



Corporate Governance

Main Bodies Supporting Corporate Governance

Board of Directors

In accordance with the provisions of our Articles of Incorporation and the resolutions of the Board of Directors, MHI has delegated the authority to make decisions regarding business operations to the President and CEO or a director that is specified separately, except for matters exclusively decided by the Board of Directors as stipulated by laws and regulations; business plans; the election, dismissal, and remuneration of directors, chief officers, and executive officers with titles; and other particularly important individual business plans or investments. This enables swift decision-making and flexible business operations, while also ensuring that the Board of Directors can focus its main attention on supervising the executive officers.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of five directors, the majority of whom (three) are outside directors. To ensure the effectiveness of the Committee's activities, two of its members are full-time directors. Additionally, the Committee includes individuals with a considerable amount of insight on financial and accounting affairs. The Audit and Supervisory Committee's Office has been set up with its own dedicated staff of seven to facilitate the work carried out by the Audit and Supervisory Committee.

The Audit and Supervisory Committee monitors and verifies the execution of business by directors, the appropriateness of business reports, the adequacy of the accounting auditor's audits, and the effectiveness of the internal control system. The results of its activities are provided to shareholders as an audit report. The Committee expresses opinions on selection and remuneration for directors who are not Committee members and determines the content of proposals regarding the appointment of the accounting auditor for the General Meeting of Shareholders.

Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee is responsible for formulating and submitting proposals to the Board of Directors. These cover such matters as the appointment and dismissal of executives (including nomination of director candidates and selection or dismissal of the CEO and other executive management), as well as executive remuneration (such as determining remuneration for directors who are not Audit and Supervisory Committee members). Previously, the Nomination and Remuneration Advisory Council served as an advisory body to the Board, helping it obtain the opinions and advice from independent outside directors before deliberations on the above matters. However, to further enhance the transparency and soundness of the process, this was reorganized into the Nomination and Remuneration Committee in September 2024.

The Committee consists of six independent outside directors, the Chairman of the Board, and the President and CEO. The chairperson, who is selected from among the outside directors, convenes and presides over the Committee meetings.

Chief Officers and Standing Executives in Charge of Operations

MHI has introduced a chief officer system. Specifically, portions of the responsibilities and authority of the CEO (President) are delegated to a number of chief officers reporting to the CEO. These chief officers consist of President and CEOs of individual business domains, as well as the CSO, CFO, and CTO. The CSO, CFO, and CTO have command and control authority over the entire company with respect to their respective functions, and are organized to provide support for business domains. The GC and standing executive in charge of HR are also in place as executive officers who assist the CEO in their duties.

Key Initiatives to Strengthen Corporate Governance

- |      |   |
|------|---|
| 2005 | • Introduced an executive officer system  |
| 2014 | • Introduced a chief officer system   |
| 2015 | • Transitioned to company with Audit and Supervisory Committee                                  |
|      | • Ratio of outside directors surpassed one-third  |
|      | • Introduced new stock remuneration system for officers   |
| 2016 | • Established Nomination and Remuneration Advisory Council                                      |
|      | • Commenced Board evaluations   |
| 2019 | • Abolished advisor system  |
| 2020 | • Outside director ratio reached 50%  |
| 2024 | • Changed Nomination and Remuneration Advisory Council to Nomination and Remuneration Committee |

## Corporate Governance

### Director Skills Matrix

MHI Group has set out Our Principles as its fundamental management philosophy and objectives and periodically formulates business plans in order to steadily fulfill these. MHI Group states that its mission is to integrate cutting-edge technology into expertise built up over many years to provide solutions to changing social issues and improve people's lives.

Overseeing the management of MHI Group as it pursues this mission requires knowledge. Accordingly, we believe it is important that directors have knowledge, experience and expertise in “socioeconomic issues,” “risk management and compliance,” “global enterprise management,” “technology and digitalization,” “marketing,” “finance and accounting,” and “human resource development.” The MHI Board of Directors requires a good balance of these attributes.

The knowledge, experience and expertise possessed by each Director is as shown in the table below and we believe the Board of Directors has an appropriate mix of such knowledge, experience and expertise.

