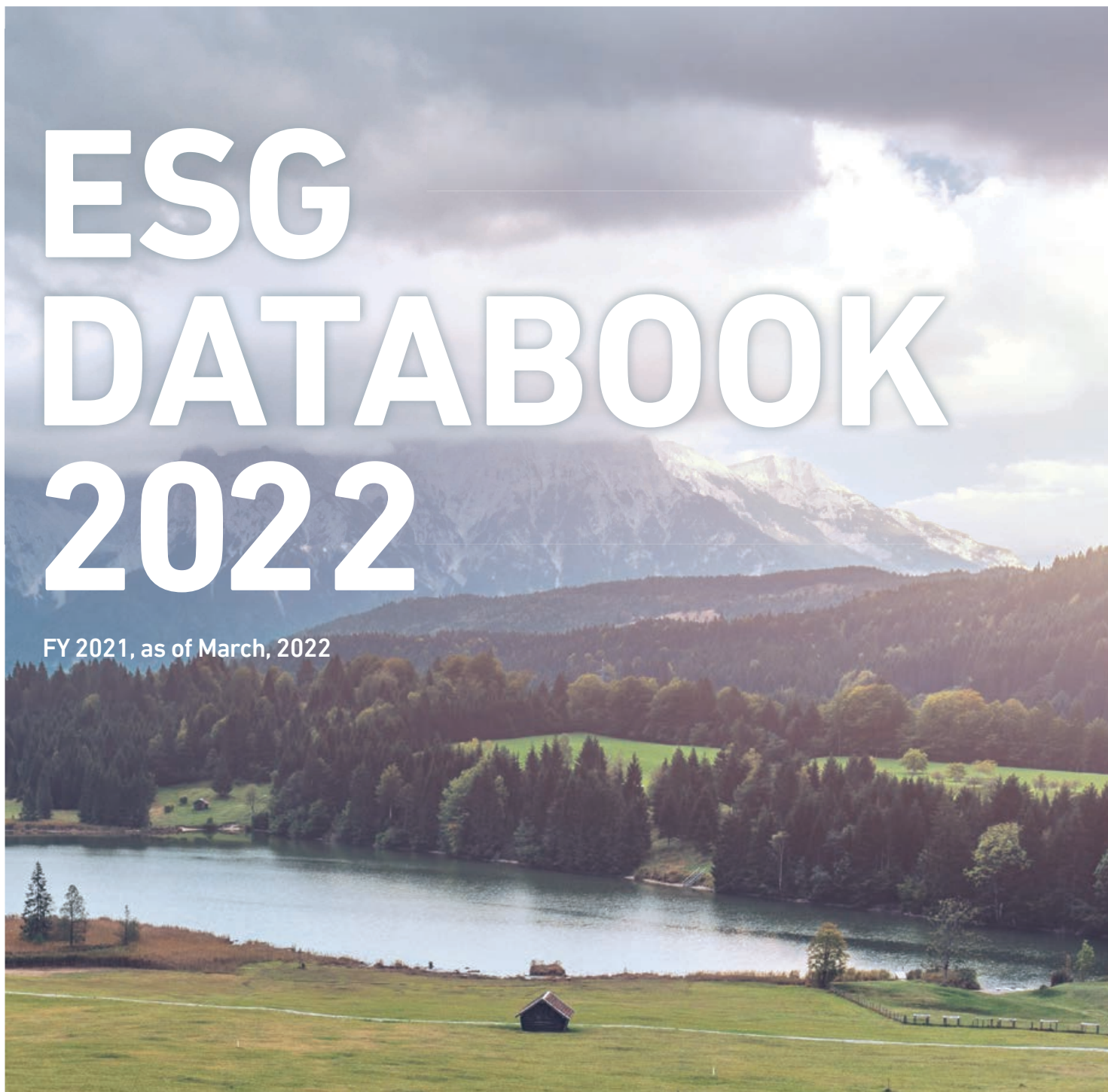


ESG DATABOOK 2022

FY 2021, as of March, 2022



Editorial Policy

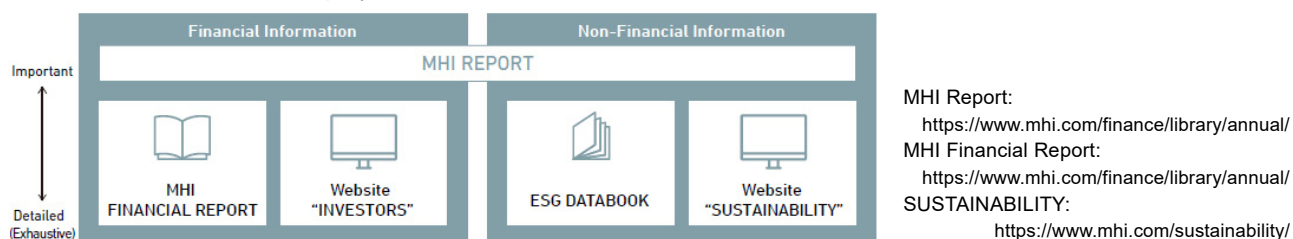
Reason for Publishing and Positioning of This Report (ESG DATA BOOK)

Keeping its principles and Group Statement as its base, MHI Group aims to continue its development alongside the changing world by responding to the present and future issues and needs of society with a variety of technologies and services.

To enhance the understanding of our philosophy among all of our stakeholders, we have integrated financial information, including management strategy and operating performance, with non-financial information related to the Group's environmental and social activities into the MHI Report (MHI Group Integrated Report). This ESG Report (ESG DATA BOOK) functions as a supplementary document to the MHI Report and summarizes information pertaining to environmental, social, and governance (ESG), meant to introduce detailed performance data of our ESG efforts to all of our stakeholders, who possess a vested interest in this information.

Structure of Information Disclosure

The MHI Report contains financial and non-financial information that is important to understanding MHI Group. The ESG DATABOOK and the Company SUSTAINABILITY website contain more detailed non-financial information.



Coverage

Target organization: In principal, the scope of reporting includes MHI and its consolidated subsidiaries.

The scope of some information is for MHI on a non-consolidated basis, in which case it is identified as such.

Target period: From April 1, 2021 to March 31, 2022 (includes information on some activities after March 31, 2021)

Reporting cycle: Annual (Previous report: November 2021 Revised report: August 2022)

Date published: December 2022

Third-party Assurance

To enhance the reliability of data, we have received third-party assurance. (For details, please see pages 100-103.)

(Note) Environmental and Social data subject to third-party assurance is indicated with ✓.

- Assurance Statement on Materiality disclosure
- Assurance Statement on Environmental and Social data

Reference Guidelines

- Value Reporting Foundation (VRF) International Integrated Reporting Framework
- Global Reporting Initiative (GRI) Sustainability Reporting Standards
(Reference) GRI Guidelines Comparison Tables https://www.mhi.com/sustainability/management/report_gri.html
- Ministry of the Environment of Japan Environmental Reporting Guidelines (2018 version)
- National Standards Bodies Guidance on social responsibility ISO26000
- Task Force on Climate-related Financial Disclosures (TCFD)

Forward-Looking Statements

Forecasts regarding future performance presented in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, these projections involve risks and uncertainty.

For this reason, investors are recommended not to depend solely on these projections for making investment decisions.

It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement of the yen value against the U.S. dollar and other foreign currencies, and trends of stock markets in Japan. Also, the results projected here should not be construed in any way as being guaranteed by the Company.

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Management

► Framework

Sustainability and CSR Policy

In accordance with the three Principles that are at the heart of Our Principles, MHI Group serves as a manufacturing corporation that contributes to societal progress through its business endeavors of delivering products and technologies in support of social and industrial infrastructure worldwide. 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 CSR activities in tandem with its business activities. MHI believes the basis of CSR is to engage in business activities that take its diverse range of stakeholders into consideration and return profits to all stakeholders in optimum fashion, while at the same time providing excellent products and technologies to realize a sustainable society and a secure future for people and the planet.

The MHI Group's CSR Action Guidelines serve as collective standards for all MHI Group employees. These guidelines provide a concrete and easy-to-understand way for employees to consistently keep CSR in mind as the Group contributes to societal progress through its business endeavors and Our Principles centered on the principles of CSR.

In 2015, we established the MHI Group Global Code of Conduct, a provision of common principles which stipulates how the Group's employees with various backgrounds, nationalities and cultures should act and behave. Regarding the environment, MHI Group has established the "Basic Policy on Environmental Matters" and "Action Guidelines" to encourage initiatives to reduce environmental burden based on them. As for the human rights, we formulate "MHI Policy on Human Rights", while supporting international norms such as the Universal Declaration of Human Rights.

CSR Action Guidelines

MHI strives to move the world toward a more secure future. Through our technology, our business practices, and our people, we:

► Care for the planet

We are eco-conscious, and engineer environmentally-friendly technologies that improve sustainability and protect the Earth

► Create a more harmonious society

We embrace integrity and proactive participation to solve societal challenges

► Inspire the future

We cultivate global talent who share a vision and desire to move the world forward for generations to come

(Others)

MHI Group Code of Conduct	https://www.mhi.com/company/aboutmhi/policy/conduct.html
MHI Policy on Human Rights	https://www.mhi.com/company/aboutmhi/policy/humanrights.html
Basic Policy on Environmental Matters and Action Guidelines	https://www.mhi.com/jp/company/aboutmhi/policy/environment.html
Privacy Policy	https://www.mhi.com/privacy.html
Policy of Safety and Health	https://www.mhi.com/company/aboutmhi/policy/safety_health.html
Procurement Policy	https://www.mhi.com/company/procurement/policy/index.html
MHI Group Supply Chain CSR Promotion Guidelines and Basic Policy Concerning Conflict Minerals	https://www.mhi.com/company/procurement/csr/

Sustainability Promotion System

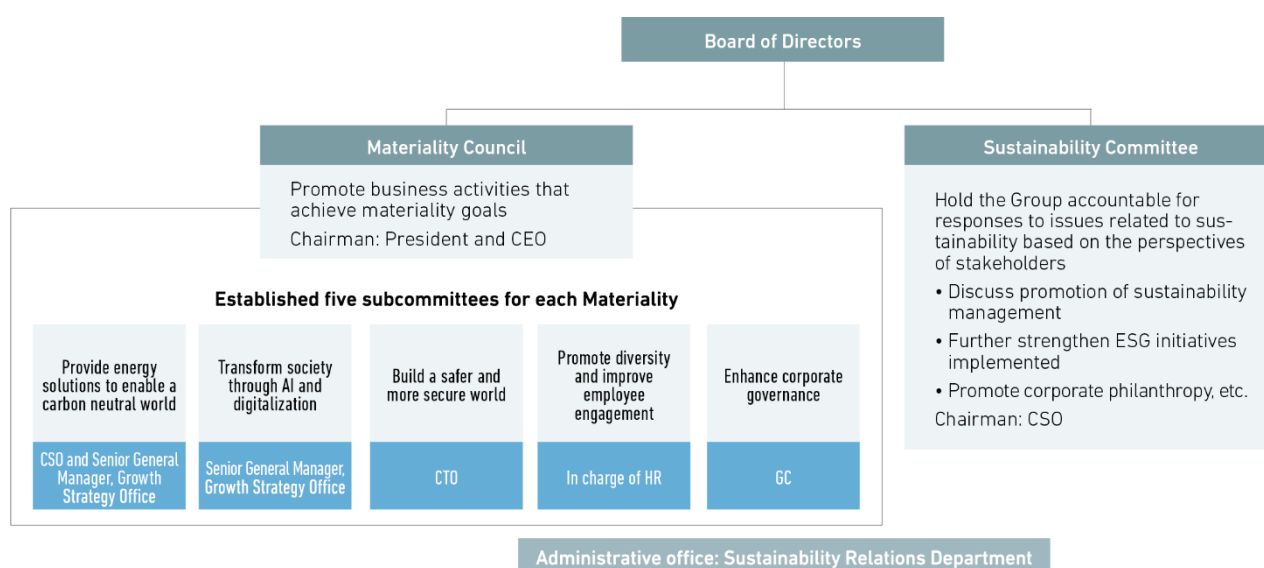
In order to promote management that takes into account the sustainability of society, we developed and reorganized the existing CSR Committee into the Sustainability Committee, and newly established the Materiality Council on October 1, 2021. In consideration of the environmental, social and economic sustainability of companies demanded by the international community, institutional investors and other stakeholders, we will further strengthen our sustainability management system centered on the issues and values faced by modern society.

In addition, the Sustainability Committee was established as a development of the CSR Committee, which had been working on the identification of materiality, ESG measures and the promotion of social contribution activities. The Sustainability Committee aims at becoming “a company that focuses on the perspective of society, meets society’s expectations and is trusted at all times,” with CSR at the core of management. Chaired by the CSO (Chief Strategy Officer, director, the officer in charge of sustainability), the Sustainability Committee comprises officers involved in ESG and business, including the GC (General Counsel, director), CFO (Chief Financial Officer, director), CTO (Chief Technology Officer), the officer in charge of HR (human resources), the head of Business Strategy Office, and other officers in charge of domains and segments in accordance with the agenda. In principle, with the aim of establishing sustainable management, the committee meets twice each year to discuss and determine basic ESG initiative policies and responses for material issues of sustainability, while promoting related initiatives. In addition to making decisions at the top management level of the company in response to ESG issues including TCFD (the Task Force on Climate-related Financial Disclosures) and human rights due diligence, with regard to which social needs are increasing, we disclose their progress.

Important matters related to various sustainability issues are deliberated and decided at the Executive Committee and reported to the board meeting.

Also, committees to deliberate sustainability/CSR related material issues, such as Compliance Committee and MHI Group Environment Committee, have been set up as below

■ The Sustainability Promotion System Chart



■ Committees on Sustainability and CSR, etc.

- | | |
|--|--|
| ■ Audit and Supervisory Committee | Members: Audit and Supervisory Committee Members (five)
Number of meetings: 16 (FY2021) |
| ■ Nomination and Remuneration Advisory Council | Members: Outside directors (six), Chairman of the Board, and President and CEO
Number of meetings: 5 (FY2021) |
| ■ Outside Directors' Meetings | Members: Outside directors (six) + management personnel (as necessary)
Number of meetings: 2 (FY2021) |
| ■ Materiality Council | Members: Chaired by President and CEO, CSO (director, executive officer in charge of Sustainability), CFO (director), GC, CTO, officer in charge of HR, head of Business Strategy Office, and domain CEOs and Senior General Manager, Growth Strategy Office.

Number of meetings: Once (Because the council was established in October 2021. Twice each year in principle.) |
| ■ Sustainability Committee | Members: Chaired by CSO (director, executive officer in charge of Sustainability), including CFO (director), GC, CTO, officer in charge of HR, and head of Business Strategy Office.

* Meetings are convened with domain CEOs as members in accordance with the agenda.
Number of meetings: 2 (FY2021) |
| ■ Compliance Committee | Members: Chaired by GC and composed of 26 members.
Number of meetings: 2 (FY2021) |
| ■ MHI Group Environment Committee | Members: Chaired by CTO and composed of 13 members.
Number of meetings: 1 (FY2021) |
| ■ International Trade Control Committee | Members: Chaired by GC and composed of 20 members.
Number of meetings: 2 (FY2021) |

(Note) The number of meetings held is the number within the target fiscal year. Committee members are to issue the report.

Conformity to International Code of Conduct

Being a global company, MHI Group always conducts its business activities in accordance with international codes of conduct. In 2004, MHI Group became a participant in the United Nations Global Compact, committing itself to making ongoing efforts throughout the Group to respect and carry out its Ten Principles spanning four basic areas: human rights, labour, environment, and anti-corruption. We promote CSR activities that are in accordance with ISO 26000, which was formulated in 2010 as an international guideline on the social responsibilities of organizations.

We endeavor to disclose information in accordance with Japanese and overseas reporting standards. One such international standard for the reporting of non-financial information is the Sustainability Reporting Standards of the Global Reporting Standards Initiative.

Pick Up

The Ten Principles of the UN Global Compact

In 2004 MHI became a signatory to the UN Global Compact. In addition to carrying out its Ten Principles on human rights, labour, the environment, and prevention of corruption, in 2015 we formulated the “MHI Group Global Code of Conduct” indicating rules of behavior for all MHI Group employees to follow. Going forward, we will continue to conduct our business activities with sincerity and high ethical standards appropriate to a global company.

The Ten Principles of the UN Global Compact	
Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2 make sure they are not complicit in human rights abuses.
Labour	Principle 3 Business should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4 the elimination of all forms of forced and compulsory labour; Principle 5 the effective abolition of child labour; and Principle 6 the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7 Businesses should support a precautionary approach to environmental challenges; Principle 8 undertake initiatives to promote greater environmental responsibility; and Principle 9 encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10 Businesses should work against all forms of corruption, including extortion and bribery.

The seven core subjects of ISO 26000, and MHI's main efforts**1. Organizational governance**

Organizational governance

- Corporate Governance
- Risk Management

2. Human rights

Due diligence / Human rights risk situations / Avoidance of complicity / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Economic, social and cultural rights / Fundamental principles and rights at work

- Human Rights
- Supply Chain Management

3. Labour practices

Employment and employment relationships / Conditions of work and social protection / Social dialogue / Health and safety at work / Human development and training in the workplace

- Labour Practice
- Occupational Health and Safety
- Human Resources Development
- Talent Attraction and Retention

4. The environment

Prevention of pollution / Sustainable resource use / Climate change mitigation and adaptation / Protection of the environment, biodiversity and restoration of natural habitats

- Environmental Management
- Climate Change
- Water Risk
- Biodiversity
- Waste / Pollution

5. Fair operating practices

Anti-corruption / Responsible political involvement / Fair competition / Promoting social responsibility in the value chain / Respect for property rights

- Compliance

6. Consumer issues (responsibility towards customers)

Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health and safety / Sustainable consumption / Consumer service, support, and complaint and dispute resolution / Consumer data protection and privacy / Access to essential services / Education and awareness

- Product Stewardship
- Customer Relationship Management

7. Community involvement and development

Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Health / Social investment

■ Corporate Philanthropy

(Note) The core subjects and issues were determined in reference to Understanding ISO 26000 (November 2010), translated by the Japan Standards Association.

► Stakeholders

Our Stakeholders

In accordance with the three principles that define the spirit of our creed, MHI Group serves as a manufacturing corporation that contributes to societal progress through its business endeavors of delivering products and technologies in support of social and industrial infrastructure worldwide. In this way MHI is contributing to the resolution of global issues. Furthermore, MHI believes the basis of its activities is to solve issues for the planet and society through its business activities that take its diverse range of stakeholders into consideration and return profits to all stakeholders in the optimum fashion, while at the same time providing excellent products and technologies to realize a sustainable society and a secure future for people and the planet.

Relationship with Stakeholders

MHI Group prioritizes management initiatives that reflect input from the various stakeholders in its business activities, including customers, suppliers, business partners, Group employees, and local communities. In addition to seeking out stakeholder input in its everyday activities, MHI engages in dialogue with experts and NGOs having specialized expertise related to CSR and global issues, striving to incorporate societal viewpoints.

In February 2022, the Chairman of the Sustainability Committee, Executive Vice President, Chief Strategy Officer and President/CEO, Energy Systems Hitoshi Kaguchi, met with Visiting Professor Takashi Nawa of Hitotsubashi ICS, International Corporate Strategy, to have dialogue and exchange opinions on the purposes and materiality of MHI.

■ Stakeholder dialogues

Contents	Date	Attendees (Note)	Outline
Sustainability Management	February 4, 2022	Takashi Nawa (Visiting Professor, Hitotsubashi ICS, International Corporate Strategy)	We held dialogue with an expert regarding sustainability management, focusing on materiality.
Material Issues Identification Process	September 4, 2020	Mariko Kawaguchi (Specially Appointed Professor, Graduate School of Social Design Studies, Rikkyo University) Toshihiko Goto (Chief Executive Officer, Sustainability Forum Japan Board Member) Ichiro Sakata (Professor, Graduate School of Engineering, the University of Tokyo, Special Advisor to the President)	MHI Group conducted a dialogue with experts in various fields in Japan concerning our materiality identification process, which determines what social issues are to be prioritized and addressed.
The ways in which MHI Group can help to resolve social issues	June 1, 2020	Masayoshi Miyanaga (Professor, Tokyo University of Science, Graduate School of Management, Department of Management Technology)	We held dialogues with expert to determine how we should deliver value by enabling development in the world, also contributing to achieving the SDGs.
Mediation between business and human rights	September 14, 2016	Roel Nieuwenkamp (Chair of the Organisation for Economic Co-operation and Development (OECD) Working Party on Responsible Business Conduct) Thomas (CEO, the ASEAN CSR Network (ACN))	Dialogue with experts who have extensive knowledge on human rights, environmental issues, governance, etc. regarding measures to deal with human rights risks in the supply chain.

(Note) Indicated roles and titles are as of the indicated date.

Contents	Date	Attendees (Note)	Outline
The material issues and future initiatives	September 15, 2015	Motoko Aizawa (Managing Director and Chair, IHRB US Board, Institute for Human Rights and Business) Amol Mehra (Director, International Corporate Accountability Roundtable) Christopher Schuller (Legal Adviser on Business and Human Rights, German Institute for Human Rights) Allan Lerberg Jørgensen (Department Director of Human Rights and Development, Danish Institute for Human Rights)	Held dialogue with overseas experts centered on formulating a global debate on business and human rights with regard to the content of material issues and future initiatives.
Material Issues Identification Process	September 3, 2014	John Morrison (Institute for Human Rights and Business) Catherine Poulsen-Hansen (Danish Institute for Human Rights) Amol Mehra (International Corporate Accountability Round Table)	MHI Group conducted a dialogue with three experts from overseas concerning our Material Issues Identification Process, which determines what social issues are to be prioritized and addressed.
Main human rights issues in the manufacturing sector	March 13, 2013	Makoto Teranaka (Visiting Professor, Faculty of Contemporary Law, Tokyo Keizai University) Hiroshi Ishida (Executive Director of Caux Round Table Japan, Global CRT Senior Advisor, Professor at Institute of Business and Accounting, Kwansai Gakuin University, Part-time Lecturer Kyushu University Business School)	MHI held a stakeholder dialogue to learn from two experts, Mr. Makoto Teranaka and Mr. Hiroshi Ishida, in order to identify human rights impacts.
Approach to Environmental and Energy Technologies In Line with MHI's "Environment Vision 2030"	February 27, 2012 March 8 and 27, 2012	Mariko Kawaguchi (Head of ESG Research Department Daiwa Institute of Research) Norio Fukao (Professor and Director of Publicity Strategy Headquarters, Nagasaki University) Setsu Mori (Editor-in-Chief of "Alterna," a business information magazine about the environment and CSR)	MHI Group conducted a dialogue about our "Environment Vision 2030," with outside experts.
Expectations for Science Class Support Activities	February 17, 2011	Takuya Suga (Teacher and Vice Principal, Hiroshima Minamikanon Elementary School) Sumio Endo (Director, Kodomo Uchu Mirai Association) Yuichi Taguchi (Kodomo Uchu Mirai Association)	Discussions were held with the Board of Education and NPO to exchange opinions on the Kodomo Uchu Mirai Association (KU-MA), or "Children, Space, Future Association."

(Note) Indicated roles and titles are as of the indicated date.

Collaboration with our Stakeholders

MHI has operated the in-house system Funds for Community Engagement (former Social Contribution Fund) since fiscal 2012 to promote active involvement in social contribution activities designed to address needs and issues of the local communities around Company facilities and contribute to the solution of global societal issues. Under this system, time donated to volunteer work by Company employees is converted to a monetary value, which is then converted to an equivalent budget allocation. Money in the budget is used along with the dispatch of employee volunteers to build collaborative relationships with NPOs and other local groups and address social issues together.

■ List of support recipients in fiscal 2020

Region of activity	Affiliated organization	Field of activity
Nagasaki (Japan)	Fine Network Nagasaki (NPO)	Social welfare
Nagasaki (Japan)	Association to protect the Dozaki of environment	Environment
Yamaguchi (Japan)	Yamaguchi Prefectural Tourism Federation	Regional contribution
Yamaguchi (Japan)	Specified non-profit organization Human Network Pia	Social welfare
Shiga (Japan)	Ritto Forest Club projects, Ritto-city Society of Commerce and Industry	Environment
Shiga (Japan)	Network for Protection Lake Biwa with the Common Reed (<i>Phragmites Australis</i>)	Social welfare
Kanagawa (Japan)	Hashimoto Shopping District Cooperative Association	Regional contribution and Environment
Kanagawa (Japan)	Elementary Schools in Sagamihara	Health and sports, and Education
Kanagawa (Japan)	Sagamihara Youth Counseling Center	Health and sports and Education
Kanagawa (Japan)	Yokoyama Park Group management joint venture Public Interest Incorporated Foundation Sagamiharashi Machimidori	Health and sports
Kanagawa (Japan)	A Dream A Day In Tokyo	Social welfare

► Materiality

Materiality of MHI Group

To enhance corporate value and grow in the medium to long term through solutions to social issues, in fiscal 2020, MHI Group has identified materiality it should be addressing.

The defined materiality has been reflected in the 2021 Medium-Term Business Plan (the 2021 business plan announced in October 2020). We monitor the progress towards achieving KPIs and use a consistent PDCA cycle-based approach.

Activities that engage in materiality embody sustainability management in terms of business. In order to make materiality activities effective, we will establish subcommittees with managers and departments in each materiality to examine specific measures and roadmaps.

In October 2021, we established the Materiality Council, chaired by the President and CEO and attended by officers in charge of Corporate, domain CEOs, to follow up on business activities aimed at realizing materiality goals and to instruct business divisions to take necessary measures. We have established a system to instruct business divisions addressing goals to take necessary measures. We held the first meeting in December 2021 and the second meeting in June 2022 to share the progress towards achieving KPIs for each material issue and actively exchanged questions and opinions. These activities are important themes in sustainability management and are regularly reported to the Board of Directors.

Materiality, Problem Recognition, Company-wide Goals and Progress Monitoring Indicator (KPI)

■ Provide energy solutions to enable a carbon neutral world [Officer in Charge: CSO and Senior General Manager, Growth Strategy Office]



In recent years, as the effects of climate change become more serious, people eagerly await the realization of a carbon neutral world. In the future, energy infrastructure will be reconstructed in accordance with 3E+S (Note) based on the characteristics of each country, while resource recycling and decarbonization are expected to develop on the demand side. To achieve this transformation of social infrastructure as quickly as possible, MHI Group will strive to continue using existing facilities and promote carbon recycling by significantly improving energy efficiency, capturing and fixing CO₂, introducing carbon-free fuels, and expanding the use of nuclear power and renewable energies that meet the world's highest safety standards.

Company-wide goals *Updated targets in line with the Carbon Neutral Declaration announced in October 2021

- Reduce the CO₂ emissions of MHI Group.
Achieve Net Zero CO₂ emissions from its operation by 2040 (Scope 1&2)
- Contribution to society throughout the value chain by 2040.
Achieve Net Zero CO₂ emissions from its entire value chain by 2040 (Scope 3 + reduction through CCUS)

(Note) 3E+S: Energy Security, Economic Efficiency, Environment + Safety

■ Transform society through AI and digitalization [Officer in Charge: Senior General Manager, Growth Strategy Office]

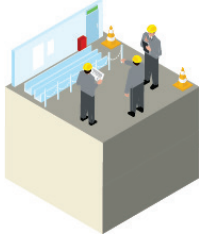


Due to the rapid advancement of AI and digitalization present day, human values, activities, and lifestyles are undergoing major changes. In the midst of various social concerns such as climate change, aging societies with low birthrates, widening disparity between the rich and the poor, and COVID-19, two key themes are how to provide a convenient and comfortable life to everyone without discrimination and how to live in a sustainable manner. MHI Group will seek to realize a society that balances economic development with the resolution of social issues (Society 5.0) by breaking away from preconceived notions and maximizing the use of AI and digitalization to pursue the question of what it means for people to lead affluent lives.

Company-wide goals

- Expand lineup of useful and sustainable AI/digital products meeting needs of customers and users
- Contribute to a sustainable society through future-oriented energy management strategies that use AI and digitalization to appropriately and efficiently manage power supply and demand
- Improve our working environment to produce creative products

■ **Build a safer and more secure world** [Officer in Charge: CTO]



Building a safe and secure society is essential for realizing affluent lives. In recent years, we have faced various risks including natural disasters, pandemics, a shrinking workforce, and changes in the security environment, including cyberspace. Since its establishment, MHI Group has contributed to the development of society by building critical infrastructure and taking on challenges in the unknown worlds of space and the deep sea. By drawing on this wealth of knowledge and experience, we will build a flexible, robust, and labor-saving system that will contribute to the realization of a safer and more secure society.

Company-wide goals

- Boost the resilience of products, businesses, and infrastructure
- Implement fully-automated and labor-saving measures
- Continuously strengthen cybersecurity measures for all MHI products

■ **Promote diversity and improve employee engagement** [Officer in Charge: In charge of HR]

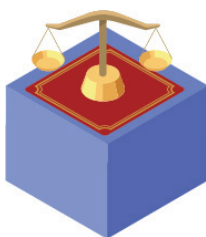


Given the globalization of business in recent years, there is an urgent need to develop human resources who have a firm awareness of human rights across the supply chain and can operate on the international stage. In addition, to continue creating new value based on diverse ideas, it is essential to improve productivity and ensure safety by building a culture in which each individual is respected and can demonstrate and develop their abilities. Therefore, we support the growth and health of human resources through the promotion of diversity and health management. Our goal is to train human resources who are full of vitality and can contribute to society not only during their employment but also after retirement.

Company-wide goals

- Project new value through participation of diverse human resources
- Ensure safe and comfortable workplaces
- Improve our environment that maximizes employee performance, and develop human resources who are healthy, energetic and able to contribute to society

■ **Enhance corporate governance** [Officer in Charge: GC]



For a company to continue to provide value to society, it is important to earnestly address the issues and demands of global society and form a sound organizational culture. Since we have a particularly diverse range of businesses, it is essential that we strengthen the governance structure of the entire Group. We will promote compliance management and strengthen internal controls to ensure compliance with laws and regulations and promote honest, fair, and equitable business practices. We will promptly identify opportunities and risks for the organization and take appropriate action. In addition, to earn the trust of society, we will implement timely and appropriate information disclosure regarding management, while ensuring fairness and transparency.

Company-wide goals

- Further enhance deliberations by the Board of Directors
- Promote legal compliance and honest and fair business practices
- Further promote responsible (CSR) procurement in the global supply chain
- Create opportunities to explain non-financial information

(Reference) Materiality at MHI Group - Company-wide Targets and Progress Monitoring Indicators (KPI)

https://www.mhi.com/sustainability/management/pdf/website_materiality.pdf

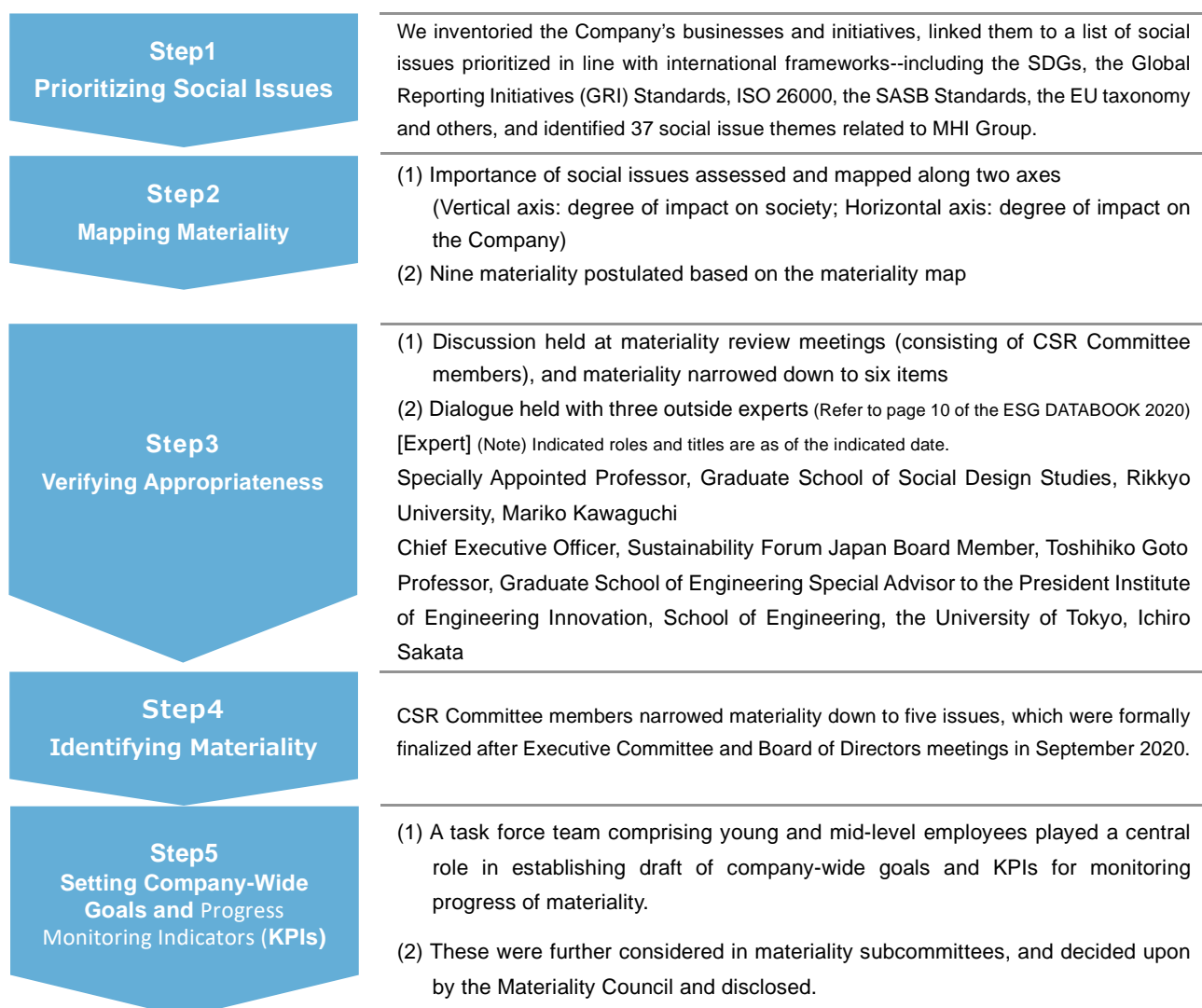
Processes Defining Materiality

In redefining materiality, we first took an inventory of the Group's businesses, then linked them to a list of social issues prioritized in line with international frameworks, including the SDGs, the Global Reporting Initiatives (GRI) Standards, ISO 26000, the SASB Standards, and the EU taxonomy.

