

CSR Report 2014 Corporate Social Responsibility



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• Photo on the front page

Fully electric Transtainer[®] at 2nd Container Terminal of Shin-Okitsu Wharf, Shimizu, Shizuoka

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About Publication of CSR Report 2014

1. Editorial Policy

This CSR (Environmental Social) Report summarizes the environmental management and conservation activities of Mitsui Engineering and Shipbuilding Co., LTD. during the 2013 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, 2013 through March 31, 2014.

3. Scope of Coverage

This report covers the activities of MES and its subsidiaries.

Greeting

Creating Prosperity for Our Next 100 Years

Strong state has continued in the fields of chemical plant business, the environment and energy business, container crane business and marine resources development business by progress of industrial structure change due to increase in global energy demand and the shale gas revolution. In addition, order situations in the shipbuilding business and marine engine business are becoming upturn by correction of strong yen. However, the quantitative problem of securing the workload is only eliminated and the situation has not progressed in terms of profitability. Business environment of the Company Group remains still severe.

In the rapidly changing business environment, we need to quickly handle administrative problems and survive the current crises. The Company Group mapped out the Mid-Term Business Plan 2014 (MBP14) nine months ahead of the planned schedule at the same time as a new management system was established last June. The Company Group set the goal of achieving 850 billion yen in consolidated net sales at the end of fiscal year 2016, the final year of our MBP14. We will work toward becoming a company with a balanced portfolio which achieves both sustainable growth and stable profitability. To achieve this goal, we are going to work on two innovations, "Innovation of the Business Domain" and "Innovation of the Business Model".

In the "Innovation of the Business Domain", we transform the quality of the products in marine engine business and shipbuilding business, which is the core business at present and we aim for "Differentiation through energysaving and environmentally-friendly technology". We are complying to international environmental regulations raised every few years, taking advantage of our superiority to our competitors, which we can design hulls and engines optimally. The limitation of CO₂ emissions of the ship have already begun in 2013. We have developed environmentally-friendly and fuel efficient bulk carriers named the "neo series" and have brought to market. The neo series includes the 56,000 dwt type bulk carrier (neo56BC), the 60,000 dwt type bulk carrier (neo60BC) and the 66,000 dwt type bulk carrier (neo66BC), and these CO₂ emissions are about 20% less than the regulations.

In addition, we expand business in marine resource development field, by gathering the comprehensive abilities of our Company Group at "Ocean Business Promotion Division", which was established in last November as center of this field. In the environment and energy field, we are developing the energy-saving equipment and the unused energy recovery equipment for the high efficiency of mechanical products. We are going to put more effort into these developments and intend to develop them to the medium mass production business. We will aim to expand similarly renewable energy generation business such as wind power, solar power, biomass power and biogas power.

In the "Innovation of the Business Model", we will change from the business model which merely sell products, to the complex business model which consider life-cycles of products, and we aim to stabilize revenue. The new business model will be also incorporated with demand after sale, such as operation and maintenance, business operations and after-sales service of products of the core business. A new overseas subsidiary, MES Asia, was established in Singapore last October. This new company will be base for after-sales service in the ASEAN region for expansion of engineering business and related service business. And we will continue to expand the life-cycle services business.

MES will celebrate the 100th anniversary in three years, in November 2017. We established the slogan "Creating Prosperity for Our Next 100 Years" in Mid-Term Business Plan 2014 with the determination to carry out business structure innovations for the next 100 years. There will be no future if we are merely moving in the same direction as the past. We will thoroughly promote "Innovation of the Business Domain" and "Innovation of the Business Model" in order to become the company with dreams and worth in society in the future. With a sense of urgency, we are utilizing our company's collective strength and on both domestic and international scale, combining our wide array of products and technologies to solve global problems related to environment and energy use. It is through such challenges that we believe 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 environmentally-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.

We kindly ask for your further support and cooperation in the future as well.

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 128 subsidiaries, which includes 89 Consolidated Subsidiaries and 39 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 :

Company Philosophy

"To continue working as a company trusted by society and individual through products and services we offer"

Management Policy

Build further satisfaction for our customers.
Provide safe and effective workplace environment for employees
Contribute to the development of society
Pursue a profit for the longevity of the company

Standards of Conduct

- Customers' Viewpoint
 Excellence as motive and objective
 Determination of action
 Speed of action
 Leadership in action
 - e Improvement • Compliance • Partnership with the local community

Work as a team

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 environmentallysound and earth-friendly products and services that are based on high Deepening and Evolution of the world recognized core and growth businesses



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 startup 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 44,384 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

Consolidated Net Sales by Segment (2013 Fiscal Year)



Consolidated Net Sales / Ordinary Income



Major Subsidiary Companies

Mitsui Ocean Development and Engineering Co., Ltd. (MODEC) Design, manufacture and installation of offshore structures Nihonbashi Maruzen Tokyu 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

Showa Aircraft Industry Co., Ltd.