Name	Gender	Inside/ outside	Audit and Supervisory Committee Members	Number of years in office <sup>1</sup>	Number of shares owned (Unit: hundred) <sup>2</sup>	Knowledge, experience and expertise <sup>3</sup>						
						Socio-Economic Issues	Risk Management/ Compliance	Global Enterprise Management	Technology/ Digitalization	Marketing	Finance/ Accounting	Human Resources Development
Seiji Izumisawa	Male	Inside		8	3,158	●	●	●	●	●		
Eisaku Ito	Male	Inside		Newly appointed	1,481	●	●		●	●		●
Masayuki Suematsu	Male	Inside		Newly appointed	653	●	●	●		●		
Hiroshi Nishio	Male	Inside		Newly appointed	46	●	●			●	●	
Ken Kobayashi	Male	Outside		9	240	●	●	●		●		
Nobuyuki Hirano	Male	Outside		6	372	●	●	●			●	
Mitsuhiro Furusawa	Male	Outside		2	55	●	●				●	
Masayuki Fujisawa	Male	Inside	●	1	684	●	●			●	●	
Hisato Kozawa	Male	Inside	●	5	975	●	●	●			●	
Hiroo Unoura	Male	Outside	●	6	439	●	●	●		●		●
Noriko Morikawa	Female	Outside	●	5	61	●	●	●			●	●
Masako Ii	Female	Outside	●	4	78	●	●					●

Notes: 1. As of the conclusion of the General Meeting of Shareholders on June 27, 2025

2. As of May 31, 2025

3. Sections marked with ● in the table do not indicate all the knowledge, experience and expertise of such directors.

Knowledge, experience and expertise	Reasons knowledge, experience and expertise are thought to be important
Socio-Economic Issues	Because knowledge, experience and expertise on constantly changing social and economic trends and the issues MHI Group should prioritize for medium- to long-term growth are essential for supervising the management of MHI Group, which has a mission to provide solutions to some of the world's most pressing issues and provide better lives.
Risk Management/ Compliance	Because knowledge, experience and expertise on risk management and compliance in general corporate management including business risks are essential for supervising the management of MHI Group through the preparedness and implementation of internal control systems and the management of serious risks in management.
Global Enterprise Management	Because knowledge, experience and expertise on global enterprise management are necessary for supervising the management of MHI Group in operating diverse businesses globally amid accelerating global competition.
Technology/ Digitalization	Because understanding of the latest technology including digitalization, in addition to knowledge, experience and expertise on technology and digitalization such as the applications and trends thereof are necessary for supervising the management of MHI Group in strengthening its technology base to provide solutions to socio-economic issues.
Marketing	Because knowledge, experience and expertise on marketing for ascertaining the needs of diverse customers and stakeholders including growth areas are necessary for supervising the management of MHI Group in operating diverse businesses globally.
Finance/Accounting	Because knowledge, experience and expertise on finance and accounting are necessary for supervising the management of MHI Group including checking the appropriateness of various measures such as allocation of management resources and strengthening of the financial base.
Human Resources Development	Because knowledge, experience and expertise on human resource development and cultivation are necessary for supervising the management of MHI Group including confirmation of the appropriateness of measures to strengthen the human resource base such as cultivation of management personnel contributing to sustained growth and development of MHI Group, promotion of diversity and improvement of engagement.

## Corporate Governance

### Board of Directors' Main Deliberation Items

The main items deliberated by the Board of Directors in FY2024 are presented in the table below.

General Meeting of Shareholders	<ul style="list-style-type: none"> <li>Resolution on matters for calling the Annual General Meeting of Shareholders</li> </ul>
Items related to financial results	<ul style="list-style-type: none"> <li>Financial results</li> <li>Shareholder return policy</li> </ul>
Items related to executives and Board members	<ul style="list-style-type: none"> <li>Board Evaluation</li> <li>Remuneration of directors, and executive appointments (including chief officers)</li> <li>Director and officer liability (D&amp;O) insurance policies</li> </ul>
Internal controls	<ul style="list-style-type: none"> <li>Status of internal control systems operation</li> </ul>
Resolutions on and status of execution of important operations	<ul style="list-style-type: none"> <li>Status of business in individual domains and segments</li> <li>Status of execution of operations by individual chief officers</li> <li>Status of progress of growth strategy</li> <li>Sustainability initiatives</li> </ul>
Others	<ul style="list-style-type: none"> <li>Key risk identification and management process</li> <li>Capital markets' perception of MHI's management</li> <li>Cybersecurity strategy</li> <li>Study of the appropriateness of strategic shareholding</li> </ul>