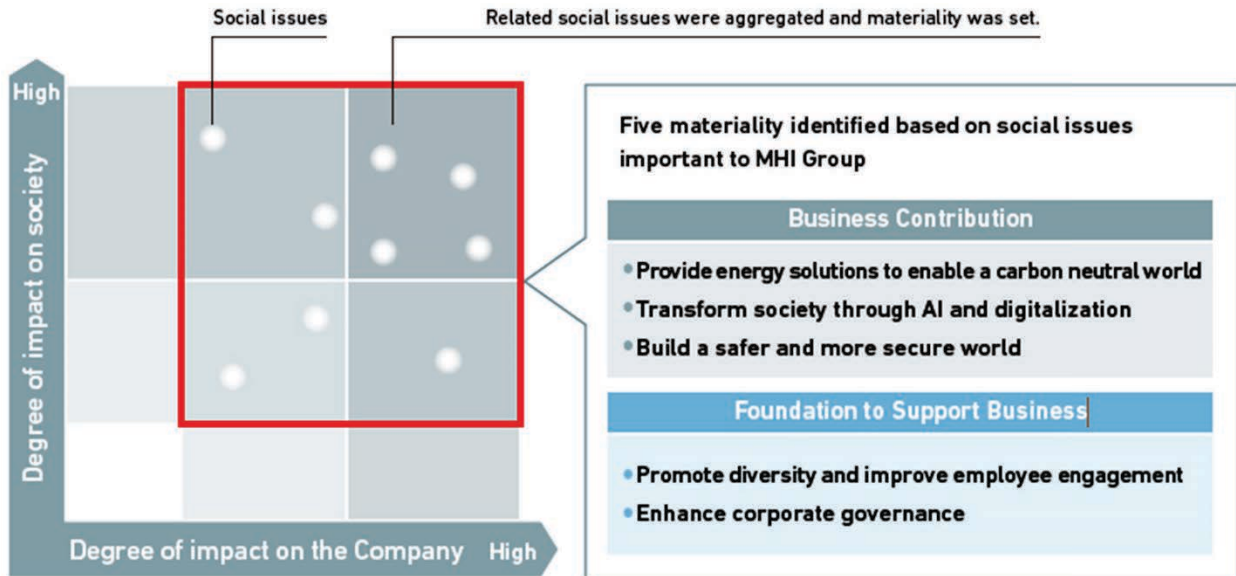
We then mapped the issues with consideration both to their level of impact on society and from the viewpoint of their importance to the Company.

Additionally, a series of reviews were conducted, primarily by the CSR Committee, and opinions obtained through dialogue with outside experts were also reflected in the selection, which was finalized upon approval of the Executive Committee and the Board of Directors.

We have promoted sustainability management by promoting activities in cooperation with business divisions and related divisions centered on the responsible managers and supervising divisions, monitoring progress on the Materiality Council and implementing PDCA.



■ Approach to Identifying Materiality



Discussion of the Materiality Determination with Outside Directors

Step 5 of the materiality determination process involves setting company-wide objectives and selecting KPIs for monitoring progress. This step was performed mainly by a task force comprising young and mid-level employees who will shoulder MHI Group's future. In May 2021, the task force met with outside directors and discussed the objectives and metrics, and had wanting the activity of materiality to develop than an outside director more, a powerful yell.



■ Third-party Assurance (AA1000AS)

We have obtained the AA1000AS warranty from an independent third party for the disclosure information regarding the "Mitsubishi Heavy Industries Group Materiality" identified in 2020. (For details, please see pages 98-99.)

► MISSION NET ZERO, Our Declaration to Achieve Carbon Neutrality

We hereby make the declaration of achieving Carbon Neutrality by 2040.

MHI has defined two growth areas to focus on in its 2021 Medium-term Business Plan, announced last year: "Energy Transition," which aims to decarbonize the energy supply side, and "Smart Infrastructure", which aims to realize the decarbonization, and promote the energy efficiency, manpower saving in the energy demand side. MHI Group is committed to promoting the business strategies of these two areas, and to advancing the decarbonization of the existing businesses, electrification, and intelligence, in order to achieve Net Zero by 2040, and to help create a carbon neutral society.

Realizing a carbon neutral society is a global issue and we believe that as a technology leader, with a proven track record in the field of decarbonization, it is MHI's responsibility to help lead the fight against climate change.

To this end, each and every one of us will be embracing and internalizing MISSION NET ZERO and will act to implement a Net Zero future, working closely with all of our stakeholders, including clients, partners, academia and local and national governments.

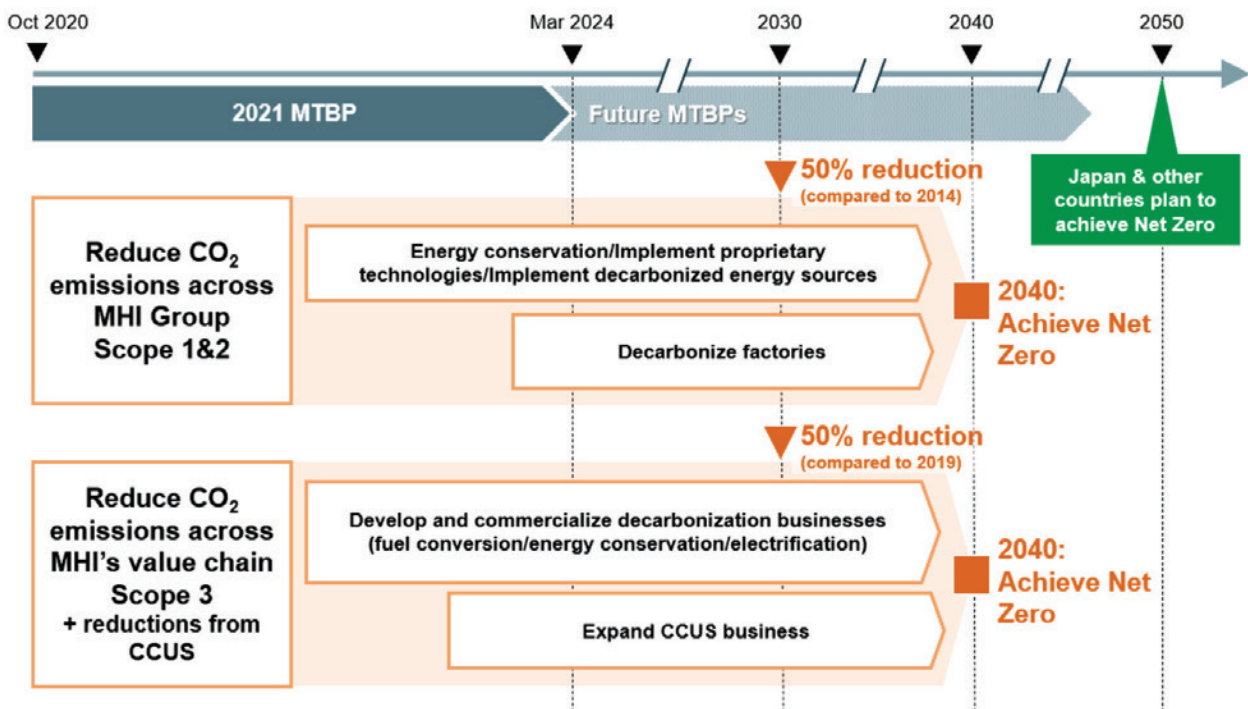
1. CO₂ Emission Reduction Target

Target Year	Reduce CO ₂ emissions across MHI Group Scope 1&2	Reduce CO ₂ emissions across MHI's value chain Scope 3 + reductions from CCUS
2030	-50% (compared to 2014)	-50% (compared to 2019)
2040	Net Zero	Net Zero

Scope 1&2: The calculation standard is based on the GHG Protocol.

Scope 3: The calculation standard is based on the GHG Protocol. However, we also account for reductions achieved by CCUS as an MHI original index.

2. Roadmap to Achieve Carbon Neutrality



Governance

► Corporate Governance

As a company responsible for developing the infrastructure that forms the foundation of society, MHI's basic policy is 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 MHI Group and improvement of its corporate value in the medium and long term. In accordance with such basic policy, MHI endeavors 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 on 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.

As part of a corporate governance reform, in 2015 MHI transitioned to a company with an Audit and Supervisory Committee. In 2016, we established the Nomination and Remuneration Advisory Council. Since 2020, MHI's Board of Directors has consisted of 12 directors, and six directors are the independence outside directors. Through this reform, we aim to accelerate decision-making and strengthen the oversight function.

For more information on the Company's independence criteria, see Appendix 2 of the Corporate Governance Guidelines, "Independence Criteria for Outside Directors."

(Reference) Corporate Governance of Mitsubishi Heavy Industries, Ltd.

<https://www.mhi.com/company/aboutmhi/governance/>

Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd.

https://www.mhi.com/finance/management/governance/pdf/corporate_governance.pdf

Number of Outside Directors

2022

6

Ratio of Outside Directors

2022

50%

Performance Data

Corporate Governance

Independence of the Board of Directors

Independence policy, target
(Article 21 of the
Corporate Governance
Guidelines of Mitsubishi
Heavy Industries, Ltd.)

MHI shall make the number of independent outside directors who meet MHI's independence criteria constitute one third or more of all members of the Board of Directors.

MHI establishes independence criteria for outside directors.

(Reference)

Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd.

https://www.mhi.com/finance/management/governance/pdf/corporate_governance.pdf

Diversity of Board of Directors

(Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd. Article 21)	<p>When selecting directors who are not Audit and Supervisory Committee members, it is MHI's policy to appoint those who are active in the core of MHI's management, have extensive experience in executing MHI's business and have senior management perspective, and to invite more than one outside director whose role is to perform oversight from an objective standpoint, while giving consideration to external stakeholders.</p> <p>Moreover, the Board of Directors strives to ensure both diversity and appropriate size including the aspects of gender, internationality, and career history while maintaining a good overall balance in terms of knowledge, experience, competence, and other qualities, after identifying the skills to be prepared in light of the management strategy (see "Skills Matrix" below).</p> <p>Furthermore, from the perspective of ensuring effective audits, as directors who are Audit and Supervisory Committee members, MHI has a policy to select individuals with extensive knowledge and experience in various fields such as corporate management, legal affairs, finance affairs, and accounting in a well-balanced manner.</p>
(Reference)	<p>Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd. https://www.mhi.com/finance/management/governance/pdf/corporate_governance.pdf</p> <p>Director Skills Matrix https://www.mhi.com/finance/library/annual/pdf/report_2022_18.pdf</p>

Corporate governance structure

MHI has adopted the form of a company with an Audit and Supervisory Committee. In addition, we have 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 to ensure transparency and soundness of the procedures prior to deliberations by the Board of Directors on matters relating to the nomination of candidates of directors, the dismissal of directors, and the appointment and dismissal of CEO and other management personnel, and matters relating to the decision on the remuneration of directors (excluding directors who serve as Audit and Supervisory Committee members) and other management personnel.

MHI's Board of Directors consists of 12 directors (of whom five are Audit and Supervisory Committee members), and six directors (of whom three are Audit and Supervisory Committee members) are elected from outside the Company.

By obtaining beneficial views and candid assessments from outside directors on the Company's management from a standpoint neutral to operational divisions, the Company is enhancing its management oversight function and ensuring that the oversight function by outside directors is more effective. Accordingly, the Company ensures that the number of outside directors who meet MHI's independence criteria constitutes one third or more of all members of the Board of Directors, as described later. Moreover, in accordance with the Company's Articles of Incorporation and a resolution by the Board of Directors, the Company delegates decisions on execution of operations to the President and CEO or separately designated director, excluding matters designated by laws and ordinances as matters to be decided exclusively by the Board of Directors, business plans, and the appointment, dismissal, and remuneration of directors, chief officers, and administrative executive officers, as well as other important individual business plans and investments, etc. This approach facilitates timely decision-making and flexible business execution while also enabling the Board of Directors to focus on the oversight of those in charge of business execution.

Number of directors		
	Total	12
	Executive directors	3
	Non-executive directors	9
	Independent directors	6
	Female directors	2
	Non-Japanese directors	0

Separation of role of Chairman and CEO	Separate
--	----------

Functions and committees (Note)

Audit		Name	Audit and Supervisory Committee
	Members		Audit and Supervisory Committee members (five)
	Number of meetings		16 (FY2021)
Selection and nomination		Name	Nomination and Remuneration Advisory Council
	Members		Outside directors (six), Chairman of the Board, and President and CEO
	Number of meetings		5 (FY2021)
Others-related to governance		Name	Outside Directors' Meetings
	Members		Outside directors (six) + management personnel (as necessary)
	Number of meetings		2 (FY2021)
Sustainability and CSR		Name	Materiality Council
	Members		Chaired by President and CEO, CSO (director, executive officer in charge of sustainability), CFO (director), GC, CTO, officer in charge of HR, head of Business Strategy Office, domain CEOs, and Senior General Manager, Growth Strategy Office.
	Number of meetings		Once (The council was established in October 2021. Twice each year in principle)
Sustainability and CSR		Name	Sustainability Committee
	Members		Chaired by CSO (director, executive officer in charge of sustainability), CFO (director), GC, CTO, officer in charge of HR, and head of Business Strategy Office. * Meetings are convened with domain CEOs as members in accordance with the agenda.
	Number of meetings		2 (FY2021)
Compliance		Name	Compliance Committee
	Members		Chaired by GC and composed of 26 members.
	Number of meetings		2 (FY2021)
Environment		Name	MHI Group Environment Committee
	Members		Chaired by CTO and composed of 13 members.
	Number of meetings		1 (FY2021)
Others-related to governance		Name	International Trade Control Committee
	Members		Chaired by GC and composed of 20 members.
	Number of meetings		2 (FY2021)

(Note) The number of meetings held is the number within the target fiscal year. Committee members are to issue the report.

Effectiveness of the Board of Directors

Board meeting attendance	Unit	
Average	%	99 (FY2021)
The minimum attendance	%	93 (FY2021)

Rate of Attendance at Board of Directors Meetings by Directors	Name	Position (as of March 31, 2022)	Board meeting attendance (for the year ended March 31, 2022)
	Shunichi Miyanaga	Chairman of the Board	100%
	Seiji Izumisawa	President and CEO	100%
	Hisato Kozawa	Director, Executive Vice President, CFO	100%
	Hitoshi Kaguchi	Director, Executive Vice President, CSO	100%
	Naoyuki Shinohara	Outside Director	100%
	Ken Kobayashi	Outside Director	100%
	Nobuyuki Hirano	Outside Director	93%
	Koji Okura	Director, Full-time Audit and Supervisory Committee Member	100%
	Setsuo Tokunaga	Director, Full-time Audit and Supervisory Committee Member	100%
	Hiroo Unoura	Outside Director, Audit and Supervisory Committee Member	100%
	Noriko Morikawa	Outside Director, Audit and Supervisory Committee Member	100%
	Masako Ii	Outside Director, Audit and Supervisory Committee Member	100%

Directors' terms of office	Unit
	year
Average	year

1 (2 for Audit and Supervisory Committee members)
4 (As of October 2022)

Standards related to restrictions on number of concurrent positions Around three for inside directors

Board Evaluation results (Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd. Article 33)
<p>MHI has been engaged in multiple measures for enhancement of corporate governance. Taking advantage of the enactment of the Corporate Governance Code, we have introduced an annual evaluation of the Board of Directors (MHI Corporate Governance Guideline, Article 33) aiming at ensuring further effectiveness of the Board of Directors by verifying its functional efficiency as an entity and being fully accountable to stakeholders, by conducting holistic analysis and evaluation of the Board.</p> <p>In FY2021, continuing from FY2020, the Board of Directors conducted an evaluation process based on the following 4 points: "Composition of the Board of Directors," "Operation of the Board of Directors," "Oversight function of the Board of Directors," and "Structure to support outside directors." MHI has hired an external organization with specialized knowledge on analysis of questionnaire survey results in the past, and this fiscal year, such external organization also conducted interviews with each director for the purpose of enhancing transparency and objectivity.</p> <ul style="list-style-type: none"> • Self-evaluation was conducted based on a questionnaire survey of all directors including outside directors and individual interviews with each director • Opinions were exchanged in meetings among outside directors • The Board of Directors held discussions based on the results of the questionnaire survey and interviews • The Board Evaluation results were approved by the Board of Directors in light of the above evaluation and discussions. <p>Through the processes mentioned above, the overall effectiveness of the Board of Directors in FY2021 has been ensured with no major concerns.</p> <p>The status of responses implemented based on the results of the Board Evaluation conducted in the previous year (FY2020), and future responses based on the results of this evaluation are as follows.</p> <p>1. Initiatives Based on Results of the Board Evaluation Conducted in the Previous Year (FY2020)</p> <p>(1) In accordance with the annual schedule specifying the agenda of meetings of the Board of Directors and activity plans, themes such as progress of growth strategy, handling of work style reform and diversity, and initiatives to address materiality and sustainability were discussed in meetings of the Board of Directors. Furthermore, we stimulated active discussion in an effort to optimize the content of explanations and deliberation time.</p> <p>(2) In the Nomination and Remuneration Advisory Council, we established opportunities to discuss the selection process for director candidates, etc.</p> <p>(3) We worked to strengthen coordination between the Board of Directors and the Audit and Supervisory Committee, such as sharing the annual schedule for meetings of the Board of Directors with the Audit and Supervisory Committee, in addition to increasing the frequency of reports of activities such as audits by the Audit and Supervisory Committee to the Board of Directors. Furthermore, we implemented lectures by external experts and established a venue for discussion of the roles, etc. of the Board of Directors and the Audit and Supervisory Committee.</p> <p>2. Future Action Based on the Results of This Year's Evaluation</p> <p>(1) Initiatives aimed at enhancement of discussion</p> <p>We will steadily hold meetings of the Board of Directors in accordance with the schedule such as the annual agenda, establish opportunities for discussion of growth strategy and personnel strategy from a medium- to long-term perspective, and include reporting of the state of initiatives related to the development of growth areas in the agenda.</p>

- (2) Further improvement of meeting materials and explanations
We will work to improve the content of reports on the status of each business, and also continue efforts aimed at the optimization of period for deliberation on meeting days and utilization of advance explanations.
- (3) Sharing information with outside directors
We will provide more opportunities for dialogue between outside directors and employees and site inspections according to an annual schedule. Furthermore, we will establish venues for discussion aimed at further utilization of meetings by independent outside directors.
- (4) Discussion on the composition, etc. of the Board of Directors including outside directors
We formulated a skills matrix for the Board of Directors in FY2021, and will further discuss the composition of the Board of Directors and the desired requirements for directors.

Remuneration of directors

Remuneration of Directors (Excluding Audit and Supervisory Committee Members and outside directors)

- The remuneration of directors (excluding Audit and Supervisory Committee Members and 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.
- 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 the individual role of each director and the Company's business performance, etc.
- After revising the share remuneration system through a resolution passed at the 94th Annual General Meeting of Shareholders, which was held on June 27, 2019, the standard for the remuneration of the Company's president was set at roughly 30% base remuneration, 40% performance-linked remuneration, and 30% stock remuneration (in the event that consolidated profit before income taxes reached ¥200 billion; 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. Also, the Company has established profit before income taxes as the core indicator for determining performance-linked remuneration and stock remuneration in order to reflect the results of the Company's business activities, including financial income and expenses, in these remunerations. In FY2021, the Company had a profit before income taxes of ¥173.6 billion, surpassing the target (initial forecast) of a profit of ¥130 billion. The profit before income taxes for FY2020 (initial forecast) used in the calculation of stock-based remuneration was ¥0 million and the result was ¥49.3 billion.

Outside directors

The Company expects that the outside directors 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 a base remuneration, which is set at an appropriate amount.

Directors who serve as Audit and Supervisory Committee Members

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

Remuneration (Note)	Position	Number	Unit	Total	Base remuneration	Performance-linked remuneration	Stock remuneration	
Directors who are not serving as Audit and Supervisory Committee members (excluding outside directors)		5	Male	Millions of yen	360	194	79	85
		0	Female	Millions of yen	—	—	—	—
Directors who are serving as Audit and Supervisory Committee members (excluding outside directors)		3	Male	Millions of yen	132	132	—	—
		0	Female	Millions of yen	—	—	—	—
Outside directors		4	Male	Millions of yen	64	64	—	—
		2	Female	Millions of yen	28	28	—	—

(Note) The table above includes two directors who were not an Audit and Supervisory Committee members and who retired on June 29, 2021 (the day of the 96th Annual General Meeting of Shareholders) (of whom, one assumed the office of a director who is an Audit and Supervisory Committee member on the same day) and three directors who were an Audit and Supervisory Committee members who retired on the same day (of whom, one assumed the office of a director who is not an Audit and Supervisory Committee member on the same day).

(Note) The paid remuneration amount per director is different between male and female directors since one female director was appointed in the midst of the fiscal year, resulting in different remuneration payment periods. The actual remuneration level is not different between male and female directors.

Measurement metrics for variable remuneration	
Internal Financial Success Metrics	The remuneration is determined based on the business performance of which he/she is in charge.
External Financial Success Metrics	The remuneration is determined based on the consolidated earnings of the Company.

Variable remuneration linked to long-term performance	Ratio
	38.9%
	Stock remuneration

Individual remuneration (Note)	Position	Unit	Total	Base remuneration	Performance-linked remuneration	Stock remuneration
Shunichi Miyanaga	Director	Millions of yen	166	63	60	42
Seiji Izumisawa	Director	Millions of yen	178	68	66	42

(Note) Officers receiving more than 100 million yen in total sum

Average salary of all employees and CEO remuneration	Unit
CEO remuneration	Millions of yen
Mean employee salary	Millions of yen
Ratio	time
	178
	8.63
	20.6

Effectiveness of the Audit and Supervisory Committee	
<ul style="list-style-type: none"> Duties, etc. 	<p>The Audit and Supervisory Committee monitors and verifies various aspects of the Company's operations, including the execution of duties of directors, the appropriateness of business report, etc., adequacy of audits by the accounting auditor, and the effectiveness of internal control systems. The results of this monitoring and verification are provided to the Company's shareholders via audit reports. In addition, the Audit and Supervisory Committee decides on opinions pertaining to the election of and remuneration for directors who are not Audit and Supervisory Committee members. The committee is also responsible for determining the details of agenda items related to the appointment of accounting auditors, among other duties. Moreover, distinct from directors who are not Audit and Supervisory Committee members, directors who are Audit and Supervisory Committee members are appointed at the General Meeting of Shareholders. Each director has a duty of due care, based on their contract of service with the Company.</p>
<ul style="list-style-type: none"> Composition, etc. 	<p>The Audit and Supervisory Committee comprises five directors, the majority of whom (three) are outside directors. In addition, to ensure the effectiveness of the Audit and Supervisory Committee's activities, two full-time members of the Audit and Supervisory Committee are mutually selected by the committee's members. One of these full-time members has extensive work experience in accounting and financial divisions, giving him a considerable amount of insight on financial and accounting affairs.</p> <p>The Audit and Supervisory Committee fully utilizes the results of comprehensive and regular audits implemented by the Management Audit Department. Full-time Audit and Supervisory Committee members confirm the formulation and progress of audit plans by the Management Audit Department in a timely manner, are present at audits by the Management Audit Department as necessary, and receive reports of audit results. In addition, full-time Audit and Supervisory Committee members receive reports from the Management Audit Department at each stage on the occurrence of, response to, and countermeasures against misconduct, and confirm that the appropriate response is being provided. For these reasons, full-time Audit and Supervisory Committee members and the Management Audit Department hold meetings to exchange information on a monthly basis while the Management Audit Department holds meetings to report the results of audits to full-time Audit and Supervisory Committee members on an as-needed basis.</p>

Moreover, Audit and Supervisory Committee members and the accounting auditor regularly exchange opinions on audit plans by the accounting auditor and audit results while full-time Audit and Supervisory Committee members and the accounting auditor hold meetings to exchange information on a monthly basis. In these ways, we are facilitating close communication between the Audit and Supervisory Committee and the accounting auditor. Furthermore, full-time Audit and Supervisory Committee members regularly hold meetings to exchange information that are attended by the full-time statutory auditors of Group companies, at which the full-time Audit and Supervisory Committee members confirm the status of the establishment and operation of the internal controls of major subsidiaries.

To support auditing activities, the 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.

■ Auditing activities

Directors who are Audit and Supervisory Committee members attend meetings of the Board of Directors as directors, and full-time Audit and Supervisory Committee members attend important meetings such as those of the Executive Committee and those related to business planning in an effort to understand and monitor the status of management execution in a timely and accurate manner while conducting audits to ascertain whether the duties of the Directors are being executed in compliance with laws and ordinances and the Articles of Incorporation, in addition to whether corporate operations are being performed properly. The audits are conducted through the inspection and confirmation of compliance status and the monitoring and verification of the status of the establishment and operation of internal control systems, including those related to financial reporting.

Additionally, through the monitoring and verification of the directors' execution of duties throughout the fiscal year, the Audit and Supervisory Committee forms its audit opinion on the appropriateness of the Accounting Auditor's auditing methods and results pertaining to whether or not the financial statements in a given fiscal year present fairly the financial position and results of the Company.

In its activities in FY2021, the Audit and Supervisory Committee positioned as "key points" such matters as the status of progress on important measures in the 2021 Medium-Term Business Plan that the Audit and Supervisory Committee considers it necessary to pay close attention to, as well as the status of responses to individual events with a major impact on management.

■ Results of Initiatives Implemented in FY2021

Pertaining to activities in FY2021, the Audit and Supervisory Committee prepared an Audit Report giving its opinion that the Business Report and other reports fairly represent the conditions of the Company in accordance with laws and ordinances and the Articles of Incorporation; that it found no misconduct or significant facts in violation of laws and ordinances or Articles of Incorporation in the execution of duties by directors; that the content of the Board of Directors' resolutions on internal control systems is appropriate; that it found no matters warranting comment regarding the contents of the Business Report and directors' execution of their duties related to internal control systems, including internal control systems related to financial reporting; and that the Accounting Auditor's auditing methods and results are appropriate.

The Audit and Supervisory Committee reported on the contents of the Audit Report to shareholders at the General Meeting of Shareholders, which was held on June 29, 2022, and commented on the appointment and remuneration of directors who are not members of the Audit and Supervisory Committee.

Furthermore, the Audit and Supervisory Committee assessed the Accounting Auditor on ensuring a system for the proper execution of duties (matters specified in the items under Article 131 of the Company Accounting Ordinance), independence, appropriateness of audits, auditing ability and expertise for responding to the diversity and internationality of operations, and appropriateness of remuneration, and as a result, the Committee resolved to reappoint KPMG AZUSA LLC as the Accounting Auditor for FY2022.

Effectiveness of the Audit and Supervisory Committee members

Audit and Supervisory Committee attendance	
Average	100% (FY2021)
The minimum attendance	100% (FY2021)

Rate of attendance at Audit and Supervisory Committee by Audit and Supervisory Committee members	Position	Audit and Supervisory Committee Attendance (FY 2021)
Toshifumi Goto	Director, Full-time Audit and Supervisory Committee Member	100%
Koji Okura	Director, Full-time Audit and Supervisory Committee Member	100%
Setsuo Tokunaga	Director, Full-time Audit and Supervisory Committee Member	100%
Christina Ahmadjian	Outside Director, Audit and Supervisory Committee Member	100%
Hiroo Unoura	Outside Director, Audit and Supervisory Committee Member	100%
Nobuyuki Hirano	Outside Director, Audit and Supervisory Committee Member	100%
Noriko Morikawa	Outside Director, Audit and Supervisory Committee Member	100%
Masako Ii	Outside Director, Audit and Supervisory Committee Member	100%

(Note) Since Mr. Toshifumi Goto, Director and Full-time Audit and Supervisory Committee Member, and Ms. Christina Ahmadjian and Mr. Nobuyuki Hirano, Outside Directors and Audit and Supervisory Committee Members, retired at the conclusion of the 96th Annual General Meeting of Shareholders held on June 29, 2021, and Mr. Setsuo Tokunaga, Director and Full-time Audit and Supervisory Committee Member and Ms. Noriko Morikawa and Ms. Masako Ii, Outside Directors and Audit and Supervisory Committee Members, assumed office on the day of the 96th Annual General Meeting of Shareholders (June 29, 2021), the Audit and Supervisory Committee members as of March 31, 2022 were Koji Okura, Setsuo Tokunaga, Hiroo Unoura, Noriko Morikawa, and Masako Ii.

Ensuring the reliability of our financial statements and independence of Accounting Auditor (FY2021)	
	<p>1. Remuneration for KPMG AZUSA LLC, the Company's Accounting Auditor, was as follows.</p> <p>(1) Amount of remuneration for audit services 643 million yen (the Company: 401 million yen, consolidated subsidiaries: 242 million yen)</p> <p>(2) Amount of remuneration for non-audit services ^(Note 1) 45 million yen (the Company: 37 million yen, consolidated subsidiaries: 8 million yen)</p> <p>2. Remuneration for organizations those belong to the same network as the Company's Accounting Auditor (KPMG), was as follows. (Excluding the contents of 1)</p> <p>(1) Amount of remuneration for audit services 832 million yen (consolidated subsidiaries: 832 million yen)</p> <p>(2) Amount of remuneration for non-audit services ^(Note 2) 512 million yen (the Company: 166 million yen, consolidated subsidiaries: 346 million yen)</p>

(Note 1) The amount of remuneration for non-audit services consists of fees for executions of entrusted procedures related to factoring agreements at the Company, as well as such services as new-business promotion and preliminary investigation of new business establishment at consolidated subsidiaries.

(Note 2) The amount of remuneration for non-audit services consist of fees for support for the MHI project to raise efficiency of purchases of indirect materials, advice at compliance training and similar, and advisory and other services related to transfer pricing for consolidated subsidiaries.

Commitment to initiatives

Commitment to initiatives	
	<p>UN Global Compact (UNGC)</p> <p>Global Reporting Initiative (GRI)</p> <p>Task Force on Climate-related Financial Disclosures (TCFD)</p> <p>World Economic Forum (WEF) Stakeholder Capitalism Metrics</p>

WE SUPPORT



► Risk Management

Enhancement of business 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. At the same time, we reinforce advanced, intelligent systems and process monitoring, both of which support top management's strategy decisions.

