

Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd.

Chapter 1: General Provisions

Article 1: Purpose of These Guidelines

The purpose of these Guidelines is to define the basic framework of and approach to corporate governance of Mitsubishi Heavy Industries, Ltd. (“MHI”) and thereby contribute to the sustained growth of the company and improvement of its corporate value in the medium and long term.

Article 2: Priority of These Guidelines

These Guidelines, subject only to laws, ordinances and the Articles of Incorporation, shall take precedence over internal rules, standards, principles and the Global Code of Conduct.

Article 3: Basic Approach to Corporate Governance

1. Based on the corporate philosophy and objective set forth in Article 5, and as a company responsible for developing infrastructure that forms the foundation of society, it shall be MHI’s basic policy to manage the company in consideration of all stakeholders and to make efforts to enhance corporate governance on an ongoing basis in pursuit of sustained growth of the MHI Group and improvement of its corporate value in the medium and long term.
2. In accordance with such basic policy, MHI shall endeavor to improve its management system by, among other ways, working to enhance its management oversight function, separating management oversight and execution, and inviting Outside Directors onto the Board, and develop a “Japanese-style global management” focusing on the improvement of the soundness and transparency of its management as well as on diversity and harmony.

Article 4: Institutional Design under the Companies Act

MHI has adopted the “Company with Audit and Supervisory Committee” as its corporate structure under the Companies Act, in order to push ahead with the separation of management oversight and execution. This will also allow the Board of Directors to supervise management in a highly effective manner based on the approach referred to in the preceding Article, and at the same time, enable speedy and bold decision-making by delegating some of the decisions on the execution of important operations to Executive Directors.

Chapter 2: Corporate Philosophy and Management Strategy

Article 5: Corporate Philosophy and Objective

1. As the philosophy and objective of its corporate activities, MHI sets forth Our Principles as follows:
 - (1) We deliver reliable and innovative solutions that make a lasting difference to customers and communities worldwide.
 - (2) We act with integrity and fairness, always respecting others.
 - (3) We constantly strive for excellence in our operations and technology, building on a wide global outlook and deep local insights.
2. In accordance with the aforementioned Our Principles, MHI shall engage in business to contribute to the sustainability of the Earth and humanity as well as permanent social stability, through continual improvements in the value provided

to customers as a result of constant enhancement and refinement of its technological capabilities.

Article 6: Business Plan and Corporate Governance

1. In order to be an enduring profit-making company, MHI shall formulate a business plan periodically in order to steadily fulfill its corporate philosophy and objective provided for in the preceding Article.
2. The draft version of a business plan shall be prepared by the business departments under the President and CEO, the content of which shall be examined and discussed at the meeting of the Board of Directors and then decided and released to the public to an appropriate extent.
3. MHI shall constantly review the optimal status of corporate governance to achieve the business plan, and seek to establish corporate governance expected of a global company.
4. The business department shall periodically report the progress of the business plan as a whole or on a department-by-department basis to the Board of Directors.
5. In the event that the business plan ends up being unachieved, the Board of Directors shall analyze and release to the public the causes thereof and the action taken by MHI, and reflect said analysis in business plans of subsequent periods.

Article 7: Basic Policy for Promotion of Sustainability Activities

1. MHI shall not only make contributions through its products and technologies to resolve social issues such as environmental problems, but shall also work on resolving a wide range of social challenges through various activities in the process of its overall business, and promote sustainability activities in tandem with its business activities.
2. MHI has established the Sustainability Committee and a department in charge of sustainability in order to promote the sustainability activities of MHI.

Article 8: Capital Policy

1. With the aim of improving corporate value and shareholder value through sustained growth, MHI shall seek to realize both enhanced financial position and high profitability.
2. It shall be MHI's basic policy to generate returns to shareholders while taking into consideration factors such as the balance between investment in future business and enhancement of owned capital.

Chapter 3: Dialog and Relationship with Stakeholders

Section 1: Basic Policy

Article 9: Basic Policy for Dialog with Stakeholders

It shall be MHI's basic policy to conduct management with consideration for all stakeholders such as shareholders, customers, employees and business partners. MHI shall endeavor to improve the transparency of its management by, among other ways, promptly releasing accurate information to the public, creating opportunities to engage in proper dialog with said stakeholders, and facilitating their understanding of MHI's businesses.

