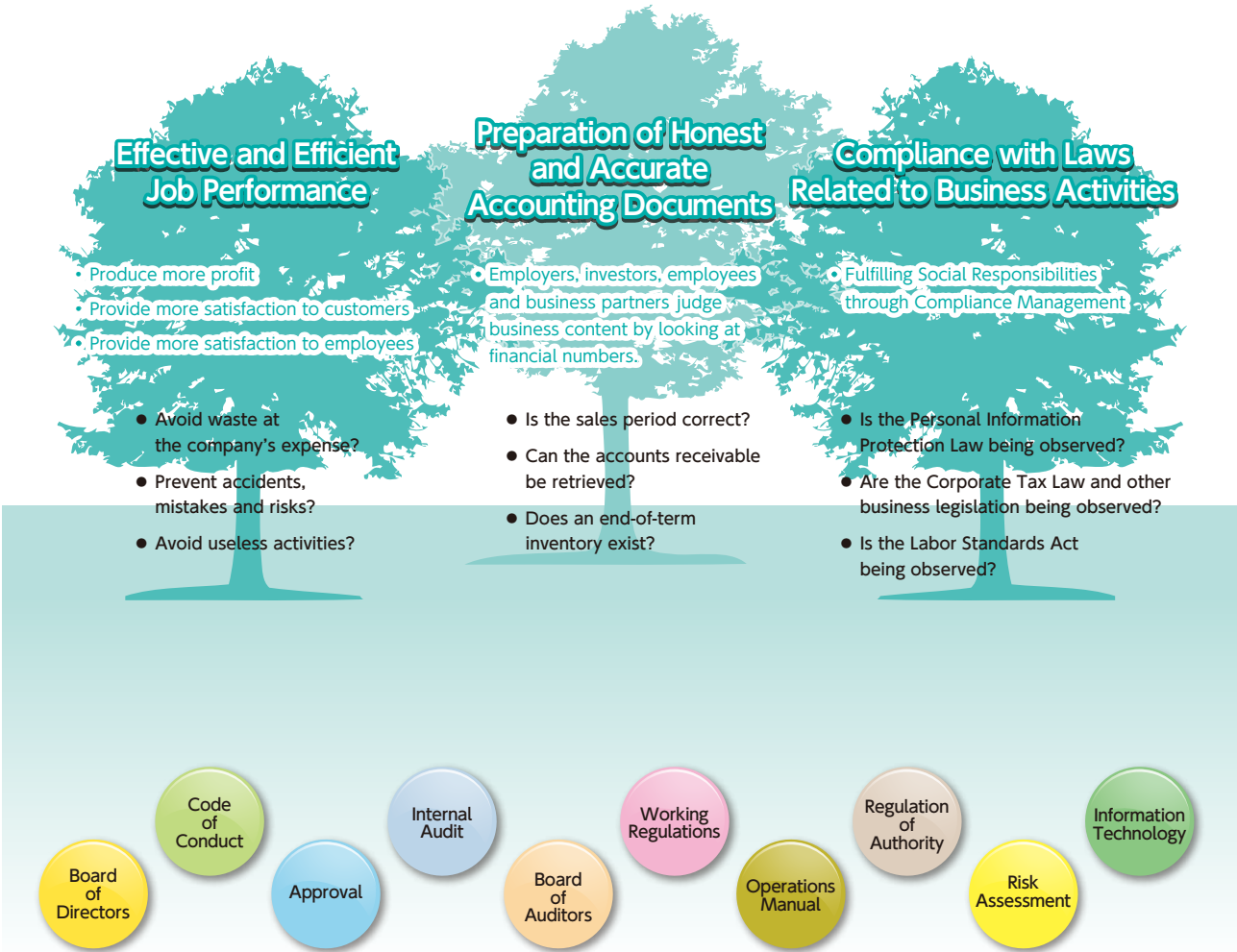
2. Structure

The MES Board of Directors consists of fifteen members. One of these members is an outside director. Moreover, our Board of Auditors includes

four members, two of which are part-time outside company auditors. As a "manufacturer of goods", we believe the most suitable framework for our business style involves an experienced unaffiliated director who can evaluate the decisions executed by other directors from a manager's point of view. This system also improves the effectiveness of our auditors" oversight role. We therefore adapted our corporate governance system to include both auditors and a Supervisory board. To highlight accountability and increase the opportunities for stockholders to confirm their confidence in our Board of Directors, board membership terms are set at one year.