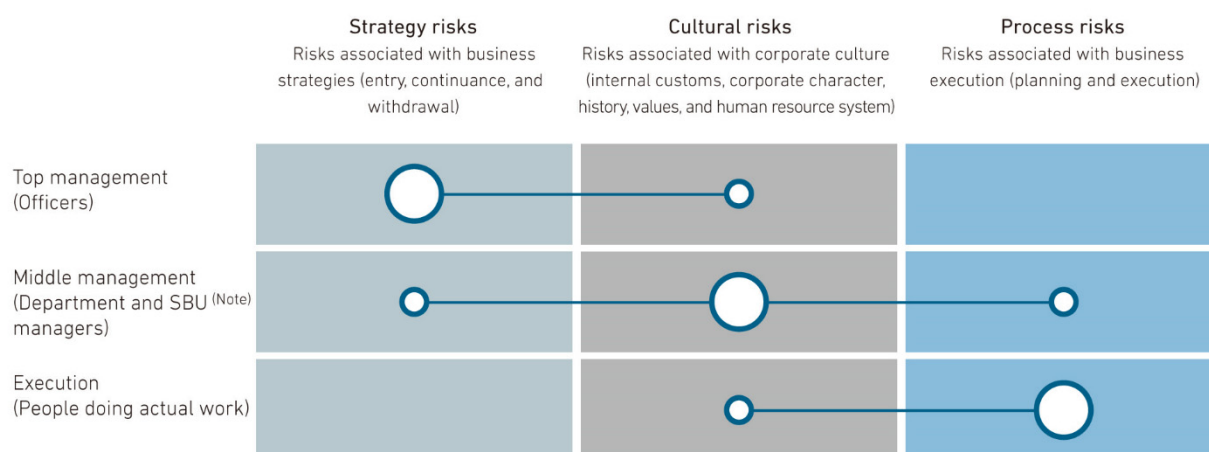
Through these approaches, we will pursue "controlled risk-taking" that will enable us to carry out carefully planned challenges toward expanding our business.

Outline of Business Risk Management

No corporation can avoid taking risks. We believe that risk management is a part of governance and functions only when the elements of systems and processes, corporate culture, and human resources are in place. For our Group to succeed in the global market, we need to take bold and daring risks, but we also need to manage those risks. That is the perfect combination for continually increasing our corporate value.

In this sense, it is very important that all business participants, from people engaged in the actual business to management, comprehend and control risks in business, from processes to strategies. For details, please see the chart below (Matrix of Business Risk Management).

■ Matrix of Business Risk Management



(Note) SBU: Strategic Business Unit in the Strategic Business Assessment System

Business Risk Management Structure

Through the following measures, MHI Group is pursuing more organized business risk management and clarifying the roles of management, business segments, and corporate departments.

1

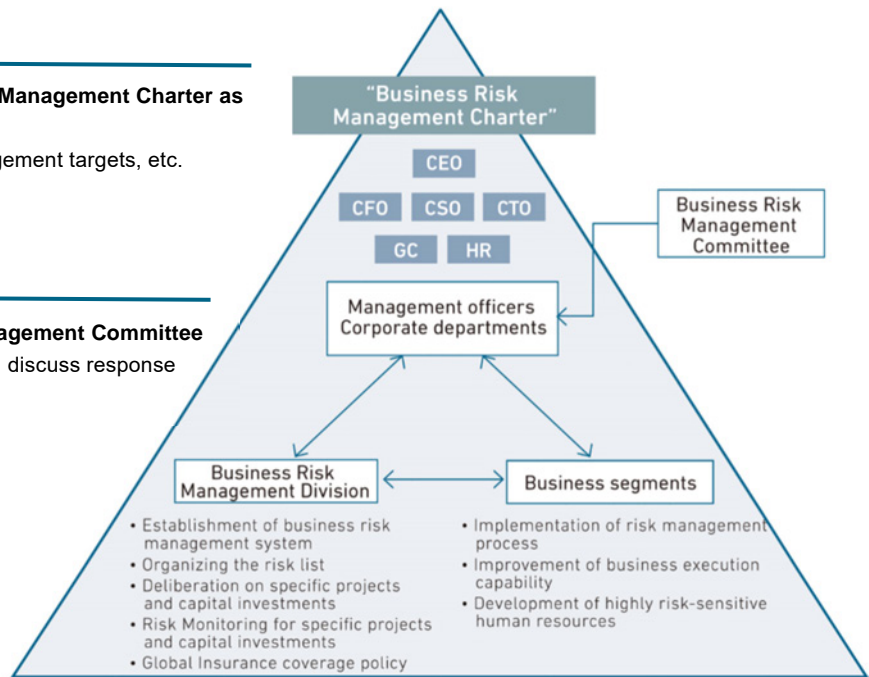
Observe and practice the Business Risk Management Charter as the Company's foremost set of rules

→ Clarify, observe, and practice risk management targets, etc.

2

Hold meetings of the Business Risk Management Committee

→ Share information on important risks and discuss response policy by top-level management

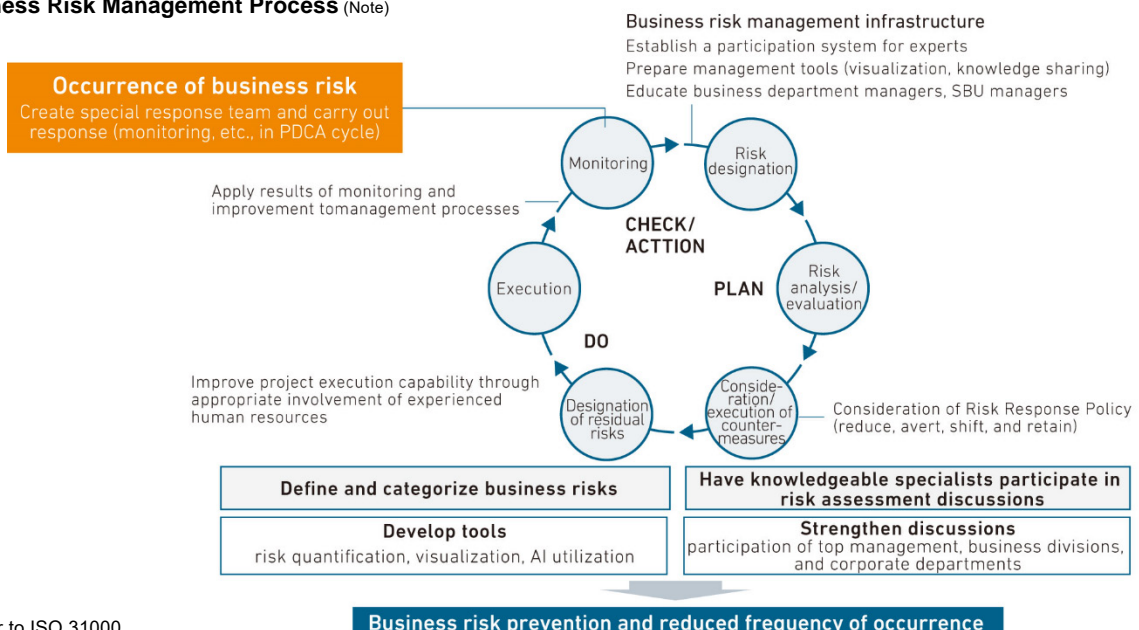


Content of Activities

With the Business Risk Management Division acting as the responsible department, MHI Group engages in business risk management activities bringing together management, business segments, and corporate departments.

The chart below (Business Risk Management Process) outlines specific activities. In addition to improving systems and processes to prevent business risks and reduce the frequency with which such risks manifest themselves, we also develop human resources in charge of business risk management and cultivate a culture of responding to risks through such efforts as providing training with the involvement of the Group's management team.

Business Risk Management Process (Note)



(Note) Refer to ISO 31000

Efforts toward Cybersecurity

Providing a large number of critical infrastructures to society, MHI Group has established a cybersecurity policy and strategy to protect business information (including intellectual property, technical information, sales information, personal information, etc.) and maintain secure operation. Recognizing cybersecurity as a critical risk, MHI Group regularly monitors it as part of materiality initiatives. Our President and CEO supervises the cybersecurity strategy and our CTO reports in a timely manner to the Executive Committee and Board of Directors. Based on the policy and strategy, a cybersecurity program has been implemented under the control of the CTO to minimize the risks of cyber incidents.

Cybersecurity governance (establishing standards and rules, implementation of measures, self-assessments, and internal audits), cybersecurity incident response, and cybersecurity education and training are maintained and performed under this program. At the same time, MHI Group is contributing to establish a global cybersecurity framework.

Cybersecurity Governance

MHI Group has defined its internal cybersecurity standard according to the NIST-CSF ^(Note 1) providing a defense-in-depth mechanism as well as threat detection and prevention by tracking and remedying cybersecurity risks utilizing multiple external intelligence services and other resources. As a measure to prevent infection by malware called Emotet that has been increasing recently, MHI has discontinued all use of emails containing password-protected ZIP (compressed) files. To maintain and improve our cybersecurity, MHI keeps abreast of the latest cybersecurity intelligence through such measures as vulnerability testing and collection/analysis of threat information. Meanwhile, MHI seeks to raise security awareness by sharing information and educational content via an intranet portal. Additionally, MHI assesses compliance with MHI Group's cybersecurity standard through periodic selfassessments and internal audits. Furthermore, we are revising standards based on MHI Group's compliance and issues by referring to the state of formulation and revision of guidelines by governments and organizations such as the Cybersecurity Management Guidelines ^(Note 2). For the industrial control system of our products, MHI has built a framework that controls cybersecurity risk. MHI will upgrade the cybersecurity capabilities and capacity of our products on a regular basis. By driving development of next-generation cybersecurity solutions, MHI will help to build a safe, secure society in which people maintain comfortable and convenient lives.

(Note 1) National Institute of Standards and Technology Cybersecurity Framework

(Note 2) Published by the Ministry of Economy, Trade and Industry of Japan in December 2016.

Response to Cybersecurity-Related Incidents

In the event of a cybersecurity incident, a Computer Security Incident Response Team (CSIRT) immediately reacts to the incidents, handles analysis and examination of the incidents, recovers systems, and carries out further preventive measures. The incidents are reported to the authorities and stakeholders as needed, including concerned government agencies. Serious incidents are internally reported to directors and other concerned personnel, and measures are taken in accordance with our crisis management system. Due to the increased frequency of ransomware attacks requiring swifter management decisions and communication, we confirm and revise the response capabilities and issues of organizations in an emergency through incident response drills.

Cybersecurity Education

MHI Group regularly provides cybersecurity education and training to all employees as warranted by their respective roles in the aim of maintaining and improving their cybersecurity literacy. MHI aims to also cultivate engineers capable of both safety- and security-minded product development.

Contributing to the Establishment of a Global Cybersecurity Framework

Through participation in the Study Group for Industrial Cybersecurity*3, the Charter of Trust*4, promotion of the Declaration of Cyber Security Management (announced in March 2020), and other cybersecurity initiatives, MHI Group is contributing to the establishment of a global cybersecurity framework.

(Note 3) An initiative by the Ministry of Economy, Trade and Industry to examine industrial cybersecurity measures. MHI joined this initiative in December 2017.

(Note 4) An initiative by private corporations to build trust in cybersecurity. MHI participated in this initiative in April 2019.

► Compliance

MHI Group attaches importance to complying with applicable laws and social norms, and promoting fair and honest business practices. The Compliance Committee, established in May 2001, meets biannually to draw up Groupwide compliance promotion plans, confirm progress of previously made plans, and engage in other activities.

Since 2003, to increase awareness of compliance among individual employees, we have conducted discussion-based compliance training every year at the workplace level, themed on compliance cases that could arise on-site. MHI Group has also an effort to swiftly respond to various compliance-related risks, including compliance violations or actions that run the risk of becoming compliance violations.

In May 2015, we issued the MHI Group Global Code of Conduct. As a global group, MHI Group employs thousands of individuals from different backgrounds, nationalities, and cultures. This diversity of talent and perspectives is one of our greatest assets. With recognizing the diverse backgrounds of our employees, it is important to work together and to promote our business under a common corporate culture.

This Code of Conduct sets out the basic principles and policies that all MHI employees should follow. We disseminate this Code of Conduct among the MHI Group employees around the world through e-learning education and by distributing booklets.

In September 2017, we formulated Compliance Promotion Global Policy, clarifying basic matters and rules related to compliance promotion, such as the organizational framework, roles, and administration standards that each Group company should follow. Along with the MHI Group Global Code of Conduct, by clarifying our common code of conduct and basic rules that must be complied with throughout the Group, we are working to strengthen internal controls and enhance the level of compliance throughout the entire Group.

The MHI Board of Directors oversees important compliance-related cases of the Group, including status of compliance with the MHI Group Global Code of Conduct, by confirming the status on compliance promotion, compliance risks management, and the occurrence of compliance-related incidents by being reported of the operation on internal control systems as well as the execution of roles and duties of the General Counsel.

In addition, and in order to keep raising awareness of compliance, we are conducting e-learning and training programs for MHI and Group employees in Japan and overseas on anti-trust laws, anti-bribery, and export-related laws and regulations. Furthermore, we have created a compliance guidebook for employees engaging in technical and skilled jobs at MHI and Group companies in Japan, and we are promoting face-to-face training at each worksite.

With an even greater focus on ensuring compliance in overseas, MHI Group appointed Regional Audit & Compliance Officers (RAO) in each of the four regions of the Americas, Europe, Asia Pacific, and China, setting up whistleblowing hotlines in each area to promote the compliance activities for the MHI Group in the relevant region, as well as carry out internal audit functions. Through compliance liaison conferences and compliance monitoring, which are organized mainly by the RAO, in each country and region, we are making efforts to reinforce compliance promotion at Group companies outside of Japan.

(Reference) MHI Group Global Code of Conduct

<https://www.mhi.com/company/aboutmhi/policy/conduct.html>

Compliance Promotion System (as of April 1, 2022)



Number of participants at compliance training (e-learning)

FY2021 **82,000**

Firm response to unjust demands made by any organization, group or individual engaged in unlawful activities

MHI will at all times respond firmly to and will have no relationship with any organization, group or individual, including but not limited to crime syndicates, gangs, terrorists, drug syndicates or other criminal organizations engaged in unlawful activity, or that could damage the Company's reputation, in accordance with the MHI Group Global Code of Conduct. Internally, an office of the manager responsible for eliminating the influence of antisocial forces is set up in the head office, as well as at regional bases with the same responsibilities for the respective region. These managers, in cooperation with related divisions, exercise organizational power to fight off any unjust demands from antisocial forces. To gain advice and support for dealing with such demands, the Company also works proactively to build close cooperative relationships with police, attorneys, and organizations specializing in such matters.

MHI Group informs and educates its employees through notices to each division, compliance training programs and similar to ensure they all have the correct understanding about and are prepared to deal with unjust demands from antisocial forces.

MHI Group has added clauses to its contracts with clients and business partners "eliminating organized crime groups," as stipulated in prefectural ordinances across Japan, and has taken further steps to fight off antisocial forces.

Performance Data

Compliance

Compliance structure

Chief executive	Chibumi Kimura (Senior Vice President, GC)
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Responsible institution or committee	Name Members Number of meetings	Compliance Committee Chaired by GC and composed of 26 members. 2 (FY2021)
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Whistle-blowing system	<p>We have whistleblowing hotline, which is available to all employees, including those of Group companies, and whistleblowing hotline, which is overseen by external lawyers. In addition to Group employees, any related external parties, including business partners, can utilize these hotlines to report concerns on compliance-related issues, including corruption, (such as bribery) and harassment. Information on how to report can be found on the MHI Group Portal and other sources. We also have systems which accept reports in the languages spoken at our major business locations, including English, Chinese, and Thai. The Compliance Committee Secretariat promptly investigates and responds appropriately to all reports made to these hotlines. Information on how to report is contained in the MHI Group Portal accessible by all employees and in bulletins published in-house.</p> <p>With the operation of the hotlines, protection of the rights afforded to informants, including confidentiality, were set out in the 2007 Company regulations entitled Compliance Promotion Regulations. These regulations state that the whistleblower's name will not be released without his/her consent, and that the whistleblower will not be placed at any disadvantage because of the information he/she has reported.</p> <p>In conjunction with making employees aware of the existence of the hotline, we have established regulations for the protection of whistleblowers, including their anonymity. We also make employees aware of these regulations and thoroughly enforce them.</p>
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Compliance situation

Training	2017	2018	2019	2020	2021	Coverage
Number of attendees	84,300	90,300	88,133	90,300	82,000	Group

Number of whistle-blowing reports	2017	2018	2019	2020	2021	Coverage
	113	142	140	139	128	Group

Compliance awareness survey	<p>Since fiscal 2004, MHI has been conducting a yearly compliance awareness survey. Since fiscal 2013, MHI had expanded this survey to all employees of the Group, in combination with its e-learning compliance training. In fiscal 2015, we checked the degree of recognition and awareness of the MHI Group Global Code of Conduct, formulated that year, which has led to greater awareness of compliance among employees and consideration of measures to ensure thorough compliance promotion. Through these surveys, we are able to check the efficacy of existing measures, such as the MHI Group Global Code of Conduct, while keeping our compliance efforts consistent and thorough.</p>
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Reporting on breaches	<p>There were 31 compliance violations among the compliance whistleblowing reports, including on corruption (such as bribery), in fiscal 2021. Among them, we took corrective action on 68 cases.</p> <p>There was no significant breach last year, with no related fines or penalties as a result.</p>
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Anti-corruption

Anti-corruption Policy

MHI maintains a policy prohibiting conduct that leads to any form of corruption, and as a signatory company of the UN Global Compact since 2004, we have worked to disseminate and practice the ten principles contained within the four domains of the Compact, including anti-corruption. MHI strives for fairness in its global commercial transactions by strictly complying with the anti-bribery laws of all countries, including Japan's Unfair Competition Prevention Act which prohibits the giving of illicit benefits to foreign public officials. In 2005, MHI established the Guidelines for the Prevention of Bribery Involving Foreign Civil Servants to define rules of conduct based on the Unfair Competition Prevention Act. In addition, we issued the Anti-Bribery Rules and Anti-Bribery Procedural Guidelines based on these guidelines in February 2012 in order to respond to the enactment of the British Bribery Act 2010 of July 2011 and strengthened regulations in various countries. MHI also set forth screening procedures for engaging with trading companies and distributors.

Furthermore, through the MHI Group Global Code of Conduct, established in May 2015, we are thoroughly engaged in preventing bribery toward all Group directors and employees. In September 2016, we also issued the Guidance for the Prevention of Bribery of Foreign Public Officials, an interpretation of related legislation and internal rules, and we strive to comply with the rules and the Global Code of Conduct. A global policy, formulated in September 2017, stipulates MHI Group companies to monitor whether measures to prevent bribery are being appropriately managed and deal with if needed.

Moreover, to evaluate and improve the MHI Group's system for preventing bribery, we appointed an external expert and carried out a bribery risk-assessment in 2017. Based on that assessment, we revised our rules on preventing bribery in 2018. Since then, we have extracted a region where the bribery risk is high and regularly performed a bribery risk-assessment with the support of external experts. In Southeast Asia, where corruption risk is particularly high, we created an anti-corruption e-learning program in 2019 to educate local employees. Moreover, we conducted audits in Asia and other regions to ascertain the status of fraud risk management at high-risk project sites. Furthermore, we annually provide various anti-corruption training in person and online. We have established an effective system and made it a rule to report major compliance violations, like corruption, and status on such violations and preventive measures to the Board of Directors.

Coverage

MHI Group	
(Reference) MHI Group Global Code of Conduct	https://www.mhi.com/company/aboutmhi/policy/conduct.html

Relationship with politics

In the MHI Group Global Code of Conduct we specify our policy on employee engagement in political contributions and lobbying, and prohibit such engagements without prior approval from the Legal Department. The MHI Group Global Code of Conduct prohibits MHI employees from providing company assets or other financial resources for political activities or engaging in lobbying activities without the approval in advance of Legal Department.

Total Donations and Contributions (FY2021)

Amount	Recipient
Political contributions: ¥33 million	Donate to: The People's Political Association

Employee training

Since fiscal 2014, we have promoted anti-bribery education across MHI and Group companies in Japan and overseas. Since fiscal 2015, we have conducted training to make every employee in MHI Group worldwide aware of the MHI Group Global Code of Conduct, which includes prohibition of bribery. Since fiscal 2014, MHI and its Group companies worldwide have steadily conducted e-learning education to prevent bribery, mainly for manager-level employees. Approximately 22,250 employees in total have taken these courses so far. In 2021, we conducted face-to-face training on bribery prevention in seven locations nationwide, and around 1,400 people have taken this training so far.

In 2021, group training on bribery prevention was held at three sites in Japan including online, and approximately 1,850 employees in total have taken this training so far.

Anti-trust

Anti-trust policy

MHI has worked to prevent the violation of anti-trust laws through messages from top management and through the use of rules and manuals such as the Code of Conduct Pertaining to Communication/Contact with Competitors.

In May 2015, we published the MHI Group Global Code of Conduct and thoroughly ensured that all executive officers and employees throughout MHI Group are aware that anti-competitive conduct is strictly forbidden.

Coverage

	MHI Group	
(Reference)	MHI Group Global Code of Conduct	https://www.mhi.com/company/aboutmhi/policy/conduct.html

Employee training

MHI entered into a plea agreement with the U.S. Department of Justice concerning the U.S. anti-trust laws in 2013, in connection with the sales of compressors and condensers for automotive air-conditioning systems. In response to this, we have continued every effort to raise compliance awareness and to prevent its recurrence. Specifically, in order to ensure thorough compliance throughout the whole MHI Group, we have reinforced compliance training by various means including educational videos, lectures by lawyers, and e-learning programs.

In addition, since fiscal 2015 we have conducted training to make every employee in the MHI Group worldwide aware of the MHI Group Global Code of Conduct, which includes compliance with competition laws.

Since fiscal 2014, MHI and its Group companies worldwide have steadily conducted e-learning education to comply with anti-trust laws, mainly for manager-level employees. Approximately 1,400 employees took these e-learning courses in fiscal 2021, and approximately 21,550 employees in total have taken these courses so far. In 2021, group training on compliance with anti-trust laws was held at three sites in Japan including online, approximately 100 employees took this training, and approximately 1,850 employees in total have taken this training so far. We also provide group training on bidding on government projects for the employees of divisions and Group companies working on public procurements.

Security Export Control

Export Control Policy

From the perspective of maintaining international peace and safety, the export and transfer of products, services, technologies or information that could be used in the development or manufacture of weapons of mass destruction or conventional weapons are managed under an international security trade control framework.

MHI Group also strives to conduct thorough monitoring by performing assessments and transaction screenings, including confirmation of the country or region of destination, use, and customer when exporting commodities or providing technologies overseas and acquiring the necessary export licenses and permissions prior to export.

Through the MHI Group Global Code of Conduct, established in May 2015, we have conducted awareness training of export control to all MHI Group executives and employees. Furthermore, through the Global Policy on Export-Related Laws and Regulations Compliance, released in October 2017, we have set fundamental standards and rules in connection with the proper implementation of Export Controls that each Group company is expected to follow.

Coverage

	MHI Group	
(Reference)	MHI Group Global Code of Conduct	https://www.mhi.com/company/aboutmhi/policy/conduct.html

Employee training

We are making steady progress in providing education, including face-to-face education and e-learning, focused on export controls throughout the whole MHI Group. We have conducted e-learning on export control for MHI and Group companies in Japan since fiscal 2007, approximately 3,900 people took these courses in fiscal 2021, and a total of approximately 55,900 people have taken these courses to date. We have also introduced e-learning focused on classifications check since fiscal 2017, approximately 1,270 people took this course in fiscal 2021, and a total of approximately 8,800 people have taken the course so far. Since fiscal 2019, we have conducted e-learning training on the export control of technology at MHI and Group companies in Japan, in which approximately 12,300 employees participated in fiscal 2021, and approximately 54,400 employees in total have participated so far. Since fiscal 2016, we have been conducting e-learning on export control for people at overseas Group companies at the management level, approximately 3,500 people took these classes in fiscal 2021, and approximately 11,230 people have completed these classes so far. Furthermore, since fiscal 2015 we have made steady progress in providing education for all employees of MHI and its Group companies in Japan and overseas to further familiarize themselves with the MHI Group Global Code of Conduct, including export control.

Tax Transparency**Tax-law Compliance Policy**

MHI Group complies with the tax laws and related regulations of the countries where we operate, respecting the spirit of law of each country, and in international trade strictly observes international taxation rules, such as tax treaties, the OECD Transfer Pricing Guidelines, and the BEPS Action Plan. In this way we declare and pay taxes in an appropriate manner as a corporate group with global operations. For just, fair and highly transparent handling of taxes, we work to raise awareness of tax-law compliance in Group employees and make effort to disclose information and communicate well with tax authorities worldwide so they will correctly understand our operations and build a good and healthy relationship with us.

► Product Stewardship

It goes without saying that, as a global and highly diversified manufacturer, the MHI Group's top priority is to ensure the safety and quality of its products. We have formulated a quality management system (QMS) for individual businesses and products based on ISO 9001^(Note) and other official standards and obtain third-party assurance on an individual basis. As awareness efforts related to safety and quality, we work to educate employees about safety and quality to prevent product accidents. One example of this is the establishment of the Accident Exhibit and Materials Room based on past accidents.

(Note) Includes quality management systems (such as JISQ9100) that are specifically designed for aerospace products

Total number of product safety and quality trainees

2021 Total Approximately **18,750**

Pick Up

Quality and Safety Programs for Key Products

Nuclear Safety and Maintenance Steering Committee ^(Note) continues to establish nuclear safety

We established the Managing Board for Innovation in the Nuclear Business, headed by the President, in light of a secondary system piping damage accident in August 2004 at the Mihama Nuclear Power Station Unit 3, which was operated by Kansai Electric Power. Since fiscal 2013, we have been continuing as the "Nuclear Safety Steering Committee" with the aim of achieving even higher nuclear safety.

In fiscal 2021, the Steering Committee received reports on efforts to directly inform managers and all people concerned at the forefront of sites of the seriousness of accidents and the importance of responsibility, and efforts to raise awareness of nuclear safety and promote safe and stable plant operation, to promote contributions to society through the further use of nuclear power.

Matters confirmed included the fact that we should consider the continued passing on of lessons learned from accidents to the next generation as an issue for the Company. It was also confirmed that we will work to accumulate a record of sincerely doing work as engineers by complying with basic rules, not cutting corners, and thoroughly investigating essential causes and resolving troubles, so that citizens will have confidence in MHI and consider nuclear power to be safe because Mitsubishi is engaged in it.

(Note) Name changed to Mitsubishi Nuclear Safety and Maintenance Steering Committee from fiscal 2020.

Measures for enhancing domestic nuclear power plant safety

MHI set up an emergency task force immediately after the Great East Japan Earthquake. After the Advanced Station Safety Department (currently, the Advanced Plant Safety Department) was established in August 2011, the task force was transferred to this department and developed countermeasures against the blackout that occurred at the Fukushima Daiichi Nuclear Power Plant. The task force has been reflecting these countermeasures at PWR (Pressurized Water Reactor) power plants built by MHI in Japan. Furthermore, the new safety criteria that was developed by the Nuclear Regulation Authority (NRA: established in September 2012) went into effect in July 2013, and in August 2015, PWR power plants that have satisfied the new safety criteria resumed operations. Currently, safety inspections are underway at other PWR power plants geared toward restarting their operations and sequentially these plants have been restarting. MHI is providing technical support to power companies to restart operations at these domestic PWR nuclear power plants. We are also supporting the restart of BWR (Boiling Water Reactor) plants, which are different from what we currently manufacture, at the soonest date possible. MHI has been supporting power companies to implement medium- and long-term countermeasures, such as Installation of Specialized Safety Facility, etc. MHI continues to contribute to the safe and stable operation of nuclear power plants in order to meet urgent power demand in Japan by taking advantage of its comprehensive technological capabilities as a nuclear power plant manufacturer.

Shipbuilding: Enhancing QMS activities to prevent product accidents

Mitsubishi Shipbuilding Co., Ltd. (MHIMSB), which is involved in the commercial ships business & marine structure business, is engaged in the manufacturing and engineering business for a wide range of ships and marine products in the Yokohama, Shimonoseki, and Nagasaki regions. The companies strive to adopt the same quality indicators, non-conformity management systems, safety and quality education programs, and internal audits in all regions, and are working with each region to improve work processes and quality management framework to realize a more advanced QMS and cultivate an attitude focused on safety and quality. In our commercial ships business & marine structure business, MHIMSB and MHIMST work to deliver products and services that meet customers' expectations through ISO 9001 external audits for QMS activities.

Aircraft: Raising awareness for aircraft safety through education and training, and promoting of QMS-related activities

In the aircraft manufacture business, based on the Aircraft Safety Policy, assurance of aircraft safety is our top priority. All employees engaged the aircraft manufacturing operation and management understand the gravity of aviation accidents. Accordingly, as part of our educational activities aimed at ensuring thorough awareness of aircraft safety, we are implementing various training programs for relevant employees, primarily in management positions. These include training where employees learn through educational tours of the Japan Airlines Safety Promotion Center and climbing the Osutaka Ridge to pay respects to those who died in the Japan Airlines Flight 123 accident in 1985; workshops that communicate the lessons learned from an emergency landing accident involving an MH2000 helicopter and an accident where a F-2 jet fighter crashed and burst into flames (instructions on new work procedures / application of independent verification programs) in 2000 and 2007 respectively; initiatives to prevent leftover foreign objects; and training where employees learn through active discussions with pilots. In addition, we are working to improve quality on an ongoing basis through QMS-related activities based on JIS Q 9100.

Transportation systems: Ensuring the safety of transportation systems based on quality management systems

Mitsubishi Heavy Industries Engineering, Ltd. (MHIENG) is working on the development of various transportation systems with a high potential for use in public settings, such as Automated People Mover (APM) for use in airports and other facilities in cities and Light Rail Vehicle. To ensure that such transportation systems function with a high degree of safety, MHIENG operates a quality management system based on ISO 9001 and our own quality policies in all processes from design, procurement, and manufacturing to installation, test operation, and maintenance. Every year, top managers review these activities, evaluate the effectiveness of the quality management system, and propose new actions for improvement. Mechanisms are also being developed to incorporate safety standards and customer requirements in various countries into the initial design stage of projects developed in and outside Japan.

In addition to these efforts, MHIENG utilize a system tool for sharing the lessons learned from past projects.

Employees involved in past projects disclose and record their experiences and lessons learned so that current project members can acquire and share useful skills and knowledge, and find a stronger awareness of product safety.

Air-conditioners: With customer safety as a top priority, safety design, verification processes and product-related risk management processes are incorporated in design management standards

Mitsubishi Heavy Industries Thermal Systems, Ltd. acquired ISO 9001 certification in 1994 and established design management standards for product design and development to ensure the safety of air-conditioners. These standards are based on quality policies that are derived from our quality management system. During product development, quality checksheets and other measures are used per these standards to fully verify safety throughout the life cycle of a product, from development to usage and disposal, in addition to checks against physical harm or financial damage caused by fire, explosions, and toxic substances. In the unlikely event that a serious product-related accident does occur in the market, we will take immediate steps to ensure customer safety, promptly confirm facts, analyze the cause, conduct an investigation, implement corrective actions, report to the appropriate government agencies, and disclose this information to users and the market. Based on the product safety policy described above, in January 2018 we requested that users of our air-conditioners who meet certain conditions submit them for free inspection and repair. We will take the lessons learned from this occurrence to foster a work climate throughout the Company, including businesses overseas, that places the prevention of reoccurrences of incidents and product safety as top priorities.

Maintaining and Strengthening Defense Production and Technological Bases**Contributing to the peace and safety of Japan through technology**

MHI is dedicated to the core vision of supplying cutting-edge technology for national safety and security. As a leading supplier in the Japanese defense industry, MHI endeavors to maintain and strengthen defense production and technological bases. MHI develops and manufactures a vast array of defense equipment based on the requirements of the government of Japan, including fighter planes, helicopters, missiles, defense vessels, and tanks, and also provides operational support. The environment surrounding the defense of Japan has been changing dramatically over the last few years. In light of the current financial difficulty of Japan and the speed of technological progress, it is increasingly important to maintain and strengthen defense production and technological bases, in order to satisfy the requirements of the government.

MHI is focusing on the future security environment and is developing various technologies that meet the needs of the country. This includes research into stealth and weight-reduction technologies and avionics to be applied to F-X, and into technology related to high-water-speed at sea for amphibious vehicles.

We are also working on dual-use businesses such as cybersecurity, drone application, and satellite data analysis that utilize advanced technologies developed on the foundation of experience in the defense business up to this point. We are also working on dual-use businesses such as cybersecurity, drone application, and satellite data analysis that utilize core technologies developed in the defense and space fields up to this point. Therefore, we believe defense technologies can also contribute to long-term technological advances in Japan and the defense sector is expected to develop as a national strategic industry.