Production and sales of transportation equipment,

rental and management of real estate

600 Tanaka-cho, Akishima, Tokyo, Japan 196-8522 Phone: (Domestic) 042-541-2111 (Int'l) 81-42-541-2111 Capital: 4,949,000,000 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, 2014, there are 89 consolidated subsidiaries of MES. This includes the six subsidiaries mentioned above. There are 39 Equity Law Affiliated Companies.



Shift in Number of Employees (as of March 31)

MES Non-Consolidated Net Sales / Ordinary Income



Works











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 June of 2013, we also unveiled the MES "Mid-term Management Plan for the 2014 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

- - 7. Establishment of an Environmental Administration and Management

System

Power Generation Business - Renewable Energy -



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

8. Action in concert with subsidiary companies

Our Approach for Reducing Environmental Impact through Products

- Environmental Protection through Crane -

Development and Design

The need for larger container ships and high productivity loading and unloading is increasing in the container terminals around the world. Hence, quayside gantry cranes are becoming larger and larger, and the loading and unloading speed faster in response to the robust growth of container distribution which is growing at the rate of about 5% every year. Also, in terms of industrial cranes in Japan, large unloaders are gradually entering the period in which they need to be replaced. Under such circumstances, an urgent task we face is to reduce the weight of individual cranes, improve energy efficiency, and reduce life cycle costs. There is also a demand for building low-profile cranes due to height restrictions concerning aeronautics above quay areas. Thus, it is important for us to provide products which can be operated under unprecedented conditions.

MES is working to provide lighter weight, energy saving and low-maintenance cranes which do not require reinforcement work on already available guays under such circumstances. We used original methods to reduce the weight of container cranes from a completely new perspective. We did this based on our abundant experience in delivering cranes and various design conditions that we have gained through that experience. We started by revising the weights of moving parts, and then thoroughly re-evaluated all aspects including the main structures, electrical components, and accessories to make lighter cranes. This effort successfully reduced the weight by about 10%. Reducing the weight like this made it possible to install large cranes on already available quays without carrying out reinforcement work. In addition, we developed an original crane gantry oscillation-damping method for large crane to prevent boom swinging after stopping gantry travel which is lowering the loading/unloading productivity. We are applying the outcomes of these developments to already operating cranes as well as new cranes. For industrial cranes, we also developed and delivered a lighter weight, low-maintenance, and energy efficient fourdrum unloader, which was the first such product developed among manufacturers in Japan. A conventional unloader required a traversing device separately from the holding and closing device of grab bucket. But four-drum unloader realized an integrated system containing the holding/closing device, and traversing device. This system eliminated the need for ropes, electrical components, and mechanical devices which used to be used for traversing devices in a conventional system and achieved a lighter product which requires less maintenance.

Also, some of the recently developed anti-seismic reinforcement quays have zones where strict height limitations are applied based on aeronautics restrictions. We developed a low-profile, anti-seismic crane which has a shuttle boom with our original structure which can be installed on such quays. MES proposed a concept and evaluated its effects by using a scale model in joint research with the Port and Airport Research Institute. This crane has MES's original anti-seismic device in the shuttle boom. It drastically reduces the seismic acceleration which travels to the upper structure during an earthquake. MES can now offer a crane which can quickly resume cargo handling operations after a disaster with its quick recovery features.

Manufacturing

In the manufacturing of Portainer[®] and Transtainer[®], MES is conducting block assembly at ground level for better safety and work efficiency. The upper and lower portions of large blocks of Portainer[®] fabricated on ground level are combined by jack up device shown in the photograph. Structural blocks of Transtainer[®] which are assembled by portal jig are also safely and efficiently assembled. We believe that increased work efficiency will result in energy conservation.

We are going to expand the application range of energy saving procedure by incorporating production methods which enable block constructions in various conditions. We will do so by developing jack up assembly system for Portainer[®], which has become larger in recent years, and developing special construction methods which can comply with restrictions on installation spaces.

We are also working to reduce the power and materials consumed in other manufacturing processes (resource conservation). In terms of materials, for example, we are actively working to carefully create designs that allow shared use of materials so that common parts can be cut out effectively from disposed sections as scrap. We are also striving to reduce secondary processing such as edge preparation.





anti-seismic Portainer[®] to be installed in areas with a strict height restriction

Transportation

Container cranes are assembled into one piece in a works, and the completed product is delivered to the terminals of our clients. Marine transportation using large transportation ships, which is an effective way to reduce CO₂ emissions, is normally used. The frequency of trips is determined based on the number of cranes to be transported. We received 42 units of Transtainer® in total for the project shown in the photograph. This would require six voyages if the conventional transportation method were applied. To reduce the frequency of voyage, sixteen units are transported simultaneously which is the method to load double number of units on a transportation ship by changing the position of the leg structures for the voyage and transported sixteen units at the same time, while the completed shape becomes the gantry crane. This method reduced the fuel oil consumption by increasing the transportation efficiency in ways such as reducing the number of voyages and also drastically reduced the CO₂ emissions from fossil fuel.