Article 10: Basic Policy for Disclosure of Information

1. In addition to properly disclosing the notice of the General Meeting of Shareholders, the business report and other financial and non-financial information, MHI shall also proactively work on providing information (including the

execution status of sustainability activities) other than information disclosed pursuant to laws and ordinances and the rules of financial instruments exchanges in Japan by using such means as MHI's website and MHI's Integrated Report.

2. MHI shall exercise due care so that the information (especially non-financial information) disclosed/provided by MHI pursuant to the preceding paragraph is easy to understand and valuable for its recipients.

3. MHI shall proactively promote the disclosure of information in English, and endeavor to prevent any disparity between the Japanese and English versions in the provision of such information.

Section 2: Dialog and Relationship with Shareholders and Investors

Article 11: Dialog with Shareholders and Investors and Various Measures Related Thereto

MHI shall, in order to facilitate the understanding of the company through dialog with shareholders and investors, engage in dialog with shareholders and investors in accordance with the policy set forth in Appendix 1, and push ahead with various measures including Shareholder Relations (SR) activities and Investor Relations (IR) activities.

Article 12: Ensuring Shareholders' Rights

MHI shall treat its shareholders equally in substance according to the nature and number of shares held by the shareholders, give consideration so that shareholders will not be hindered from exercising their rights including voting rights at the General Meeting of Shareholders, and take appropriate action to effectively ensure such rights. Also, MHI shall perform the following matters upon convening the General Meeting of Shareholders to ensure an appropriate environment for shareholders to exercise their rights:

- (1) Send notice of the General Meeting of Shareholders and the business report at an early date (i.e., aim to send said notice and report approximately three weeks before the General Meeting of Shareholders);
- (2) Post matters to be stated in the notice of the General Meeting of Shareholders and the business report on MHI's website as early as the day on which the resolution regarding the convocation of said General Meeting of Shareholders is passed by the Board of Directors, but in any event, prior to the day on which the written notice of convocation is sent;
- (3) Set an appropriate schedule in relation to the General Meeting of Shareholders in order to avoid, to the greatest extent possible, convocation on days on which many other companies hold the general meeting of shareholders;
- (4) Develop an environment that enables the exercise of voting rights electronically (including the use of the Electronic Voting Platform); and
- (5) Provide the English translation of the notice of the General Meeting of Shareholders, the business report, etc.

Article 13: Shareholding Policy (other than pure investment)

1. MHI shall acquire and hold shares of companies if it judges that doing so is necessary as a means of developing its business strategies, creating business opportunities, and establishing, maintaining and strengthening business relationships. MHI shall acquire and hold only the shares of companies where MHI believes that mutual collaboration with those companies will enhance medium/long-term improvement in social value and economic value and lead to sustainable growth. Furthermore, MHI shall periodically, review and reduce shares acquired in the past.

2. MHI reviews all of the listed shares from the perspective of both strategic significance and economic rationale at a meeting of the Board of Directors every year:

- (1) Strategic significance (Qualitative aspects)

Consistency of each shareholding with MHI's business strategies, status and prospects of creating and expanding business opportunities, and strengthening business relationships, etc. (all points from a medium/long-term perspective)

(2) Economic rationale (Quantitative aspects)

Comparison of total related earnings from each stock, such as related profits on transactions with business investees and dividends, with MHI's target cost of capital (weighted average cost of capital), based on the value (market price) at the end of latest fiscal year. (from a medium/long-term perspective)

3. MHI takes actions as follows, based on its current business strategies and the results of its annual review:

(1) MHI shall continue to hold the shares that satisfy, on a continuous basis, its requirements for both strategic significance and economic rationale and shall pursue the economic and strategic objectives of holding such shares. Simultaneously, from capital efficiency and shareholding risk mitigation perspective, MHI sets a target for the maximum amount of all shareholdings other than pure investment, and promotes reduction of shares under its reduction plan.

(2) MHI shall dispose of any shares with either decreased significance or insufficient economic rationale, as promptly as possible, through dialogues with the chosen business investees considering those managerial circumstances.

4. When exercising voting rights related business investees, MHI comprehensively judges each proposal for and against, from the perspective of whether or not the proposal enhances the medium/long-term corporate value of both the business investee and MHI, and is consistent with MHI's shareholding purpose and policies.

5. If a company holding shares of MHI (regardless of whether the company is a shareholder in cross-shareholding or not) indicates an intention to sell its holding shares, MHI will unconditionally agree to the sale.