Promoting nuclear power Public Acceptance (PA) activities

MHI accepts visitors to our Kobe Shipyard & Machinery Works, where the equipment and facilities for nuclear power plants are manufactured, and promotes nuclear power PA activities to deepen understanding of the necessity and safety of nuclear power. MHI will continue our activities to promote the understanding of nuclear power through shop tours and provision of information to promote nuclear power use.

(Note) Nuclear Power PA (Public Acceptance) activities: Public outreach programs to provide a better understanding of nuclear energy



Touring the Kobe Shipyard & Machinery Works (Note)

(Note) The photo was taken before the epidemic of the COVID-19.

Performance Data

Product Stewardship

Safety and quality management

<p>Impact evaluation related to safety and quality</p>	<p>In the MHI Group Global Code of Conduct, with regard to “health, safety and quality of services and products,” the Company emphasizes complying with relevant laws, internal standards, and customer specifications, and making efforts to ensure product safety, as well as responding promptly and appropriately should a safety or quality problem be identified.</p> <p>As the markets for the MHI Group’s products are diverse, we have a quality management system (QMS) in place for individual businesses and products to meet customer and market needs based on ISO 9001 and other official standards. 90% of locations in Japan and 94% of locations overseas have also acquired individual third-party certification. In April 2013, MHI established a QMS Promotion Group in the Monozukuri Innovation Planning Department (now the Value Chain Innovation Department). The QMS Promotion Group has been working to strengthen quality management, including at Group companies, and improve work processes to meet the needs of globalization by sharing technologies and knowledge horizontally across the Group.</p>
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Education and awareness related to safety and quality

It goes without saying that, as a global and highly diversified manufacturer, MHI Group's top priority is to ensure the safety and quality of its products. To promote product safety, we work to educate employees about safety and quality to prevent product accidents. One example of this is the establishment of the Accident Exhibit and Materials Room based on past accidents. The Accident Exhibit and Materials Room, opened in April 2010 at an MHI training center in Nagoya, introduces examples of serious accidents that have happened involving MHI Group products, such as a large cruise ship that caught fire while under construction. Its mission is to have all employees who handle MHI Group products, whether it be through design, procurement, manufacturing, or after-sale services, to pledge not to allow accidents like these to happen again, to learn from these accidents, and to put the lessons learned from these accidents to use in their respective jobs. The facility was given an extensive overhaul in April 2012, including the addition of new video presentations and artifacts designed to convey a greater sense of realism with regards to the nature of the accidents and the events experienced at the accident site. Approximately 41,120 visitors have passed through the facility since its opening. Meanwhile, since 2010 MHI has also held safety and quality training sessions describing past safety incidents, attended by employees, thereby increasing the total number of employees who have received this training to around 18,750.

Going forward, MHI will continue to expand its product safety education program to give employees more opportunities to become aware of the importance of safety and quality.

Safety control of radiation

Impact evaluation related to safety and quality

In the MHI Group, MHI Nuclear Development Corp., which conducts research and development related to nuclear power plants and fuels, and Mitsubishi Nuclear Fuel Co., Ltd., which produces nuclear fuels, classify radioactive waste according to the radioactivity level and the place of generation, and carry out appropriate storage management in accordance with applicable laws and regulations. In addition to legal compliance, we strictly control radiation by applying internal rules designed to minimize radioactive waste disposal. To establish a nuclear-fuel cycle to recycle spent fuel, we are building reprocessing facilities and MOX fuel plants. Through these efforts we will continue helping reduce radioactive waste within our Group and among the customers to which we deliver nuclear power plants.

MHI Nuclear Development Corporation	Unit	2018	2019	2020	2021
Radioactive waste (Solid waste)	200L drum				
Storage capacity		3,293	3,293	3,293	3,293
Volume of radioactive waste stored		2,506	2,539	2,555	2,610
Volume of radioactive waste generation		107	33	16	55
Radiation exposure of employees with radiation-related jobs (average) ^(Note)	mSv/year	0.03	0.15	0.02	0.07

Mitsubishi Nuclear Fuel Co., Ltd.	Unit	2018	2019	2020	2021
Radioactive waste (Solid waste)	200L drum				
Storage capacity		11,603	17,053	17,053	17,053
Volume of radioactive waste stored		11,066	13,403	14,747	16,108
Volume of radioactive waste generation		891	2,337	1,344	1,361
Radiation exposure of employees with radiation-related jobs (average) ^(Note)	mSv/year	0.09	0.00	0.01	0.01

(Note) ICRP Recommendations 2017 and related Japanese laws stipulate the dose limit for occupational exposure is 100 mSv per 5 years and 50 mSv per year in effective dose.

▶ Customer Relationship Management

One statement of Our Principles is: "We deliver reliable and innovative solutions that make a lasting difference to customers and communities worldwide." Therefore, the company's top priority is to always place itself in the customer's shoes and meet their expectations by providing products and services with high added value.

Business-to-business divisions such as power generation and turbochargers conduct Voice of Customer research to collect customer feedback. On the other hand, for areas in which general consumers are our customers, such as air-conditioning, we have set up a contact point to respond to Internet and telephone inquiries. In fiscal 2021, we received approximately 8,300 inquiries through these channels.

Basic CS Training, introduced in 2002, is used to improve employee awareness and foster the development of a customer-oriented corporate culture at MHI. Through these activities, MHI will continuously work to provide products and services that satisfy customers.

Number of violations related to advertising

2021

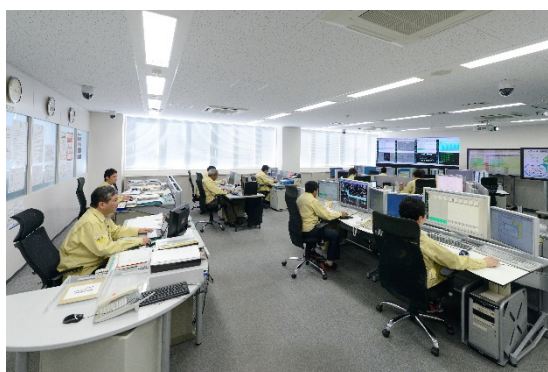
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Pick Up

Implementing technical support as an aspect of preventative maintenance

MHI Group provides 365-day real-time monitoring and support services for a wide range of energy systems, including gas power systems, steam power systems, renewable energy power systems, distributed power generation, and energy storage facilities, from five locations in Takasago and Nagasaki, Japan; the United States; the Philippines; and Germany.

By combining the MHI Group's abilities in a diverse range of solutions, we will provide support that will help increase the value of facilities and achieve a decarbonized society. As of June 2022, the system was connected to approximately 249 units in real time, contributing to our customers' stable power generation operations.



Takasago TOMONI HUB

Performance Data

Customer Relationship Management

Customer satisfaction

Customer satisfaction survey

Since customer characteristics and business practices are quite different in each of our businesses, MHI Group does not conduct a uniform standardized customer satisfaction survey across the board. Each business unit utilizes their own optimized measurement method for Customer Relationship Management.

Gas power systems and Steam power systems:

MHI collects Voice of Customer (VOC) information through daily face-to-face and online communication. VOC information is classified into seven categories (Maintainability and Operability, Consideration, Necessary Ability, Price, Response Speed, Market information, and others) to identify strengths and weaknesses. We work on areas such as technology development and Kaizen. Improvement activities based on the results of analyses are carried out on a daily basis.

In addition, the Company deploys web-based questionnaires specifically targeting overseas customers, with whom face-to-face communication is not easy, on an annual or biannual basis. The system collects and analyzes customers' comments on quality, price, and responsiveness of MHI contact. The results are then used to further improve product quality and customer service.

Thermal Systems Air Conditioning & Refrigeration:

Mitsubishi Heavy Industries Thermal Systems, Ltd., which engages in B-to-C business for air-conditioners, ensures that customer input is always incorporated through the contact points set up with Internet, telephone, and so on.

Online strategy

Online strategy

Gas power systems and Steam power systems:

MHI provides online surveillance of product operation and evaluation of predictors or potential signals of trouble while also issuing operational status reports for some customers.

Thermal Systems Air Conditioning & Refrigeration:

Mitsubishi Heavy Industries Thermal Systems, Ltd. provides a remote monitoring service that enable energy-saving and centralized management of operational status of centrifugal chillers, air-conditioners, and heat pump units. This service includes trouble-sign diagnosis and the analysis of the cumulated operational data to make customer proposals for further energy-saving improvements.

Engine & Energy:

The Engine & Energy Division of Mitsubishi Heavy Industries Engine & Turbocharger, Ltd., remotely monitors operation of their engine power generation systems at sites via the Internet inspect and propose preventive maintenance to the users in a timely manner.

Advertising activities

Responsible advertising activities

MHI Group carried out advertising activities based on its business plans that target stakeholders globally. Before carrying out any of its activities, MHI Group confirms facts to ensure that accurate information is provided, while endeavoring to abide by all provisions in related laws and industries. After running advertisements, the department assesses the improvement in the brand's awareness and understanding.

As examples of our worldwide advertising strategy for fiscal 2021, we placed advertorials in globally renowned media outlets such as Forbes, The Financial Times, Bloomberg, The Economist, The Wall Street Journal, BBC, CNBC, as well as in domestic magazines (Tokyo-jin, etc.). The advertising provide a holistic introduction to MHI Group's operations and endeavored to communicate information with the objective of raising awareness among stakeholders in Japan and overseas.

Number of violations related to advertising, their content, and measures

There were no legal or regulatory violations related to our advertising activities in fiscal 2021.

► Innovation Management

Manufacturing technologies are the source of value creation for the MHI Group, and intellectual property activities and R&D are the bedrock of its businesses. Supporting our business strategies for growth, we are promoting the construction of a global system, led by the Chief Technology Officer (CTO), who is the head of technology.

In April 2016, MHI launched “Shared Technology Framework” newly consolidating the Company’s technologies as well as its marketing, procurement, and other functions, overseen by the CTO. We created this framework to maximize the MHI Group’s comprehensive technological strength to bolster competitiveness over the medium to long term. About Research and Development, in 2015 we established “Research & Innovation Center”, consolidating five domestic R&D centers and transitioning to cross-organizational management in our R&D structure. Through this approach, we anticipate new technological synergies, enhanced human resource development, and greater efficiency in work performance and facility utilization. We are globalizing our R&D structure, and as part of these efforts, we are dispatching specialist engineers from research centers in Japan to our bases in the United Kingdom, Singapore, the United States, and China. We are making efforts to secure leading global technologies, information, and human resources, while conducting research and providing technological support that is closely aligned with market needs.

R&D expenditure

2021 **113.6** billion yen

Percent of sales

2021 **2.9** %

Performance Data

Innovation Management

R&D situation

R&D expenditure	Unit	2017	2018	2019	2020	2021	Coverage
Total	Billion yen	176.8	152.1	146.8	125.7	113.6	Group
% of sales		4.3	3.7	3.6	3.4	2.9	Group
Employees of R&D position	FTEs	1,300	1,350	1,350	1,460	1,460	Group

Open innovation case

Open innovation case 1

- Case MHI Group utilized the world’s largest CO₂ capture system, using the KM CDR process, with a capture capacity of 4,776 metric tons per day for Petra Nova in the U.S. state of Texas, as part of a joint venture between Japan-based JX Nippon Oil & Gas Exploration Corporation (JX Nippon) and NRG Energy, Inc., an independent power producer in the U.S. This project was carried out in collaboration with Southern Company, a leading U.S. power producer. This process was well received by the energy sector and received the “Plant of the Year 2017” award from POWER Magazine. In addition, the latest capture process (Advanced KM CDR) was awarded the highest “METI (Ministry of Economy, Trade and Industry) Minister’s Award” in the 2021 Outstanding Energy-Efficient and Decarbonizing Industrial Machinery & Systems of The Japan Machinery Federation.

■ **Benefit** MHI has been involved in R&D into CO₂ recovery technology for more than 30 years. The demonstration test of emissions at a coal-fired power plant owned by Southern Company has shortened the development period substantially. Furthermore, over a period of approximately five years, we have succeeded in scaling up the CO₂ recovery tenfold, from 500 tons per day (demonstration) to 5,000 tons (commercial). We believe this joint development has enabled us to significantly shorten the cycle from development to practical realization.

■ **Other Impacts** The CO₂ recovery process we have developed is currently being used at WA Parish Generator No.8, a coal-fired thermal power plant owned by NRG Energy, Inc., in the U.S. state of Texas. This recovery, which commenced on December 29, 2016, resulted in the world's highest volume of CO₂ recovery (4,776 tons per day). Furthermore, Technology Centre Mongstad in Norway, one of the world's largest CO₂ capture test facilities, completed trials aimed at the long-term verification of the latest capture process (Advanced KM CDR), which was expected to improve economic efficiency, including reducing operating costs. In October 2021, MHI obtained beneficial data that proved its technological advantages including excellent energy efficiency and lower operation cost, and this drove the future business expansion significantly. As a result, we anticipate a 14% reduction in overall CO₂ emissions by 2050.

Open innovation case 2

■ **Case** MHI has invested in the Geodesic Capital Fund, an investment fund operated by Geodesic Capital. This company, based in the U.S. state of California, was established by John V. Roos, former U.S. ambassador to Japan.

■ **Benefit** This action will introduce us to multiple venture companies centered in Silicon Valley. In addition, we will introduce the products and services of several of these companies and conduct evaluation research related to the introduction of such products and services into those of MHI. This in turn will lead to collaboration with individual companies.

■ **Other Impacts** By participating in Geodesic-sponsored events to introduce venture companies, as well as seminars, we aim to obtain information on leading-edge technologies such as the Internet of Things, artificial intelligence (AI), security, big data, robotics, wireless communications, and quantum computer, and promote their application to our products. Examples of collaboration with venture companies include the introduction of the collaborator's cyber security tools and remote monitoring control tools to our systems and products, which utilized external technologies and human resources.

Open innovation case 3

■ **Case** In October 2020, we opened the Yokohama Hardtech Hub (YHH) within a building housing the Company's plant (total floor space: approx. 20,000m²) as a co-creation space for companies, local governments, educational institutions, and others involved in venture companies and manufacturing to gather. As of April 2022, 9 venture companies and partner companies have moved into YHH for their activities. In addition to the connection with those venture companies, YHH has begun playing a role of being a place to accelerate new business projects in which we are involved, from PoC (Proof of Concept) to social implementation, promoting various demonstrations of advanced technologies and ideas through co-creation.

■ **Benefit** We are accelerating measures to solve social issues through our diverse range of connections with venture companies, manufacturing companies, etc., and our co-creation activities. In addition, we are working to enhance our ability to discern businesses that address increasingly specialized and rapidly changing technological innovation and diversifying social needs. At the same time, we are utilizing the YHH as a place to nurture new businesses, together with development management capabilities based on quick iterations of failure and improvement cycles and a sense of entrepreneurship that attracts collaborators from beyond the framework of existing organizations to take on new challenges for the creation of a new society. In this way, we are contributing to the creation of new technologies and businesses. In 2021, we succeeded in a demonstration of a container-type data center that adopted an immersion cooler, which cools IT devices with liquid, in a short period of time by utilizing YHH equipment.

■ **Other Impacts** By creating a cycle of having innovators from around the world gather to create new industries and cultures, we will also contribute to the revitalization of local communities.

Process innovation

Process innovation

- Case Value chain innovation activity:
- Benefit We are continuously working on process streamlining and improvement in all business domains, contributing to shortening work hours and reducing costs. We have upgraded the value chain process by utilizing digital solutions with AR/VR technology. For example, this upgrading reduced man-hours in the design process by 25% and cut lead time in the assembly and manufacturing process by 40%, thereby reducing costs and energy consumption.

Environmental innovation

Environmental innovation

- Case Thermal Systems Air-Conditioning & Refrigeration:
- Benefit In 2018, Mitsubishi Heavy Industries Thermal Systems, Ltd. launched Q-ton Circulation, Japan's first air-source circulation heat pump that uses R454C (GWP 146) low- global warming potential (GWP) refrigerant. We have significantly reduced our environmental impact by R454C, a refrigerant that meets GWP clearance requirements (150) already in force in Europe. We have also achieved high energy efficiency by adopting a two-stage compression refrigeration cycle with our proprietary high-efficiency 3D scroll compressor. As a result, we have achieved 67% reduction in running costs and 51.6% reduction in energy consumption compared to gas boilers.

Product adaptation for emerging markets

Product adaptation case

Small and medium-sized gas turbine:
In emerging countries where power grid infrastructure is still rather poor, there is a strong demand for small distributed power sources. A small- to medium-sized gas turbine (Output: 30-140MW), is a compact but highly efficient quality product tailored to the needs of emerging markets, and has been enjoying strong demand.

Thermal Systems Air-Conditioning & Refrigeration:
In emerging countries, we are making efforts to provide comfortable living environments to people through the development and sale of products that are adapted to market needs, environmental regulations, and other factors in each country.

Improving productivity

Technology licensing

By transferring sophisticated manufacturing technology as is, such as machine work and assembly in Japanese factories, we have been achieving both high quality production capability and cost competitiveness. This approach has been taken in various business and products in which quality is essential. In addition, we are promoting technology licensing in the form of licenses for the following major thermal power products. Gas turbines to Chinese manufacturers, and steam turbines, boilers, Flue Gas Desulfurization (FGD) plants and Selective Catalyst Reduction (SCR) to Chinese and Indian manufacturers.

Reviewing procurement agreements or inventory levels

Thermal Systems:
Our products are sold through dealerships and distributors in each country (including emerging countries). When orders are received, we survey verify the inventory status along our distribution channel in order to plan "just in time" delivery along with de-accumulation of our inventory level. Implementation of organized supply chain management is also supporting this "just in time" delivery by reducing the production lead time.

► Supply Chain Management

MHI procures a variety of materials and services both domestically and globally, including raw materials, machinery, equipment, and components. MHI is open to all motivated and competitive suppliers. Suppliers are fairly and impartially evaluated and selected in accordance with related laws, regulations, and social norms in order to build relationships of trust based on win-win partnerships.

In December 2018, MHI Group revised the MHI Group Supply Chain CSR Promotion Guidelines established in June 2010, to include more specific details on consideration of human rights and occupational safety and consideration of the environment. By sharing the Group’s approach to and CSR procurement with business partners and the partners that build the supply chains of partners, we are promoting sustainability and CSR activities across the entire supply chain. As MHI Group’s basic policy on the supply chain with the aim of realizing sustainable societies, the guidelines seek the understanding and cooperation of business partners. In addition to improving product safety, quality, price, and timely delivery and enhancing technological development capabilities, the guidelines describe compliance, corporate ethics, consideration for human rights, occupational safety, and the environment, and regional and social contributions. Moreover, at platforms such as “business partner meetings” and “business policy briefings,” we explain the Group’s CSR promotion guidelines and offer educative information on the conduct expected of business partners by introducing cases of ESG risks in the supply chain.

(Reference) MHI Group Supply Chain CSR Promotion Guidelines

<https://www.mhi.com/company/procurement/csr/>

Number of business partners provided with sustainability and CSR education

2022

Total number of participants

1,682 companies

Performance Data

Supply chain management

Supply chain structure

Spending analysis (analysis of procurement history)	We conduct spending analysis, in respect of the total amount of money spent on orders and analyze procurement amounts and other expenditures by procurement region.	
Amounts by Supplier (Billions of yen)	Results for FY2022	
	Japan	12,716
	North America	1,235
	Europe	1,426
	China	832
	Asia / Oceania	1,415
	India	133
	Korea	321
	Middle East	41
	Taiwan / Hong Kong	107
	Central and South America	52
	Africa	0.9

Critical suppliers

Definition of critical suppliers		By business unit, MHI nominates critical suppliers those suppliers that supply important or large quantities of parts or equipment or suppliers that are available where no alternatives exist.
Tier 1 suppliers		23,088 companies (FY2022)
Primary Tier 1 suppliers		2,111 companies (FY2022)

Supply chain monitoring

Supply chain monitoring	MHI monitors and evaluates its critical Tier 1 suppliers' quality, cost, delivery, technical capability, and management (including ESG) based on each business unit. By doing so, it monitors the Group's supply chain with the goal of analyzing supply chain risks and identifying high risk suppliers.	
Evaluated suppliers in last 3 years	3,997 companies	
Ratio	17.3%	
	In addition, we conduct surveys in order to ascertain the status of CSR promotion initiatives by suppliers.	
Number of suppliers surveyed by CSR questionnaire*	Japanese: 1,606 companies (FY2021) Overseas: 505 companies (FY2022)	
	*The CSR questionnaire utilizes the Self-Assessment Questionnaire (SAQ) of the Global Compact Network Japan (GCNJ), a network in Japan for the United Nations Global Compact.	
Number of suppliers surveyed by ESG inspection	Based on supply chain monitoring result, to mitigate risks to MHI group supply chain, we are conducting on-site surveys at supplier's site and perform assessment regarding suppliers' CSR activity including their knowledge about the relevant laws and their compliance structure against high risk suppliers from ESG point of view. We also discuss improvement as necessary.	
	In fiscal 2022, we have confirmed that there will be no major negative impacts as a result of our on-site surveys.	
	In addition, we conduct follow-up surveys to confirm the implementation status of subsequent corrective measures based on the content of corrective discussions with suppliers during these on-site surveys.	
	Onsite: 38 companies, Online: 5 companies (FY2021)	

Conflict minerals

Basic Policy Concerning Conflict Minerals	<p>Armed groups engaged in conflicts in the Democratic Republic of the Congo and neighboring countries have committed serious human rights abuses and acts of environmental destruction.</p> <p>This issue has caught the world's attention. Some of the proceeds from the minerals produced in this region (tin, tantalum, tungsten, and gold, hereinafter "conflict minerals") are thought to be a source of funding for these armed groups. MHI Group has no intention of abetting human rights abuses or environmental destruction by procuring raw materials, parts or products which contain the conflict minerals. A survey was conducted in fiscal 2022 targeting smelter and country of origin, which is the mineral procurement source for aircraft and automobile parts, and the results confirmed that 5,437 smelters out of 12,806 identified were certified under the conflict-free smelter program. We will continue to work with our customers, suppliers, industry groups and others in efforts to avoid benefiting the armed groups.</p>	
(Reference)	MHI Group Supply Chain CSR Promotion Guidelines	https://www.mhi.com/company/procurement/csr/

Our improvements in the supply chain

<p>Procurement Education and Training</p>	<p>Procurement departments at MHI provide a range of training programs designed to ensure compliance with the applicable laws and regulations. In fiscal 2022, a total of 48 new employees and employees just transferred to procurement departments attended an introductory course on basic information concerning procurement practices including CSR procurement, overseas procurement, and the negotiation of commercial contracts.</p> <p>We are also advancing initiatives for promoting CSR throughout the supply chain. We explain the importance of CSR to our business partners while raising awareness of the MHI Group Supply Chain CSR Promotion Guidelines.</p>
<p>Educated suppliers</p>	<p>FY2023 Plan 1,000 companies</p>

Participating in Initiatives

<p>Participating in Supply Chain-Related Initiatives</p>	<p>In order to advance MHI Group's CSR procurement initiatives, since fiscal 2019, we have taken part in the Supply Chain Working Group of the Global Compact Network Japan, the local network of the UN Global Compact in Japan. Through activities with other companies, including those from other industries, we are promoting discussions on issues that we face on a practical level and generating outputs (deliverables) aimed at contributing to the resolution of those issues.</p>
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Environment

► Environmental Management

Basic Policy on Environmental Matters and Action Guidelines

With environmental problems gaining recognition on a global scale, MHI Group established the Environment Committee in 1996 in order to clarify its attitude toward the environment, to express its stance to people both inside and outside the Company, and to direct and promote its environmental activities. At its first meeting, the Environment Committee formulated the Basic Policy on Environmental Matters and Action Guidelines (refer below), in line with the MHI Group's Principles: "We deliver reliable and innovative solutions that make a lasting difference to customers and communities worldwide." Since that time, the entire Group has worked to promote environmental initiatives through maintaining a dialogue with suppliers and other stakeholders in accordance with this Basic Policy and these guidelines. MHI Group made partial revisions to its Basic Policy on Environmental Matters and Action Guidelines in January 2018 with the approval of the Executive Committee, chaired by the President and CEO.

Basic Policy on Environmental Matters

Provision 1 of MHI Group's principles reads: "We deliver reliable and innovative solutions that make a lasting difference to customers and communities worldwide." This means that our primary purpose is to contribute to society through R&D, manufacturing and other business activities. The company shall undertake all aspects of its business activities with the understanding that it is an integral member of society and will strive to reduce its burden on the environment, contributing to the development of a sustainable society.

Action Guidelines

1. Prioritize environmental protection within company operations, and take steps across the entire MHI Group to protect and enhance the environment.
2. Clarify roles and responsibilities regarding environmental protection by developing an organizational structure to deal with matters related to environmental protection, and to define environment-related procedures, etc.
3. Strive continuously to improve and enhance environmental protection activities not only by fully complying with environmental laws and regulations but also, when necessary, by establishing, implementing and evaluating independent standards and setting environmental goals and targets.
4. Strive to alleviate burden on the environment in all aspects of company business activities, from product R&D and design to procurement of raw materials, manufacture, transport, usage, servicing and disposal, through pollution prevention, conservation of resources, energy saving, and waste reduction.
5. Strive to develop and market advanced and highly reliable technology and products that contribute to solving environmental and energy challenges.
6. Strive to preserve the environment in partnership with our stakeholders and gain their understanding of this policy.
7. Take steps to raise environmental awareness among all group employees through environmental education, etc., while delivering environment-related information to the public and taking part in CSR activities.

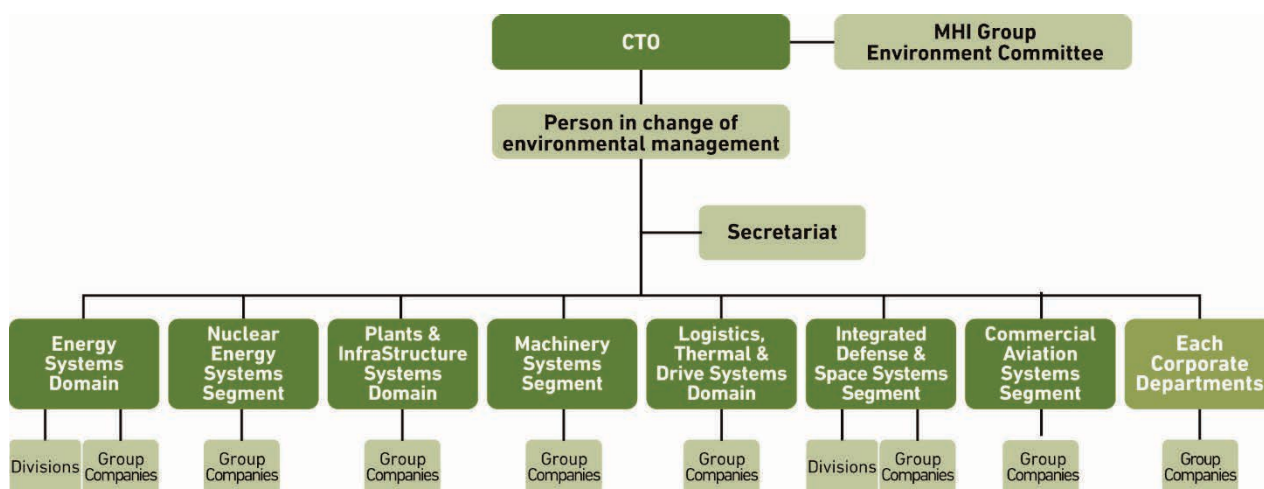
Formulated in 1996 (Revised in January 2018)

(Paragraph 6 Supplementary Information) Stakeholders include suppliers, joint venture partners, licensees, external outsourcing companies, and other business partners. In addition, cases involving environmental due diligence and M&As will be taken into consideration.

Environmental Management Structure

At MHI Group, the MHI Group Environment Committee, chaired by the Chief Technology Officer (CTO) who takes charge of environmental management, promotes policies and initiatives shared throughout the Group. The Committee, whose members are selected from the domains and segments, and corporate units, drafts plans for deployment across all Group companies via the domains, segments of each business, and corporate units. The MHI Group's organizational chart for environmental management is shown below.

The MHI Group's Environmental Management Organization



Environmental Targets

The MHI Group Long-Term Environmental Target and the Fifth MHI Group Environmental Targets, which represent the Group's medium-term goals, were established at a meeting of the Environment Committee held in March 2021. The Long-Term Environmental Target has raised decarbonizing the business activities of the MHI Group by 2040. The Fifth MHI Group Environmental Targets aim for reductions in CO₂ emissions, reductions in water usage, and reductions in waste generation by fiscal 2023. MHI Group will continue to contribute to the global warming problem and work as one to achieve these goals.

Long-Term Environmental Target (FY2040)

Decarbonize the Group's business activities

The Fifth MHI Group Environmental Targets (FY2023) Compared with FY2014

Unit CO₂ emissions

-9 % (Note)

Unit water consumption

-7 % (Note)

Unit waste generation

-7 % (Note)

(Note) Consolidated Group Companies

■ The MHI Group Long-Term Environmental Target (FY2040)

Item	Scope of target	Target (FY2021-FY2040)
Reduction in CO ₂ emissions	Entire MHI Group	Decarbonize MHI Group's business activities by 2040 (Scope 1, Scope 2)

■ The Fifth MHI Group Environmental Targets (FY2021–FY2023)

Item	Scope of target	Target (FY2021-FY2023)
1. Reduction in CO ₂ emissions	1.1 Entire MHI Group	Reduction in CO ₂ emissions per unit from offices and plants by 9% in FY2023 relative to FY2014.
2. Reduction in water usage	2.1 Entire MHI Group	Reduction in water usage per unit in FY2023 by 7% relative to FY2014. (Water: industrial water, tap water, groundwater, rivers, lakes; excludes seawater).
3. Reduction in waste generation	3.1 Entire MHI Group	Reduction in waste generation per unit in FY2023 by 7% relative to FY2014 (Excluding valuable materials; including hazardous waste.)

(Note) Consolidated Group Companies will be subject to this target

Performance Data

Environmental management

Responsible person	Chief Technology Officer (Executive Vice President)
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Committee	
Name	MHI Group Environment Committee
Members	Chaired by CTO and composed of 13 members.
Number of meetings	1 (FY2021)

ISO14001 certification (As of March 31, 2022)	Entire MHI Group	Number of certified companies 43 companies	Coverage ratio of target sites (net sales basis) 84%
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(Reference) ISO14001 certification

<https://www.mhi.com/sustainability/environment/iso14001.html>

Other certification (As of March 31, 2022)		Number of certified companies
	EcoAction 21	2 companies
	K-EMS (Certification by City of Kobe)	3 companies

Environmental audit	At MHI Group, two levels of audits are conducted including one by each domain, segment, and corporate unit on their respective organization as well as one by the environmental secretariat at MHI headquarters on the environmental management division of each domain, segment, and corporate unit. As a general rule, the respective domains, segments, and corporate units conduct internal environmental audits at the works, plants, and other facilities in Japan they oversee to ensure compliance with environmental laws and regulations and to conduct physical, on-site verification of operational conditions. Based on the Group's environmental policy, these audits confirm that environmental management associated with addressing climate change and pollution as well as water conservation have been properly employed. The environmental secretariat at MHI headquarters conducts audits on the status of compliance and environmental management of the environmental management division of each domain, segment, and corporate unit.
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Reporting on breaches (Note 1)

There was no significant breach last year. (As of August 31, 2022)

(Note 1) Coverage is group companies of Japan

Environmental KPIs

The Fifth MHI Group Environmental Targets

KPI (1) CO₂ emissions / Amount of sales

Target Reduce the unit CO₂ emissions by 9% compared to FY2014.
Target Year FY2023

KPI (2) Water usage / Amount of sales

Target Reduce the unit water consumption by 7% compared to FY2014.
Target Year FY2023

KPI (3) Waste generation / Amount of sales

Target Reduce the unit waste generation in by 7% compared to FY2014.
Target Year FY2023

	2018		2019		2020		2021	
	Performance	Compared with FY2014	Performance	Compared with FY2014	Performance	Compared with FY2014	Performance	Compared with FY2014
KPI (1) CO ₂ emissions <small>(Note 1)</small> / Amount of sales <small>(Note 1)</small>	16.5	Down 15.2%	15.1	Down 22.2%	13.2	Down 32.8%	11.4	Down 42.1%
KPI (2) Water usage <small>(Note 2)</small> / Amount of sales <small>(Note 2)</small>	0.176	Down 15.2%	0.184	Down 11.4%	0.183	Down 11.4%	0.159	Down 23.2%
KPI (3) Waste generation <small>(Note 3)</small> / Amount of sales <small>(Note 3)</small>	1.81	Down 15.7%	1.79	Down 16.6%	1.87	Down 12.9%	1.70	Down 21.0%

(Note 1) Data is for MHI on a non-consolidated basis and 156 Group companies

(Note 2) Data is for MHI on a non-consolidated basis and 139 Group companies

(Note 3) Data is for MHI on a non-consolidated basis and 117 Group companies

Environmental activities

Green Bond Issuance

In September 2021, MHI issued green bonds (Note) for the second consecutive year, following on from 2020. All funds procured through issuance of the MHI Green Bond in 2020 were allocated in full toward the Company's business in renewable energy (partial refinancing of investment relating to offshore wind power systems). Meanwhile, the fund raised from 2nd Series MHI Green Bond issuance in 2021 is to be allocated not only to the company's renewable energy business (wind power systems and business), but also to the clean energy business (hydrogen power systems and business).