### Providing Support for Outside Directors

The Company has assigned dedicated staff to serve as the secretariat for the Board of Directors. Prior to Board meetings, they send out materials and provide explanations on important matters to outside directors. They also conduct tours of manufacturing sites to help outside directors gain a deeper understanding of our business.



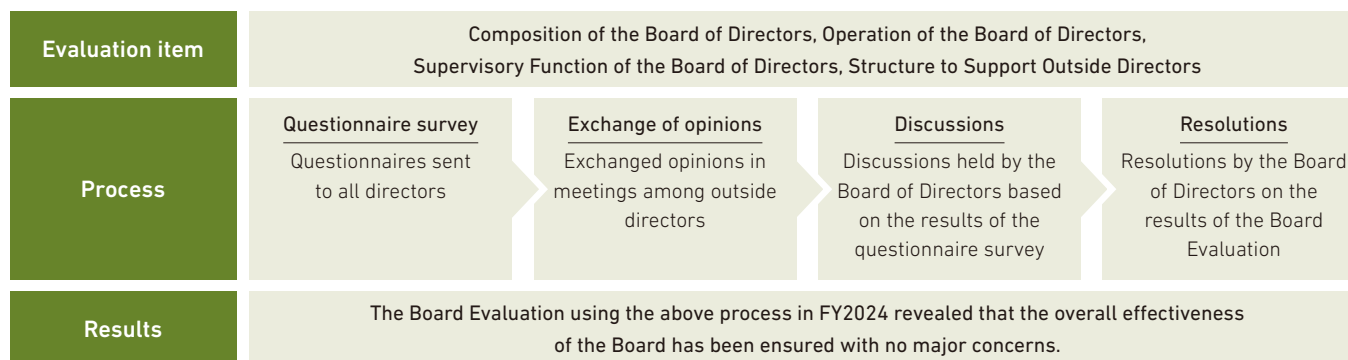
Manufacturing site visit by outside directors

### Board Evaluation Results and Future Initiatives

MHI has implemented an annual analysis and evaluation of the effectiveness relating to the Board of Directors as a whole (hereinafter, "Board Evaluation") with the aim of further improving the effectiveness of the Board of Directors and adequately fulfilling MHI's accountability to stakeholders. The process and results of the

FY2024 Board Evaluation, the status of activity based on the results of the Board Evaluation conducted in the previous fiscal year (FY2023), and future responses based on this year's evaluation results are as presented in the table below.

#### Process and Results of the FY2024 Board Evaluation



### FY2024 Initiatives

- 1 We discussed the status of progress of the 2024 Medium-Term Business Plan at Board of Directors meetings. Additionally, we held discussions about MHI's material issues, including "growth strategy," "capital policy," and "HR strategy," set as our annual topics.
- 2 We held two meetings of independent outside directors to enable outside directors to exchange information and share awareness of issues.
- 3 In addition to fostering a deeper understanding of our business through continued visits to our production sites by outside directors, we revitalized communication by creating opportunities for dialogues between outside directors and Senior Vice Presidents/employees.

### Planned Actions for FY2025

- 1 **Discuss growth strategy and business portfolio**  
We will create opportunities to hold discussions regarding growth strategy and the business portfolio and add them to the annual schedule.
- 2 **Discuss the composition of the Board of Directors**  
We will discuss the ideal composition for the Board of Directors in the Nomination and Remuneration Committee meetings.
- 3 **Provide opportunities for outside directors to exchange information and share awareness of issues**  
In addition to various meetings, we will create several opportunities in advance where meetings among independent outside directors can be held, as well as maintain a system where said meetings can be held as needed.
- 4 **Provide opportunities to help outside directors understand our business**  
We will continue providing opportunities for outside directors to visit production sites and engage in dialogue with Senior Vice Presidents, etc.