● Internal Control System

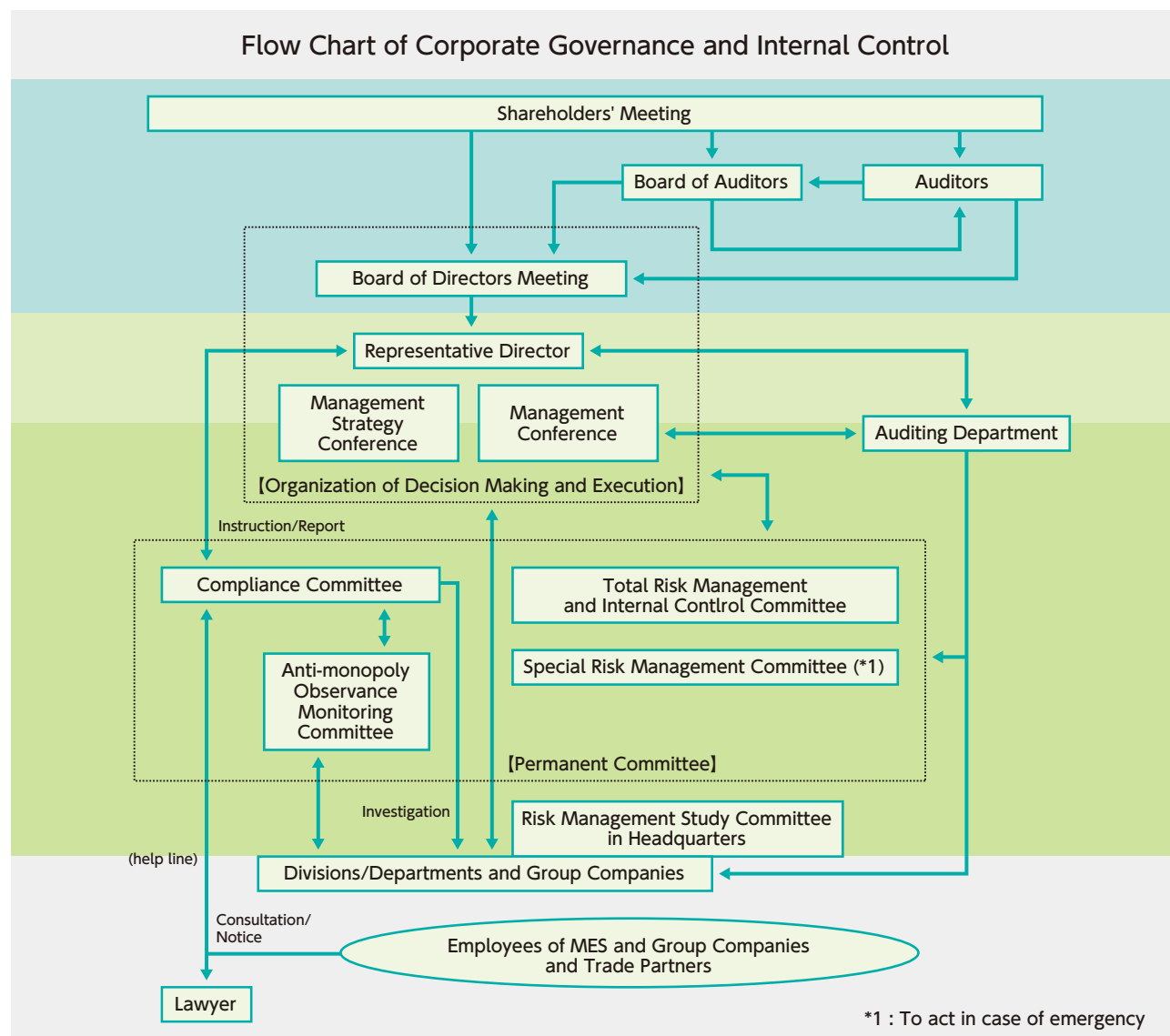
The primary objectives of our Internal Control System are stated as: "Assuring efficiency and work performance (achieving objectives)," "Assuring the reliability of financial reports," and "Complying with the law (compliance)." To realize these objectives, we are making efforts to further reinforce and improve our Internal Control System. Specifically, our Board of Directors have dictated our "Basic Policies for Constructing an Internal Control System." In addition to monitoring its progress every six months, the Board executes revisions in basic policy at the end of each year. Moreover, to further maintain and reinforce our Internal Control System, we have set up a "Total Risk Management and Internal Control Committee." This committee is also charged with promoting PDCA (Plan Do Check Act) and other duties. To support our internal control objectives, MES has created a business operation system, a compliance system, a risk management system and a system for promoting internal control in relation to financial reports. The efficiency of these systems is evaluated by the Auditing Department, which is itself a part of the Internal Auditing section.