MHI is currently taking steps to achieve an energy transition that will enable realization of a carbon-neutral society. As a short-term initiative, the Company is pursuing decarbonization of existing infrastructure, aiming to demonstrate carbon-free power generation fired by hydrogen and/or ammonia, together with successive product development, by 2025. Over the longer term, MHI is targeting achievement of a hydrogen ecosystem, encompassing all aspects from production to transport, storage and utilization; and the necessary decarbonization technology is expected to be established by fiscal 2025.

MHI views Green Finance such as this Green Bond and Transition Finance not only as methods of financing, but also as precious opportunities to engage in dialogue with its investors and society at large. Going forward, as it continues such dialogue further, the Company looks to enhance its corporate value through expansion of its energy transition businesses and utilizing financing arrangements appropriate to these areas.

(Reference) MHI Green Bond <https://www.mhi.com/finance/stock/esg/greenbond>

Preparation of Green Bond Framework and Acquisition of Second Party Opinion

In preparation for issuance of its green bond, MHI Group has established the MHI Green Bond Framework in accordance with the Green Bond Guidelines of the International Capital Markets Association (ICMA).

With respect to evaluation of the green bond's suitability, the Company has received a second party opinion (SPO) from Sustainalytics, a third-party institution, attesting to the bond's conformity with ICMA's "Green Bond Principles 2021" and the "Green Bond Guidelines" (2020 edition) issued by the Japanese Ministry of the Environment.

(Note) Green Bonds are unsecured corporate bonds where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles.

Transition Bond

Selection of Model Example for 2021 Climate Transition Finance Model Projects of Ministry of Economy, Trade and Industry

In March 2022, MHI applied for the 2021 Climate Transition Finance Model Projects (Note) of the Ministry of Economy, Trade and Industry (METI), and was selected as a model example. One of the unique features of this model example is that MHI not only plans to achieve emission reduction from the economic activities of itself but also attempts to enable the realization of transition strategies of other parties through its products and services.

DNV Business Assurance Japan K. K., an independent external organization, opined that MHI's "Roadmap to Achieve Carbon Neutrality" is consistent with the sector-specific roadmaps (electric power, gas, iron and steel, chemical) formulated by METI and the sector-specific roadmap (international shipping) formulated by the Ministry of Land, Infrastructure, Transport and Tourism from the perspective of MHI's efforts to promptly provide systems, facilities and services which are necessary for the execution of these roadmaps. DNV also opined that MHI's roadmap indeed aims at contributing to CO₂ reduction in a wide range of value chains, including various key industries.

MHI has developed "Mitsubishi Heavy Industries, Ltd. Green/Transition Finance Framework" and has obtained a second party opinion from DNV, an independent external reviewer, that this framework is aligned with the following principles and guidelines.

- ICMA Green Bond Principles 2021
- Ministry of the Environment Japan Green Bond Guidelines 2020
- LMA, APLMA, LSTA Green Loan Principles
- Ministry of the Environment Japan Green Loan and Sustainability Linked Loan Guidelines 2020
- ICMA Climate Transition Finance Handbook 2020
- Financial Services Agency, Japan; Ministry of Economy, Trade and Industry, Japan; and Ministry of the Environment Japan Basic Guidelines on Climate Transition Finance (May 2021)

(Reference) Mitsubishi Heavy Industries Transition Bond <https://www.mhi.com/finance/stock/esg/transitionbond.html>

(Note) A project of METI which provides information on and reduces the assessment costs for examples that are deemed to have model qualities in order to promoting the spread of transition finance. Examples that conform to the "Basic Guidelines on Climate Transition Finance", formulated by the Ministry of the Environment (MOE) and the Financial Services Agency (FSA), and have model qualities will be selected as model examples.

Conclusion of loan

agreements for Positive Impact Finance (financial products for corporate with unspecified use of funds)

In March 2022, MHI concluded a loan agreement for Positive Impact Finance (financial products for corporate with unspecified use of funds) with MUFG Bank, Ltd. (contract amount JPY 2.0 billion yen) (Note).

In concluding this agreement, MHI selected themes from its materiality and other topics as activities that will contribute to achieving the SDGs (Sustainable Development Goals). Mitsubishi UFJ Research and Consulting Co., Ltd. carries out qualitative and quantitative evaluations, and MHI has obtained third-party opinions from the Japan Credit Rating Agency, Ltd. regarding the compliance of its evaluation procedures with the Principles for Positive Impact Finance and the reasonableness of the performance indicators used for evaluation.

(Note) Positive Impact Finance (PIF), based on the Principles for Positive Impact Finance and implementation guidelines formulated by the United Nations Environment Programme Finance Initiative (UNEP FI), is a loan intended to provide continuous support for corporate activities while comprehensively analyzing and evaluating the impacts (both positive and negative) those activities have on the environment, society, and the economy. The key feature of PIF is the use of the degree of contribution to achieving the SDGs through corporate activities, products, and services as an evaluation indicator, and monitoring based on disclosed information.

United Nations Environment Programme (UNEP)

The UNEP is an auxiliary agency of the UN established in 1972 to implement the Human Environment Declaration and the International Environmental Action Programme. The United Nations Environment Programme Finance Initiative (UNEP FI) is a broad-based, close partnership between the UNEP and more than 200 global financial institutions. Established in 1992, UNEP FI coordinates with financial institutions, policy agencies, and regulatory bodies to facilitate a shift to financial systems that integrate economic development with environmental, social, and governance (ESG) considerations.

Principles for Positive Impact Finance

The Principles for Positive Impact Finance, formulated by UNEP FI in January 2017, is a financial framework for achieving SDGs. Companies disclose their contributions to achieving SDGs as KPIs. Banks then assess the positive impact of those contributions and provide funding to enhance the beneficial impacts of that company, and to encourage reduction of negative impacts. Banks provide funds as responsible financial institutions, monitoring the KPIs to confirm that the impacts are ongoing.

<p>Fostering environmental awareness</p>	<p>MHI formulates its own environmental education curriculum based on e-learning and other methods to provide environmental education to employees. In addition to the internal environmental auditor training program organized by our training center, specialized training that deals with daily management procedures and handling emergencies also takes place for employees doing painting tasks and handling dangerous materials.</p>
<p>Environmental Education for Suppliers</p>	<p>Our "Action Guidelines" stipulate that we "strive to preserve the environment in partnership with our stakeholders and gain their understanding of this policy." Under this, we created a section titled "Respect for the Environment" in the MHI Group Supply Chain CSR Promotion Guidelines, and we communicate that content with our suppliers.</p>
<p>Activities for environmental preservation (Reference)</p>	<p>Supporting conservation survey for loggerhead turtles in danger of extinction Promoting forest conservation activities Biodiversity (p.66)</p>

Product Stewardship

Life-cycle assessment

<p>Environmental Standards for Product Development and Assessment of environmental impact</p>	<p>In 2005, we formulated the Basic Guidelines for Environment-Friendly Product Fabrication (not disclosed) as a reference for manufacturing products that contribute to environmental protection and CO2 reduction. For example, the Guidelines provide information on environmental impact assessments throughout the product life cycle and on the creation of products designed to reduce environmental impact, as follows:</p> <ul style="list-style-type: none"> • Reduction of energy input at any stage of the product lifecycle, including electricity and steam used at a factory when manufacturing a product or parts; fuel consumed during product/parts transportation by truck, etc.; and electricity/fuel used as a power source when using a product. • Reduction of material input at any stage of the product life cycle. • Management easiness, e.g., in terms of parts replacement during a service; easiness of disassembly or sorting out for collection, recycling and disposal; and safety level of work.
<p>Reducing hazardous substances in products</p>	<p>In accordance with the regulations of the countries and regions in which we provide products and services, we are working to reduce or eliminate hazardous substances in each of our businesses. For example, we are working to reduce the lead content of brass material bearings used in medium-and large-sized turbochargers for industrial machinery to less than 4% (the final target is less than 0.1%) in order to meet the customers' needs subject to the EU's RoHS Directive. This is an application exempt from RoHS Directive and the expiration date is 2024, so it will be reduced by 2024.</p>

Environmental product declaration

Environmental product declaration

Since the majority of our products are industrial products for BtoB sales, we need confirmation with each customer regarding the precise details required for product tests, provisions, and contracts by going beyond the general Environmental Product Declaration in order to ensure the environmental standards and performance to be met. As for products for the general public (BtoC), we have air conditioners that are fully compatible with the Energy Saving Labeling Program authorized by the Ministry of Economy, Trade and Industry (METI) by meet 100% of the set energy-saving standards. In addition, certain centrifugal chillers, heat pumps, gas engines, and other units have been recognized with the L2-Tech certification of the Ministry of the Environment in Japan for their low-carbon technology.

% of revenue

Less than 10%

Collection and recycling of used products

Collection and recycling of used products

Although the majority of our products are industrial products targeted for business to business (BtoB) use, we promote product management throughout their entire life cycle, including disposal and recycling, through project stewardship centered on eco-design and eco-labeling.

As for products targeted for the general public (BtoC), air conditioners are subject to the Home Appliances Recycling Law of Japan, and are therefore collected in compliance with relevant laws and regulations.

Furthermore, our rental forklifts are selected from registered Rental UP vehicles, inspected, and have parts replaced based on our in-company standards. These vehicles are then divided into three ranks according to replacement parts, painting, and warranty period for sale as a "certified second-hand vehicle." We are currently developing this business model as the first of its kind in Japan.

% of revenue

Less than 10%

Recognizing Outstanding Environmental Contributions through MHI's Best Innovation Awards

As part of the Best Innovation Award, the in-house award program, the Environment / Sustainability Award recognizes products and business activities that contribute to global environmental conservation and protection, and reduction of environmental loads.

In fiscal 2021, the award went to four projects: promoting the adoption of CO₂ capture technology and commercialization of new KS-21™ solvent; Q-ton Circulation, a high-efficiency heat pump featuring a new refrigerant and two-stage compression refrigeration cycle; refurbishing power generation facilities and achieving lower environmental impact from the reuse of emergency power supply gas turbines; and reducing CO₂ through waste-to-energy plant improvements in combustion control and exhaust gas recirculation.

(Reference)

Products / Projects that Contribute to the Environment

<https://www.mhi.com/news/220304.html>

Environmental reporting coverage

Coverage

In principle, scope of the financial and environment-related non-financial information disclosure of MHI Group includes Mitsubishi Heavy Industries Ltd. and consolidated subsidiaries. When some non-financial information applies to either only MHI or the specific scope of business at our subsidiaries, such specific scope is defined separately.

Referenced guidelines

Referenced guidelines

Global Reporting Initiative's (GRI) Sustainability Reporting Standards
Value Reporting Foundation (VRF) International Integrated Reporting Framework
Ministry of the Environment's Environmental Reporting Guidelines (2018 version)
Task Force on Climate-related Financial Disclosures (TCFD)

► Climate Change

MHI Group has established CO₂ emission reduction targets within its MHI Group Long-Term Environmental Target (FY2021-2040) and Fifth MHI Group Environmental Targets (FY2021–2023) and is engaging in efforts to solve climate change problems through its business activities and products and services.

The Group will continue efforts to promote energy saving and improve work processes, contributing to further reductions in energy load and other environmental improvements.

CO₂ emissions (Scope1 & 2)

FY2021 **55** ten thousand tons (Note 1)

CO₂ emissions rate (Compared with FY2014 levels)

FY2021 **38** %

(Note 1) Data is for MHI on a non-consolidated basis and 158 Group companies. (Coverage: 97% of consolidated revenues)

Performance Data

Climate change opportunities and risks

Activities that mitigate climate change at business site

Energy-saving activities

To reduce emissions of CO₂ and other greenhouse gases from our operations, MHI Group conducts a range of activities to conserve and raise the efficiency of energy at each site, including the shift to LED lighting and highly energy-efficient substation equipment.

Introduction of Renewable Energy

MHI Group, at some of its business sites, works to reduce emissions of CO₂ and other greenhouse gases by shifting to renewable energy and using electricity. Each site has installed photovoltaic (PV) systems and purchases electricity generated through hydroelectric power. In March 2018 PV systems were installed on the rooftop of the Thailand plant of Mitsubishi Turbocharger Asia Co., Ltd, reducing annual CO₂ emissions by nearly 3,000 tons, for which the company received high acclaim from the Thai government as it contributed to the country's reduction of CO₂ emissions.

Furthermore, the electricity generated by the White Deer Wind Farm operated by the Group is used by Group companies in the United States through Renewable Energy Certificates (RECs), and is reducing CO₂ emissions by about 32,000 tons per year. Furthermore, at our Mihara Works, in order to achieve a "carbon neutral factory" with completely zero CO₂ emissions within the plant by the end of fiscal 2023, we work with electric utilities to introduce solar power generation equipment and other measures.

Products and technologies that mitigate climate change

Products and technologies that mitigate climate change and reduction in CO₂ from using MHI Group products

MHI Group is working to create a low-carbon society across a broad spectrum of fields, including large-scale power generation technologies such as highly efficient thermal power generation plants and nuclear power plants; power generation systems that utilize wind, geothermal, and other renewable energies; ships and transportation systems for improving the efficiency of the transportation sector; and high energy-saving air-conditioning systems that use heat pump technology; and CCUS that captures CO₂ for utilization or storage.

Incentives toward management activities related to the issue of climate change

MHI Group introduced as part of its "Best Innovation" in-house award program the Environment / Sustainability Award, which recognizes products and business activities that contribute to global environmental conservation and protection, and reduction of environmental loads. Award winners receive rewards of up to several hundred thousands yen.

In fiscal 2021, we recognized the following four products and activities as Environment / Sustainability Awards: promoting the adoption of CO₂ capture technology and commercialization of new KS-21™ solvent; Q-ton Circulation, a high-efficiency heat pump featuring a new refrigerant and two-stage compression refrigeration cycle; refurbishing power generation facilities and achieving lower environmental impact from the reuse of emergency power supply gas turbines; and reducing CO₂ through waste-to-energy plant improvements in combustion control and exhaust gas recirculation.

(Reference) Products / Projects that Contribute to the Environment

<https://www.mhi.com/sustainability/environment/commendation.html>

GHG Emissions

Direct GHG emissions (Scope 1)

		Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)	2022 (Note 5)	
CO ₂ emissions (consolidated)	Performance	kt	184	185	151	173	167	
	Third-party assurance (domestic)	kt	135 (Note 6)	122 (Note 7)	102 (Note 8)	118 (Note 9) ✓	Under examination	
Other emissions (MHI)	CH ₄	Performance	t-CO ₂	259	51	62	73	Under examination
	N ₂ O	Performance	t-CO ₂	464	187	1,320	261	Under examination
	HFCs	Performance	t-CO ₂	1,303	579	637	219	Under examination
	PFCs	Performance	t-CO ₂	0	0	0	0	Under examination
	SFCs	Performance	t-CO ₂	39	21	291	574	Under examination
	NF ₃	Performance	t-CO ₂	0	0	0	0	Under examination

Indirect GHG emissions (Scope 2)

	Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)	2022 (Note 5)
Performance (Location-based) (Note 10)	kt	614	577	495	419	414
Performance (Market-based) (Note 11)	kt	609	526	399	371	364
Third-party assurance (domestic : Market-based) (Note 11)	kt	358 (Note 6)	302 (Note 7)	247 (Note 8)	225 (Note 9) ✓	Under examination

(Note 1) Data is for MHI on a non-consolidated basis and 163 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 157 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 156 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 158 Group companies. (Coverage: 97% of consolidated revenues)

(Note 5) Data is for MHI on a non-consolidated basis and 163 Group companies. (Coverage: 98% of consolidated revenues)

(Note 6) Data is for MHI on a non-consolidated basis and 16 Group companies.

(Note 7) Data is for MHI on a non-consolidated basis and 14 Group companies.

(Note 8) Data is for MHI on a non-consolidated basis and 15 Group companies.

(Note 9) Data is for MHI on a non-consolidated basis and 12 Group companies.

(Note 10) Calculated using the national average emission factors published by the Ministry of the Environment and country average emission factors from IEA Emission Factors published by the International Energy Agency (IEA)

(Note 11) Calculated using emission factors by electricity utility operator. If those emission factors by electricity utility operator are not applicable, country emission factors from IEA Emission Factors were used

Other indirect GHG emissions (Scope 3) (Note)

Category	Unit	2019	2020	2021	2022
1. Purchased goods and services (Note 1)	kt	5,298	4,935	4,819	4,907
2. Capital goods (Note 2)	kt	496	390	385	477
3. Fuel and energy-related activities not included in Scopes 1 and 2 (Note 2)	kt	79	71	68	66
4. Transportation, distribution (upstream) (Note 1)	kt	14	11	13	17
5. Waste from business	kt	22	19 (Note 5)	17 (Note 6) ✓	14
6. Business travel (Note 2)	kt	11	10	10	10
7. Employee commuting (Note 2)	kt	38	37	36	35
8. Leased assets (upstream) <Included in Scopes 1 and 2>		—	—	—	—
9. Transportation, distribution (downstream) <Included in category 4>		—	—	—	—
10. Processing of products sold (Note 3)		—	—	—	—
11. Use of products sold (Note 2)	kt	1,360,000	715,000	1,573,000	1,231,000
12. Disposal of products sold (Note 3)		—	—	—	—
13. Leased assets (downstream) (Note 4)		—	—	—	—
14. Franchises (Note 4)		—	—	—	—
15. Investments (Note 3)		—	—	—	—
Totals in the aggregate scope	kt	1,365,958	720,474	1,578,348	1,236,526

(Note) Figures may fluctuate due to revision of the scope and method of calculation.

(Note 1) Data is for MHI on a non-consolidated basis and some major domestic Group companies

(Note 2) Data is for MHI on a non-consolidated basis and Group companies.

(Note 3) Excluded from calculation due to lack of reference data.

(Note 4) Excluded from calculation due to being outside company business.

(Note 5) Data is for MHI on a non-consolidated basis and 11 domestic Group companies.

(Note 6) Data is for MHI on a non-consolidated basis and 9 domestic Group companies

Energy Consumption

Total energy consumption

	Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)	2022 (Note 5)
Performance	GWh	2,147	2,097	1,718	1,783	1760

Electricity purchased

	Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)	2022 (Note 5)
Performance	GWh	1,191	1,120	982	954	936

Renewable energy

	Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)	2022 (Note 5)
Renewable energy consumption						
Performance	GWh	17	18	117	99	109
Percentage of total energy consumption	%	0.8	0.9	6.3	5.3	5.8

(Note 1) Data is for MHI on a non-consolidated basis and 163 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 157 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 156 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 158 Group companies. (Coverage: 97% of consolidated revenues)

(Note 5) Data is for MHI on a non-consolidated basis and 163 Group companies. (Coverage: 98% of consolidated revenues)

Energy use (Japan)

	Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)
Electricity	GWh	739	699	598	539✓
Heavy fuel oil A	ML	5	3	3	4✓
Heavy fuel oil B・C	KL	0	20	0	0✓
Gasoline	ML	0.7	0.3	0.2	0.3✓
Diesel/Gas oil	ML	4	3	4	2✓
Kerosene	ML	2	4	2	2✓
Jet fuel	ML	0.7	0.7	0.7	0.8✓
Coal for fuel use	kt	0.1	0.1	0	0
City gas	Mm ³	38	36	29	38✓
Liquefied Petroleum Gas	kt	4	4	4	3✓
Liquefied Natural Gas	kt	0.2	0.1	0.7	1✓
Natural gas (excluding LNG)	Km ³	0	0	0	0.9
Petroleum hydrocarbon gas	Km ³	0	0.1	0.1	1.5✓
Hot water	GJ	30	21	20	21✓
Chilled water	TJ	17	7	6	12✓
Steam	TJ	10	4	4	7✓

(Note 1) Data is for MHI on a non-consolidated basis and 16 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 14 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 15 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 12 Group companies.

TCFD Disclosure

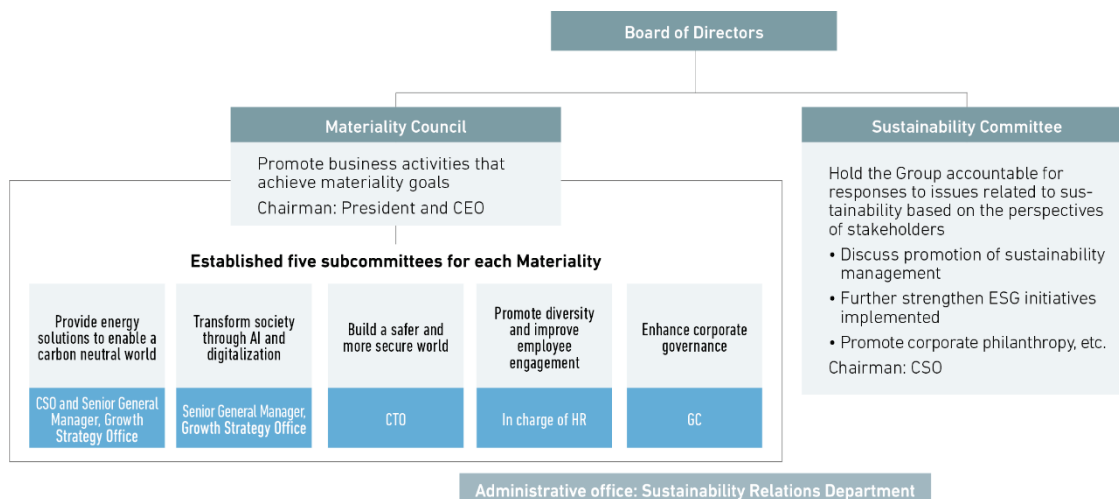
MHI Group has endorsed the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations and discloses climate-related information in accordance with the TCFD recommendations.

1. Governance System

One of the important social issues identified by MHI Group is to "provide energy solutions to enable a carbon-neutral world." To address materiality, the Materiality Council chaired by the President and CEO meets twice a year to monitor business activities aimed at achieving materiality targets and to direct business divisions to take appropriate actions. Furthermore, our Sustainability Committee, which is chaired by the Chief Strategy Officer (CSO), generally meets twice a year to address sustainability issues and to further strengthen ESG initiatives. Committee members are corporate officers, and relevant leaders from each business unit are gathered based on the issues at hand.

Furthermore, our Sustainability Committee, which is chaired by the Chief Strategy Officer (CSO), generally meets twice a year to address sustainability issues raised by our stakeholders and to further strengthen ESG initiatives. Committee members are corporate officers, and relevant leaders from each business unit are gathered based on the issues at hand.

The Sustainability Promotion System Chart



2. Strategies (Scenario Analysis)

Climate Scenarios

MHI Group has developed the following two climate change scenarios and assessed their future impact on each business in 2030.

① Decarbonization Scenario

A "scenario to promote decarbonization through stricter climate change policies," which aims to achieve economic growth while limiting the global average temperature rise to a maximum of 1.5°C above pre-industrial levels in the year 2100.

② Fossil Fuel Dependency Scenario

A "scenario in which climate change policies are not made stricter and the dependence on fossil fuels proceeds," which assumes a global average temperature increase of 4.0°C above pre-industrial levels in the year 2100.

Risks and Opportunities under the Hypothetical Climate Scenarios

As a transition risk shared by the Group, the Decarbonization Scenario assumes that regulations such as carbon taxes will be escalated, and the cost of carbon emissions will rise significantly. However, we believe that there are numerous business opportunities to be had by leveraging the strengths of our emission reduction-supporting products and technologies.

The Fossil Fuel Dependency Scenario, on the other hand, focuses on the physical risks associated with climate change. In terms of opportunities, as it is difficult to imagine that future regulations will be eased in developed countries that are already promoting various environmental regulations, we can assume that business opportunities will arise by offering the benefits of our emission reduction technologies.

Strategies for the Risks and Opportunities (Scenario Analysis)

We have conducted an examination of the risks and opportunities associated with the two climate scenarios described above in terms of what should be addressed as a whole Group and what should be incorporated into the strategies of each individual business. We ran scenario analyses on the Energy Systems domain including Nuclear Power Systems segment and the Logistics, Thermal & Drive Systems domain which are the divisions typically responsible for the growth strategies of Energy Transition and Smart Infrastructure and have relatively large operating scales.

We will continue to broaden and refine the scope of our risk and opportunity analysis as appropriate to changes in the business environment.

■ Decarbonization Scenario

Common Risks Across the Group (Transition Risks) Decarbonization Scenario – Carbon pricing	
Risks	<ul style="list-style-type: none"> Increased cost burden due to escalated carbon pricing, including carbon tax. Particularly concerning is the tightening of regulations in Japan, which accounts for over 70% of our bases' emissions.
Measures	<ul style="list-style-type: none"> Shift to carbon-neutral manufacturing. Consider incorporating technologies such as high-temperature heat pumps, hydrogen power generation equipment, and CCUS in our manufacturing facilities.

■ Decarbonization Scenario ■ Fossil Fuel Dependency Scenario

Common Risks Across the Group (Physical Risks) Both Scenarios – Natural disasters	
Risks	<ul style="list-style-type: none"> Damage to the factories or supplied plants of our group or partners. Especially damage to properties in Japan, given that around 90% of disasters in the last 5 years have been in Japan (typhoons and torrential rain).
Measures	<ul style="list-style-type: none"> Regularly review the BCP (Business Continuity Plan) and conduct training for employees and relevant persons. Hedge risks with damage insurance. Implementation of measures to counter risks identified in risk assessments at all Japan plants.

■ Decarbonization Scenario

Business Risks (Transition Risks) Decarbonization Scenario (Scope: Energy Systems Domain and Nuclear Energy Systems Segment)	
Risks	<ul style="list-style-type: none"> Delays in the establishment of supply chains for hydrogen and ammonia as cleaner energy sources to replace or supplement fossil fuels, and consequently, delays in the launch of new markets. As a result of delays in launching CCUS markets, a decrease in after-sales service due to the decommissioning of existing thermal power plants that would have been used. Rapid decline of demand for large-scale centralized power supplies due to more than expected promotion of renewable energy innovation.
Measures · Opportunities	<ul style="list-style-type: none"> Accelerate the commercialization of hydrogen gas turbines through verification of all stages of the process from hydrogen production to power generation, an example being the construction of Takasago Hydrogen Park. Apply CCUS to existing coal-fired power plants Develop clean fuels such as ammonia/biomass-fired boilers, etc. Support the restarting of nuclear power plants which are large-scale carbon-free power sources, the installation of severe accident management facilities, and the establishment of nuclear fuel cycles. Develop and commercialize next-generation light water reactors with enhanced safety (mid-2030s). Develop and commercialize small light water reactors as distributed power sources, fast reactors that contribute to resource efficiency and the reduction of radioactive waste toxicity, and high-temperature gas reactors that meet the emission reduction/hydrogen needs of industry (after 2040).

■ Decarbonization Scenario

Business Risks (Transition Risks) Decarbonization Scenario (Scope: Logistics, Thermal & Drive Systems Domain)	
Risks	<ul style="list-style-type: none"> The commoditization of products due to electrification could result in a decline in the superiority of our engineering and manufacturing technologies Impact from supply shortages of semiconductors, batteries, and other components due to rapid electrification
Measures · Opportunities	<ul style="list-style-type: none"> Propose solutions that take advantage of our collective knowledge Accelerate the development of not only conventional battery-powered vehicles, but also fuel-cell-powered forklifts and port logistics equipment

3. Metrics and Targets

In October 2021, MHI Group planned and announced two new targets aimed at achieving a carbon neutral society.

The first target is to reduce the Group's CO₂ emissions (Scope 1, 2 (Note 1)) to net zero by 2040. As an interim target, we also plan to reduce emissions by 50% by 2030 (versus 2014 levels). This represents a reduction of CO₂ emissions from production activities at the Group's plants and other facilities. Through such efforts, we are committed to achieving carbon neutral plants by applying our developed technologies and promoting further energy saving.

The second target is to achieve net zero CO₂ emissions across the entire value chain by 2040. As an interim target, we also plan to reduce emissions by 50% by 2030 (versus 2019 levels). This is primarily based on our customers reducing CO₂ emissions (Scope 3 (Note 2)), through the use of our Group's products, as well as reduction contributions from the widespread use of CCUS.

The Group possesses a broad selection of technologies and solutions in all business areas, including the decarbonization of customers' existing equipment, and will continue contributing to the reduction of global CO₂ emissions by offering a variety of solutions.

(Note 1) Scopes 1 and 2 of the GHG Protocol, an international standard for the accounting and reporting of greenhouse gas (GHG) emissions.

(Note 2) Scope 3 of the GHG Protocol, an international standard for the accounting and reporting of greenhouse gas (GHG) emissions.

The MHI Group's Carbon Neutral Declaration MISSION NET ZERO	Target year	Scope 1&2 Reduce the MHI Group's CO ₂ emissions	Scope 3 + contribute to CCUS reductions Contributing to society through the entire value chain
	2030	-50% (compared to 2014)	-50% (compared to 2019)
	2040	Net Zero	Net Zero

4. Risk Management System

Transition risks and physical risks are factors we consider when developing a management plan in all business divisions.

The Sustainability Committee verifies the findings of analyses on the most prominent items among the aforementioned climate change risks and opportunities.

The activities of the Sustainability Committee, including the aforementioned, are also regularly reported to the Board of Directors.

(Reference) TCFD Disclosure

https://www.mhi.com/sustainability/environment/climate_tcf.html

▶ Water Risk

The Fifth MHI Group Environmental Targets (FY2021–FY2023) established the target of reducing unit water usage in our business activities.

MHI Group will continue its efforts to reduce water usage by conducting checks on water leakage and undergoing repairs in a timely manner as well as through water-reduction activities through improved work processes.

Water Usage

FY2021 **682** ten thousand m³ (Note 1)

Unit reduction rate (Compared with FY2014 levels)

FY2021 **23.2** %

(Note 1) Data is for MHI on a non-consolidated basis and 144 Group companies. (Coverage: 92% of consolidated revenues)

Performance Data

Water Risk

Water risk governance

Committee

MHI Group Environment Committee

Risk management measures related to water risks

In the Fifth MHI Group Environmental Targets, MHI also set consistent Groupwide reduction targets in relation to the effective use of water resources, and is currently undertaking Groupwide measures.

We have created an action plan to reduce water consumption and appropriately manage water resources through each Group subsidiary's environment-management program and similar measures. We monitor the progress of the effort by each subsidiary, using an IT system that allows for compilation and reporting of water-related data.

Water-risk Management in Water-stressed Regions

MHI Group conducted a water-stress survey of production bases with high water intake in Japan and abroad using the Aqueduct Water Risk Atlas (ver. 3.0). Four of the surveyed facilities (17%) are in regions rated "high-risk" and above. Based on the survey results and analysis, we will identify high water-risk facilities, specify water risks, strengthen measures and raise the level of risk-management to best fit each facility.

Water risk management

Management of water quality

Waste water is managed and treated in accordance with relevant laws and regulations. In fiscal 2021 we found no case of water-standard violations according to related laws.

Management of changes to laws, regulations, taxes, and water prices

Domestically, once information on any regulation change or revision is obtained, we take appropriate action promptly as necessary. With regard to overseas factories belonging to Group companies, we are promoting the collection of data related to their water use.

Effort to address water risk through our products

Products contributing to the reduction of water use

For example, desalination plants for converting sea water into plain water are often built in combination with power plants constructed in Saudi Arabia, where water resources are limited. Combining our products from a wide range of areas, MHI has been delivering solutions for issues pertaining to water resources.

Relaxation of water quality effects by using products

We are contributing to alleviating the influence of water quality through environment-friendly thermal power generation systems, such as wastewater treatment of desulfurization equipment.