We are also actively working to enable efficient transportation with excellent environmental and economic efficiencies under various conditions. We are doing this by developing transportation methods for container cranes which have been becoming larger in recent years.

MES is committed to offering environmentally-friendly, clean cranes including energy efficient and low-maintenance ones. We are implementing measures to reduce environmental impact in the entire process of this activity, including those in all processes up to delivering products to our clients.





Products

Reducing CO₂ emissions and fuel consumption are important tasks for container terminals. The numerical target of CO₂ emission reduction are set and mandated at some container terminals in the United States and Japan.

Rubber Tired Gantry cranes (RTG) that is working in container terminals to handle containers using electricity power from on-board diesel power generators. Hence, reducing the fuel consumption of these diesel power generators results in cutting back on CO_2 emissions.

MES has been offering RTG in various environmentally-friendly lineups with reduced CO_2 emissions ahead of other manufacturers. We call these products MES ecoTT[®].

MES Hybrid[®] is equipped with an electricity storage system in addition to engine variable speed control (EVSC) which controls the rotation speed of diesel engine for power generator variably, and is an original technology of MES. MES Hybrid[®] consumes 60% less fuel and emits less CO₂ compared to the conventional RTG.

We also adopted electric powered spreaders and electric powered steering and realized the use of systems that have no hydraulic parts to reduce the environmental damage caused by waste oil treatment. In addition, we eliminated the use of diesel power generators in the powered RTG to which the electricity is supplied by shore-power. With this system, we achieve zero emissions by loading a new system that we developed on the driving mechanism of lane change, one of the features of RTG. We are going to offer even more environmentally-friendly and cordless fully powered RTG for more efficient uploading and unloading by further upgrading the system from power supply methods such as cable reels and bus bars.



Contributing Environmental Preservation through Technology, Products and business

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 and construction of environmentally-friendly. fuel efficient ships (neo series)

Reduction of greenhouse gases (GHG) is becoming a global issue. The regulation to reduce CO₂ emissions from vessels which was adopted by the International Maritime Organization (IMO) came into effect for marine transportation in 2013.

According to this situation, MES has already finished to develop environmentally-friendly, fuel efficient ships. MES has introduced the following ships as the "neo series" to the market : 56,000 deadweightton ship with improved fuel efficiency (neo56BC (BC : bulk carrier)) which is next generation of our best-selling 56BC series ; 60,000 deadweight-ton ship (neo60BC) which realizes larger deadweight ; and 66,000 deadweight-ton ship (neo66BC), which is in a new genre with larger beam than the Panamax size.



The CO₂ emissions of these environmentally-friendly, fuel efficient ships

are about 20% lower than the level stipulated in the above regulation as of 2014. The design was created by taking into account future compliance with NOx and SOx emission regulations and the installation of a ballast water treatment system which may be used in the future. These ships are equipped with various measures to protect the marine environment. The delivery of neo56BC and neo66BC started in November 2013. The first neo60BC is also going to be delivered in fiscal year 2015. In addition to these three types of ships, MES is also continuing with the development of other types of environmentally-friendly, fuel efficient ships. We are going to reduce the environmental impact of international marine transportation through the development and construction of environmentally friendly ships.

BWSC : Making investments in biomass IPP projects in the U.K.

Burmeister & Wain Scandinavian Contractor A/S (BWSC), a wholly owned subsidiary of MES, has been involved in the construction of biomass power plants since the late 2000s. Under the circumstances of renewable energy being proactively introduced to prevent global warming, BWSC has decided to participate in biomass IPP projects as an investor and recently received two orders for large

projects in the U.K. in 2013.

One is a 15.8 MW power plant fueled by waste wood which is under construction in the city of Derry, Northern Ireland. The other is a 40 MW straw-fired power plant being constructed in the city of Brigg, Lincolnshire in the eastern part of England. The straw used as fuel is purchased from local farmers.

BWSC is contracted to construct the power plants and perform their operation and maintenance. In addition, BWSC invests in the IPP companies which sell the generated power for 20 years. Compared to using fossil fuel, the power plants are expected to reduce CO₂ emissions by approx. 500,000 tons per year.



• Start of full-scale operation of floating wind turbine

The 2 MW-class floating wind turbine build by MES started supplying electric power to the land via the floating substation facility in December 2013. The floater was built at the Chiba Works, and towed to Onahama. After the wind turbine adjustment at Onahama quay, the floater was towed to the site and connected to 6 mooring chains. The site is 20 km east of Hirono, Fukushima. The power generated on the sea is connected to the already available power transmission network via the submarine cables. This system was constructed and installed as part of the Floating Offshore Wind Farm Demonstration Project contracted from Japan's Ministry of Economy, Trade and Industry. The offshore facility is equipped with systems to record environmental data and the movement data of the floating bodies. The recorded field data are used for technical studies, maintenance and management.



