

CORPORATE GOVERNANCE

Officers' Remuneration Structure

The remuneration of directors (excluding Audit and Supervisory Committee members and outside directors) consists of base remuneration, performance-linked remuneration, and stock remuneration from the viewpoint of reflecting earnings and sharing values with shareholders.

Performance-linked remuneration is determined based on consolidated earnings while also taking into account the roles of each director and the business performance and accomplishments of the business of which he or she is in charge, etc.

For stock remuneration, the Board Incentive Plan Trust structure is used. MHI shares are issued, and remuneration is paid based on stock award points that are granted in accordance with return on equity (ROE) and other such indicators linked to MHI's medium/long-term earnings and stock price.

The remuneration of directors who are serving as Audit and Supervisory Committee members consists exclusively of base remuneration from the viewpoint of ensuring duties such as audit work and supervision of execution of operations are conducted appropriately.

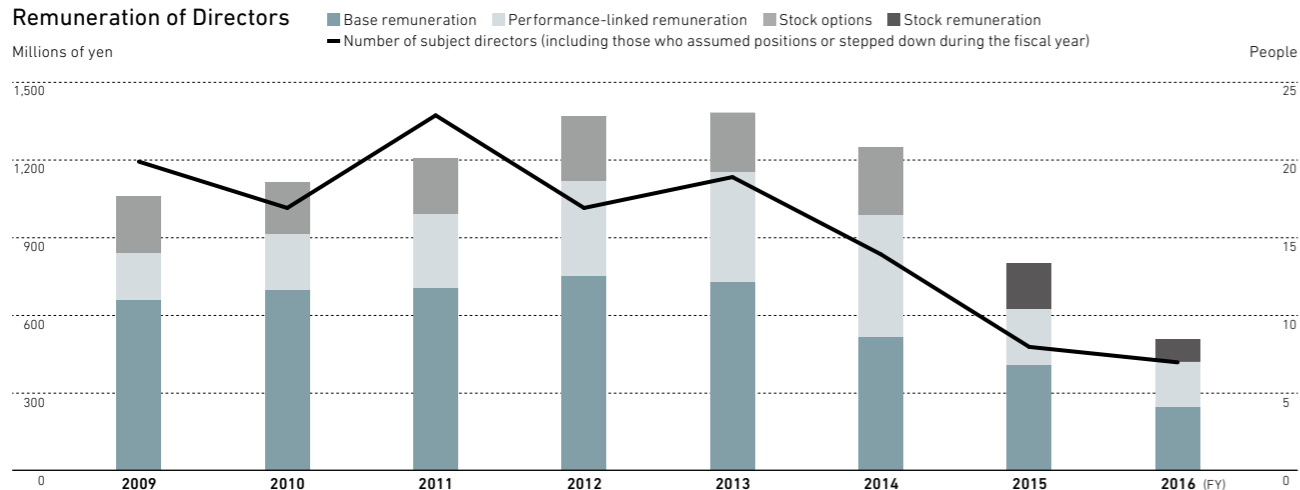
The remuneration of chief officers and administrative executive officers who are not directors is the same as for directors (excluding Audit and Supervisory Committee members and outside directors).

Remuneration of Directors

Position	Monetary Remuneration				Stock Remuneration		Total Amount of Remuneration (Millions of yen)
	People	Total Amount (Millions of yen)	People	Total Amount (Millions of yen)	People	Total Amount (Millions of yen)	
Directors who are not Audit and Supervisory Committee members	10	268	7	176	4	87	532
(Of which, outside directors)	(3)	(26)	(—)	(—)	(—)	(—)	(26)
Directors who are Audit and Supervisory Committee members	5	210	—	—	—	—	210
(Of which, outside directors)	(3)	(50)	(—)	(—)	(—)	(—)	(50)
Total	15	478	7	176	4	87	742
(Of which, outside directors)	(6)	(76)	(—)	(—)	(—)	(—)	(76)