Water Usage

Reducing water usage

Reducing water usage	Unit	2018	2019	2020	2021	2022
Quantity of water intake	ten thousand m ³	925 (Note 1)	840 (Note 2)	741 (Note 3)	682 (Note 4)	674 (注 5)
Third-party assurance (domestic)		666 (Note 6)	647 (Note 7)	557 (Note 8)	506 (Note 9) ✓	Under examination
Breakdown by Quantity of water intake						
Tap water	ten thousand m ³	417	318	293 (Note 8)	274	274
Third-party assurance (domestic)	ten thousand m ³	212 (Note 6)	180 (Note 7)	161 (Note 8)	146 (Note 9) ✓	Under examination
Industrial water	ten thousand m ³	303	315	250	233	230
Third-party assurance (domestic)	ten thousand m ³	286 (Note 6)	291 (Note 7)	229 (Note 8)	215 (Note 9) ✓	Under examination
Groundwater	ten thousand m ³	205	207	198	175	169
Third-party assurance (domestic)	ten thousand m ³	167 (Note 6)	176 (Note 7)	167 (Note 8)	145 (Note 9) ✓	Under examination
Reused water usage (Note 10)	ten thousand m ³	22	18	18	16	18
Ratio of recycled water usage (Note 10)	%	6.0	5.0	6.0	2.4	4.0
Usage amount (Note 1)	ten thousand m ³	947 (Note 1)	860 (Note 2)	759 (Note 3)	699 (Note 4)	692 (注 5)
Unit water consumption (Note 12)		0.175	0.184	0.183	0.159	Under examination
Unit reduction rate (Compared with FY2014 levels)	%	15.4	11.4	11.4	23.2	Under examination
Water discharge (Note 10)	ten thousand m ³	1,048	794	781	668	852

(Note 1) Data is for MHI on a non-consolidated basis and 150 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 142 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 139 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 144 Group companies. (Coverage: 92% of consolidated revenues)

(Note 5) Data is for MHI on a non-consolidated basis and 143 Group companies. (Coverage: 94% of consolidated revenues)

(Note 6) Data is for MHI on a non-consolidated basis and 15 Group companies.

(Note 7) Data is for MHI on a non-consolidated basis and 13 Group companies.

(Note 8) Data is for MHI on a non-consolidated basis and 14 Group companies.

(Note 9) Data is for MHI on a non-consolidated basis and 11 Group companies.

(Note 10) Data is for MHI on a non-consolidated basis.

(Note 11) Including reused water usage.

(Note 12) Water usage / Amount of sales

► Biodiversity

Today, rapid loss of biodiversity and natural capital is recognized internationally. The Kunming-Montreal Global Biodiversity Framework adopted at the 15th meeting of the Conference of the Parties to the UN Convention on Biological Diversity (COP-15) in December 2022 called for nature-positive initiatives to halt and reverse biodiversity loss to put nature on a path to recovery as its mission for 2030, and to achieve a world that lives in harmony with nature as its vision for 2050.

MHI Group’s business activities both depend on and have potential to impact biodiversity and natural capital in various ways. In keeping with the Kunming-Montreal Global Biodiversity Framework, the Company profoundly recognizes the importance of adopting nature-positive initiatives, and to realize a world that lives in harmony with nature by 2050 MHI Group has issued “MHI Group’s Declaration on Biodiversity”.

MHI Group’s Declaration on Biodiversity

https://www.mhi.com/sustainability/environment/pdf/declaration_on_biodiversity_e.pdf

Pick Up

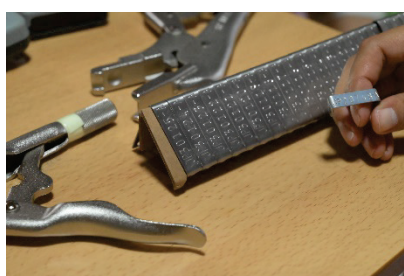
Supporting conservation survey for loggerhead turtles in danger of extinction

Since 2015, in Tanegashima, a key location for the Group’s rocket launch business, MHI Group has offered its support for the Tanegashima Loggerhead Turtle Survey, an event sponsored by Earthwatch Japan, an authorized NPO. The loggerhead turtle is in danger of global extinction. Although Tanegashima is the second largest spawning ground for the loggerhead turtle, there have been very few individual identification surveys conducted in the past for the purpose of preservation. Accordingly, we anticipate that the Tanegashima Loggerhead Turtle Survey will not only help to clarify the ecology of the loggerhead turtle but also lead to its preservation.

In local surveys, our employees participate as volunteers. Under the guidance of the NPO Sea Turtle Association of Japan, they put identification tags on mother turtles that laid eggs and check the scute and weights of newly hatched turtles. Since fiscal 2020, we have suspended volunteer activities to prevent the spread of COVID-19. However, local NPOs and loggerhead turtle researchers are continuing to conduct surveys and collect data.



Researchers engaged in the survey activities



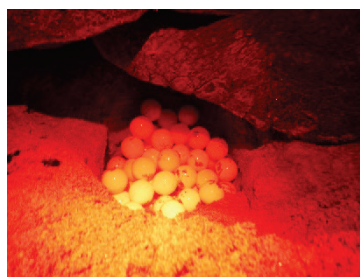
Identification tags to be put on mother turtles that lay eggs



Researchers are putting on a tag (Note)



A mother turtle came to lay eggs (Note)



Eggs laid by a loggerhead turtle (Note)



Using a drone to study loggerhead turtle footprints from the sky (indicated by the arrow)

(Note) Infrared photo

Promoting forest conservation activities

In recent years, MHI Group has been an active supporter of corporate forestry programs together with local governments and other organizations. We are involved in ongoing local government forest care programs. Centering on employees and their families, tree planting and thinning efforts are underway to protect the forests that provide habitats for many different creatures.

At the Sagamihara Machinery Works, Mitsubishi Heavy Industries Engine & Turbocharger, Ltd. has worked with Kanagawa prefecture as partners in forest rebuilding through the Kanagawa Suigen no Morizukuri Jigyou (Kanagawa Water Forest Creation Project) every year since 2009, assisting with planning and carrying out forest conservation activities. The purpose of this partnership is to raise awareness for the conservation of the natural environment among employees.

Since 2009, Mitsubishi Heavy Industries Thermal Systems, Ltd. has endorsed the initiative by naming the "Corporate Forest" in Mie Prefecture "Beaver Forest Kihoku". The employees regularly visit the site to plant trees and maintenance of side road.



Participants are doing thinning



Reforestation work on slopes

Conserving Biodiversity at Business Sites

Based on the results of environmental assessments at the Takasago Works, MHI installed a greening mound for native species at the Takasago combined cycle power plant validation facility in consideration of the ecosystem. In addition, the Company has established flowerbeds to preserve *Salvia plebeia* and *Carex neurocarpa Maxim*, rare plants.

Biodiversity Risk Assessment

Recognizing the importance of location-based analysis for understanding dependencies and impacts on nature, we are working on biodiversity risk assessment through the following process, referring to the LEAP*¹ approach presented in the beta version of the TNFD framework.

- STEP1 **Locate** our interface with important areas to nature
- STEP2 **Evaluate** dependencies and impacts on nature
- STEP3 **Assess** risks and opportunities related to dependencies and impacts on nature
- STEP4 **Prepare** to respond to nature-related risks and opportunities

As STEP1, we used IBAT*¹, a tool recommended by the TNFD, to investigate the interface with areas of biodiversity importance within a 3 km radius of 99 MHI Group operational sites, mainly major production sites around the globe.

The targets of our investigation were protected areas for biodiversity (World Heritage Sites, Ramsar Convention wetlands, UNESCO MAB biosphere reserves, IUCN Protected Area Categories Ia, Ib, II and III), and Key Biodiversity Areas (KBA).

As a result, we spotted 3 Ramsar Convention wetlands, 1 UNESCO MAB biosphere reserve, 2 IUCN Category Ia areas, 1 IUCN Category II area, 1 IUCN Category III area and 11 KBAs within a 3 km radius of the operational sites.

Fully recognizing our proximity to these areas of biodiversity importance, we will continue our business activities in consideration of biodiversity.

*1 LEAP: An assessment process for nature-related risks and opportunities, comprised of the following 4 phases: Locate the organization's interfaces with nature, Evaluate dependencies and impacts, Assess risks and opportunities, and Prepare to respond to nature-related risks and opportunities and report.

*2 IBAT (Integrated Biodiversity Assessment Tool): A tool that provides comprehensive biodiversity information as protected areas, KBAs and the distribution of endangered species around designated sites. It is used in various situations such as risk screening, biodiversity impact surveys and conservation planning.

► Waste / Pollution

As part of the Fifth MHI Group Environmental Targets (FY2021–FY2023), we set targets to reduce waste generation, including hazardous waste, promote thorough separation and reuse of waste, and reduce waste generation through minimizing process loss. Regarding volatile organic compounds (VOCs), which are important air pollutants, we set internal targets to reduce levels of xylene, toluene, and ethylbenzene—chemicals that are emitted in large volumes—in the atmosphere, while continuously monitoring air emissions.

Amount of waste generated

FY2021 **155** thousand tons (Note 1)

Atmospheric Emissions of Xylene, Toluene, and Ethylbenzene

FY2021 **558** t (Note 2)

(Note 1) Including valuables. Data is for MHI on a non-consolidated basis and 119 Group companies. (Coverage: 91% of consolidated revenues)

(Note 2) Data is for MHI on a non-consolidated basis and 27 Group companies in Japan. (Coverage: 78% of consolidated revenues)

Performance Data

Waste / Pollution

Waste generation

	Unit	2018 (Note 3)	2019 (Note 4)	2020 (Note 5)	2021 (Note 6)	2022 (Note 12)
Waste generation (total) (Note 1)	thousand tons	152	160	137	144	133
Third-party Assurance (domestic)	thousand tons	49 (Note 7)	56 (Note 7)	37 (Note 9) ✓	30 (Note 10)	—
Recycling amount (Note 1)	thousand tons	108	116	106	112	101
Total disposal amount (Note 2)	thousand tons	—	—	—	32	32
Landfill waste disposal amount	thousand tons	12	11 (Note 8)	11	9	10

Hazardous waste generation

	Unit	2018 (Note 3)	2019 (Note 4)	2020 (Note 5)	2021 (Note 6)	2022 (Note 12)
Waste generation (total)	thousand tons	7	10	9	11	11
Third-party Assurance (domestic)	thousand tons	—	—	—	6 (Note 7)	—
Recycling amount	thousand tons	—	—	—	4	5
Total disposal amount (Note 2)	thousand tons	—	—	—	7	6

(Note 1) Including valuables.

(Note 2) Waste generation (total) minus Recycling amount

(Note 3) Data is for MHI on a non-consolidated basis and 118 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 116 Group companies.

(Note 5) Data is for MHI on a non-consolidated basis and 119 Group companies.

(Note 6) Data is for MHI on a non-consolidated basis and 119 Group companies.

(Note 7) Data is for MHI on a non-consolidated basis and 14 Group companies. Excluding valuables.

(Note 8) Excluding the amount of Landfill waste disposal outside of business activities.

(Note 9) Data is for MHI on a non-consolidated basis and 15 Group companies. Excluding valuables, including hazardous waste.

(Note 10) Data is for MHI on a non-consolidated basis and 12 Group companies. Excluding valuables and hazardous waste.

(Note 11) Data is for MHI on a non-consolidated basis and 12 Group companies. Hazardous waste as defined by Japanese law related to waste.

(Note 12) Data is for MHI on a non-consolidated basis and 116 Group companies. (Coverage: 91% of consolidated revenues)

VOC emissions

	Unit	2018 (Note 1)	2019 (Note 2)	2020 (Note 3)	2021 (Note 4)	2022 (Note 5)
Total	t	1,145	815	741	558	585
Toluene	t	313	294	312	237	227
Xylene	t	536	339	274	217	229
Ethylbenzene	t	296	182	155	104	129

(Note 1) Data is for MHI on a non-consolidated basis and 22 Group companies in Japan.

(Note 2) Data is for MHI on a non-consolidated basis and 28 Group companies in Japan.

(Note 3) Data is for MHI on a non-consolidated basis and 25 Group companies in Japan.

(Note 4) Data is for MHI on a non-consolidated basis and 27 Group companies in Japan.

(Note 5) Data is for MHI on a non-consolidated basis and 25 Group companies in Japan. (Coverage : 72% of consolidated revenues)

Contributions to Society

▶ Labour Practice

For MHI Group to achieve sustainable development and maximize the creation of shared value with society, diversity (gender, age, nationality, disability, etc.) is required in the human resources that form the basis of business activities. For this reason, we are working to strengthen diversity management, and established a diversity promotion organization within the HR Department.

Specifically, we have incorporated diversity management into position-based training to raising awareness among managers, and opened a dedicated website on the intranet to provide information on diversity promotion.

To promote advancement of women at work, we are creating and executing plans to foster a corporate culture where women can play more active roles. Concretely, as part of measures to create systems to prevent the interruption of employees' careers, we have endeavored to enhance our unique systems and systems that go beyond those required by laws and regulations, including childcare leave and work systems, fertility treatment (child planning) leave, reemployment (career return) systems, and various types of support grants.

Furthermore, since 2014, we have been promoting various initiatives under four themes: increasing the number of female employees, offering career support for female employees, appointing female managers strategically and fostering a corporate culture that supports diversity management. Moreover, in July 2020, MHI received the highest "Three Stars" of "Eruboshi" (Note) certificate, by fulfilling criteria in all five evaluation categories: recruitment, continued employment, work style such as working hours, proportion of women in management positions and diverse career courses. We have been continuously meeting these criteria even after the certification.

We have also set a new goal of increasing the ratio of female executives to 30% and the ratio of female managers to twice the 2021 level by 2030. Toward this goal, we will continue to promote flexible work style and create systems for further career advancement.



(Note) "Eruboshi" is a certification awarded by the Minister of Health, Labor and Welfare to the companies that meet the standards for making exceptional contributions to the promotion of active roles for female employees, based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

■ Career measures to promote the active participation of women

Theme	Examples of past efforts
(1) Increasing the number of female employees	<ul style="list-style-type: none"> Reinforcement of female employment (Our works tours, round-table discussions, and pamphlet creation for female science students) Activities aimed at achieving a female ration of 10% among technical students hired
(2) Offering career support for female employees	<ul style="list-style-type: none"> Developing and strengthening systems to support work-life balance Holding childcare support seminars
(3) Appointing female managers strategically	<ul style="list-style-type: none"> Dispatch women to management training held by an external organization Strengthen follow-up to nurture promotion candidates
(4) Fostering a corporate culture	<ul style="list-style-type: none"> Awareness reform of managers (various briefings and training) Awareness reform of all employees (dissemination of information such as introduction of employee interviews)

For differently abled people, we aim to promote social independence and provide opportunities to play active roles in accordance with their abilities and aptitudes. We continuously consider a workplace environment, equipment, and facilities, that supports our employees and provide consulting services. In December 2018, we also created new workplaces where differently abled people can play active roles, and conducted recruitment activities in collaboration with the Employment Support Center, which is a public institution that helps differently abled people to find work and supports companies in employing such people. In 2021, we began operating workplaces with a focus on beautification of the premises in two regions. We plan to expand the number of workplaces that are friendly to these employees in more regions. Through these efforts, we are working to ensure that more and more differently abled people become interested in our company and make them feel at ease in applying to work with us. Since 2003, we have formulated a system for reemploying workers who reach mandatory retirement age of 60. We also implemented the Employment Extension System in 2013 to realize more balanced treatment and improved employee benefits. In addition, with the diversifying beliefs among our employees, we opened up our meeting rooms as prayer rooms and began offering places for worship. We are also working to promote the involvement of highly skilled employees with experiences in various workplaces and considering the possibility of providing same-sex couples with the same welfare benefits as legal marriages.

In order to provide a work environment where each and every employee can reach their full potential, MHI Group formulated the MHI Group Global Code of Conduct and is working to foster a corporate culture and establish various systems to serve such a purpose.

To realize a work environment free of all forms of discrimination and harassment, MHI addresses these issues in the MHI Group Global Code of Conduct as well as in the "Harassment Prevention Leaflet" posted on the Company's in-house website accessible by all employees. In these resources, MHI proscribes all forms of discriminatory treatment and harassment, including sexual harassment. Harsh consequences for infringement of good labor practices in this regard are clearly defined in the "MHI Employee Work Regulations."

MHI has also put in place structures enabling all Company stakeholders, both within and outside the framework of MHI, to seek consultation on labor issues. These include both in-house consultation offices as well as consultation services available through the Company website.

In regard to payment, working hours, and labour standards, we carefully comply with the laws and regulations of each country and adhere to the laws and regulations of Japan such as the establishment of labour conditions that prohibit employees from working more than eight hours a day and 40 hours a week. Through such measures, we are working to provide an even better work environment for our employees.

Moreover, we are concluding collective agreements with labour unions and compiling opinions regarding topics such as living wages, bonuses, occupational health and safety, improvements to various systems, and business conditions. In doing so, we are maintaining a dialogue between labour unions.

Ratio of Women in Positions

Position	2022 <small>(Note 1)</small>	2023 <small>(Note 2)</small>
All employees	13.5%	13.7%
Non-management	15.5%	16.1%
Manager <small>(Note 3)</small>	4.6% (4.4%)	4.7% (4.6%)
General Manager <small>(Note 3)</small>	3.2% (3.4%)	3.5% (3.7%)
Executives <small>(Note 3)</small>	4.2%	4.5%
Profit center Managers <small>(Note 3, Note 4)</small>	4.1% (3.9%)	4.1% (3.9%)

(Note 1) As of April 1, 2022 (coverage: 91.3% of All consolidated employees)

(Note 2) As of April 1, 2023 (coverage: 94.2% of All consolidated employees)

(Note 3) Aggregate figures including higher positions in parentheses

(Note 4) Profit center is defined as non-corporate organizations

Performance Data

Labour Practice

Diversity and Equal Opportunity

Number of employees (At the end of the fiscal year)		Unit	2017	2018	2019	2020	2021	Coverage
Total			82,728	80,744	81,631	79,974	77,991	Consolidated
			14,717	14,534	14,501	14,553	22,755	MHI
Male			13,213	13,104	13,042	13,076	20,571	MHI
	%		89.8	90.2	89.9	89.9	90.4	MHI
Female			1,504	1,430	1,459	1,477	2,184	MHI
	%		10.2	9.8	10.1	10.1	9.6	MHI

Average length of service and age for employees		Unit	2017	2018	2019	2020	2021	Coverage
		years	16.4	17.0	17.6	18.2	18.5	MHI
		age	39.5	40.1	40.7	40.8	41.6	MHI
Male		years	16.4	17.0	17.7	18.3	18.6	MHI
Female		years	16.6	17.2	17.4	17.9	17.8	MHI

Executive		Unit	2017	2018	2019	2020	2021	Coverage
Total			58	57	63	61	51	MHI
			57	56	61	58	49	MHI
	%		98.3	98.2	96.8	95.1	96.1	MHI
Female			1	1	2	3	2	MHI
	%		1.7	1.8	3.2	4.0	3.9	MHI

Manager (in positions of section manager and higher)		Unit	2017	2018	2019	2020	2021	Coverage
Total			3,083	3,196	3,265	3,396	5,498	MHI
			2,998	3,096	3,159	3,273	5,336	MHI
	%		97.2	96.9	96.8	96.4	97.1	MHI
Female			85	100	106	123	162	MHI
	%		2.8	3.1	3.2	3.6	2.9	MHI

Differently -abled people		Unit	2017	2018	2019	2020	2021	Coverage
Employment rate		%	2.13	2.1	2.29	2.24	2.34	MHI

Number of employees re-hired over retirement age (60yrs)		Unit	2017	2018	2019	2020	2021	Coverage
Total			925	696	519	608	695	MHI

Wage equality		Unit	2017	2018	2019	2020	2021	2022	Coverage
Managers (basic salary only)	Male		1.02	1.01	1.02	1.02	1.05	1.05	MHI
	Female		1.00	1.00	1.00	1.00	1.00	1.00	MHI
Managers (basic salary + other incentives such as bonuses)	Male		1.01	1.01	1.01	1.01	1.03	1.03	MHI
	Female		1.00	1.00	1.00	1.00	1.00	1.00	MHI
Non-managerial positions	Male		1.02	1.03	1.03	1.03	1.05	1.05	MHI
	Female		1.00	1.00	1.00	1.00	1.00	1.00	MHI

(Note) The lowest of the average wages for men and women in each tier is 1.00, and the difference is displayed as an index.

Freedom of Association

	Unit	2017 (Note 1)	2018	2019	2020	2021
Employees covered by collective bargaining agreements	%	99.9	88.9 (Note 2)	88.9 (Note 2)	88.9	74.9 (Note 3)
Number of labour union-management consultations	times	43	40 (Note 1)	41 (Note 1)	42	47

(Note 1) Data is for MHI on a non-consolidated basis.

(Note 2) Data is for MHI on a non-consolidated basis and 10 Group companies in Japan. (Coverage: 49.3% of employees)

(Note 3) Data is for MHI on a non-consolidated basis and major 7 Group companies in Japan.

Layoffs

	Unit	2016	2017	2018	2019	2021	Coverage
Number of employees laid off		0	0	0	0	0	MHI
Number of labour union-management consultations	times	0	0	0	0	0	MHI

► Occupational Health and Safety

MHI Group we continuously strive to create safe and pleasant workplaces for all Company employees as well as for all employees of the affiliate partners with which we collaborate in our business activities. We pursue this goal in line with two guidelines. The first is our “Health and Safety Principle” as defined by the Executive Vice President in charge of Human Resources (HR), who oversees all matters relating to occupational health and safety. This principle reads: “At MHI Group, safety is the number one priority. We will do everything in our power to protect lives.” The second guideline is the “MHI Group Health and Safety Policies,” which incorporate six policies, among them: 1) Each and every one of us across MHI Group must join forces as one united team to maintain and heighten our health and safety standards; 2) We hold health and safety as a top priority at each of the MHI Group companies by establishing procedures, defining roles and responsibilities, and engaging in health and safety initiatives; 6) Our physical and mental wellbeing is fundamental to everything we do at MHI Group. We must continue to elevate and embrace a culture of health and safety across our workplace.” As of September 2021, two of our Group companies have acquired ISO 45001 certification attesting to excellence in occupational health and safety management (Note).

To clarify which occupational health and safety initiatives MHI Group should undertake with high priority, every year the Executive Vice President in charge of HR draws up a comprehensive health and safety management plan. He also holds regular meetings with employee representatives (the labour union) to discuss the contents of the plan and to monitor its progress. Based on the health and safety management plan, the presidents of the Company’s various domains prepare individual health and safety management programs in which they define the objectives and goals of the given year’s program initiatives. The domain presidents then proceed to implement measures for preventing occupational accidents. They also monitor their plan’s progress and undertake management reviews based on their findings.

Health and safety risks and hazards that could lead to occupational accidents are extracted by implementing risk assessment for each work process. The extracted risks and hazards are then arranged in order of priority commensurate with their level of danger, and appropriate measures are carried out to eradicate or reduce such risks and hazards. In the event that new health or safety risks are revealed that could result in death or serious injury, the department where the risk has been detected immediately reports the matter to upper management in accordance with the Company’s crisis management response framework. Based on that report, the Executive Vice President in charge of HR acquires detailed information from the reporting department, including countermeasures being taken. The knowledge acquired from each such incident is shared with all workplaces Groupwide, along with instructions for undertaking corresponding measures. When necessary, urgent messages are issued to all Group members, thereby ensuring optimal occupational health and safety risk supervision and management.

(Reference) MHI Group’s website, CSR, Contributions to Society, Occupational Health and Safety, Certification (ISO45001)

https://www.mhi.com/csr/social/health_iso45001.html

Frequency rate of industrial accidents requiring leave
(per 1 million working hours)

FY2021

0.34 (Consolidated) (Note)

Manufacturing industry average

FY2021

1.31

(Note) Data is for MHI on a non-consolidated basis and 56 Group companies (coverage: 77.4% of employees), per 1 million total working hours.

The accident frequency rate is the number of casualties and injuries due to occupational accidents per 1 million total working hours and represents the frequency at which disasters occur. Number of casualties due to occupational accidents of requiring 1 day or more of leave ÷ total number of working hours × 1,000,000.

Basic Policy for Employee Safety and Health

The MHI Group Health and Safety Policies

[Our Health and Safety Principle]

At the MHI Group, safety is the number one priority. We will do everything in our power to protect lives.

[Our Health and Safety Policies]

1. Each and every one of us across the MHI Group must join forces as one united team to maintain and heighten our health and safety standards.
2. We hold health and safety as a top priority at each of the MHI Group companies by establishing procedures, defining roles and responsibilities, and engaging in health and safety initiatives.
3. To prevent occupational accidents or illness, we work to continually enhance our health and safety initiatives by setting measurable goals and evaluating results.
4. We minimize risks at the workplace by assessing all potential issues and implementing appropriate measures to ensure a safe and secure work environment.
5. It is a responsibility of each one of us at the MHI Group to learn, understand, and comply with our health and safety policies and procedures, as well as applicable laws and regulations, through education and training programs.
6. Our physical and mental wellbeing is fundamental to everything we do at the MHI Group. We must continue to elevate and embrace a culture of health and safety across our workplace.

Pick Up

Facilities to enhance employees' sense of safety

Memories of disasters and labour-related accidents that occurred in the past fade over time. How to pass them on to the next generation and what to learn from them—these are very important issues. MHI Group has several facilities designed to enhance the sense of safety by having employees look squarely at disasters and labour-related accidents we have experienced and giving them opportunities to make a promise to themselves about safety. MHI Group's mission of "delivering safety and security to customers and society" is based on the fundamental premise that the work of each and every employee must be carried out in a safe and secure manner. To this end, we are constantly striving to enhance the sense of safety of each and every employee.



the Safety Transmission Center at Nagasaki Shipyard & Machinery Works

Fostering safety culture through Stop Work Authority (SWA) activities

In the past, a major cause of occupational accidents in MHI Group was unsafe actions of workers. In some cases, co-workers turned a blind eye to and tacitly permitted those unsafe actions without warning them, resulting in a fatal accident. Based on our determination to never tolerate the trend of "deviation from established rules," "others' tacit permission of such deviation," and "use of unsafe tools and equipment," we aim to foster a safety-first culture, or a so-called "safety culture." We will do this by creating an environment in which everyone has and can exercise the Stop Work Authority (SWA: the authority to stop work and correct unsafe behavior or equipment upon finding it regardless of position or affiliation) for all employees of MHI Group and our partner companies.

Autonomous challenge regarding chemical substances

Today, tens of thousands of chemical substances are imported, manufactured, or used in Japan, including many substances with unknown danger or toxicity. Under these circumstances, MHI Group is moving away from the conventional "Japanese-style scheme," which requires laws, regulations, and measures specific to particular chemical substances, and toward the so-called "Western-style scheme," in which the business operator (MHI) autonomously devises, selects, and implements measures to reduce exposure to workers and meet new control standards set by the national government for all chemical substances whose hazardous properties have been confirmed. We already have Occupational Hygienists (OH) in MHI, who have completed a training program accredited by the International Occupational Hygiene Association (IOHA) and have passed the final examination. With those OHs serving as the commander for autonomous chemical substance control in MHI Group, we will work to reduce the risk of chemical substance exposure to employees and partner companies.

Performance Data

Occupational Health and Safety

Fatalities	2017	2018	2019	2020	2021	2022
Coverage	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 2)	Consolidated (Note 3)	Consolidated (Note 4)
Employees	0	0	0	0	0 ✓	0
Contractors	1	0	4	2	0 ✓	1

LTIFR (Note 3)	2017	2018	2019	2020	2021	2022
Coverage	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 2)	Consolidated (Note 3)	Consolidated (Note 4)
Employees	0.18	0.17	0.19	0.23	0.26 ✓	0.23
Contractors	0.46	0.29	0.33	0.51	0.47 ✓	0.48

OIFR	2017	2018	2019	2020	2021	2022
Coverage	MHI	MHI	MHI	MHI	MHI	MHI
Employees	0.08	0.03	0.03	0.03	0.00 ✓	35.75

Number of Industrial accidents (Note 4)	2017	2018	2019	2020	2021	2022
Coverage	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 2)	Consolidated (Note 4)	Consolidated (Note 4)
Employees	19	17	18	25	32 ✓	28
Contractors	52	37	38	45	34 ✓	24

(Note1) Data is for MHI on a non-consolidated basis and 23 Group companies in Japan.

(Note2) Data is for MHI on a non-consolidated basis and 44 Group companies in Japan. (Coverage: 71.3% of employees)

(Note3) Data is for MHI on a non-consolidated basis and 56 Group companies in Japan. (Coverage: 77.4% of employees)

(Note4) Data is for MHI on a non-consolidated basis and 56 Group companies in Japan. (Coverage: 77.4% of employees)

(Note5) The accident frequency rate is the number of casualties and injuries due to occupational accidents per 1 million total working hours and represents the frequency at which disasters occur. Number of casualties due to occupational accidents of requiring 1 day or more of leave ÷ total number of working hours × 1,000,000.

Working hours	2017	2018	2019	2020	2021	2022
Coverage	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 2)	Consolidated (Note 3)	Consolidated (Note 3)
Hours	218,665,120	227,229,887	207,196,189	200,930,240	194,327,661 ✓	123,751,163

Goals for reducing labour-related accidents

Number of fatal accidents / serious incidents	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 2)	2021 (Note 3)	2022
Goal	0	0	0	0	0	0
Result	2	0	5	2	0	1

Number of fatal accidents / serious incidents (Note 5)	2017	2018	2019	2020 (Note 2)	2021 (Note 3)	2022
Goal	—	—	—	—	0.26	0.33
Result	—	—	—	0.35	0.34 ✓	0.43

(Note1) Data is for MHI on a non-consolidated basis and 23 Group companies in Japan.

(Note2) Data is for MHI on a non-consolidated basis and 44 Group companies in Japan. (Coverage: 71.3% of employees)

(Note3) Data is for MHI on a non-consolidated basis and 56 Group companies in Japan. (Coverage: 77.4% of employees)

(Note4) Data is for MHI on a non-consolidated basis and 56 Group companies in Japan. (Coverage: 77.4% of employees)

(Note5) The accident frequency rate is the number of casualties and injuries due to occupational accidents per 1 million total working hours and represents the frequency at which disasters occur. Number of casualties due to occupational accidents of requiring 1 day or more of leave ÷ total number of working hours × 1,000,000.

Status of activities, training, and awareness regarding to occupational health and safety

As a means to realize our health and safety policies, we have developed an occupational health and safety management system and that is capable of both systematically and continuously implement mechanisms related to health and safety. In order to reduce the risk of occupational accidents, an occupational safety risk assessment is carried out while planning new projects and regularly for existing projects. As part of this effort, MHI makes improvements based on the results of risk assessments implemented in each domain. These assessments are related to tasks and equipment which are mainly focused on the safety, manufacturing and local construction sectors. We are also implementing safety education for entry-level employees and other employees. This education utilizes visual learning materials and hands-on equipment that make it possible to actually experience labour-related accidents through simulations. This hands-on equipment has been installed at each works, including the Nagasaki Shipyard & Machinery Works and Kobe Shipyard & Machinery Works.

Response to emergencies

To prepare for possible disasters and labour-related accidents, prescribed measures for dealing with emergency situations have been determined for each domain, with consideration given to the characteristics of the Group's business in order to minimize damage and bring any situation that may arise under prompt control. In addition to conducting an investigation and analysis of the incident and its cause, we are taking measures to prevent similar accidents from recurring.

Promoting Health and Productivity Management

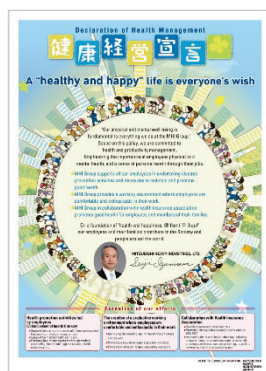
Programs and initiatives for promoting health

MHI Group is committed to health and productivity management under the president's "Health and Productivity Management Declaration," with an emphasis on employees' motivation to work and physical and mental health. In cooperation with the MHI health-insurance union's data health plan, we have compiled the health management plan "Fiscal Years 2020–2022 MHI Group Action 5 Health and Happiness!" with the following five priority items and are implementing activities throughout MHI Group to achieve the plan. By exploring ways to manage health in a new-normal lifestyle and promoting health and productivity management, we aim to help the development of human resources who can contribute to a healthy and vibrant society.

1) Measures against lifestyle-related diseases

- We established a dedicated portal site (MHI Group Health and Happiness Portal) as part of efforts to improve health literacy.
- We have unified the standards for the implementation of follow-up measures based on health check results, and conduct interviews with occupational health physicians, recommendations for attendance at medical institutions, and health guidance.