Development of environmentally-friendly and lighter weight container cranes and industrial cranes

The partial revision to the Ministerial Ordinance for the Technical Standards for Port and Harbor Facilities in September 2010 (Article 42, Section2, Number 1) stipulated "regulations on required performances of cargo handling equipment against dead weight, level 1 earthquakes, load weight, and wind effects". Specifically, the revision added methods to evaluate anti-seismic performance against level 1 earthquakes targeting cargo handling equipment and quay construction as one facility. For container cranes which load/unload cargo on guays, MES reduced the weight of steels using optimization method, thoroughly reduced the weight of moving bodies, and reevaluated MES's original construction methods. Through these efforts, we successfully reduced the weight by 5% or more from other MES products, thereby reducing the effects of earthquake on quays and enabling the use of the cranes on large container ships at already available guays.

Meanwhile, the unloader which is one of industrial cranes used to have separate systems of holding/closing device and traversing device. To adopt the first fourdrum system among manufacturers in Japan combined the traversing device and the holding/closing device, which resulted in the successful elimination of the traversing device. This resulted in a drastic reduction in the number of parts such as mechanical devices and ropes to be replaced as well as weights. The first four-drum unloader to be produced by manufacturers in Japan was delivered to a client in May 2014. The weight reduction described above eliminated the need to implement reinforcement work on guays, which minimizes the environmental effects in nearby sea areas. The reduction in the number of parts and replacement parts also minimizes the impact on the global environment. MES is going to continue to offer environmentally-friendly cargo handling equipment which smoothly performs distribution in ports and harbors.

• Development of robot to measure ocean floor radiation

The accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant released radioactive materials into the ocean. Identifying the distribution of those radioactive materials and their chronological movement is extremely important to prevent the spread of environmental pollution and to assist the recovery of the fishery industry. MES contracted the research and development of Remotely Operated Vehicle as part of the Development of Systems and Technology for Advanced Measurement and Analysis, which is a project of Japan Science and Technology Agency (JST). This was a joint project with the National Maritime Research Institute, University of Tokyo and Kyushu Institute of Technology. The research and development activities aim to identify the distribution, deposition, and movement of radioactive materials and to clarify the mechanisms of how hot spots are created. The project team is aiming to develop robots which can perform detailed monitoring such as the measurement of radiation using devices for collecting ocean-floor deposits and two radiation detectors in a two-and-a-half-year plan running from October 2013 to March 2015. The photograph shows the test being conducted in December 2013 in the ocean within 2 km from Fukushima Daiichi Nuclear Power Plant to find problems associated with the robot' s operation. A radiation measurement system was mounted on a device owned by MES.

Development of environmental technologies for main engines of ships (EGR, THS, VPC)

IMO agreed on starting the tertiary regulation of NOx emissions from ship engines starting in 2016. MES has demonstrated that IMO Tier III regulation is satisfied by installing a built-in exhaust gas recirculation (EGR) system in a test engine as a technology to comply with the regulation. MES is continuously preparing for practical use tests using an actual vessel which is going to go into service in fiscal year 2015.

MES also developed Turbo Hydraulic System (THS), a waste heat recovery system based on hydraulics, which can reduce CO₂ emissions by up to 4%, and received orders for this system. MES is also developing Variable Phase Cycle (VPC) System which can reduce CO₂ emissions by about 2% using the lowtemperature waste heat generated by the main engines of ships which was not effectively used before.

Tests on these systems using actual ships are being implemented with ship owners as a joint research project with Nippon Kaiji Kyokai and using a subsidy from Japan's Ministry of Land, Infrastructure, Transport and Tourism.

A rope reeving drawing for a fourdrum unloader which eliminated the use of ropes for the traverse motion of a conventional trollev

Conceptual image of stress analysis of trolley frame based on FEM analysis







with built-in EGR

Environmental Administrative Organization

Our Approach for Promoting Environmental Preservation

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 2012, a fourth renewal inspection was executed at our Tamano Works. It had its certification successfully renewed. The fourth renewal inspection at both our Chiba and Oita Works allowed them to also renew their certification for the 2013 fiscal year. In addition, each of our works takes part in biannual system operation examinations by outside organizations. Photographs show scenes from the renewal inspection at Chiba and Oita Works.







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 5 years.

Corresponding with a decline in production of ships and marine diesel engines, which are our major products, total energy consumption for the 2013 fiscal year has decreased by approximately 9% 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 3% in comparison with the 2012 fiscal year.

CO₂ Emission



 CO₂ 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 CO_2 emission coefficient for electric power is in compliance with the "emission coefficient according to the Electric Enterprises" published by the Ministry of the Environment. In the fiscal years of 2009 to 2013, emission coefficient after

adjustment was adopted from two types of emission coefficients.

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 2013 fiscal year, the amount of service and industrial water used decreased by approximately 7% in comparison with the previous year.



Purchased Electricity



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 2013 fiscal year.