Notes: 1. The recipients include four directors who were not Audit and Supervisory Committee members who stepped down in fiscal 2016.
 2. The maximum permitted monetary remuneration amount for directors who are not serving as Audit and Supervisory Committee members is ¥1,200 million per year (resolution of the 90th Ordinary General Meeting of Shareholders on June 26, 2015).
 3. The total amount of stock remuneration is the amount of expenses recognized for the 228,000 stock award points granted in total during fiscal 2016 (equivalent to 228,000 shares of MHI*) concerning the Board Incentive Plan Trust, which is a stock remuneration system that delivers or provides shares of MHI and money in the amount equivalent to the liquidation value of MHI shares based on stock award points granted to directors (excluding outside directors and directors who are serving as Audit and Supervisory Committee members) in accordance with, among other factors, the rank of the position of each director and the financial results of MHI. The maximum permitted amount of stock award points is 500,000 points (resolution of the 90th Ordinary General Meeting of Shareholders on June 26, 2015) per fiscal year for directors (excluding outside directors and directors who are serving as Audit and Supervisory Committee members).
 4. The maximum permitted monetary remuneration amount is ¥300 million per fiscal year for directors who are serving as Audit and Supervisory Committee members (resolution of the 90th Ordinary General Meeting of Shareholders on June 26, 2015).
 * MHI will consolidate its shares on a one for 10 basis on October 1, 2017. The corresponding number of Company shares after that date will be 22,800 shares.

Remuneration of Directors



Nomination and Remuneration Meeting

The Nomination and Remuneration Meeting is composed solely of the five outside directors and the president and CEO. Prior to deliberation by the Board of Directors, this meeting serves as a forum for eliciting the opinions and advice of outside directors on the nomination of director candidates, the dismissal of directors, the appointment and dismissal of other executive officers, and matters related to remuneration.* The aim of this meeting is to further augment transparency and fairness. In fiscal 2016, the Nomination and Remuneration Meeting met twice.

* Excluding directors who are serving as Audit and Supervisory Committee members.

Risk Management

Throughout its history, MHI Group has achieved sustained growth by taking up diverse new challenges and initiatives in numerous business areas. At the same time, on occasion we have experienced losses on a large scale. In recent years especially, with the globalization of its business activities, the expanding scale of individual projects, and ongoing development of increasingly complex technologies, the scale of attendant risks is becoming larger than ever before.

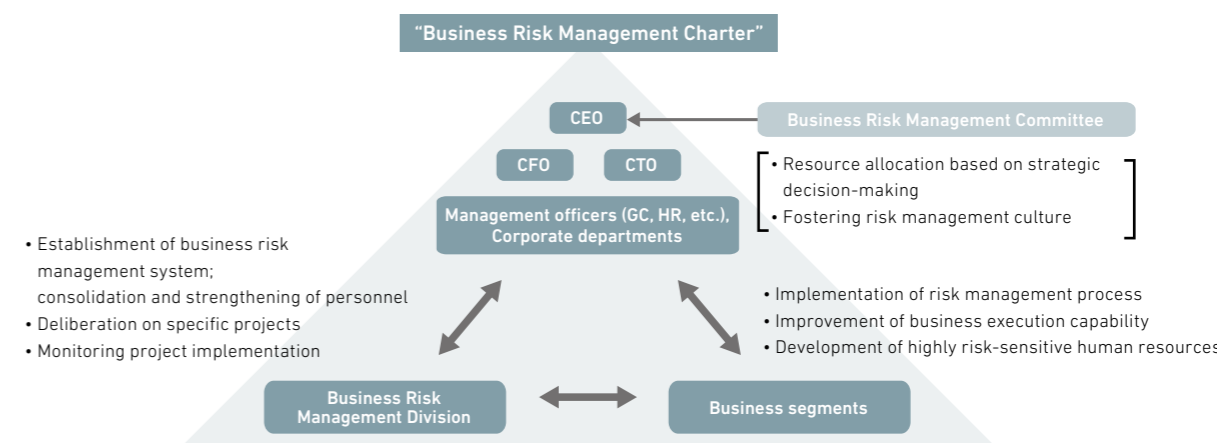
In order for MHI Group to mark sustained growth amid an ever-changing business environment, it is necessary to continue to take up challenges in new fields, new technologies, new regions, and new customers as well as to improve and strengthen operations in its existing business markets. Such challenges will entail business risks, and a company's ability to curb risks wields significant influence on its business results and growth potentials.

To promote challenges of this kind and prepare for the next leap into the future, MHI Group, applying its past experience and lessons learned, aims to create the mechanisms that will ensure the effective execution of business risk management, to foster a culture responsive to risk, and to forge the foundation for consistent growth.

Organized Business Risk Management

Specifically, through the following measures we are pursuing more organized business risk management and clarifying the roles of management, business segments, and corporate departments.

- 1 Establish "Business Risk Management Charter" as Company's foremost set of rules
→ Clarify risk management targets, etc.
- 2 Establish "Business Risk Management Committee" headed by CEO
→ Discuss policy response by top-level management



Content of Activities

With the Business Risk Management Department as the responsible department that reports directly to the CEO, MHI Group engages in business risk management activities in line with the activity cycle outlined below, bringing together management, business segments, and corporate departments.