- We also provide online education once every several months, including cancer seminars sponsored by the MHI health-insurance union and familiar topics such as prevention of lifestyle-related diseases and measures against stiff shoulders and lower back pain.
- 2) Mental health measures
- We use annual stress checks to support efforts for workplace reforms through the awareness of each employee, interviews with physicians, and the results of group analysis. We also collect original ideas and improvement cases of each workplace, and horizontally deploy good practices of workplace reforms.
 - We have established a system in which occupational health physicians, occupational health nurses, psychological counselors, and external specialists can be used on a regular basis to provide employees with counseling and support.
- 3) Measures against passive smoking and support for anti-smoking
- In 2018, we established the MHI Group Policy on Measures to Prevent Passive Smoking in the Workplace, and are currently promoting various measures to achieve zero passive smoking in our premises. In fiscal 2021, we achieved zero indoor smoking rooms that do not meet technical standards by proactively tackling various issues regarding smoking rooms.
 - MHI has designated the 22nd of each month as the MHI Group "Suwan" Day ("suwan" is a coined word that is an abbreviation of "no smoking" in Japanese) and the World No-Tobacco Day on May 31 of every year as the MHI Group No Smoking Day. On these days, we make an effort not to smoke within the company from the perspective of preventing passive smoking and to continue various measures including awareness-raising activities. On May 31, 2022, we stopped smoking during work hours at all our sites.
 - In fiscal 2022, we worked with the MHI health-insurance union to hold the MHI Group Anti-Smoking Ultra Marathon utilizing an online anti-smoking program.
- 4) Prevention of aggravation
- We have unified the criteria for determining employment measures (restrictions on work) based on health check results, and provide employees who meet these criteria with various kinds of support via occupational health physicians and occupational health nurses. For applicable employees, we are working to prevent aggravation by taking measures for revising work and reducing workloads based on the opinions of occupational health physicians.
 - When the MHI health-insurance union implements a program to prevent aggravation of diabetes, MHI Health Management Department sends a message to applicable employees to encourage their active participation.
- 5) Observance of compliance, including thorough implementation of the taking of regular medical examinations and physician interviews for employees working long hours
- In order to ensure 100% of our members take statutory regular medical examinations, which form the basis for employees' health management, we are thoroughly following up on those who have not taken medical examinations.
 - We are properly assessing working hours, and when overtime exceeds the limit, we strive to promptly detect health problems by checking the degree of fatigue with a health check sheet and interviews with industrial physicians. Industrial health staff, who are well versed in the characteristics of work at each workplace, liaise with the workplace to improve the environment that may cause overwork, beyond merely checking health conditions.

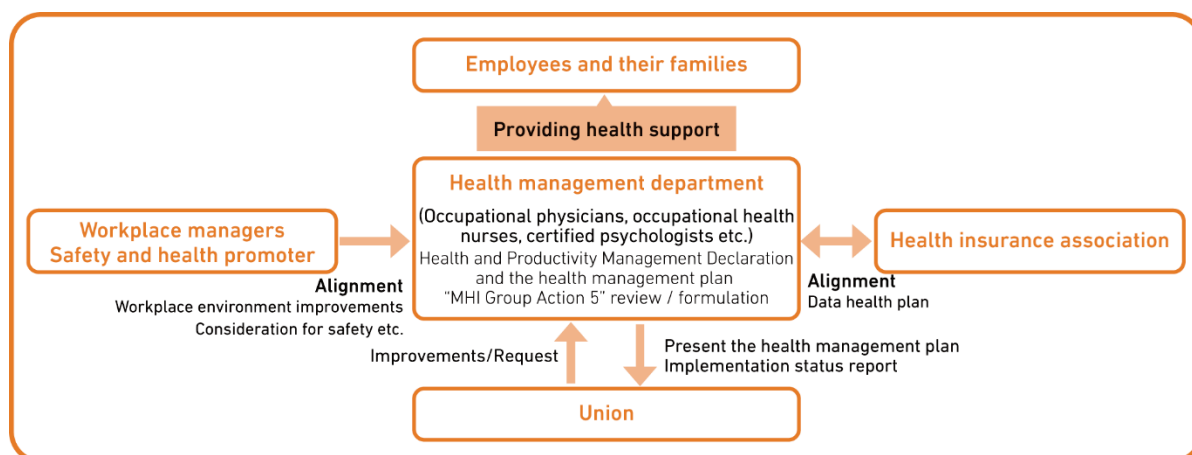


"Health and Productivity Management Declaration" issued by the President



MHI Group Health and Productivity Management Model

■ MHI Group Health and Productivity Management Structure



Various indicators for the promotion of Health and Productivity Management

■ FY2020-FY2022 MHI Group Action 5 evaluation indicators and results (partial excerpt)

Category	Goal	2020	2021
Regular medical examination rate	100%	99.5%	99.2%
Comprehensive medical examination rate	over 50%	35%	57.2%
Smoking rate	Less than 23%	23.7%	22.6%
Rate of attendance at medical institutions after regular medical examinations	Compared to the previous year +10 Points	46.6%	48%
Participation rate in blood glucose improvement programs	15%	12%	9%

(Note) Data for MHI and Group company employees whose health is managed by MHI Health Management Department

■ Medical examinations and other data (partial excerpt of data provided for a Ministry of Economy, Trade and Industry Health Management Survey)

Category		2020	2021
Proper weight maintenance rate	BMI between 18.5 and less than 25	63.4%	66.1%
Blood pressure risk rate	Systolic blood pressure of 180mm Hg or higher, or diastolic blood pressure of 110 mm Hg or higher	0.4%	0.2%
Poor diabetes management rate	HbA1c of 8.0 or higher	0.9%	0.5%
Stress check examination rate		97.3%	96%

■ Injury and sickness leave statistics

Rate of injury and sickness leave (cases)	2017	2018	2019	2020	2021
Coverage	MHI 3.09	MHI 3.74	MHI 3.98	MHI 3.74	MHI 4.61

Rate of injury and sickness leave (days)	2017	2018	2019	2020	2021
Coverage	MHI 0.73	MHI 0.82	MHI 0.80	MHI 0.82	MHI 0.82

(Note) Leave: Absence from work for four or more consecutive days due to injury or sickness

(Note) Rate of leave (cases): (Number of cases of leave / number of actual workers) x 100

(Note) Rate of leave (days): (Number of days of leave / number of days of work) x 100

Health management for employees seconded overseas

For Employees Traveling Overseas (Note1)

MHI Group has established a health management system that enables employees dispatched overseas and their accompanying family members to work there in a healthy and secure manner.

- MHI provides information about globally prevalent illnesses such as tuberculosis, HIV/AIDS, measles, rubella, and viral hepatitis. As well as the spread of and methods for preventing illnesses unique to their destinations, such as malaria, dengue fever and others. If the infection can be prevented through a vaccine, employees are vaccinated at company expense prior to travel.
- Currently, MHI evaluates the risk of aggravating COVID-19 infection, and decides whether a dispatch is possible or not after comprehensively considering the epidemic situation and medical resources of the destination.
- MHI has assigned occupational health physicians in charge of overseas medical support to accept health consultations from the destination and respond promptly to any health management problems that may occur during work overseas. MHI has signed a contract with external service providers so that expatriates are able to receive support such as consultation, hospital introductions, and transportation arrangements in Japanese. In addition, MHI has worked closely with its in-house occupational health physicians to ensure a system that allows travelers to seek medical advice with peace of mind.
- For long-term overseas site maintenance, occupational health physicians visit the sites to conduct evaluations on medical facilities, provide guidance on lifestyle conditions, conduct one-on-one interviews based on health check results and local information, and provide training according to the needs of the area (the patrol of overseas sites by industrial physicians is scheduled to resume in due course depending on the situation of COVID-19).
- occupational health nurses post letters periodically concerning health management to employees dispatched overseas to conduct site maintenance.
- MHI has signed a contract with a medical assistance service provider so that expatriates are able to receive support such as consultation, hospital introductions, and transportation arrangements in Japanese.

Overseas local patrol supporting by occupational health staff (Note) The photo is before the epidemic of the COVID-19.

■ Health education provided by occupational health physicians (health education for dispatched employees, and health education for family members accompanying dispatched employees)



Measures against COVID-19

For measures against COVID-19, we have established internal rules that cover employees of MHI Group companies and partner companies working in the same workplace or on the same premises in addition to our employees.

As of June 2022, a total of more than 60,000 employees and MHI Group and partner company employees at 14 sites nationwide were vaccinated against COVID-19 in the workplace, contributing to reducing the risk of infection.

■ At the workplace vaccination site



Continuous efforts
for the safety
and health of employees

MHI Health Management Center has established a working group with occupational health staff from all sites, the MHI health-insurance union, and members from other departments, if necessary, to study solutions to many health problems in MHI Group and implement specific measures.

The in-house working group has studied issues such as mental health measures, measures against lifestyle-related diseases, and measures against smoking, as well as training plans for improving the skills of the in-house occupational health staff.

Going forward, we will continue to explore ways of health management that are suitable for MHI Group, and promote efforts for health and productivity management to ensure the health and happiness of our employees.

Workplace stress
management

- Self-care training in stress management in education for new employees, young adults and mid-career hires
- Line care training for new managers and supervisors
- Brush-up training for established managers and supervisors, as well as education on anger management
- In the event of a serious industrial accident, industrial health staff will actively provide mental care to employees with a high psychological burden.
- Provide informational content on self-care on an in-house intranet all the time

Sport & health initiatives

- Providing health guidance programs for people with metabolic syndrome based on their health checkup results
- Conduct online seminars on improving exercise habits and eating habits
- Healthy menu at on-site cafeteria
- Introduce health management apps and provide various information on health management
- Implementation of various participatory events such as walking rallies held within the health management application
- Establishment of fitness facilities
- Conducting sports events

▶ Human Resources Development

As part of its basic policy concerning human resources, MHI is working to provide a variety of training programs and place a greater emphasis on promoting self-driven career-building among its employees. MHI is taking steps to improve its training programs with the aim of improving employee capabilities. Through these actions, we aim to become a global corporation that is capable of responding to changes in the rapidly transforming market.

Based on on-the-job training (OJT) in workplaces, we are implementing various educational programs starting immediately after hiring according to job level and function. The main themes of the education according to job level include leadership and management.

As core measures for human resource development, we are focusing on developing the next-generation of management personnel, providing education to strengthen global responsiveness, enhancing the management capabilities of management-level employees, giving support for career development, developing global human resources, giving support for self-development, promoting DX education, giving support for onboarding of junior employees, developing junior technicians at the forefront of manufacturing, and offering training activities for Group company employees.

Training hours per employee

FY2021 **13.6** hours

Training costs per employee

FY2021 **25,708** yen

Training hours per employee

FY2022 **16.0** hours

Training costs per employee

FY2021 **39,228** yen

Performance Data

Human Resources Development

Human resources management

Basic policy for human resource development

In order to fulfill MHI Group's mission of "integrating cutting-edge technology into expertise built up over many years to provide solutions to some of the world's most pressing issues and provide better lives," MHI has established the MHI Group Human Resource Development Policy. It serves as a guideline to indicate the direction of medium- to long-term efforts for human resource development. MHI Group is promoting a variety of human resource development measures while sharing the Group's values of autonomy, collaboration, and a challenging spirit and its attitude toward human resource development throughout the Group.

Human resources development programs

<p>Program (1)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits ■ Attendance 	<p>Development of the next-generation of management personnel</p> <p>In order to systematically develop the next generation of senior management, a wide range of human resources with the potential to lead the management and business operations of MHI Group are selected from across the Group at an early stage and developed intensively. Under the development program, we provide them with the Off-JT program in cooperation with business schools around the world to acquire management knowledge and skills as well as to motivate them to be leaders. In addition, we are implementing measures to have candidates actually move to an important position in a different department through a regular review and experience business in order to further bolster their experience. From the perspective of ensuring diversity in future management leaders, the Off-JT Program for junior employees has also introduced an open recruitment system to help employees actively challenge themselves. By steadily continuing this development cycle, we will develop the next-generation of management personnel who can win in any environment.</p> <p>We will continue to improve the company's growth potential by systematically developing management personnel.</p> <p>32 employees (FY2021, participants in the Off-JT program)</p>
<p>Program (2)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits ■ Attendance 	<p>Education to strengthen global responsiveness</p> <p>To accelerate globalization and diversity, it is essential to augment the capabilities and skills of diverse human resources, including those of overseas Group companies. In order to develop human resources who will be responsible for the Group companies and reinforcing regional management of MHI Group (selective programs), we are enhancing trainings for future candidates for regional and local management positions. In fiscal 2017, we have renewed the content and subjects, and so far, we have implemented programs (group format) rich in diversity and stimulation, with excellent human resources recommended by Group companies in all overseas regions interacting with recommended human resources from Japan, in cooperation with prominent business schools in India and Australia</p> <p>In fiscal 2020, the program was canceled due to the spread of COVID-19, but in fiscal 2021, we plan to cooperate with business schools in the United Kingdom and the United States to implement a "new normal" leadership development program online.</p> <p>The objective of the program is to impart the knowledge necessary for management personnel so that they can take charge of the management of overseas group companies, and to encourage them to be aware of themselves as leaders and members of the MHI Group.</p> <p>35 employees (FY2021)</p>
<p>Program (3)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits ■ Attendance 	<p>Enhancement of capabilities of management-level employees</p> <p>For management-level employees who will become the core of the organizational management, we have introduced a multifaceted evaluation system (360-degree evaluation system) as part of our efforts to strengthen management capabilities. By reviewing daily management actions based on multifaceted, objective, and convincing opinions from themselves, their superiors, colleagues, subordinates, and multiple other people from a variety of positions, management-level employees understand their own strengths and issues. For management issues, we encourage candidates to create action plans through dialogue with their superiors and make conscious improvements during their daily management activities, while taking the Off-JT program suitable to their issue. These measures lead to an improvement in management capabilities.</p> <p>We will continuously improve our organizational capabilities by strengthening the capabilities of management-level employees.</p> <p>about 2,200 employees (FY2021)</p>

<p>Program (4)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits ■ Attendance 	<p>Support for career development</p> <p>In 2021, we introduced the career design interview program for white-collar and technology employees in order to encourage each and every employee to actively catch up with changes in the business environment and act and grow more autonomously and continuously, while supporting employees' independent career development. Through dialogue between superiors and subordinates, we will fully align the wishes of each individual based on their diverse values and lifestyles with career goals suitable to the role they are expected to play. We will also consider and implement specific action plans to achieve these goals. In addition, we provide training to management-level employees who have the interviews to enhance their career management skills, in order to help employees expand their potential and gain further opportunities for awareness and growth. For skilled workers, we will partially revise the existing dialogue system to encourage their autonomous action and growth through dialogue about their medium- to long-term vision to be achieved through future work experience, therefore, the skilled workers would create opportunities for career development.</p> <p>By supporting the career development of employees with diverse values, we aim to contribute to the self-realization of each employee and the growth of MHI Group.</p> <p>Career design interview: about 12,000 employees (FY2021) Career management training: about 2,400 employees (FY2021)</p>
<p>Program (5)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits ■ Attendance 	<p>Development of global human resources</p> <p>In order to systematically develop core human resources who can play an active role on a global scale, we provide opportunities for study at overseas graduate schools and training at overseas companies and research institutes with the aim of having them acquiring a global mindset and practical business skills and techniques. In addition, we are working to improve the basic capabilities of MHI Group as a whole to respond to global issues, and to foster awareness of junior employees as global human resources at an early stage. We do this by providing them with practical training at overseas MHI Group companies to gain business experience in the global environment early.</p> <p>We aim to further expand and grow our overseas business through the development of global human resources.</p> <p>Overseas study/training: 7 employees (FY2021) Overseas dispatch of young people: 8 employees (FY2019) <small>(Note)</small></p> <p><small>(Note) The results for fiscal 2019 are described, since dispatching was suspended in fiscal 2020 and 2021 due to the spread of COVID-19.</small></p>
<p>Program (6)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits 	<p>Support for self-development</p> <p>Based on the belief that the autonomous and continuous growth of each and every employee is essential to the sustainable development of MHI Group, we support employees in voluntary learning (self-development). As part of our correspondence education system, we offer approximately 240 courses in a variety of categories, including communication skills, management skills, languages, preparation for certification exams, and specialized skills. Upon completion of a course and if certain conditions are met, a portion of the course fee is paid back as a reward. In addition, there is a system in which employees can receive services in cooperation with major language schools in Japan, such as exemption of the entrance fee and discounts of tuition fees. In response to the needs of employees who want to learn cutting-edge digital knowledge and skills, we have introduced an online learning platform with strengths in those fields. By providing a variety of learning opportunities, we help individual employees improve their skills.</p> <p>By supporting employees' independent learning, we encourage them to improve their skills and contribute to the growth of the Group.</p>

<p>Program (7)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits ■ Attendance 	<p>Promotion of DX education</p> <p>One of MHI Group's key materialities is social reform through AI and digitalization. At MHI, we aim to co-create with our customers new value chains that utilize solutions and digital technologies for "Smart Connections" with complex machine systems. As we promote the so-called digital transformation (DX) for the Group as a whole, we are actively working to develop digital human resources. So far, we have provided many practical education programs related to the digital fields (AI, IoT, data analysis, etc.). Furthermore, we believe that it is important to improve DX literacy (the mindset of understanding the basics of DX and using the digital power to transform business and organizations) of management in charge of corporate decision-making, in addition to engineers. This is necessary to appropriately and promptly link digital technology with the value that MHI Group provides to customers. Based on this belief, we are providing DX literacy education for all approx. 2,500 management-level employees (line managers such as department and section managers).</p> <p>By working on the development of digital human resources, we will accelerate the promotion of DX for the entire Group and lead it to the growth of the Group.</p> <p>1,500 employees (FY2021)</p>
<p>Program (8)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits 	<p>Support for onboarding of junior employees</p> <p>With the aim of supporting the autonomous growth of junior employees and their quick start in the workplace (onboarding ^(Note 1)), we have introduced a dialogue promotion tool that makes it possible to visualize the individuality of each employee and their psychological attitude towards work, thereby promoting active communication between junior employees and their supervisors. This tool enables us to understand the anxieties and concerns of junior employees in a timely manner. We are leading dialogue to effective implementation of on-the-job training and better motivation to work. In addition, the Human Resources Department also conducts interviews with junior employees to understand their individual situations so that we can provide them with the support necessary for a quick start in the workplace. In a situation where communication within the company tends to be lacking due to the COVID-19 pandemic, we have provided a place online where new employees can regularly get together to share and discuss their current situations and concerns. By implementing the experience learning cycle ^(Note 2) while reflecting on experiences in daily work and using others' efforts as reference, we encourage the autonomous growth of new employees and strive to form and strengthen human networks.</p> <p>By supporting junior employees in their quick start in the workplace (onboarding), we aim to realize effective on-the-job training in the workplace, leading to autonomous growth of junior employees.</p> <p>(Note 1) A series of processes to help new employees, mid-career employees, and others who are new to an existing organization quickly learn the people, culture, and way of working in the organization and demonstrate their abilities as members of the organization.</p> <p>(Note 2) A process to learn from experience in four steps: experience → reflection → conceptualization → practice.</p>
<p>Program (9)</p> <ul style="list-style-type: none"> ■ Outline ■ Benefits 	<p>Development of junior technicians on the forefront of manufacturing</p> <p>MHI has prepared textbooks that are standardized for the entire company to ensure the commonality and uniformity of education. We have also made DVDs of "Skills of the Masters" cultivated by veteran technicians, in order to retain them in digital data. These and other efforts seek to ensure the steady succession of techniques and the early development of junior technicians. In addition, with the aim of improving the level of expertise and energizing our junior technicians, we hold company-wide skills contests in machine assembly, lathing, welding, and other fields. We are also working to improve the leadership skills of employees who serve as instructors.</p> <p>At MHI Group, the number of junior technicians is increasing as more senior technicians retire. For that reason, there is an urgent need to train technicians who can maintain the front line of manufacturing. This organizational training program aims to ensure that the skills of the senior technicians are passed on to the junior technicians.</p>

Program (10)

- Outline **Training activities for Group company employees**
To promote human resource development that is unified throughout MHI Group, we conduct management training across the Group. We conduct this training for the entire MHI Group and increasing educational opportunities throughout the Group. At the same time, we are promoting interaction among participants that goes beyond companies and divisions, as we work to foster a sense of unity throughout the Group.
- Benefits This program aims to strengthen the management and business quality of the entire MHI Group.

Program (11)

- Overview **Global Candidate Education**
The Global Mindset Seminar (online), TOEIC or Linguaskill Business exam, and a flat-rate, all-you-can-use English learning tool plan will be used for the purpose of fostering a global mindset and improving English language proficiency.
- Business effects Contribute to our global business by developing people who can play an active role globally. Conducted for first- and second-year employees
- Number of employees participating 434 (FY2022)

Program (12)

- Overview **management foundation**
Younger to mid-level employees, who are at the center of operations in each workplace, learn the basic knowledge and language necessary to take charge of future departmental management, such as management strategy, marketing, accounting and finance, in order to gain a broader perspective of operations.
- business effects Gain a broad perspective of workplace operations, and ensure that you gain a broad perspective that is responsive to global business expansion.
- Number of employees participating 316 (FY2022)

► Talent Attraction and Retention

Attraction and retention of talent are very important aspects of our human resource strategy. MHI Group is implementing various measures to design a better employee experience with the aim of enhancing employee engagement, improving recruitment competitiveness, and establishing a comfortable working environment.

In order to create an environment that makes it is easy for employees to work and also have a family, MHI is making efforts to expand its various support systems that give consideration to childcare and family care. In November 2011, MHI established a child-planning leave system, which can be used for infertility treatment, and hourly paid leave, whereby employees can use their leave in increments of one to two hours according to their circumstances for purposes such as childcare and family care. We also expanded the periods for family-care leave and family-care work shifts, so that employees can take up to one year of total family-care leave and take advantage of family-care work shifts for up to when family care will no longer be necessary. In order to provide more flexibility to our employees for their workstyles, we introduced a telework system for employees raising children, providing nursing care, or who are pregnant, in April 2016 and expanded its application to all employees in August 2019. In addition, in a quest to further enhance the Company's support structure for achieving a good work-life balance, in October 2021 we undertook a review of our Family Support Allowances, unifying our family allowance and various financial support programs. Furthermore, the periods for family-care leave and family-care work have been expanded; and each can be used for a total of up to one year.

In addition, the systems for childcare leave, childcare work, family-care leave, and family-care work all now exceed statutory minimums and those who childcare work or family-care work can choice short time work in accordance with flextime systems. Information about the systems and procedures regarding childcare and family care are available on our intranet so that employees can access it easily. Our effort extends beyond the introduction of new support systems. With the goal of facilitating a smooth transition back to work, we also engage in activities such as regularly holding roundtable talks regarding the transition from childcare leave back to work with previously returned individuals to support members of the Group returning to work from childcare leave. We also hold seminars regarding nursing care to prevent employee resignation for elderly care.

Since fiscal 2020, we have held an online seminar to allow employees to participate from home in light of the COVID-19 pandemic.

We hold regular committee meetings regarding working hours in order to reduce overwork. We also help employees to improve productivity by promoting efficient workstyles through the introduction of telework, super-flextime systems (flextime without core time), and so on.

In addition to implementing emergency and provisional measures to prevent the spread of COVID-19, we have been considering new workstyles, with an eye toward the post-COVID-19 age. Looking ahead, we will continue to enhance our systems to ensure that they meet the needs of the times, thus enabling each and every employee to exercise their abilities to the greatest possible extent and work autonomously.

In addition to facilitating lifestyle diversity for our employees, we have introduced a variety of benefits including employee housing, dormitories, and other measures to support housing, defined-contribution pension plans (Note), employee stock-ownership plans, and retirement payouts and internal nursery school. In October 2021, we introduced a rent subsidy system to enable us to provide housing support tailored to the lifestyles of our employees.

For sustainable development and growth of MHI Group, it is crucial that MHI Group has to support and encourage whole member to work actively. To achieve this point, we must promote Group employee engagement and improve organizational strength. Since 2017, we have implemented employee awareness survey to measure engagement of employees every year. In October 2021, in addition to employee awareness surveys, we also introduced pulse surveys at the MHI Group's businesses around the world, in order to conduct more frequent surveys of simple questions.

(Note) Data is for MHI on a non-consolidated basis and 35 Group companies in Japan.

Major systems and measures to support autonomous workstyles and work-life balance

Major systems and measures to promote employees' autonomous workstyles	Major systems and measures to support a good work-life balance
<p>Promotion of flexible workstyles</p> <ul style="list-style-type: none"> • Flexitime system without core time (expanded application of flexitime systems to some manufacturing departments in addition to office employees) • Telework system for all employees • Annual paid leave exceeding statutory minimums (22 days granted from the first year of employment) • Special leave of one day per year (vacation leave) that can be taken in conjunction with two or more days of annual paid leave to encourage employees to take longer leave • Paid menstrual leave (including half day or hourly) 	<p>Balancing with pregnancy, childbirth, and childcare</p> <ul style="list-style-type: none"> • Child-planning (infertility treatment) leave (up to one year in total, dividable) • Childcare leave (until children reach the age of 3, dividable as many times as necessary) • Spouse childbirth leave (within 5 days, dividable up to twice) • Childcare work shift (until children enter junior high school, dividable as many times as necessary) • Child nursing leave (until children enter junior high school, up to 20 days/year) • Holding childcare support seminars
<p>Benefits tailored to diversifying lifestyles</p> <ul style="list-style-type: none"> • Transition from company-owned housing and dormitories to rent subsidies <p>Flexible housing options tailored to individual needs</p> <ul style="list-style-type: none"> • Adoption of cash subsidy systems for all lunch expenses <p>Tailored to diversifying values and options in food</p> <ul style="list-style-type: none"> • Expansion of defined-contribution pension plans <p>Support for asset-building toward retirement</p>	<p>Balancing with family care</p> <ul style="list-style-type: none"> • Family-care leave (up to one year in total, dividable as many times as necessary) • Family-care work shift (necessary period until the reason for family care disappears, dividable as many times as necessary) • Family-care leave (up to 10 days/year regardless of the number of eligible family members) • Holding seminars on balancing work and family care
	<p>Other support systems</p> <ul style="list-style-type: none"> • Leave of absence systems for spouse's overseas assignment • Career return (reemployment) system • Reserved leave (also applicable to childcare leave, up to 60 days)

In addition, we created a global human resources database and completed the input of human resources data for 139 domestic and overseas companies, mainly consolidated companies, and approximately 80,000 employees. Going forward, we will implement robust data governance when using data, and develop more strategic talent and workforce management.

Returning to work after childcare leave



Remaining in work after childcare leave



(Note 1) Data is for MHI on a non-consolidated basis.

Pick Up

Job-Posting System

We recently introduced a groupwide job-posting system to provide opportunities and enhance the engagement of Group members, which we believe is our engines for growth and organizational strength. The system allows employees to change jobs within the Group as they wish by passing the requirements. This system was introduced in 2019 and has now been implemented over four terms, with applications received from about 2,000 employees. As of July 2022, about 15 of them took the challenge by changing their jobs internally. MHI Group is full of excellent people with diverse knowledge, experience, and backgrounds. We are creating systems so that employees can actively interact with their colleagues, regardless of existing organizational frameworks to reinforce innovation.

We are also working to enhance the dialogue system, which consists of interviews on goals and achievement levels, to ensure that employees can actively secure the career path they envision within the organization.

Performance Data

Talent Attraction and Retention

Employee Performance Appraisal

	Unit	2017	2018	2019	2020	2021	2022	Coverage
Management by objectives (note1)	%	60	60.9	60	61.4	62.9	62.9	MHI
Multidimensional performance appraisal (note2)	%	40	39.1	40	38.6	37.1	37.1	MHI

(note1) Once per quarter

(note2) Once per year

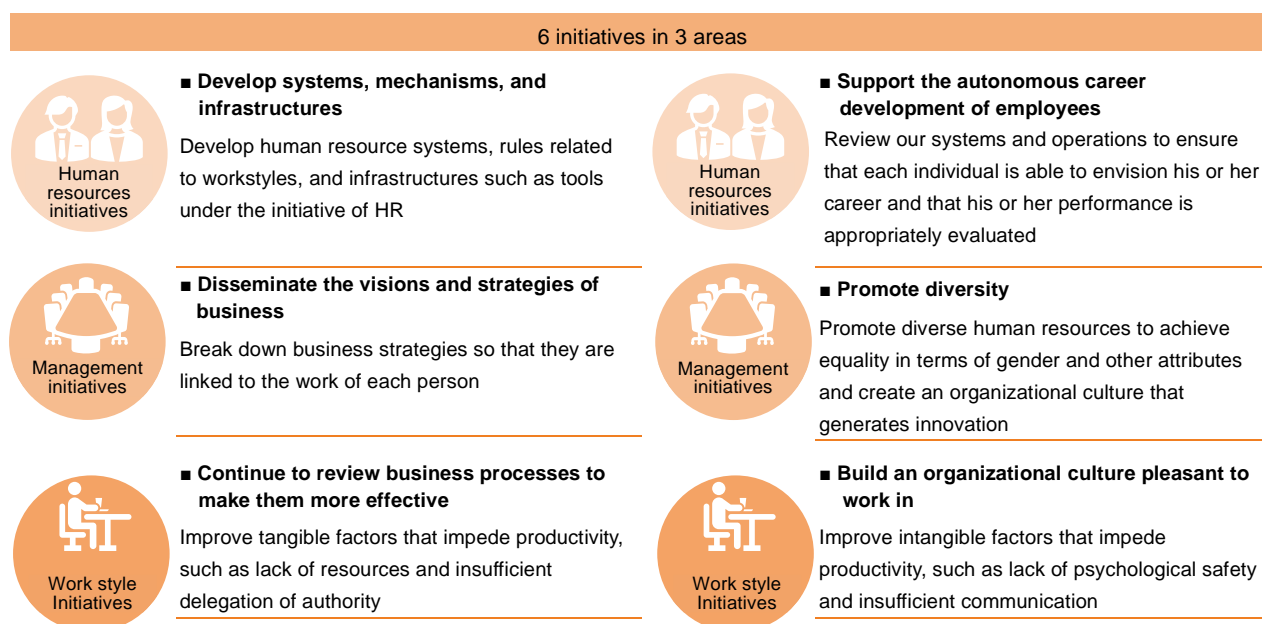
Employment

	Unit	2017	2018	2019	2020	2021	2022	Coverage
New hired	Total	316	288	460	346	362	478	MHI
	Male	277	247	396	306	317	437	MHI
	%	87.7	85.8	86.1	88.4	87.6	91.4	MHI
	Female	39	41	64	40	45	41	MHI
	%	12.3	14.2	13.9	11.6	12.4	8.6	MHI
Total turnover rate	%	2.5	3.1	2.5	3.0	4.1	5.6	MHI
	Male %		2.7	2.3	2.8	3.8	5.5	MHI
	Female %		7.3	4.4	4.8	7.0	6.3	MHI
Voluntary turnover rate	%	0.8	1.1	1.1	1.0	1.8	1.6	MHI
	Male %		0.9	1.0	0.8	1.5	1.5	MHI
	Female %		2.5	2.5	2.5	4.4	3.0	MHI
Length of service	years	16.4	17.1	17.6	18.2	18.5	MHI	
	Male years	16.4	17.0	17.7	18.3	18.6	MHI	
	Female years	16.6	17.2	17.4	17.9	17.8	MHI	

Measurement and improvement of engagement

MHI Group is working to improve employee engagement based on the belief that maintaining high employee engagement keeps the high level of organization's productivity. Improving engagement, along with promoting diversity, is positioned as one of MHI Group's materiality, and one of the most important initiatives in the HR field.

MHI Group has established six initiatives in three areas and is working to improve engagement through close cooperation among HR, top management, and middle management.



MHI Group has been conducting employee awareness surveys since fiscal 2017 to measure Group employee engagement and various factors leading to engagement. To observe the effect of the measures taken based on the survey results in fiscal 2020, the survey was not conducted in fiscal 2021.

	2017 (Note 1)	2018 (Note 2)	2020 (Note 3)	2022 (Note 4)	Target to 2030
Ratio of highly engaged employees %	57	55	56	57	Above world average (Note 4)
Response rate %	82	87	88	75	—

(Note 1) Data is for MHI on a non-consolidated basis and 18 Group companies in Japan.

