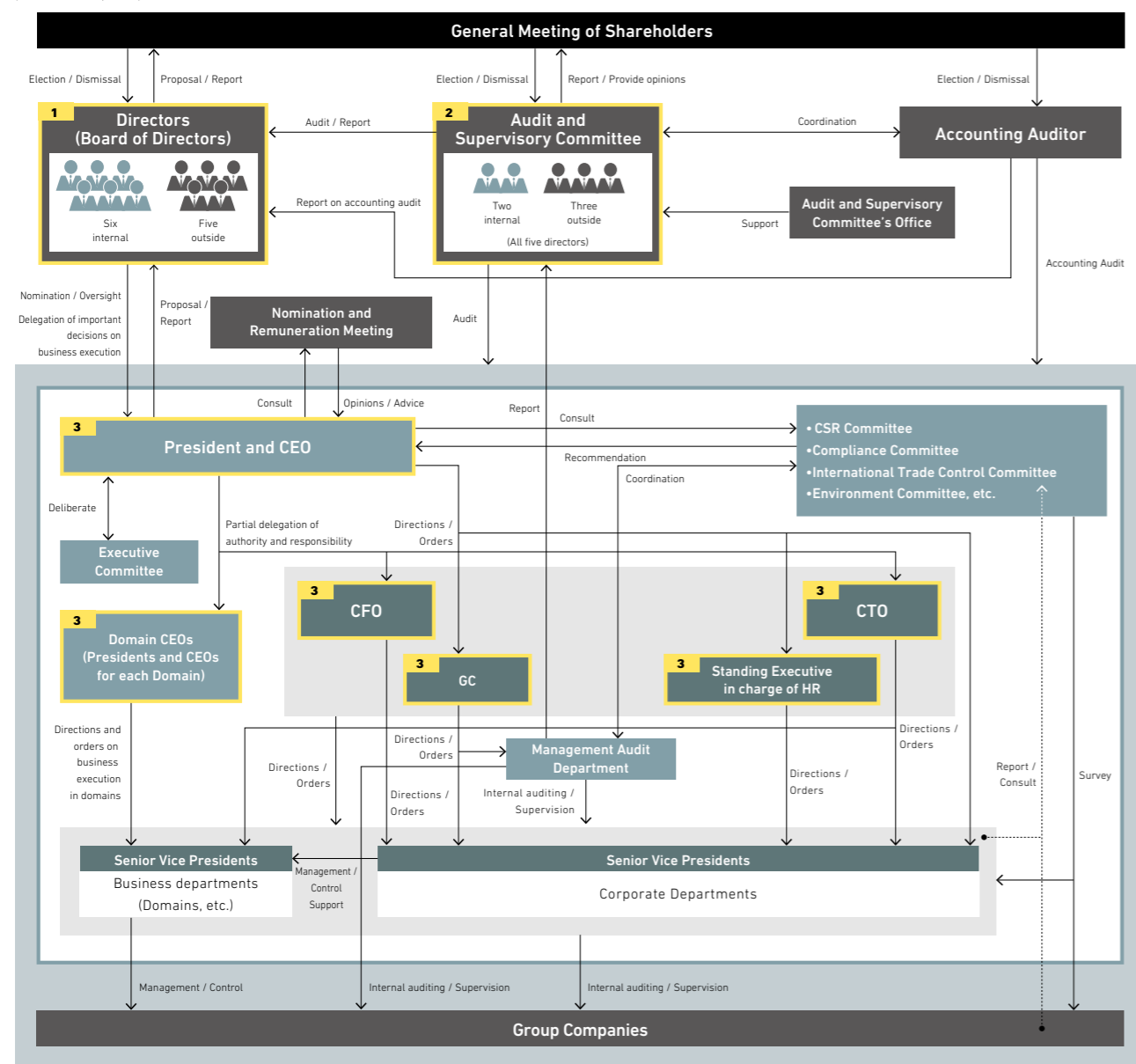


## CORPORATE GOVERNANCE

## Corporate Governance Structure and Roles (Including Internal Control Systems)

MHI has adopted the form of a company with an Audit and Supervisory Committee as its corporate structure under the Companies Act. The Company delegates decisions on certain important matters of business execution to the president and CEO in accordance with a resolution by the Board of Directors based on the Company's Articles of Incorporation. These initiatives enable MHI to facilitate swift decision making and flexible business execution and strengthen the Board of Directors supervisory function by promoting the separation of management supervision and business execution.

(As of June 22, 2017)



### 1 Directors (Board of Directors)

Of the Company's 11 directors (of whom five are Audit and Supervisory Committee members), five (of whom three are Audit and Supervisory Committee members) are elected from outside the Company. In addition, the Company delegates decisions on the execution of important operations to the president and CEO. This approach enables swifter decision making and enhances the flexibility of business execution while also strengthening the Board of Directors' oversight of business execution.

### 2 Audit and Supervisory Committee

To ensure the effectiveness of the Audit and Supervisory Committee's activities, the Company's Articles of Incorporation stipulate the selection of full-time members of the Audit and Supervisory Committee. Accordingly, two full-time members of the Audit and Supervisory Committee are mutually selected by the committee's members.

The full-time members of the Audit and Supervisory Committee attend meetings of the Executive Committee and other key meetings related to business planning, enabling them to accurately assess and monitor the status of management in a timely manner. As part of the audit, Audit and Supervisory Committee members make sure the execution of directors' duties comply with laws and regulations and the Articles of Incorporation and ascertain whether or not business operations of the Company are being executed appropriately by conducting spot checks and verifying compliance with relevant laws and regulations, and by monitoring the status of the establishment and operation of internal control systems, including those in relation to financial reporting. Furthermore, one member of the Audit and Supervisory Committee has extensive knowledge of finance and accounting from many years of business experience in the accounting and finance departments.

The Audit and Supervisory Committee periodically exchanges information and opinions with the Management Audit Department and accounting auditors, and it collaborates closely with them in other ways, including receiving audit results and attending accounting audits. Audit and Supervisory Committee members also receive reports from the internal control department and other departments concerning the status of compliance, risk management, and other activities on both a regular and an individual basis. To support auditing activities, an Audit and Supervisory Committee's Office has been set up with its own dedicated staff of six to facilitate the work carried out by the Audit and Supervisory Committee.

### 3 Chief Officers and Standing Executives in Charge of Operations

The CEO\*<sup>1</sup> takes charge of overall business strategies and issue-response initiatives, and the domain CEOs take control of executing businesses within their individual domains based on overall Group strategies. The CFO\*<sup>2</sup> takes charge of finance, accounting, and management planning. The CTO\*<sup>3</sup> is in charge of the supervision and execution of overall operations related to technology strategies, research and development of products and new technologies, ICT, value chain, marketing, innovation, and engineering in general. In addition, the CFO and CTO have Companywide authority to give instructions and commands and provide support to business domains.

The GC\*<sup>4</sup> and standing executive in charge of HR\*<sup>5</sup> assist the CEO with his duties by supervising and executing activities in line with the CEO's mission. The GC takes overall control of management audits, general administration, legal affairs, and global base support. The standing executive in charge of HR takes overall responsibility for human resources and labor relations.

\*1. CEO: Chief Executive Officer

\*2. CFO: Chief Financial Officer

\*3. CTO: Chief Technology Officer

\*4. GC: General Counsel

\*5. HR: Human Resources