1. Compliance Systems

All executive members of MES and its domestic group companies have been instructed that our "Corporate Standard of conduct are to be observed. This set of rules is distributed to all executives and staff members to ensure that they are well informed of its details. Moreover, for group companies located abroad, we work with the presidents of each organization in a timely manner to confirm compliance systems and check their states of implementation. We have also set up a "Compliance Committee" as an organization for promoting compliance measures.

One of our Representative Directors heads this committee. Moreover, we have instituted a "Help Line" in order to detect compliance problems in their early stages. Either the Secretary General of the Compliance Committee or an outside lawyer is made available to provide consultations or receive reports directly from employees over the phone. For business activities related to public works, however, to stay in accordance with the law, each section is expected to self-check its own activities. This process will be supervised by an "Anti-monopoly Law Observance Monitoring Committee," which also reports to the Compliance Committee.



2. Risk Management System

Promoted through the Total Risk Management and Internal Control Committee, our Total Risk Management System is intended to systematically grasp and evaluate the various risks related to general economic activities. It seeks to make sure business activities are done within the bounds appropriate risk limitations. As for risks related to business operations, each facility holds "Intra-office Risk Management Review Sessions," and self-executes risk analysis at the head office of each facility. At the same time, the auditing division and other related sections inspect the state of risk control mechanisms. Moreover, in cases of contingency, the Representative Director-led

"Special Crisis Control Committee" quickly intervenes.

3. Internal Control Promotion System for Financial Reports

To assure the credibility of financial reports, fundamental policies for evaluating the internal controls related to financial reports are established at annual board of directors meetings. The maintenance and implementation of internal controls is evaluated by the Total Risk Management and Internal Control Committee. This committee also investigates the effectiveness of internal controls for financial reports and makes appropriate changes if necessary.

● Primary Activities of the Internal Control System during the 2012 Fiscal Year

1. Selection of Key Issues to Address

In order to establish and promote an effective internal control system, several "Key Issues to Address" are selected every year. For the 2012 fiscal year, three issues were selected and addressed. These included the systematization of rules for internal control.

2. Educating People about Our Company Philosophy, Corporate Governance and Internal Control System

Our company philosophy, corporate governance and internal controls have been communicated to the public through a variety of media. However, due to the statutory limitations of each media form, no single document has been formulated and disclosed that offers a comprehensive view of all three of these topics at once. Therefore, it has been a challenge to communicate the mutual relationship between company philosophy, corporate governance and internal controls.

To effectively practice the "PDCA" in relation to internal controls within each organization, it is necessary for MES Group executives to have proper knowledge and understanding of corporate governance and internal control systems. With this in mind, MES began offering workshops on "company philosophy, corporate governance and internal control" in fiscal 2009. While targeted at MES managers, these workshops were even offered to managers of domestic subsidiaries. During the 2012 fiscal year, we held a workshop for executive directors about corporate governance. The corresponding photograph shows a scene from the Corporate Governance Workshop for executive directors.

3. Our Approach to Compliance

Compliance Workshops were held for our new employees and newly appointed executive officers of our subsidiaries in fiscal 2012 in order to deepen their understanding of laws related to corporate activities as well as MES "Corporate Standards of Conduct."

These events were held alongside workshops for group companies that focused on Antitrust Law and Construction Contractors Law. In another effort to educate and enlighten, an e-learning program covering general compliance issues was provided for general office and technical staff members. This activity also included the executive officers and staff members of group companies.