Article 14: Analysis of Opposition Votes

In cases where a proposal made by the Company is passed at the General Meeting of Shareholders but a substantial number of dissenting votes are cast, MHI shall analyze the causes thereof and report the results of such analysis and the necessity of dialog with shareholders or other action to the Board of Directors. The Board of Directors shall engage in dialog with shareholders centering on institutional investors and take other measures as necessary based on the results of such report.

Section 3: Dialog and Relationship with Employees

Article 15: Relationship with Employees

MHI shall proactively work on respecting human rights and ensuring health and safety from the viewpoint of continuing to be a company that truly contributes to social progress, and at the same time, strive to develop a work environment in which each employee can fully demonstrate his/her ability and feels secure by facilitating mutual understanding and the development of a relationship based on trust through dialog.

Article 16: Inclusion and Utilization of Diversity

MHI recognizes that including and utilizing diverse perspectives and values reflecting different experiences, skills and attributes are strengths in ensuring sustained growth of the company, and shall advance various measures (including setting specific numerical targets) to ensure diversity in the MHI Group operating worldwide and the growth and success of all employees.

Article 17: Whistle-Blowing System

1. MHI has set up whistle-blower hotlines both internally and externally to enable individuals to report any internal wrongdoing either in his/her real name or anonymously. Also, in order to enable employees of MHI and others to report internal wrongdoing without having to worry about the risk of being placed at a disadvantage, MHI has established provisions in its internal rules for concealing the identity of such individuals and prohibiting their unfair treatment on the grounds of any report of internal wrongdoing. MHI shall enforce such provisions without exception.
2. The Board of Directors has developed a system that objectively verifies and properly utilizes the content of the report of internal wrongdoing. The Board of Directors will also receive a report on the operation status of the whistle-blowing system on an annual basis from the department in charge and will continue to supervise the operation of the whistle-blowing system.

Article 18: Corporate Pension Asset Investment and Management

1. MHI shall, in order to be able to stably pay pension benefits to beneficiaries in the coming years, determine its corporate pension asset portfolio appropriately, and make diversified investments from the perspective of ensuring the required overall profits over the long term within a limited range of risk.
2. MHI shall establish an appropriate investment structure for its corporate pension assets, and manage such investment assets by appointing investment managers that have relevant market trading or investment management experience in the finance department, as well as engaging external investment consultants that have complementary expert competencies and knowledge.
3. MHI shall, through the Pension Asset Investment Committee, execute integrated assessments of its engaged asset management companies through monitoring both the quantitative aspects, such as investment performance, and qualitative aspects, such as investment policy, management processes and risk management structure, of such asset management companies and shall, as needed, utilize such assessments to review such asset portfolio and asset management companies.

Section 4: Feedback to Internal Staff and Management

Article 19: Feedback to Internal Staff and Management

The content of the dialog with each stakeholder through SR activities, IR activities, etc., shall be reported to management personnel according to the importance and content thereof, and as necessary, reported to the Board of Directors, and shall also be made known among the appropriate internal staff.

Chapter 4: Board of Directors

Article 20: Authority, Responsibility and Role of the Board of Directors

1. The Board of Directors of MHI shall make decisions and conduct monitoring in relation to the following matters, and oversee management to achieve MHI's business plan and fulfill its management philosophy:
 - (1) Matters relating to the General Meeting of Shareholders;
 - (2) Matters relating to financial results, etc.;
 - (3) Matters relating to officers;
 - (4) Matters relating to management plans;

(5) Matters relating to internal controls; and

(6) Matters relating to decisions on the execution of operations that are particularly important and execution status of such operations.

2. In order to enable swift and decisive decision-making by the business department, the Board of Directors shall delegate decisions on the execution of operations to the President and CEO, or a Director that is specified separately, excluding matters provided for by laws and ordinances as matters to be decided exclusively by the Board of Directors; business plans; election, dismissal and remuneration of Directors, Chief Officers and Administrative Executive Officers; and other specific business matters, investments, etc., that are particularly important.