As a result of our efforts to reduce waste generation, fiscal 2013 saw a 13% reduction of wastes in comparison with 2012. Meanwhile, the Recycle Ratio decreased by approximately 3% and became 81% because of the increased amount of slag.

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



2013 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 2013 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)





Xylene Ethylbenzene Toluene Manganese and Others

Environmental Management at MES Works

The Oita Works was established to become the production base of large ocean structures in 1981. In October 1980, one year before the opening of the Works, MES concluded pollution prevention agreements with Oita Prefecture and Oita city. When the Oita Works started its operations, it constructed large ocean structures and then steel frames for architectures and bridges. The Oita Works is now manufacturing material handling machinery, which was transferred from Tamano, as its main operation.

The Oita Works also constructed a mega solar plant (large-scale photovoltaic power generation facility) in 2013 and started selling the generated power.



Efforts to Environmental Management System

The Oita Works was granted ISO14001 Environmental Management System Certification in 2001, including its subsidiaries operating within the Works. The Oita Works is aiming to reduce environmental impact by improving the efficiency of its main operations, and individual departments are continuously making improvements by setting targets.

The Oita Works completed the fourth renewal inspection in 2013.



Energy-Saving Activities

Most of the energy consumed at the Oita Works is electric power. The Oita Works reduced the electric power consumption of lights to one-third of the consumption before, by using natural light and replacing mercury vapor lamps with more energy-efficient metal halide lamps, as an action to reduce electric power consumption. In addition, using various types of smaller compressors and inverter-rated motors are effectively contributing to energy-saving.



Mass Transportation

The Oita Works is transporting material handling machinery, the main products of the Works, in completed forms. The machinery is transported on ships as shown in the photographs. The machinery is appropriately loaded in order to be enable mass transportation. The Oita Works is thereby reducing voyages, which consequently results in energy and resource conservation.



Cultivation of Kenaf

The Oita Works has been growing kenaf on a premise since 2000 as a symbol of its environmental activities. Kenaf is a plant in the Malvaceae family. It grows rapidly and absorbs CO₂ during its growth phase. It can also be used as an alternative resource of wood pulp. The photograph shows the kenaf flower bloomed in 2013.



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 2012 and 2013 fiscal years, it is evident that domestic transportation increased by approximately 40% while energy use per transportation decreased by approximately 6%.

CO₂ Emission in relation to Transportation Amount



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

The total amount of subsidiary energy consumption for the 2013 fiscal year increased approximately 3% when compared with the 2012 fiscal year numbers. During the same timeframe, the amount of electricity purchased by subsidiaries increased approximately 4% as well. Due to an increase in the energy consumption coupled with the closure of numerous nuclear power plants, the fiscal 2013 CO₂ emission saw a 1.1 times increase from the previous year.





 CO₂ 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 the Environment. In the fiscal years of 2009 to 2013, emission coefficient after adjustment was adopted from two types of emission coefficients.

(b) Effective Use of Aquatic Resources

The water consumption had been decreasing up to fiscal year 2011 but started to increase in fiscal year 2012. The water consumption went up by approximately 8% from last year.

Total Energy Consumption







Water Consumption



(c) Waste-related Information

The amount of wastes for fiscal year 2013 has decreased by approximately 6% in comparsion with fiscal year 2012. The business a part of subsidiaries, which is a cast iron manufacturing, cast steel manufacturing and ship repair related business, is different from the MES. The breakdown of waste amount by our subsidiaries also differed from MES. 48% of the waste produced by domestic subsidiaries consisted of slag (fiscal year 2013). Due to insufficient of this slag, our recycle rate in this area dropped to 66%.

Total Waste Amount and Recycle Ratio



Environmental Accounting

MES spent a total of 3,330 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 320 million yen was spent on "investment". This includes 140 million yen spent on research and development, 140 million yen spent on global environmental conservation, and 40 million yen spent on pollution prevention such as exhaust gas measures. In addition, total non-investment costs came to 3,020 million yen. This includes 2,690 million yen spent on the research and development of earth-friendly energy-saving products, 160 million yen allocated to resource circulation cost such as waste treatment, 90 million yen for administration cost, and 70 million yen spent on pollution prevention.

Environmental Preservation Cost (= Sum of Investment and Cost

Categories Corresponding to Business Activites	Investment	Cost
1. Business Area Cost ① Pollution Prevention Cost	35.8	70
(2) Global Environmental Conservation Cost	138.1	3
③ Resource Circulation Cost	-	159
2. Upstream / Downstream Cost	-	0
3. Administration Cost	-	90
4. Research & Development Cost	142.0	2,691
5. Social Activity Cost	-	0
6. Environmental Remediation Cost	-	2
Total	315.9	3,018

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





st)	:	3,334.8	million	yen
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t	Major Efforts and Effects
).1	Exhaust Gas Measures, Wastewater Treatment, Dust Control and other Pollution Control
5.1	Energy Saving
.4	Waste Treatment
.4	Use of Recycled Paper as Copy Paper
.9	Environmental Management System Implementation, Environmental Reports and Environmental Education
.9	Development of Various Environmentally-Friendly Products
.9	Support of Environmental Preservation
.3	Environmental Damage Countermeasure
.9	

Learning from Customers • Together with Customers

Together with Shareholders and Investors



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 2014

By continuing to develop on the CS activities we conducted so far, we have set our objectives as follows:

"Achieve good results by practicing the PDCA Cycle⁽¹⁾ on a daily basis and improve products and services by better reflecting on 'customer voices'. (*1 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.