During "Business Ethics Enhancement Month," which occurs each October, MES executives, managers and group company presidents are required to present a written pledge of legal compliance. Moreover, in 2012 fiscal year, we presented to the outside members of the Compliance Verification and Advisory Committee a verification result of implementation of our detail actions with regard to our correspondence to the recommendation submitted by the Committee, which had conducted verification activities for a year, following its inauguration right after an amicable settlement of derivative action for the bridge bid-rigging case. Compliance requires a steady and continuous effort. We will therefore continue to strengthen the operations and compliance system of the entire MES group. Photograph shows a scene from a Compliance Workshop held at a subsidiary within our Tamano Works.



[Scene from Corporate Governance Workshop for Executives]



[Scene from Compliance Workshop (held at subsidiary within Tamano Works)]

Every employee is an important asset to our company. We therefore aim to create lively workplaces where employees can develop their abilities and enjoy a comfortable environment.

● Human Resource Development

We recognize that "Improving a worker's" employability "is a company's responsibility." With this in mind, MES is striving to perform "total" human resource development for a wide range of employees.

1. Early Training for Young Employees
MES believes in the slogan, "Becoming full-fledged in five years." In order to help young employees quickly master basic techniques and professional skills, we hold both freshmen and third-year seminars. These are in addition to standard OJT and individual workshops for each position.
2. Creating a "First-Class" Mid-level Staff
As experts at their jobs while still being in the prime of their lives, we believe mid-level staff members are extremely important to MES. In order to continue the growth of these mid-level staff members, we hold a variety of workshops for section chiefs and assistant managers. These events allow them to acquire the skills and perspectives required to move ahead.
3. Manager Workshops
Through their efforts to oversee what goes on in the office, managers and directors are the key to successful human resource development. In order to improve their management and human resource training capabilities, we offer a variety of managerial workshops.
4. Succession of Skills and Techniques
Making sure that skills are passed down from company veterans in their 50s to mid-level and younger employees is essential to business operations. Regarding job-site skills, our works have established "Skill Transfer Centers" that focus on helping experienced workers pass on their high-level techniques to a younger generation of employees.

● Enlightening People about Human Rights

Within our business activities, we view each and every employee as an irreplaceable person. Creating a workplace where human rights is valued increases worker motivation and sense of value. Moreover, this dedication to people enhances each employee's capabilities and as a result, maximizes productivity. MES has created a "Basic Policy for Enlightening People about Human Rights." To support an equal workplace that fights discrimination, we organize a variety of activities, such as workshops on the topic of "Enlightening People about Human Rights."

The MES "Basic Policy for Enlightening People about Human Rights"

As a member of corporate society, MES holds much social responsibility. Part of this involves tackling human rights and inequality issues such as racial and gender discrimination within our daily activities. In order to create a truly discrimination-free workplace, MES has made respect for human rights a basis for all of our business operations.

● Efforts to Promote a "Work-Life Balance"

We endeavor to establish work shifts and vacation systems that allow each and every employee to feel a sense of joy and purpose while fulfilling their business responsibilities. This involves allowing employees to choose a working style that best fits their responsibilities and stage of life. These include things such as raising children, enjoying middle-to-old age, spending time with family or even being active in one's community. With this in mind, MES promotes the use of vacation time.

1. A Variety of Work Shifts, Vacations and Holidays System for Using Limited Time Efficiently and Making Work Meaningful.
 - Flex-time System (for office and technical jobs)
Setting Your Own Schedule to Execute Work More efficiently.
 - Refreshing through Vacations
Special Paid 2-Week Vacation and Cash Handout for Every 10 Years of Employment at MES
 - Yearly Paid Vacation
22 Days of Yearly Paid Holiday from First Year of Employment
 - Memorial Holidays
4-6 Days of Consecutive Holiday at the Beginning of each Fiscal Year.
 - Promotion of the Use of Yearly Paid Holidays (for clerical and technical jobs)
Promotion of the Use of at least 1 Day of Paid Holiday each Month and Consecutive Holidays each Autumn.
 - Allowance of Paid Half-Days
Allowance of Half-Day Units when Taking Paid Holiday.
 - Accumulated Yearly Vacation
Use of Expired Yearly Holiday for Sick Days, Childcare, Nursing and Activities such as Volunteer Work.
 - Summertime Flex Holidays (Head Office)
Ability to Set Own Consecutive Summertime Holiday Schedule between July and September
 - Designated "No Overtime" Days
Leaving Work at an Appointed Hour at Least Once per Week (No matter how busy you become)