Article 21: Composition of the Board of Directors

In order to fulfill the responsibility of the Board of Directors provided for in the preceding Article, the Board of Directors of MHI shall consist of an appropriate number of Directors, which shall be up to 15, in accordance with the Articles of Incorporation. Also, MHI shall make the number of independent Outside Directors who meet MHI's independence criteria provided for in Article 36 constitute one third or more of all members of the Board of Directors. In addition, the Board of Directors, after identifying the skills, etc., to be prepared in light of the management strategy, shall be composed in such fashion that it should as a whole be equipped with a good balance of knowledge, experience, competencies, etc., including diversity of gender, internationality, and career history, and in a proper size and compatible form.

Article 22: Credentials of Directors (excluding Audit and Supervisory Committee Members and Outside Directors)

Candidates selected for Directors (excluding Audit and Supervisory Committee Members and Outside Directors) shall be persons who are active in the core of MHI's management, have extensive experience in executing MHI's business and see things from the perspective of a senior manager, and are thus capable of contributing to the development of the MHI Group as a whole and to the improvement of its management.

Article 23: Training of Directors (excluding Outside Directors)

Directors (excluding Outside Directors) shall be provided with an explanation by the responsible department in relation to matters centering on their obligations and responsibilities as Directors at the time of their assumption of office. In addition, they shall be provided with opportunities for lectures and other educational opportunities by outside experts after their assumption of office. Further training opportunities shall be made as appropriate if deemed necessary based on the results of analysis and evaluation relating to the effectiveness of the Board of Directors as a whole provided for in Article 33.

Article 24: Establishment the Nomination and Remuneration Advisory Council

1. MHI has established the Nomination and Remuneration Advisory Council as an advisory body to the Board of Directors with the goal of obtaining the opinions and advice of independent Outside Directors and further enhancing transparency and fairness prior to deliberations by the Board of Directors on matters relating to the nomination of candidates for directors, the dismissal of directors, and the appointment and dismissal of CEO and other management personnel, and matters relating to the determination of remuneration of directors (excluding

directors who serve as Audit and Supervisory Committee members) and other management personnel, etc.

2. The Nomination and Remuneration Advisory Council consists of independent Outside Directors, the Chairman of the Board, and the President and CEO.

3. The President and CEO shall preside at the Nomination and Remuneration Advisory Council, convene the council and expedite such proceedings.

Article 25: Election and Dismissal of Directors, etc.

1. Upon the election of Directors, or the dismissal of a Director (excluding Audit and Supervisory Committee Members and Outside Directors), the President and CEO shall prepare a personnel proposal based on an evaluation of their credentials, business achievements, and other qualifications required for Directors as provided for in Article 22, while also taking into consideration the composition of the Board of Directors as provided for in Article 21. After deliberations are held at the Nomination and Remuneration Advisory Council, approval by resolution of the Board of Directors shall be obtained as a proposal for the election of Directors, or the dismissal of a Director.

2. The election of Chief Officers and Administrative Executive Officers who are not Directors or the dismissal of a Chief Officer and Administrative Executive Officer who is not a Director shall be in accordance with the preceding paragraph.

Article 26: Plan for Successors to Management Personnel

In order to secure individuals who will contribute to the sustained growth and development of the company, systematic training by job rank shall be conducted with respect to individuals who have the potential to become management personnel in the future according to their respective job positions, and successors to management personnel shall be nurtured in a calculated manner, using means such as giving the individuals the experience of working in multiple departments through personnel movement and the experience of participating in management through attendance at important management meetings, including at the meetings of the Executive Committee, the status of which shall be monitored by the Board of Directors.

Article 27: Chairman of Meetings of the Board of Directors

The Chairman of the Board of Directors shall preside at the meetings of the Board of Directors of MHI, convene the meetings of the Board of Directors and expedite such proceedings, and from an objective standpoint with respect to the business department, endeavor to ensure appropriate decision-making by the Board of Directors.

Article 28: System to Assist the Board of Directors

1. In order to assist the activities of the Board of Directors, a department in charge of serving as the secretariat of the Board of Directors has been created, and said department in charge shall endeavor to send relevant materials, to each Director in advance, no later than one week before the day on which the meeting of the Board of Directors is to be held, and shall assist in the preparation of minutes of the meetings, and properly store and manage the materials of the Board of Directors.

2. In regards to the dates of the meetings of the Board of Directors, an annual schedule shall be determined in advance, in which the highest consideration will be given, in particular with respect to the availability of Outside Directors to attend on the meeting dates.