The CS Committee of the entire company took initiatives to promulgate CS mindsets through training and seminars and quick handling of customer complaints (especially initial responses) for nine years from 2004 to 2013. This activity resulted in common practicing of CS activities at the each headquarters. Thus, the operating body of the CS activities was transferred to the each headquarters to build a structure for implementing more detailed responses in 2014. The following activities are going to be implemented in order for the each headquarters to maintain, continue, and improve customer-oriented mindsets and customer perspectives that have been cultivated through the past CS activities and became standard practices.

[Ship & Ocean Project Headquarters]: Activities to improve evaluations by customers

[Machinery & Systems Headquarters]: Optimization of the total organization (material handling machinery) from customer's point of view

[Engineering Headquarters]:

Improvement of Total Quality - Promoting enhanced communication with clients and relevant departments through sharing experience and good practice -Deepening understanding of Claim Management Procedure and sharing good example of claim management We position investor relations as longterm management and financial strategy by top management. We focus on active and fair disclosure to improve understanding to our company group's 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.



Release of IR Information

Information regarding our corporation is

posted through our website in a proper and timely manner. We offer video instructions to projects that allow viewers to gain a better sense of how MES activities work in reality as well as financial report and midterm management plan. We will continue to transmit information in a speedy and comprehensive manner.

Regarding documents for distribution, we published a 2013 Company Overview and Annual Report (English).

Explanation of Our Work

For the fiscal year 2013, we held briefings on financial earnings at the end of (per share) 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 2014, we held a factory tour for institutional investors at our Oita 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.

[Annual Report]





Transition of annual dividends

Fiscal year 2010: ¥4.0 Fiscal year 2011: ¥4.0 Fiscal year 2012: ¥3.0 Fiscal year 2013: ¥2.0

Status of Stocks and Shareholders (as of March 31, 2014)



Together with Business Partners

MES aims to provide high-quality products with cost competitiveness as a "manufacturer". We make every effort to fulfill our social responsibilities through co-existence and co-prosperity with business partners under fair dealing of materials and equipment.

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 fairly and justly." All our procurement activities shall therefore be carried out in accordance with this principle.

For Fair and Equitable 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 activities. On the basis of utmost integrity, we strive to build equal and fair relationships with business partners.

No Relation with Anti-Social Forces

In our "Corporate Action Standards" enacted in 2003, MES has declared that we "firmly eliminate relationships with all 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 with anti-social forces.

[Photograph shows scene from workshop]



Enforcing Compliance

In order to comply with 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 all employees concerned in these issues through the following concrete activities.

- ① All staff of procurement department attend training session for "Law for Subcontract" provided by a third party.
- ② Since compliance, such as the "Law for subcontract" and "Construction Business Act", is put into practice, Procurement Department has training session for various section in the company on a regular basis.

[Rules and Ethics for Material Procurement]

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- ③ For a purpose of well-known to all employees the description data for "Law for Subcontract" and "Q&A for Law for Subcontract" are uploaded onto an MES' 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 should be in accordance with relevant laws and regulations, MES enforces an internal audit. Regarding procurement of the materials and equipment, person in charge for "inquiry", "placing order" and "receiving" must be different person to prevent injustice dealings (mutual checking function) Through a random sampling in every year "Internal Control Audit", we confirm the effectiveness of this process.

Moreover, our auditing department conducted an "Follow-up audit" to evaluate proper management of "placing order" and "receiving" for all sections engaged in procurement activities in the fiscal year 2012 Procurement Department also conducted a similar audit for affiliated companies in fiscal year 2013 and checked the status of legal compliance.

[Procurement Department Intranet Website]

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

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Social

CSR Management Support System

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

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 officers and employees of MES and its domestic group companies have been instructed that our "Corporate Standards 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 their states of implementation. We have also set up the "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 can provide consultations or receive reports directly from employees. For business activities related to public works, to stay in accordance with the law, each section is to self-check its own activities. This process is supervised by the "Anti-monopoly Law Observance Monitoring Committee," which also reports to the Compliance Committee.



Flow Chart of Corporate Governance and Internal Control

 Primary Activities of the Internal Control System during the 2013 Fiscal Year

1. Thorough promulgation and implementation of the policy of the Board of Directors

Important risks of operations assigned to individual directors and basic policies of internal control are reevaluated, and the outcomes are shared throughout the organization every year. The purpose is to allow individual directors in charge of executing operations to respond to internal and external changes in the business environment, properly re-evaluate risks, and examine and share their policies.