2. Support for Balancing Work and Family System for Supporting both Work and Family Matters (childcare, nursing, etc.)
 - Childcare
 - Childcare leave
Short working shifts are available for those who do not wish to take off a whole day.
Men are also encouraged to take childcare leave.
 - Expectant and Nursing Mothers Provided Half-pay During Hospitalization
 - Pre and Post-Childbirth Maternity Leave
 - Maternity Leave (for marital partners at childbirth)
 - Childcare Leave (to care for sick children)
 - Nursing of other Family Members
 - Care Leave
Short working shifts are available for those who do not wish to take off a whole day.
 - Care Leave

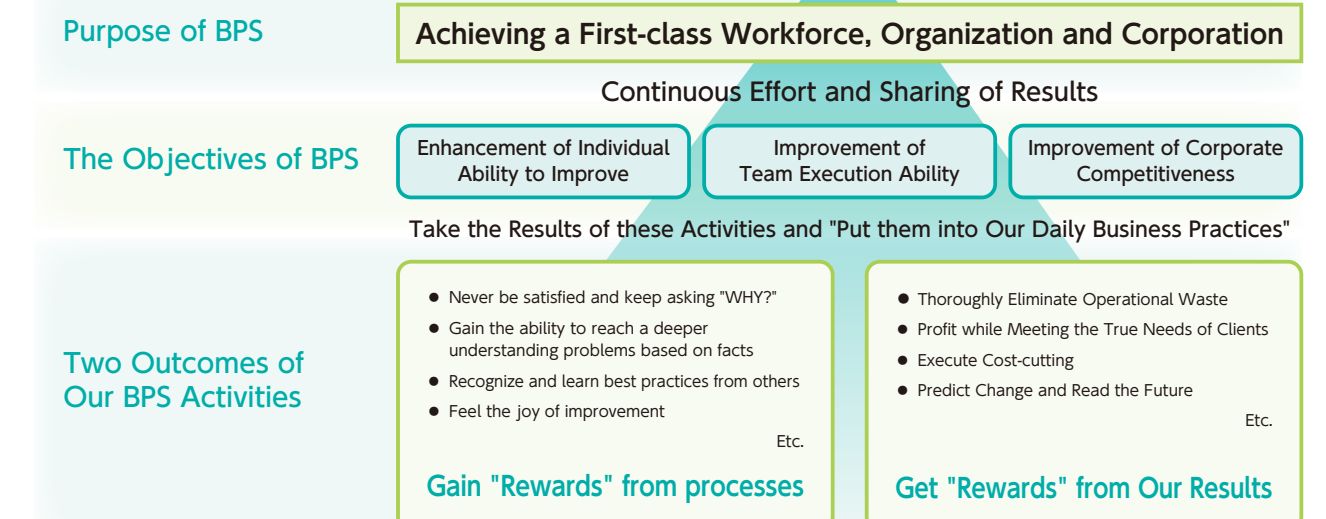
● BPS Activity

BPS stands for Best Practice Sharing. At MES, we view BPS in the following way: "In order for everyone to make greater achievements, learn from and widely share great ideas and endeavors – whether or not they were developed by our company or by other organizations such as competitors and clients." This activity was initiated by our Manufacturing Division in 1999 in an attempt to enhance employee ability and foster a climate of constant improvement within the workplace. Marking its 14th anniversary in 2012, this activity has been embraced by the company as a whole. Research and Business Division, Sales and even General Management Departments now take part. BPS activities place a high value not only on results but also on processes (Grasping problems based on the hard facts found through actual on-site evaluations; Inquiring into the true causes of problems via the "Nazenaze methodology" etc.). BPS allows us to enhance our

ability to make improvements, which is essential for all business persons. Moreover, this activity enhances the "employability" of our workers and allows them to become competent human resources in any companies, any fields. The practical reality of this activity is that it allows everyone to discuss anything with anybody else – regardless of company positions. By utilizing methods such as "Ikken Ichiyo" or the "Kozen" system, BPS also allows all participants to gain a deeper understanding each other's work as well as enhance communication within the workplace. Moreover, in order to deal with a theme or to develop an idea, this activity often creates opportunities for members from various departments and divisions to be involved. This engenders a sense of unity and mutual understanding that transcends all corporate areas and job types. Regarding BPS themes, they shall not be limited to basic issues such as operational cost cutting. This activity should also include topics such as work optimization and improvement of workplace safety, as they have a strong effect on the work environment. Photograph below shows scene from a BPS Activity Presentation at the Head Office.