Article 29: Formulation of a Code of Conduct, Development of Internal Control and Risk Management System

1. As a code of conduct to be observed in the performance of operations by officers and employees of the MHI Group, a “Global Code of Conduct” has been established by the Board of Directors and made widely known among officers and employees of the MHI Group.
2. In accordance with relevant laws and regulations, MHI shall adopt a resolution by the Board of Directors in relation to the development of a system to ensure the appropriateness of its business, and shall appropriately develop and operate an internal control system based on such resolution.
3. In order to properly manage serious risks to MHI, a department in charge of risk management within the business structure under the President and CEO has been created, and a committee and a department in charge of risk management have also been established. Individual business projects shall be subject to deliberation by relevant internal departments including corporate departments based on internal rules.
4. The status of compliance with the "Global Code of Conduct", the operation status of the internal control system including compliance matters, and the status of efforts made with respect to serious risks, etc., provided for in the preceding paragraphs shall be reported to the Board of Directors at least once a year.

Article 30: Management of Related Party Transactions

In cases where MHI performs transactions with a related party, such transactions shall be performed in a fair and appropriate manner so that such transactions will not be detrimental to MHI's and its shareholders' common interests. Such transactions shall be subject to prior approval by the Board of Directors pursuant to laws and ordinances as well as internal rules, and after completion, the results of such transactions shall be reported to the Board of Directors.

Article 31: Directors Concurrently Serving as Officers of Other Companies

1. Cases in which a Director (excluding Outside Directors) concurrently serves as an officer of another company that does not belong to the MHI Group shall be limited to cases where it is truly unavoidable, such as cases in which it is necessary to maintain or enhance the business relationship with such company. Directors shall focus their efforts on their respective offices at MHI to the greatest extent possible.
2. In cases where a Director (excluding Outside Directors) concurrently serves as an officer of another company due to unavoidable reasons under the preceding paragraph, the prescribed internal procedures shall be followed.
3. The status of each current Director (excluding Outside Directors) and each candidate for Director who is concurrently serving as an officer of another company shall be disclosed in the notice of the General Meeting of Shareholders and the business report pursuant to laws and ordinances.

Article 32: Remuneration of Directors (excluding Audit and Supervisory Committee Members and Outside Directors) and Management Personnel

1. The remuneration of Directors (excluding Audit and Supervisory Committee Members and Outside Directors) shall consist of base remuneration, earnings-linked remuneration and stock remuneration from the viewpoint of reflecting earnings and sharing values with shareholders. In particular, an appropriate proportion of earnings-linked remuneration and stock remuneration to total remuneration shall be determined in order to boost the incentive to contribute to higher earnings and corporate value in the medium and long term.
2. Base remuneration shall be reasonable in amount in consideration of each Director's roles and duties.

3. Earnings-linked remuneration shall be determined based on consolidated earnings, while also taking into account the roles of each Director and the earnings and accomplishments, etc., of the business that he/she is in charge of.
4. For stock remuneration, the structure of officer remuneration BIP (Board Incentive Plan) trust shall be used. MHI shares shall be issued and compensation 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.
5. At the time of determining the aforementioned remuneration, the policy for determining the calculation method of remuneration, etc., shall be deliberated at the Nomination and Remuneration Advisory Council, the allocation of remuneration shall be determined by the Board of Directors within the limit of the total amount resolved at the General Meeting of Shareholders.
6. The remuneration of Chief Officers and Administrative Executive Officers who are not Directors shall be in accordance with the foregoing.

Article 33: Analysis and Evaluation Relating to Effectiveness of the Board of Directors as a Whole

In order to be accountable to stakeholders while ensuring the effectiveness and appropriateness in management oversight by the Board of Directors and improving its management oversight function, the Board of Directors shall conduct analysis and evaluation relating to the effectiveness of the Board of Directors as a whole on an annual basis, using self-assessment and other methods by each Director as reference. The Board of Directors shall disclose the summary of the results of such analysis and evaluation.

Chapter 5: Outside Directors

Article 34: Responsibility and Role of Outside Directors

1. Outside Directors shall endeavor to maintain and improve the transparency and soundness of MHI's management, and to make the Board of Directors' management oversight function more effective, by engaging in activities from an independent standpoint with respect to the business department while giving consideration to shareholders and other external stakeholders.
2. Outside Directors who meet the independence criteria provided for in Article 36 shall be notified as independent Outside Directors to the Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.