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.



[Scene from Compliance Workshop (At Head Office in Tsukiji)]

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. Compliance activities implemented in fiscal year 2013 included the following: Compliance Workshops for new employees of MES and new executive officers of our subsidiaries to deepen their understanding of relevant laws and our "Corporate Standards of Conduct," training sessions on the Overseas Bribery Prevention Act targeting sales departments, and training sessions on the Anti Monopoly Act and the Construction Business Act targeting group companies. In addition, all-company compliance training, which is held once every two years, was held in October targeting the head office, Works, subsidiaries, branch managers, and directors of overseas offices. Moreover, as one of the activities of education and enlightenment, an e-learning program covering general compliance issues was provided for administrative staff of office and technical staff members. This activity also included the executive officers and staff members of group companies who wished to join in. In October, which is defined as Business Ethics Enhancement Month, MES executives, general managers, and group company presidents are required to present a written pledge of their legal compliance. In addition, in fiscal year 2013, we checked compliance systems at overseas local construction offices through the Planning & Administration Department of each business division to prevent misconduct such as bribery outside of Japan. Compliance requires a steady and continuous effort. We will therefore continue to strengthen the compliance system and its operation of the entire MES group. The photographs below show scenes from the Compliance Workshops held at our Tsukiji Head Office.



Social

Creation of Lively Workplace

Employee is a valuable asset to the company. We aim to create a lively workplace through personal development and provision of comfortable work environment.

Human Resource Development

We recognize that "Improving a worker's" emloyability "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. Nurturing people who can work on the global stage Society is facing an urgent task to globalize human resources with the globalization of the business environment. MES is making efforts to strengthen the English skills of its staff and providing training on multicultural understanding and communication to nurture people who can work on the global stage.
- 5. Succession of Skills and Techniques It is essential for business operation of the company to transfer professional skills and techniques owned by veterans of 50's to mid-level staffs and young staffs. We have established "Skills Transfer Center" in our works where the skilled workers transfer their highlevel skills and techniques to their juniors.

• 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. Various working hours, Holidays and Paid Leave System Systems to use limited time effectively and realize welldisciplines working hours
- Flexible Working Hours system Employees determine working hours by themselves to perform their work efficiently.
- Leave for refreshment Employee is eligible for the consecutive leave of maximum 2 weeks and allowance every 10 years of employment.
- Annual Leave
 All employees are eligible for 22 days of annual leave per year from the first year of employment.
- Memorial Leave
 At the beginning of the year, all employees are encouraged to plan 4 to 6 days of annual leave as memorial leave.
- Promotion of taking annual leave
 Employees are encouraged to take one day of annual leave every month and consecutive leave in the autumn.
- Half-day Leave
 Employee can take half-day leave instead of full one day in using annual leave.
- Accumulated Annual Leave
 The forfeited unused annual leave is accumulated and can be used in case of sickness, childcare, nursing and some activities such as volunteer activity.
- Summertime flexible holidays (Head Office)
 Employees determine consecutive summertime holidays personally during July to September.
- Designated "No Overtime" Days Employees are encouraged to leave the office on

time at least once a week.

- 2. Support for balancing of work life and personal life Systems to support balancing of child-raising or nursing care and work
- \bigcirc Childcare
 - Childcare leave
 - In case a Childcare Leave is not taken, short-time working hours or other systems may be made available. Male employees also are 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)
 Nurring leave (to take care a child)
- Nursing leave (to take care a child)
- Family care
 - Care Leave
 In case a Care Leave is not taken, short-time
 - working hours or other systems may be made
 - available.Care day-off

BPS Activity

MES is conducting a whole-company effort titled "BPS Activity" to make improvements to nurture people who can make enhancements and build an improvementoriented corporate atmosphere. This activity started in 1999, and 2014 is the 15th year.

Improvement activity in a manufacturing business often elicits themes intended to reduce costs and improve productivity. In contrast, the BPS Activity covers a wide range of problems found in workplaces and producing effective outcomes such as activities to realize a safe and comfortable work environment, activities with the theme of a new type of contribution to communities, activities to nurture people efficiently, and activities to encourage

The Ideal Form of BPS



communication at workplaces in addition to the abovementioned themes.

The BPS Activity is also focusing on processes of activities in addition to their outcomes. It is functioning as an effort to strengthen staff members' abilities to solve problems, that is, abilities to make improvements, which are problem-solving abilities that everyone working in society needs, such as identifying facts based on actual items at actual sites and finding true causes.

Effective ideas are used in actual activities so that everyone can engage in discussions from an equal standpoint regardless of their positions such as the "Ikken Ichiyo" or "Kozen system." These ideas are effectively encouraging communication in workplaces. In addition, some themes of activities are getting other departments and divisions involved and providing opportunities to facilitate mutual understanding and a sense of integrity that goes beyond the boundaries of departments, divisions, and types of business.