The Ideal Form of BPS



Safety and Health in the Workplace

● The Security of Safety and Health is the Foundation of Our Corporate Management

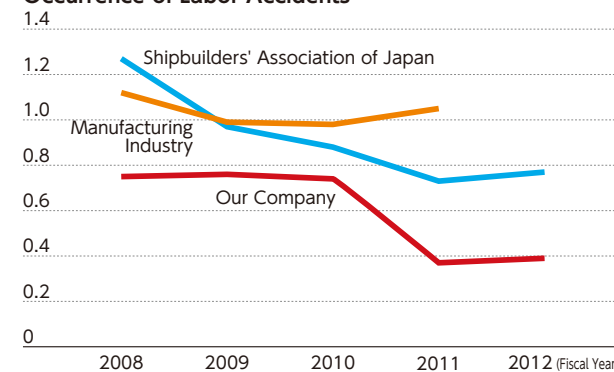
MES acknowledges that, "Based on our belief in human dignity, the security of safety and health is the foundation of our corporate management." With this always in mind, we promote activities involving the security of safety and health through our 2-pronged "Safety and Health Management Plan."

1. In a return to the basic spirit of "Safety First," establish a manufacturing process that places safety as the highest of priorities.
2. Realize a "Comfortable Workplace" by proactively dealing with both mental and physical health management.

● Efforts to Prevent Labor Accidents

1. Progress of Team Safety II Exercises
Initiated in 2003, our "Team Safety Exercises" continue to promote Safety and Health-related activities. Promoted through "Workplace Teams," this initiative is based on the spirit of "Joint Promotion, Joint Responsibility." Since 2010, we have also operated our Team Safety II Exercises as a comprehensive safety and health-related workplace activity. Its slogan is, "Avoiding Workplace Labor Accidents." With the active participation and guidance of managers and supervisors, the Team Safety Exercises encourage further development of our ability to sense danger and assess risks. Moreover, these exercises call on employees – particularly those who are young or inexperienced – to master work safety through person-to-person training and other means.
2. Reducing Labor Accident Risks through Risk Assessment
Based on our Work Safety and Health Management System, we examine potential accident risks that may be hidden in workplace. Moreover, we estimate and evaluate the degree and frequency of Labor accidents through risk assessment. This allows us to take action in relation to issues with a higher order of accident risk. By continuously taking part in such risk reduction activities, we strive to prevent Labor accidents and reach a stage where safety is an intrinsic part of our organization.

Occurrence of Labor Accidents



Frequency Rate of Disasters resulting in Absence from Work

- Notes:
1. Frequency rate of accident resulting in absence from work indicates death and injury number per total 1 million actual working hours.
Frequency rate of accident resulting in absence from work = Number of death and injuries requiring absence of one day or more in occupational accidents ÷ Total actual working hours × 1,000,000
 2. Accident frequency rate of manufacturing industries is extracted from Japan Industrial Safety and Health Association. (2012 FY data of frequency rate of absence from work is not yet disclosed and therefore not available)

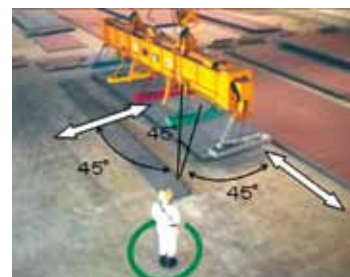
3. Implementation of Danger Sensibility Improvement Training
In April of 2007, MES opened the Safety Training Center at our Tamano Works. One of the factors that led to its establishment was our growing number of MES retirees who were being replaced with young employees and workers from associated companies. To reinforce safety measures, employees experience twenty-one different dangerous situations as part of danger experience training at this facility. In 2008, similar facilities were built at both our Oita and Chiba Works. This now gives all of our works the capability of promoting and implementing improved danger sensibility and safety through danger experience training. Photographs show "Team Safety II Exercises" at our Tamano Works. These include "45-degree Crane Evacuation" and "Promotion of 2S (seiri and seiton) [keeping things tidy]."

[Team Safety II Exercises]
Activity Outcome Presentation



[45-degree Crane Evacuation Exercise]

Work takes place at a 45-degree angle from the suspended load. The crane moves in all directions without anything to hinder its back.