Article 35: Election and Dismissal of Outside Directors

Upon the election of Outside Directors, or the dismissal of an Outside Director, the President and CEO shall select candidates based on their respective backgrounds and credentials while examining whether or not the candidates meet the independence criteria provided for in Article 36. After deliberations are held at the Nomination and Remuneration Advisory Council, approval by resolution of the Board of Directors shall be obtained as a proposal for the election of such Outside Directors, or the dismissal of an Outside Director.

Article 36: Independence Criteria for Independent Outside Directors

In order to ensure substantial independence of independent Outside Directors, independence criteria for Outside Directors shall be established as per Appendix 2, and efforts shall be made to secure Outside Directors who meet such criteria.

Of note, the independence criteria shall not restrict a person who does not meet such criteria from being elected as an

Outside Director.

Article 37: Principal Independent Outside Director

In order to provide coordination as necessary to facilitate communication with the business department and make discussions at the meetings of the Board of Directors and the related other meetings engaging and effective, independent Outside Directors may elect one person as the principal independent Outside Director by unanimous vote.

Article 38: Meetings by Independent Outside Directors

In order to enhance independent Outside Directors' oversight function with respect to the business department and to exchange opinions with the business department on a wide range of matters without being restricted by the agendas of the Board of Directors meetings, meetings by independent Outside Directors shall be held periodically. Of note, management personnel, etc., may be present at the meetings as necessary.

Article 39: System to Assist Outside Directors

1. In order to assist the execution of duties by Outside Directors, a department in charge of such assistance has been created.
2. For the purpose of deepening the understanding of the proposals of the Board of Directors and stimulating discussions at meetings of the Board of Directors, access to MHI's management data by each Outside Director shall be ensured at all times, and the department in charge referred to in the preceding paragraph shall give Outside Directors an explanation of the proposals in advance of the meeting upon request and make other efforts to enhance the provision of information to Outside Directors.

Article 40: Training of Outside Directors

1. At the time of assumption of office by Outside Directors, the Outside Directors shall be given an explanation by the department in charge of assistance with respect to the management overview and corporate governance system of MHI. After assumption of office, the Outside Directors shall also be provided with opportunities such as factory site visits to deepen their understanding of the management of MHI.
2. In addition to the preceding paragraph, Outside Directors shall be provided with opportunities for lectures and other educational opportunities by outside experts, and training opportunities shall be made as appropriate if deemed necessary based on the results of analysis and evaluation relating to the effectiveness of the Board of Directors as a whole provided for in Article 33.

Article 41: Outside Directors Concurrently Serving as Officers of Other Companies

The status of any current Outside Director and any candidate for Outside Director concurrently serving as an officer of another company shall be disclosed in the notice of the General Meeting of Shareholders and the business report pursuant to laws and ordinances.

Article 42: Remuneration of Outside Directors (excluding Audit and Supervisory Committee Members)

1. The remuneration of Outside Directors (excluding Audit and Supervisory Committee Members) shall consist exclusively of base remuneration, from the viewpoint of ensuring their independence from the business department.

2. At the time of determining the amount of the aforementioned remuneration, the allocation approach and the calculation method of such remuneration shall be deliberated at the Nomination and Remuneration Advisory Council, after which the allocation thereof shall be determined by the Board of Directors within the limit of the total amount of remuneration resolved at the General Meeting of Shareholders.

Chapter 6: Audit and Supervisory Committee

Article 43: Composition of Audit and Supervisory Committee and Credentials of Audit and Supervisory Committee Members

1. The majority of Audit and Supervisory Committee Members shall consist of Outside Directors pursuant to the provisions of the Companies Act, and in order to ensure the effectiveness of the activities of the Audit and Supervisory Committee, the Audit and Supervisory Committee Members shall appoint at least two full-time Audit and Supervisory Committee Members from among the Audit and Supervisory Committee Members by unanimous vote.

2. In view of ensuring the effectiveness of audits, at the time of the appointment of Audit and Supervisory Committee Members, a well-balanced mix of persons with extensive knowledge and experience shall be appointed from a wide range of fields such as corporate management, legal affairs, financial affairs and accounting. In particular, efforts shall be made to have at least one Audit and Supervisory Committee Member who has considerable financial and accounting expertise.