(Note 2) Data is for MHI on a non-consolidated basis and 78 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 124 Group companies. (Coverage: 75% of employees)

(Note 4) Data is for MHI on a non-consolidated basis and 170 Group companies. (Coverage: 88% of employees)

(Note 5) As of the 2022 survey, the global average is 68%

Work-life balance

Number of employees using programs that focus on work-life balance	Number of individuals	Unit	2017	2018	2019	2020	2021	Coverage
	Childcare leave		203	199	257	341	458	MHI
	of which are men		36	43	113	191	216	MHI
	Childcare work shift		459	532	480	514	907	MHI
	of which are men		134	192	218	245	348	MHI
	People using child planning leave		2	1	1	1	2	MHI
	Family-care leave		7	18	8	6	11	MHI
	Family-care work shift		19	29	15	19	30	MHI
	Returning to work after childcare leave	%	97.2	98.0	99.4	99.8	98.9	MHI
	Remaining in work after childcare leave	%	98.5	98.8	97.3	97.5	96.9	MHI
	Percent of employees taking annual paid leave	%	77.7	76.8	76.4	74.5	73.7	MHI
	Number of employees using work-from-home system <small>(Note1)</small>		191	362	2,280	6,501	12,186	MHI

(Note 1) The scope is for childcare / long-term care users and pregnant women until July 2019. All employees from August 2019.

► Human Rights

MHI Group is committed to respecting human rights and workers' rights of employees in accordance with international treaties and other guidelines relating to human rights. In May 2015 we established the MHI Group Global Code of Conduct as the common standard for MHI Group. Through establishment of this standard, which was compiled making reference to the UN Guiding Principles on Business and Human Rights, we aim to cultivate a shared corporate culture, one that is rooted in mutual trust and affords dignity and respect to all employees. MHI Group values the individual contributions of all people irrespective of race, color, religion, political convictions, gender, age, nationality, sexual orientation, marital status, or disability.

In addition, we have formulated the "MHI Group Human Rights Policy" in 2013 to ensure respect for the human rights of all stakeholders involved in our business activities and to contribute to the development of a sustainable society. In today's globalized society, we recognize the importance to protect human rights not only within our own company, but throughout the entire value chains of our businesses. In 2021, we revised the Policy and established a system to address a variety of human rights issues. Under this policy, which is based on the UN Guiding Principles on Business and Human Rights, we are building the mechanisms to enhance human rights due diligence, identifying potential adverse impacts on our Group stakeholders, and setting down measures to prevent and mitigate any such impacts.

Discrimination will not be tolerated by MHI Group, and to prevent any discriminatory incidents from occurring, each year we conduct training to promote human rights awareness at the workplace. The training covers the fundamentals of human rights and harassment and is targeted at new employees and new appointees at the managerial level, including deputy managers and section managers. In fiscal 2021, approximately 320 new employees and some 1,250 newly appointed managers and supervisors underwent this training. Furthermore, in an effort to heighten awareness of and prevent power harassment (workplace bullying and harassment), we introduced an online learning course in fiscal 2010 that continues to this day.

To work toward resolving human rights issues, a multi-faceted subject, all Mitsubishi Group companies take part in subcommittee activities of the Mitsubishi Human Rights Enlightenment Council. Launched in 1983, the Council enables exchanges between Mitsubishi Group companies to learn about the current examples of human rights issues, in order to continuously strengthen and improve our human rights efforts. In fiscal 2020 we took part in the Global Compact Network Japan's Human Rights Due Diligence Subcommittee conference together with other companies to discuss human rights issues in the business context and to promote human rights due diligence in line with the UN Guiding Principles on Business and Human Rights. Among the topics covered were commitment to company policies on protecting human rights, assessing the possibility of human rights violations in the company and its supply chain and the potential impact thereof, establishing measures for preventing, mitigating and resolving human rights violations, and disclosing progress of human rights-related initiatives. Specifically, the conference involved lectures by experts in human rights issues, assessments of progress of related company initiatives, workshops, and group work on topics of interest.

Human Rights Policy Dissemination and Education

Measures are underway to ensure that all MHI Group employees and business partners are fully aware of the MHI Group Human Rights Policy as revised in December 2021. In fiscal 2022 Group employees are scheduled to undergo online education and, as every year, new employees and newly appointed managers and supervisors will participate in human rights awareness training providing basic knowledge and points of special concern relating to human rights and harassment issues.

Human Rights Education and Training

2021

Approximately **1,570**

Policy on Human Rights

(Reference) MHI Policy on Human Rights

https://www.mhi.com/sustainability/social/policy_on_humanrights.html

Performance Data

Respect for Human Rights

Management structure related human rights

Chief Executive	Hitoshi Kaguchi (Executive Vice President, CSO, Chairman of Sustainability Committee)
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Committee	<p>Name Sustainability Committee</p> <p>Members Chaired by CSO (director, executive officer in charge of sustainability), CFO (director), GC, CTO, officer in charge of HR, and head of Business Strategy Office.</p> <p>* Meetings are convened with domain CEOs as members in accordance with the agenda.</p> <p>Number of meetings 2 (FY2021)</p>
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Human rights due diligence	<p>Our company conducts human rights due diligence in accordance with the procedures of the United Nations Guiding Principles on Business and Human Rights.</p> <p>The Human Rights Due Diligence Task Force, which was established under the Sustainability Committee in fiscal 2021, reviewed how to proceed with human rights due diligence.</p> <p>As a risk assessment, we surveyed 39 countries where our group has operations to determine the human rights risks in the value chain, including our own operations, and identified potential human rights issues. It will be reviewed periodically as necessary in the future.</p> <p>The assessment covers risks for workers at our companies and suppliers, as well as for women, migrant workers, and local communities that we believe will be particularly affected.</p> <p>As a result, we identified the following areas as high risk and determined that it was necessary to develop a mechanism to investigate the actual status of our business.</p> <ul style="list-style-type: none"> • Region: Asian Region • Human rights indicators to keep in mind: forced labor, occupational safety and health, freedom of association, discriminatory practices, etc. • Affected entities: supplier workers, business partner workers, in-house group workers, local residents <p>Of these, we decided to prioritize and proceed with human rights due diligence considering the size of our company project and the amount of funding.</p> <p>Since fiscal 2022, as an impact assessment, we have been conducting surveys and fact-finding surveys in high-risk areas with a high impact on human rights.</p> <p>Specifically, we conducted a questionnaire survey of 25 suppliers in Southeast Asia and an additional on-site survey of some suppliers, and found no human rights risks to be aware of. In fiscal 2023 and beyond, we will continue to expand the scope of our survey to include human rights risks in the supply chain.</p>
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Grievance mechanism

Grievance mechanism	<p>MHI Group has established internal and external reporting channels to whom all Group employees (including part-time), business partners, etc. can report issues pertaining to compliance including human rights issues. These reporting channels, including those established overseas, can accommodate a total of six languages, including Japanese, English, and Chinese. Reports can also be submitted anonymously online, by telephone or by regular post. In response to submitted reports, the Compliance Committee Secretariat investigates matters swiftly and takes appropriate responses. At all times, measures are taken to protect whistleblowers while maintaining their anonymity. In the case of outside stakeholders, their grievances are handled through the Company's website or other contact points.</p> <p>To establish a grievance mechanism based on the UN Guiding Principles for all stakeholders, we have also joined Japan Center for Engagement and Remedy on Business and Human Rights(JaCER) since fiscal 2023.</p> <p>To deal with harassment issues, "Harassment Consultation Helplines" have been established internally and externally to respond to all employees. Measures are taken to strictly ensure the privacy and confidentiality of whistleblowers, to prevent them from suffering any retaliation and disadvantage as a result of their consultation. Anonymous consultations are also accepted.</p> <p>Coverage Employees, including contract employees, of MHI and all Group companies and business clients</p>
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▶ Corporate Philanthropy

In accordance with its CSR Action Guidelines, MHI Group promotes philanthropic activities with such focus areas as local contributions that are highly related to business activities, upbringing of the next generation, and the environmental preservation. These focus areas consider the Company's business strategy, strengths, and trends in Japan and overseas, and were determined with the goal of contributing to both corporate and social value.

With regard to local contribution, we realize that living together with local communities where MHI Group business facilities are located and building strong relationships based on mutual trust are two essential factors to sustainable business growth. With this in mind, we undertake various activities suitable for local cultures and contribute to the local development and stimulation both in Japan and overseas. With regard to bringing up the next generation, our basic policy is to communicate "the heart of Japanese manufacturing" and "the arts of science and technology" to them. Based on this basic policy, we are working on various educational activities, including science education, and children are invited to them.

One of the five core issues (Materiality) identified in 2020 is "promote diversity and increase employee engagement," which is reflected in the medium-term management plan "2021 Business Plan (FY2021-2023)". Each of our social contribution activities center on cultivating the next generation, which in turn cultivates those involved in our initiatives to become our next generation or human resources.

Expenditure on social contribution activities

2021



1,060 million yen

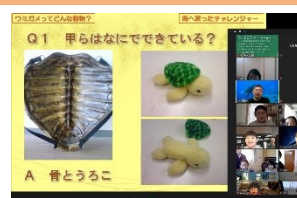
Pick Up

Results of principal philanthropic activities



Due to COVID-19, social contribution activities in which people gather were not held in 2021.

Upbringing of the next generation: Inspire the future



Overview of activity	Related SDGs
<p>Science classes</p> <p>MHI conducts science classes for students at elementary schools located nearby our business facilities during which the MHI Group products and technologies found at the Mitsubishi Minatomirai Industrial Museum are used as teaching materials. In fiscal 2020, when the infection of the COVID-19 spread, we started online classes.</p>	
<p>MHI Space School <small>(Note)</small></p> <p>We accept applications from elementary school students around Japan to visit Tanegashima, a rocket launch site, and our Tobishima Plant in Aichi Prefecture, which produces and assembles rockets. During the visit, we conduct science classes and observe rocket launches.</p>	





(Note) The photos were taken before the epidemic of the COVID-19.

Overview of activity		Related SDGs
<p>Various Sports Classes <small>(Note)</small></p> <p>Through sports the Company works to cultivate richness of spirit among the children of the next generation. We hold classes in soccer, rugby, baseball, track and field and other sports, invite children to official sporting events, and host other athletic programs to increase sports population.</p>		

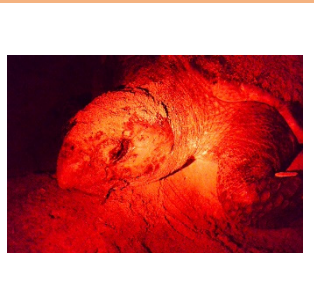

Local contribution: Create a more harmonious society

Overview of activity		Related SDGs
<p>Matching Gift Program <small>(Note)</small></p> <p>MHI Group carries out a "Matching Gift" program under which money collected by employees in fundraisers operated by Mitsubishi Heavy Industries Workers' Union plus a matching sum from the Company is donated to worthy causes. The collective sum was used to purchase shape-memory spoons and forks—for donation to social welfare facilities in the Kanto and Kansai regions through the Japan National Council of Social Welfare.</p>		







Overview of activity		Related SDGs
<p>TABLE FOR TWO <small>(Note)</small></p> <p>TABLE FOR TWO (TFT) is a social contribution initiative from Japan aimed simultaneously at alleviating poverty in developing countries and addressing obesity and lifestyle diseases in advanced countries. MHI Group upholds the initiative's philosophy and has incorporated TFT programs in its cafeterias and vending machines within its bases of operation. MHI and employees and their family of MHI Group is supporting TFT's "ONIGIRI ACTION", an initiative to provide healthy school meals to children in Africa and Asia through Japanese traditional food "onigiri (rice balls)".</p>		

Overview of activity		Related SDGs
<p>Sale of Bread and Pastries Made by the Disabled</p> <p>Starting 10 years ago, every Wednesday bread and pastries made by disabled persons are sold to employees at the Nagasaki Plant during the lunch break. The items are sold by people from six social welfare facilities located in Nagasaki City.</p>		

Environment: Care for the planet

Overview of activity		Related SDGs
<p>Tanegashima Loggerhead Turtle Survey</p> <p>MHI Group offered its support for the Tanegashima Loggerhead Turtle Survey, an event sponsored by the authorized NPO EarthWatch Japan. Tanegashima is a key location for our rocket launch business, and the launch market is expected to expand as demand for satellite use grows around the world. In this activity, employee volunteers participate in local surveys. Although Tanegashima, which is home to an important MHI Group business site, is a spawning ground for the loggerhead turtle, few individual identification surveys have been conducted to date. We anticipate that conducting such surveys in Tanegashima beach areas will help to clarify the ecology of the loggerhead turtles and contribute to the preservation of the species as it faces extinction.</p>		

(Note) The photos were taken before the epidemic of the COVID-19.

Overview of activity	Related SDGs
<p>Forest Conservation Programs (forest preservation activities) <small>(Note)</small></p> <p>MHI Group employees and their families participate in various forest conservation programs led by individual Japanese prefectures to address the many problems affecting forests in locations around Japan and contribute to the development of ecologically diverse forests, in addition to forest preservation activities led by governmental and non-profit organizations.</p>	  
<p>Environmental Action Cleanup activities in regions <small>(Note)</small></p> <p>Each year throughout Japan, we conduct cleanup activity in regions where we are active on a daily basis. For our cleanup activity in Shiga Prefecture, we conduct activities aimed at eliminating invasive fish species in Lake Biwa. We continue to carry out such cleanup activities in located nearby our business facilities nationwide with the aim of raising awareness among individual Group employees and family members of environmental preservation and local conservation.</p>	  

(Reference) Environment, Biodiversity P66

MHI GROUP's Sustainability Facebook

<https://www.facebook.com/mhi.sustainability.en/>

(Note) The photos were taken before the epidemic of the COVID-19.

Performance Data

Corporate Philanthropy

Corporate Philanthropy policy and focus areas

<p>Focus area (1)</p> <ul style="list-style-type: none"> Relevance to business 	<p>Upbringing of the next generation :</p> <p>MHI regards scientific technology as a source of growth; therefore, issues such as children's loss of interest in and capacity for understanding science and a reluctance engage in science may become challenges to the Company's ability to secure and cultivate human resources for the future. Because of this danger, creating activities that spark children's interest in science and promote it as a field of study comprises an important part of maintaining a sustainable business.</p>
<p>Focus area (2)</p> <ul style="list-style-type: none"> Relevance to business 	<p>Local contribution</p> <p>As MHI executes business all over the world. It is a critical aspect for business continuity to live in harmony and establish high confidence with every local communities where we operate.</p>
<p>Focus area (3)</p> <ul style="list-style-type: none"> Relevance to business 	<p>Environment Conservation</p> <p>As MHI business activities are global and encompasses developing/emerging economies, environmental consideration in business operation is critical for our business continuity.</p>

Social contribution input

Social contribution input		Unit	2017	2018	2019	2020	2021
	Coverage		Group	Group	Group	Group	Group
Total amount		Millions of yen	1,668	1,611	1,328	1,205	1,060
Category	Academic research	Millions of yen	438	379	101	131	105
	Education	Millions of yen	627	608	710	592	554
	Community	Millions of yen	94	89	105	71	53
	Health, medicine, sports	Millions of yen	90	70	84	53	61
	Others	Millions of yen	419	391	328	359	287
Type	Cash contributions	Millions of yen	783	678	355	585	548
	Time contributions	Millions of yen	283	405	240	68	48
	In-kind giving	Millions of yen	31	14	25	53	18
	Management overheads	Millions of yen	571	669	707	499	446

Social contribution benefit

KPIs-Focus area (1)			2017	2018	2019	2020	2021
Cumulative total number of science classes	Number of participants		62,898	111,523	69,779	892	7,171✓
	Ratio of employees who participated in new science-class operations, raising awareness of their jobs and CSR efforts		—	—	89	—	—
	Coverage		Group	Group	Group	Group	Group

(Note) Due to the impact of the new coronavirus in 2020, new science classes were not held with the participation of employees.

KPIs-Focus area (2)		Unit	2017	2018	2019	2020	2021
Records of natural disaster affected	Number of disasters		5	4	6	3	4✓
Area assistance programs	Donation / support amount	Millions of yen	43	35	20	10	5✓
	Coverage		Group	Group	Group	Group	Group

KPIs-Focus area (3)			2017	2018	2019	2020 (Note 2)	2021 (Note 2)
Record of Supporting conservation survey for loggerhead turtles in Tanegashima	Number of applicants for volunteer by employees (Number of participants)		81 (24)	68 (36)	32 (24)	—	—
	Number of conducted		8	12	8	7	8✓
	Number of loggerhead turtle individual identification surveys during egg laying		52	18	35	15	28✓
	Contributed amounts						
	Number of hatched baby loggerhead turtle individual identification surveys (Note)		— (Note 1)	123	— (Note 1)	—	—✓

(Note 1) Surveys on incubation were not conducted in 2017 and 2019 due to inclement weather.

(Note 2) Due to the impact of the COVID-19 in 2020 and 2021, recruitment and participation of employee volunteers was postponed. MHI supported parent turtle (at the time of spawning) survey by local NPO staff.

Benefits to business

- Experience of teaching science classes facilitates employees to develop their presentation and communication capacity and motivates them.
- Early recovery of business regions critical to MHI Group through assistance to areas affected by natural disasters.

Contributing to society through business

To promote sustainable business practices, MHI Group believes that it is important to contribute to the development of the countries and regions where we operate and to build good relationships founded on mutual trust. At each overseas location, we promote management that is respectful of the culture and practices of each region of operation. At the same time, we create employment by expanding our business while actively recruiting suppliers and working toward better procurement.

► Recognition from Society

MHI Group pursues ESG and other sustainability-related activities and works to disclose relevant information. Those efforts have led to MHI being recognized in a variety of ways by outside institutions. (As of September 2022)

(Reference) MHI Group Website, evaluations

<https://www.mhi.com/sustainability/management/evaluation.html>

Status of Inclusion in ESG Indexes (Note1)

MHI Group has been highly rated by a number of global ESG assessment organizations, and we have been selected for inclusion in ESG indexes both in and outside Japan.

(Note 1) "ESG" is an acronym for Environment, Social and Governance. ESG is an investment index that acts as an important investment decision-making factor in judging a company not only in financial terms, but in terms of whether it takes environmental and social issues into consideration.

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

Dow Jones Sustainability Index (DJSI)

DJSI is a stock price index selected by S&P Dow Jones Indices of the U.S. It is used to assess the sustainability of the world's major companies from economic, environmental and social perspectives. The Asia Pacific Index is selected from among leading companies in the Asia-Pacific region. MHI has been selected for the fifth consecutive year for inclusion in the DJSI Asia Pacific Index.

We have been selected for all five ESG investment indices for Japanese stocks adopted by Japan's Government Pension Investment Fund (GPIF), the world's largest pension fund.



FTSE Blossom Japan Index

FTSE Blossom Japan Index

The FTSE Blossom Japan Index is a comprehensive index covering all aspects of ESG, offered by FTSE Russell, a wholly owned subsidiary of London Stock Exchange Group that specializes in compiling investment indexes. About 1,400 companies are selected for inclusion in the FTSE JAPAN ALL CAP INDEX universe, which is a weighted average market capitalization index comprised solely of companies in and outside Japan representing strong ESG practices.



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

Based on the same FTSE Russell ESG evaluation as the FTSE Blossom Japan Index, an index that selects stocks by also evaluating the management attitudes of some companies with high carbon intensity (GHG emissions per unit of sales) to climate change risks and opportunities.

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

A comprehensive index developed by MSCI of the U.S., the universe of which consists of the top 700 companies by market capitalization from among those comprising the MSCI Japan IMI. This weighted average market capitalization index gives priority to those companies with the highest performance based on MSCI's ESG ratings.

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

Developed by MSCI of the U.S., the universe of this index consists of the top 700 companies by market capitalization from among those comprising the MSCI Japan IMI. Those companies in the top half with high gender diversity scores for promoting roles for women in their respective industries are selected for inclusion in this index.

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S&P/JPX Carbon Efficient Index

This index was developed jointly by S&P Dow Jones Indices and the Tokyo Stock Exchange. Its universe comprises TOPIX, the leading stock price index and barometer of market trends in Japan, and constituent companies are weighted based on their disclosure of environmental information and on carbon efficiency (the level of carbon emissions per unit of revenue).



Sampo Asset Management’s Sampo Sustainability Index

The Sampo Sustainability Index is an investment index that draws on environment (E)-related corporate research conducted by Sampo Risk Management Inc. and social (S)- and governance (G)-related corporate research conducted by IntegreX Inc. to generate composite ESG scores. The index comprises companies with above-average ESG performance, as determined through composite scoring. MHI has been selected for this index on a continuous basis since 2012.

External assessment of sustainability



CDP Climate Change 2020 Score B

CDP, an international non-profit organization, conducts global assessments of companies’ efforts in terms of climate change and water security. There are nine levels of scoring: A, A-, B, B-, C, C-, D, D- and F (declined to answer or no response). MHI received a score of B in the CDP Climate Change 2021 assessment.



Silver rating from EcoVadis

EcoVadis of France assesses the sustainability of corporate supply chains, and operates a shared platform for evaluating and monitoring suppliers. It conducts wide-ranging research and assessments covering the environment, labor and human rights, ethics, sustainable procurement and other issues.

In 2020, MHI was awarded a Silver rating--the second highest after the top Gold score --for the second consecutive year.



MHI Obtains “Eruboshi” Mark Certification

Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace (the “Act to Promote Women’s Participation”), the “Eruboshi” certification is granted by the Minister of Health, Labour and Welfare of Japan to those companies making outstanding contributions under certain standards for promoting women’s participation.

In July 2020, MHI obtained a three-star rating, the highest of three possible levels. This certifies that MHI has fulfilled the screening criteria for all items concerning elements of the workplace environment that make it easier for women to demonstrate their ability.



MHI Obtains “Kurumin” Mark Certification

Companies that have formulated action plans for supporting employee child rearing based on the Japanese law: the Act on Advancement of Measures to Support Raising Next-Generation Children, enacted in April 2005, and that have been recognized for their results, receive the “Kurumin” mark certification. MHI obtained this certification in 2007.



LR Independent Assurance Statement

Relating to Mitsubishi Heavy Industries, Ltd.'s Materiality disclosure

This Assurance Statement has been prepared for Mitsubishi Heavy Industries, Ltd. in accordance with our contract but is intended for the readers of this report.

Terms of engagement

Lloyd's Register Quality Assurance Limited (LR) was commissioned by Mitsubishi Heavy Industries, Ltd. (MHI) to provide independent assurance on its materiality disclosure identified in 2020 (Released in 14 October 2020, hereafter ("the report")), against the assurance criteria below to a moderate assurance and at the materiality of the professional judgement of the verifier using AA1000 ASSURANCE STANDARD v3 TYPE 1 ASSURANCE – ADHERENCE TO THE ACCOUNTABILITY PRINCIPLES.

Our assurance engagement covered the operations and activities of MHI and its consolidated subsidiaries in Japan and overseas and specifically the following requirement:

- Verifying conformance with AA1000 ACCOUNTABILITY PRINCIPLES 2018

Our assurance engagement excluded the data and information of MHI's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to MHI. LR disclaims any liability or responsibility to others as explained in the end footnote. MHI's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of MHI.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that MHI has not conformed with AA1000 ACCOUNTABILITY PRINCIPLES 2018 in all material aspects. The opinion expressed is formed on the basis of a moderate assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated information rather than physically checking source information at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a high assurance engagement been performed.

LR's approach

LR's assurance engagements are carried out in accordance with AA1000 ASSURANCE STANDARD v3 TYPE 1 ASSURANCE – ADHERENCE TO THE ACCOUNTABILITY PRINCIPLES. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Reviewing MHI's process for identifying and determining stakeholders to confirm that all the related stakeholders are captured.
- Assessing MHI's process for identifying and determining material issues to confirm that the right issues were included in their Report.
- Reviewing MHI's approach to stakeholder engagement process to confirm that engagement related to issues raised by stakeholders is implemented.
- Verifying MHI's KPI determination process and information disclosure methodologies to confirm that sustainability performances to impact on environment and social are monitored and disclosed.
- LR did these through interviews with the key people in charge of sustainability and reviewing documents and associated records. By implementing MHI's "No Visitor" policy due to the global infection spread of COVID-19, the interview was executed remotely via Microsoft Teams.

Observations

Further observations and findings, made during the assurance engagement, are:



- **Inclusivity:**
We are not aware of any key stakeholder groups that have been excluded from MHI's stakeholder engagement process. MHI identifies multi stakeholders comprehensively and the top management expresses commitment for the stakeholders. We believe that future reports should explain further stakeholder identification process.
- **Materiality:**
We are not aware of any material issues concerning MHI's sustainability performance that have been excluded from the report. It should be noted that MHI reviewed and determined the materiality in 2020 to address social issues related to sustainability. In this process, MHI identified the material issues in reference to key sustainability initiatives and determined the materiality from the both aspects from MHI and the stakeholders.
- **Responsiveness:**
MHI has process to capture issues raised by stakeholders and to respond them. MHI has dialogues with intellectuals and various stakeholders frequently. Materiality has been determined through the review of the feedback from stakeholders in the materiality revision process in 2020. We believe that future reports should explain further engagement process with multi stakeholders.
- **Impact:**
MHI establishes the system to account and disclose information related to sustainability performance. MHI discloses the information via integrated reports and ESG data books and has third-party assurance to the indicators interested by stakeholders. MHI proceeds to determine KPI for material indicators based on the materiality reviewed in 2020.

LR's standards, competence and independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part 1: Requirements* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LR is the MHI's certification body for ISO 9001, ISO 14001, ISO 45001. The verification and certification assessments are the only work undertaken by LR for MHI and as such does not compromise our independence or impartiality.

Dated: 2 March 2021

Signed

Takashi Odamura
LR Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited
10th Floor, Queen's Tower A, 2-3-1, Minatomirai, Nishi-ku, Yokohama, Japan
LR reference: YKA4005601



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INDEPENDENT ASSURANCE STATEMENT

To: Mitsubishi Heavy Industries, Ltd.



Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Mitsubishi Heavy Industries, Ltd. (MHI) to provide limited assurance over its sustainability information selected by MHI. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over the following information (the 'Selected Information'):

The following environmental performance data included within MHI Group's ESG DATA BOOK 2022 (the 'DATA BOOK') for the period of April 1, 2021 through March 31, 2022

- 1) Greenhouse gas emissions (Scope 1 and Scope 2): CO₂ emissions from energy use
- 2) Energy use
- 3) Water usage by source
- 4) Waste generation
- 5) Hazardous waste generation
- 6) Greenhouse gas emissions (Scope 3 Category 5)

The reporting boundaries are as follows.

- | | |
|-------------|---|
| 1) 2) 4) 5) | : MHI and MHI Group's 12 companies within Japan (13 companies in total)
Note: The scope of 'hazardous waste' was defined by MHI. |
| 3) | : MHI and MHI Group's 11 companies within Japan (12 companies in total) |
| 6) | : The boundaries defined by MHI |

Reporting criteria

The Selected Information included within the DATA BOOK needs to be read and understood together with the reporting criteria stated in the DATA BOOK.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the DATA BOOK, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the DATA BOOK are the sole responsibility of the management of MHI.

Bureau Veritas was not involved in the drafting of the DATA BOOK or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in



- accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of MHI.

Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board.

For the greenhouse gas emissions data, we undertook verification in accordance with the requirements of ISO14064-3 (2019): Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

Summary of work performed

As part of our independent verification, our work included:

1. Conducting interviews with relevant personnel of MHI;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by MHI;
4. Reviewing MHI systems for quantitative data aggregation and analysis;
5. Verification of sample of environmental performance data back to source by carrying out three physical site visits, selected on a risk based bases at the following locations:
 - Mitsubishi Heavy Industries, Ltd. Yokohama Dockyard & Machinery Works
 - Mitsubishi Shipbuilding Co., Ltd. Enoura Plant
 - Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.
6. Reperforming a selection of aggregation calculations of the Selected Information;
7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Verified greenhouse gas emissions

We performed our verification work on greenhouse gas emissions data in accordance with the requirements of ISO14064-3(2019).

Verified data in greenhouse gas assertion made by MHI are as follows.



	Greenhouse gas emissions [t-CO ₂ e]	Boundary
Scope 1	118,188	CO ₂ emissions from energy use through business operations of MHI and MHI Group's 12 companies within Japan (13 companies in total) for the period of April 1, 2021 through March 31, 2022
Scope 2 (market-based)	224,901	
Scope 3 (Category 5)	17,063	Emissions of category 5 within the boundaries defined by MHI for the period of April 1, 2021 through March 31, 2022

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria;
- It is our opinion that MHI has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates Quality Management System which complies with the requirements of globally recognized quality management standard, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd.
Yokohama, Japan
June 16, 2023



INDEPENDENT ASSURANCE STATEMENT

To: Mitsubishi Heavy Industries, Ltd.



Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Mitsubishi Heavy Industries, Ltd. (MHI) to provide limited assurance over its sustainability information selected by MHI. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over the following information (the 'Selected Information'):

The following environmental performance data included within MHI Group's ESG DATA BOOK 2021 (the 'DATA BOOK') for the period of April 1, 2020 through March 31, 2021

- 1) Greenhouse gas emissions (Scope 1 and Scope 2): CO₂ emissions from energy use
- 2) Energy use
- 3) Water usage by source
- 4) Waste generation
- 5) Greenhouse gas emissions (Scope 3 Category 5)

The following social performance data included within MHI Group's ESG DATA BOOK 2022 (the 'DATA BOOK') for the period of April 1, 2021 through March 31, 2022

- 6) Fatalities (Employees / Contractors)
- 7) LTIFR: Lost Time Injury Frequency Rate (Employees / Contractors)
- 8) OIFR: Occupational Illness Frequency Rate (Employees)
- 9) Number of industrial accidents (Employees / Contractors)
- 10) Working hours
- 11) Frequency rate of industrial accidents requiring leave (Employees + Contractors)
- 12) Cumulative total number of science classes (Number of participants)
- 13) Records of natural disaster affected area assistance programs (Number of disasters / Donation and support amount)
- 14) Record of supporting conservation survey for loggerhead turtles in Tanegashima (Number of applicants for volunteer by employees / Number of participants for volunteer by employees / Number of conducted / Number of loggerhead turtle individual identification surveys / Number of hatched baby loggerhead turtle individual identification surveys)

The reporting boundaries are as follows.

- | | |
|------------------|--|
| 1) 2) 4) | : MHI and MHI Group's 15 companies within Japan (16 companies in total) |
| 3) | : MHI and MHI Group's 14 companies within Japan (15 companies in total) |
| 5) | : The boundaries defined by MHI |
| 6) 7) 9) 10) 11) | : MHI and MHI Group's 56 companies within Japan (57 companies in total) |
| 8) | : MHI |
| 12) 13) | : MHI, MHI Group's 56 companies within Japan and MHI Group's 65 companies outside Japan (122 companies in total) |
| 14) | : MHI and MHI Group's 56 companies within Japan (57 companies in total) |



Reporting criteria

The Selected Information included within the DATA BOOK needs to be read and understood together with the reporting criteria stated in the DATA BOOK.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the DATA BOOK, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the DATA BOOK are the sole responsibility of the management of MHI.

Bureau Veritas was not involved in the drafting of the DATA BOOK or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of MHI.

Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board.

For the greenhouse gas emissions data, we undertook verification in accordance with the requirements of ISO14064-3 (2019): Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

Summary of work performed

As part of our independent verification, our work included:

1. Conducting interviews with relevant personnel of MHI;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by MHI;
4. Reviewing MHI systems for quantitative data aggregation and analysis;
5. Verification of sample of environmental performance data back to source by carrying out three physical site visits, selected on a risk based bases at the following locations:
 - Mitsubishi Heavy Industries, Ltd. Nagoya Aerospace Systems Works
Tobishima Plant



- Mitsubishi Heavy Industries Air-Conditioning & Refrigeration Corporation
Yamato Office
 - Mitsubishi Heavy Industries, Ltd. Kobe Shipyard & Machinery Works Futami
Plant
6. Reperforming a selection of aggregation calculations of the Selected Information;
 7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Verified greenhouse gas emissions

We performed our verification work on greenhouse gas emissions data in accordance with the requirements of ISO14064-3(2019).

Verified data in greenhouse gas assertion made by MHI are as follows.

	Greenhouse gas emissions [t-CO ₂ e]	Boundary
Scope 1	101,603	CO ₂ emissions from energy use through business operations of MHI and MHI Group's 15 companies within Japan (16 companies in total) for the period of April 1, 2020 through March 31, 2021
Scope 2 (market-based)	247,194	
Scope 3 (Category 5)	18,796	Emissions of category 5 within the boundaries defined by MHI for the period of April 1, 2020 through March 31, 2021

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria;
- It is our opinion that MHI has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

Statement of Independence, Integrity and Competence

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Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its



employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd.
Yokohama, Japan
September 30, 2022



Mitsubishi Heavy Industries, Ltd.

Address all inquiries about this report to:

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Sustainability Relations Department

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