[Promotion of 2S (Seiri, Seiton) [keeping things tidy]]

3 "Tei" Actions (Teiichi, Teihin and Teiryō) [designated place, designated tool and designated amount]



● Encouraging Promotion of Health

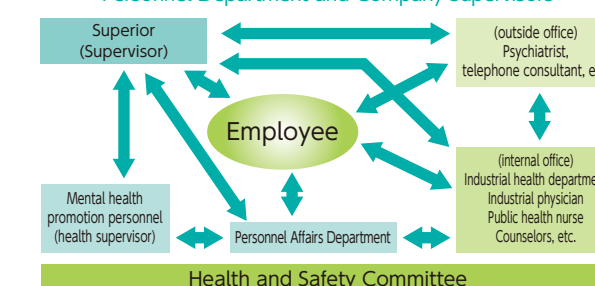
1. To promote better health and prevent employee illness, periodical health examinations are implemented at the head office as well as each works. MES also promotes health education through a variety of activities. These include publishing the EAP service titled "Health News", offering "Health Support" from industrial physicians, and by providing "Health Guidance" that is based on the results of periodical examinations.
2. MES strongly promotes mental health provisions and strives to prevent mental illness by holding workshops and publishing news on mental health. Additional mental health support programs include consultations with industrial counselors, a 24-hour telephone counseling service and reinstatement support programs for employees on medical leave. In addition, we provide self-stress checks (check-sheet for self-examinations) for every employee in order to encourage awareness of mental health and to monitor the health risks of workplace stress. Furthermore, we use these self-examinations as possible indicators of improvement within the working environment. Photograph shows stress-check notebook, informational poster for 24-hour telephone counseling support service as well as an informational booklet that is distributed to all employees.



Illustration shows our mental health system. This system provides mental care for employees through the cooperation of management supervisors, mental health directors, industrial hygiene professionals (industrial doctors, nurses, counselors, etc.) and our Personnel Department.

MES System for Supporting Mental Health

A coordinated effort between the Industrial Health Department, Personnel Department and Company Supervisors



As a means of strengthening our mental health care provisions, we have management supervisors take part in workshops that help them "master "positive listening" methods, cheer people up, and build relationships that are both positive and trusting." We also run "mental health workshops" for ordinary workers so that they can grasp and experience "Self-Care." Photographs show scenes from self-care workshops that were held for management supervisors and ordinary workers.

[Scene from Workshop for Managers and Directors]



[Scene from Self-Care Workshop]



3. In an effort to prevent employees from being stricken by lifestyle diseases, we are continuing to run our company-wide "Health Attack" exercise. In addition to implementing specific health guidance for personnel diagnosed with metabolic syndrome, we are promoting the health of all employees. Seen in the photograph are the 2012 "Health Attack" booklet, an individual record chart and group record sheet for technical workers.



● Protective Measures against Heatstroke

With the intense heat of summer coming earlier and staying longer, we are forced to take preventative measure against multiple types of heatstroke. In an attempt to prevent heatstroke from occurring, we have designated June through September as a Protection Measure Implementation Period. The month of May is used as a preparation period. During the preparation period, we provide information about heatstroke to employees. Moreover, MES implements labor and workplace environmental management strategy by measuring WBGT (heat level index) at worksites. Image shows WBGT level at each works attracting attention.



Following up on activities conducted by the MES group of volunteers in the wake of the Great East Japan Earthquake.

- Awarding of the "Branch Manager Prize" for our earthquake disaster reconstruction aid activities (sending the large "Techno Super Liner" (TSL) cargo-passenger ship).

In May of 2011, the Kansai branch of the Japan Society of Naval Architects and Ocean Engineers awarded MES with their "Branch Manager Prize" for our support efforts within the area stricken by the Great East Japan Earthquake. Following the disaster, MES dispatched a high-speed Techno Super Liner (TSL) cargo-passenger ship to Ishimaki Port in Miyagi Prefecture. As opposed to being praised as an extraordinary example of earthquake relief by a single corporation, our actions were lauded for the way the entire Tamano Works came together to overcome technological problems and demonstrate new knowledge on how ships can support disasters.