Article 44: Responsibility and Role of Audit and Supervisory Committee

1. The Audit and Supervisory Committee shall proactively exercise its right of investigation pursuant to laws and ordinances through the selected Audit and Supervisory Committee members, and shall conduct audits to ascertain whether the duties of the Directors are being executed in compliance with laws and ordinances and the Articles of Incorporation, and whether the corporate operations are being performed properly. The investigations and audits shall be conducted through inspection regarding, and confirmation of, legal compliance status, and through the monitoring and verification of the preparedness and implementation of the internal control system, including internal controls over financial reporting and other relevant items.

2. The Audit and Supervisory Committee shall establish the assessment criteria of the Accounting Auditor; the policy for deciding the dismissal, non-reappointment or reappointment of the Accounting Auditor; and the criteria for selecting the candidate for Accounting Auditor, and shall evaluate the Accounting Auditor based on said criteria. The Audit and Supervisory Committee shall also decide whether to dismiss, reappoint or not reappoint the existing Accounting Auditor or to appoint a new Accounting Auditor, after confirming whether the Accounting Auditor meets independence and specialization requirements.

3. The Audit and Supervisory Committee shall determine its opinions on the election, etc., and remuneration, etc., of Directors who are not Audit and Supervisory Committee Members, including matters that need to be stated at the General Meeting of Shareholders.

4. Full-time Audit and Supervisory Committee Members shall attend important meetings such as Executive Committee meetings and business plan meetings, and endeavor to identify and monitor how the management is performing in a timely and appropriate matter, as well as sharing important information with other Audit and Supervisory Committee Members.

Article 45: Election and Dismissal of Directors who are Audit and Supervisory Committee Members

Upon the election of Directors who are Audit and Supervisory Committee Members, or the dismissal of a Director who is an Audit and Supervisory Committee Member, the President and CEO shall prepare the personnel proposal in consideration of the composition of the Audit and Supervisory Committee as provided for in Article 43 and the credentials of the Audit and Supervisory Committee Members, and after deliberations are held at the Nomination and Remuneration Advisory Council, with the consensus of the Audit and Supervisory Committee, approval by resolution of the Board of Directors shall be obtained as a proposal for the election of Directors who are Audit and Supervisory Committee Members, or the dismissal of a Director who is an Audit and Supervisory Committee Member.

Article 46: Chairman of Meetings of the Audit and Supervisory Committee

The Audit and Supervisory Committee shall select a Chairman from among the Audit and Supervisory Committee Members by unanimous vote, and the meetings shall be convened by the Chairman.

Article 47: Activities by the Audit and Supervisory Committee

The Audit and Supervisory Committee shall periodically exchange information and opinions with the internal audit department and the Accounting Auditor, and seek close collaboration such as receiving reports on audit results and witnessing audits by the Accounting Auditor. The Audit and Supervisory Committee shall also receive reports on the status of compliance, risk management activities, etc., periodically or individually from the internal control department or relevant departments.

Article 48: System to Assist the Audit and Supervisory Committee

1. The Audit and Supervisory Committee's Office has been established for the purpose of supporting the activities of the Audit and Supervisory Committee and assisting the smooth performance of audits, and staff has been assigned to the Audit and Supervisory Committee's Office on an exclusive basis.
2. The staff of the Audit and Supervisory Committee's Office shall not receive directions or orders from Directors who are not Audit and Supervisory Committee Members, and shall follow instructions exclusively from the Audit and Supervisory Committee. Personnel movement, personnel appraisal, etc., of said staff shall require the consent of the Audit and Supervisory Committee.

Article 49: Remuneration of Directors who are Audit and Supervisory Committee Members

1. The remuneration of Directors who are Audit and Supervisory Committee Members shall consist exclusively of base remuneration from the viewpoint of ensuring the duties such as audit work and supervision of execution of operations are appropriately conducted.
2. The amount of the aforementioned remuneration shall be determined by resolution of the Audit and Supervisory Committee within the limit of the total amount of remuneration resolved at the General Meeting of Shareholders, in consideration of the respective roles and duties of the Audit and Supervisory Committee Members and by distinguishing between full-time Members and part-time Members.
3. The base remuneration of Directors who are full-time Audit and Supervisory Committee Members may be reduced in amount in consideration of the Company's business results and other factors as a result of the resolution referred to in the preceding paragraph.