## Status of Audit and Supervisory Committee Activities

In FY2024, the Audit and Supervisory Committee focused on priority areas, such as the progress of the 2024 MTBP, our sustainability efforts, and our risk management.

Directors who are Audit and Supervisory Committee members attend Board meetings as directors. In addition, the full-time Audit and Supervisory Committee members participate in important meetings, such as Executive Committee meetings, MTBP meetings, and Compliance Committee meetings. They also engage in discussions with the representative directors, conduct hearings with business and corporate departments, and arrange site visits to domestic and international business locations.

The Audit and Supervisory Committee fully utilizes the results of the comprehensive and regular audits conducted by the Management Audit Department. Full-time Audit and Supervisory Committee members hold regular information exchange meetings (generally once a month) with this department to confirm the formulation and progress of audit plans by the department and receive reports on audit results in a timely manner.

The Audit and Supervisory Committee and the accounting auditor regularly exchange opinions on the accounting auditor's auditing plans and results, and full-time Audit and Supervisory Committee members hold monthly meetings to exchange information with the accounting auditor to ensure close communication.

Furthermore, full-time Audit and Supervisory Committee members regularly hold information exchange meetings attended by the full-time auditors of MHI Group companies to confirm the status of creation and implementation of internal control systems in major subsidiaries.

As a result of these activities, the Audit and Supervisory Committee submitted an audit report to the General Meeting of Shareholders held on June 27, 2025, stating the following:

- (1) The business report and the related supplementary schedules fairly represent the status of the Company in accordance with applicable laws and ordinances and the Company's Articles of Incorporation.
- (2) With respect to the Directors' execution of duties, there are no material facts of violation of applicable laws, ordinances, and the Company's Articles of Incorporation.
- (3) The contents of the resolutions of the Board of Directors regarding internal control systems are appropriate, and there are no matters

that need to be pointed out in its operation.

- (4) The methods and results of the accounting auditor's audit concerning the non-consolidated and consolidated financial statements are appropriate.

## Officers' Remuneration Structure

### Remuneration of Directors Who Are Not Audit and Supervisory Committee Members (excluding outside directors)

Remuneration for directors who are not Audit and Supervisory Committee members (excluding outside directors) consists of base remuneration, performance-linked remuneration, and stock-based remuneration from the viewpoint of reflecting business performance and sharing value with shareholders.

The remuneration standard for the Company's President is set at roughly 30% base remuneration, 40% performance linked remuneration, and 30% stock-based remuneration (assuming that consolidated profit from business activities reaches ¥200 billion). This is calculated based on the fair value of stock award points granted during FY2018, making for a remuneration structure in which the

higher a director's position is, the greater his or her performance-linked remuneration will be. To promote MHI stock ownership that better aligns with the interests of shareholders, once profit from business activities exceeds ¥200 billion, stock-based remuneration increases as a medium- to long-term incentive. At the same time, performance-linked remuneration's rate of increase will gradually taper off.

The benchmark used to calculate performance-linked remuneration is profit from business activities. Profit from business activities was chosen to reflect the results of business operations in performance-linked remuneration. (However, there may be a partial adjustment in terms of remuneration computation based on assessment of the impact of changes in accounting principles; the same applies below.)

The benchmark used to calculate stock-based remuneration is profit from business activities. Profit from business activities was chosen to reflect the results of business operations in stock-based remuneration.

### ● Incorporating ESG Perspectives into Stock-Based Remuneration

#### Calculation Criteria

With respect to stock-based remuneration, we have introduced a

### Methods for Calculating Each Type of Remuneration (remuneration for directors who are not Audit and Supervisory Committee members (excluding outside directors))