The award ceremony was held on May 25th of 2012 at the society's Kansai Branch general meeting. Two personnel from our Tamano Works were in attendance. Upon receiving the award, MES gave a presentation detailing our activities. Though MES had considered dispatching the TSL to the stricken areas immediately following the earthquake, many problems had to first be overcome. These included the quick restart of the TSL, security of life water, aftershocks and security of the personnel on board. In addition to presenting these problems, we demonstrated how we overcame them through the use of photographs. We were rewarded with kind messages and praise from those in attendance, including members of the organization's administration.



- Public Launching Ceremonies (Tamano Works)

In order to contribute to the local community, our Tamano Works began opening new vessel launch ceremonies to the public. In fiscal 2012, we held four launching ceremonies that were open to the public. Because the sight of a large-bodied ship sliding into the sea is quite impressive, these kinds of ceremonies are always immensely popular.

Every Industrial Sightseeing Tour planned by the Tamano City Tourist Association quickly fills up due to the popularity of these launching ceremonies. There is always a waiting list to view the launching ceremonies.

For the first time in 17 years, the launching ceremony of a naval escort ship was held in last August. There was a grand celebration for this occasion, including 3,000 invited and local guests.

Following the cutting of its support rope and opening of the colorful ceremonial streamer ball, viewers cheered and applauded as the vessel named Fuyuzuki slid into the water.

Photographs show the naval escort ship named Fuyuzuki at her launching ceremony in last August.



- Welcoming Guest Staff Observers from Hanoi Technical College in Vietnam (Chiba Works)

Chiba Prefecture has organized mutual exchange activities with the country of Vietnam. This included a technological support project that was implemented at prefecture-wide technical high schools between 2009 and 2011. In an attempt to achieve further international understanding within the area of industrial education, the Chiba Prefectural High School Industrial Education Research Council and Globalization Promotion Committee were established. Aiming to promote international understanding among high school students through education, this mutual exchange project is being continued. For the 2012 project, five teachers from Hanoi Technical College were invited to Chiba. On-site inspection training was implemented at a variety of industry-related companies and educational institutions within the prefecture. This included a field trip to our Chiba Works on Thursday, June 21st of 2012.

The tour of our Chiba Shipyard was the main event of that day. The contingent was very impressed with the technology that goes into our gigantic tankers – a type of ship that has never been built in Vietnam. At the conclusion of the tour, our guests were given the opportunity to talk with trainees from Vietnam who are currently being trained at our Chiba Works. The two groups had a very active exchange of opinions regarding issues such as skill acquisition and other training methods.



- Citizens and National College of Technology Students Tour our Oita Works

On October 10th of 2012, eight publicly-invited citizens of Oita participated in an Oita City-sponsored Industrial Exhibition Bus Tour. On February 8th of 2013, 46 third-year students of Oita National College of Technology visited our works as part of their social studies class. Both groups toured the factory at our Oita Works.

After hearing our company overview, the groups were guided along the same production route as our actual products (processing, assembly and welding). This helped them to understand production flow and see how products are cut from steel. Guests were then taken to view a finished large-size crane. Participants were overwhelmed by the size of the crane, which they had never before experienced up close. Photographs show Oita National College of Technology students touring our works.



- Implementation of Kaio-maru and Shipyard Tour (MES Yura)

On September 24th of 2012, a public viewing of the shipyard and sailing vessel Kaio-maru took place at our MES Yura Dockyard. This public viewing was carried out by the Kinki District Transport Bureau and Kinki Domestic Vessel Crew Measure Meeting. This activity was organized to help further knowledge about the shipyard and maritime jobs for junior high school students. As the next generation of our society, these junior high school students will likely have to respond to a challenging human resource situation and other problems, such as today's aging of on-board crew and shipyard engineers. 53 local junior high school students participated.



- Participating in the Niigata Festival, Minyo Nagashi (Niigata Shipbuilding & Repair, Inc.)

The annual Niigata Festival was held over three days in August of 2012 (Aug. 3-5). This summer in Niigata City was unusually hot, with daily temperatures exceeding 30° Celsius. August 3rd marks the day of Minyo Nagashi, which our company has participated in since its foundation. In what is now our 10th time to participate in the festivities, 80 employees dressed in uniform kimonos. Dancing for a good two hours, they sweat in the sun and had an enjoyable time. Total participants in the 2012 Minyo Nagashi topped 13,000.





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