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 "Confortable 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 personto-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



- 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 injuris requiring absence of one day or more in occupational accidents ÷ Total actual working hours) x 1,000,000
- Accident frequency rate of manufacturing industries is extracted from Japan Industrial Safety and Health Association. (2013 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])."

[Reports by Office Safety and Health Committee]



[Experience-based education of safety belts]



[Implementation status of "2S (seiri and seiton (keeping things organized) and 3-tei (operations based on designated items, designated positions, and designated quantity)" (shipbuilding factories and machinery factories)]



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. The photograph shows a stress-check notebook, informational poster for a 24-hour telephone counseling support service as well as an informational booklet that is distributed to all employees and result sheets distributed to everyone.



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 [Scene from Self-Care Managers and Directors

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 2013 "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.



Contributing to the Community

Received a letter of appreciation from Arkansas State University in the United States (Tamano Works)

Students of Arkansas State University in the United States are visiting Japan for about one month to participate in overseas studies. During their stay in Japan, they live in different regions such as Kyoto and Hokkaido and stay in the houses of host families. Employees in the Tamano Works met Professor Robert Stapp Arkansas State University by chance. This resulted in the start of international interactions (such as homestay) in Tamano city in 1998. During the stay in Tamano, students

observe the Tamano Works and visit Tamano City Hibi Elementary School to interact with elementary school students.

The 15th observation tour in the Tamano Works was conducted this year. Students are delighted to participate in this activity as a valuable opportunity to learn "Monozukuri (manufacturing)" in Japan.

On Thursday, May 30, 2013, 12 students visited the Tamano Works. Professor Stapp sent a letter of appreciation to the Tamano Works in commemoration of the 15th anniversary of such interaction.

After the ceremony, the students visited shipbuilding and machinery factories and Mitsui Tamano Exhibition Hall in the annex and enthusiastically observed them. The photographs show Professor Stapp handing over a letter of appreciation and students observing factories.





Participation in the Shibukawa Beach Cleanup (Refresh Setouchi) (Tamano Works)

Tamano city hosts these cleanup activities in mid-June every year ahead of the beach opening day of Tamano City Shibukawa Swimming Beach. The purpose is to keep the beautiful Seto Inland Sea and develop it as the base of culture, tourism. and marine recreation

as well as a comfortable living environment. Many people from local government offices, local companies, and junior high school students participate in this activity. About 100 MES Group employees are also participating in this activity every year.





• Support for recovering from the damage caused by a typhoon on the Island of Levte. Samar and Northern part of Cebu, the Philippines (DASH)

DASH as a company canceled the Year End Party as well as the individual department parties to support the victims of the typhoon.

From the night to the early morning of November 15, 2013, 160 DASH members volunteered to sort relief supplies to be sent to the Island of Leyte. DASH members even went as far as Medellin, San Remigio and Bantayan Island where aid from the government has yet to reach. The participants chartered trucks and jeepneys from the early morning to deliver relief supplies. Many victims were waiting for them to arrive at disaster-affected areas. The supplies were quickly distributed to the victims.

Many people in various sections provided generous donations in response to the call to support the victims of typhoon #30 (Typhoon Haiyan). Employees visited Cebu on a business trip and handed the donations to president Aramaki and vice-president Kuriyama of DASH. The donation received were combined with the funds generated by Dash and these were used to directly support victims such as purchasing medical supplies for Mactan Air Base Hospital and providing other donations, supporting families of DASH employees who were affected

by the disaster, and donating food and household supplies to other evacuees. Some media reported that the typhoon damage was at the same intensity as the tsunami damage caused by the 2011 Great East Japan Earthquake. We hope that our support will make the lives of disaster victims a little bit easier.

The photographs show the distribution of supplies and donations being handed to Vice President Kuriyama.



• Citizens and students are observing the Oita Works (Oita Works)

The following parties visited and observed factories of the Oita Works: 42 first-year students of Tsurusaki Industrial High School on Monday, July 8, 2013; 8 publicly-invited Oita citizens on Monday, October 7, 2013; and 40 third-year students of Oita National College of Technology on Friday, February 7, 2014. The employees first explained an overview of the company. Then, they guided participants inside factories following the same routes as production processes (processing, assembly, and welding) so that the visitors could understand the process from cutting steel to the finished

products. The participants observed the finished large cranes in the end. The participants were impressed by the large size of the cranes that they cannot usually observe from a close range. *The photographs show an overview of the company being given to the students of Oita National College of Technology and the observation tour of Tsurusaki

Industrial High School



Observation tour of shipbuilding plant (MES Yura)

A tour of a shipbuilding plant was held at MES Yura on February 26 (Wednesday).

This observation tour was provided as one part of some worksite observation tours that are being held in response to the request from local elementary schools so that students can learn about the work of people involved in repairing large ships.

Awed by large ships and cranes, children were listening to explanations with bright eyes.

MES Yura received cute thank-you letters from the elementary school students later.







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