	Base remuneration	Performance-linked remuneration	Stock-based remuneration
Overview	Monthly payment based on the following formula (taking into consideration each director's position and the nature of his/her duties):	<ul style="list-style-type: none"> <li>The amount is determined based on the following formula, taking into account the consolidated business results for the fiscal year, the position of each director, and the performance and achievements of the business for which he/she is responsible.</li> <li>Paid if profit from business activities for the fiscal year (after any adjustments, if applicable) is in the black and dividends are distributed from retained earnings</li> </ul>	As a general rule, through the Board Incentive Plan (BIP) Trust, directors receive MHI shares and/or cash in an amount equivalent to MHI shares' liquidation value three years after being granted stock award points, based on stock award points granted to directors in accordance with, among other factors, the position of each director and the financial results of MHI. The calculation formula is described below.
Calculation Formula	(1) Standard amount based on position + (2) Additional amount based on performance	(3) Position-based payment coefficient × Profit from business activities for the fiscal year ÷ 10,000 × (4) Coefficient of business results	(5) Position-based standard points × (6) Coefficient of business results
Calculation Standards	(1) Standard amount based on position Based on position, duties, etc. (2) Additional amount based on performance Up to ¥500,000/month	(3) Position-based payment coefficient Based on position, duties, etc. (4) Coefficient of business results Within a range from 1.3 to 0.7, based on the performance and results of the business of which the director is in charge	(5) Position-based standard points Based on position, duties, etc. (6) Coefficient of business results Based on previous year's business profit and an external evaluation by major ESG rating agencies

system to determine stock award points that takes into account the status of ESG-related initiatives. The system incorporates the external evaluation results from major ESG rating agencies into the calculation formula for stock-based remuneration (coefficient of business results). This enables us to objectively reflect our wide-ranging ESG initiatives in such remuneration.

#### ● Clawback System

With regard to stock-based remuneration, we have introduced a system in which, in the event that a director engages in improper conduct, the Company suspends the granting of stock award points and the issuance of shares to said director. There are also cases where the Company asks such a director to submit a payment equivalent to the number of shares that has been issued to him or her. (This is comparable to a clawback system or malus clause.)

#### Remuneration for Outside Directors

The Company expects outside directors to offer their objective opinions and guidance, primarily on their vision for the Company over the medium to long term, from an independent standpoint. Accordingly, the outside directors are only paid base remuneration, which is set at an appropriate amount.

#### Remuneration for Directors Who Are Audit and Supervisory Committee Members

The amount of remuneration for directors who are serving as Audit and Supervisory Committee members and the policy for deciding its calculation method are determined through discussions by those directors.

Directors who serve as Audit and Supervisory Committee members are only paid base remuneration. The amount for this base remuneration is determined in consideration of each member's roles and responsibilities and based on whether he/she is a full-time or part-time member.

However, the base remuneration for full-time Audit and Supervisory Committee members can be reduced in consideration of the status of the Company's management and other factors.

#### Policy and Trends of Strategic Shareholdings

We will continue investing in growth areas to ensure sustained business expansion. At the same time, we will promote initiatives to hold only the minimum necessary level of strategic shareholdings.

#### Reduction in Strategic Shareholdings

We achieved our FY2030 target of reducing the ratio of strategic shareholdings to total equity (consolidated) to 10% or less ahead of

schedule in FY2024 (8.6% at fiscal year-end). We will maintain the ratio below 10% by continuously reviewing our strategic shareholdings.

#### Status of Investments in Growth Areas

We have acquired and currently hold shares in three publicly listed strategic partners in growth areas (totaling ¥53.9 billion) aimed at promoting Energy Transition toward a carbon-neutral society.

#### Breakdown of Directors' Remuneration (FY2024)

Classification	Number of subjects (persons)	Total amount of remuneration (Million yen)	Base remuneration	Performance-linked remuneration	Stock-based remuneration
Directors who are not Audit and Supervisory Committee members (excluding outside directors)	4	2,006	231	574	1,200
Directors who are Audit and Supervisory Committee members (excluding outside directors)	3	103	103	—	—
Outside directors	6	100	100	—	—
Total	13	2,210	435	574	1,200

Notes: 1. The recipients include one director who was an Audit and Supervisory Committee member and who stepped down during the fiscal year in review.

2. The total amount of stock-based remuneration represents the recorded expense for stock delivery points granted under the Board Incentive Plan (BIP) trust during the fiscal year, totaling 719,000 points (equivalent to 719,000 shares of the Company's stock).

#### Balance Sheet Value of Strategic Shareholdings and Ratio to Total Equity (Consolidated)