Supplementary Provisions

1. These Guidelines shall come into effect on November 29, 2021.
2. The revision of these Guidelines shall be subject to the resolution of the Board of Directors.
3. The Japanese version of these Guidelines shall be regarded as the official version. After the implementation or revision of the Guidelines, the English version shall be prepared without delay, and both Japanese and English versions shall be released to the public by posting both on MHI's website.

Appendix 1:

Dialog with Shareholders and Investors and Various Measures Related Thereto

1. Dialog with shareholders and various measures related thereto (Shareholder Relations (SR) activities)

- (1) Dialog with shareholders and various measures related thereto shall be under the joint control of the CFO (Chief Financial Officer) and GC (General Counsel) . The general affairs department and SR department shall implement various measures to facilitate shareholders' understanding of MHI by collaborating with each other, such as holding various briefing sessions (including giving explanations to major institutional investors on an individual basis) and holding factory site visits targeted at individual shareholders.
- (2) MHI shall properly respond to requests for dialog on an individual basis from shareholders, provided that such requests are related to the legitimate exercise of rights as shareholders and the content of the dialog is deemed to contribute to the creation of corporate value in the medium and long term. Directors, management personnel and the general affairs department or the SR department shall deal with such requests.
- (3) As a means of dialog other than discussions on an individual basis, the setting of the General Meeting of Shareholders shall be utilized, and efforts shall be made by Directors and others of MHI to respond to questions in a sincere manner.
- (4) When engaging in dialogs and taking various measures referred to above, due care shall be exercised so as to, in no event: infringe the Companies Act, Financial Instruments and Exchange Act, or other relevant law; disclose, in particular, any matters that constitute insider information; or cause any information gap relative to other shareholders who did not participate in such dialog or measures.
- (5) Shareholders' opinions and demands received through the aforementioned dialog and the implementation of the various measures shall be reported to the management personnel and the Board of Directors as appropriate according to their importance.

2. Dialog with investors and various measures related thereto (Investor Relations (IR) activities)

- (1) Dialog with investors in general, including investors who are not present shareholders of MHI, and various measures related thereto shall be under the control of the CFO, and shall be implemented by the IR department.
- (2) In order to facilitate an understanding of MHI and improve MHI's stock value, IR activities shall be carried out as appropriate, such as holding briefing sessions, meetings with Directors and management personnel and factory site visits targeted at institutional investors, as well as holding briefing sessions at events hosted by financial instruments exchanges targeted at individual shareholders.
- (3) In engaging in dialog and implementing the various measures referred to above, in no event shall any matters related to insider information be disclosed.
- (4) Investors' opinions and demands received through the aforementioned dialog and the implementation of various measures shall be reported to the management personnel and the Board of Directors as appropriate according to their importance.

[End of document]

Appendix 2: Independence Criteria for Outside Directors

Anyone who meets any of the following criteria, in addition to the independence criteria prescribed by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan, shall not be deemed to be independent by MHI.

1. A person who is currently:

- (i) A major shareholder of MHI (i.e., a shareholder who holds 10% or more of voting rights), or any employee of such shareholder;
- (ii) A counterparty to transactions with MHI whose transactions with MHI in the last business year exceeded 2% of MHI's consolidated gross sales in amount, or any employee of said counterparty;
- (iii) A counterparty to transactions with MHI whose transactions with MHI in the last business year exceeded 2% of said counterparty's annual consolidated gross sales in amount, or any employee of said counterparty;
- (iv) A financial institution or any large creditor on which MHI is dependent to the extent that it is indispensable for MHI's financing and is not substitutable, or any employee of said financial institution or large creditor;
- (v) A certified public accountant or employee, partner or staff of an audit corporation serving as the Accounting Auditor of MHI (excluding staff serving as an assistant);
- (vi) Any employee of an organization that received a donation or subsidy from MHI exceeding 10 million yen or 30% of said organization's average annual total expenses in the last business year, whichever is higher;
- (vii) An attorney, certified public accountant, certified tax accountant or any other consultant who received 10 million yen or more on average in the form of money or other financial benefits in the past three business years from MHI, other than remuneration as a MHI officer; or
- (viii) Anyone who belongs to a law firm, audit corporation, tax accountant corporation, consulting firm or any other expert advisory firm that received payments accounting for 2% or more of its annual consolidated gross sales on average in the past three business years from MHI (excluding staff serving as an assistant).

2. A person who corresponded to any of the items from (i) to (vi) above at any point in time over the past three years.

[End of document]