

ESG DATABOOK 2020



MITSUBISHI HEAVY INDUSTRIES GROUP
ESG DATABOOK

For the Year Ended March 31, 2020

Editorial Policy

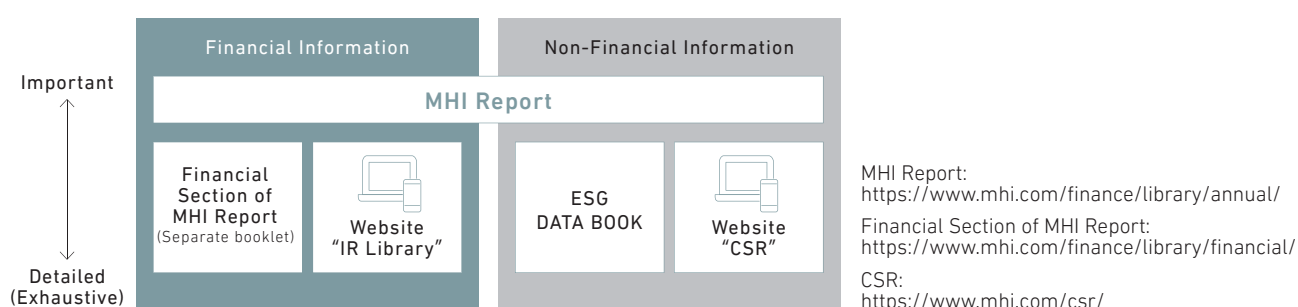
Reason for Publishing and Positioning of This Report (ESG DATA BOOK)

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 DATA BOOK and the Company CSR 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, 2019 to March 31, 2020 (includes information on some activities after March 31, 2020)

Reporting cycle: Annual

Date published: December 2020 (Previous report: March 2020)

Third-party Assurance

To enhance the reliability of data, we have received third-party assurance. (For details, please see pages 86-87.)

The Assurance Statement on Environmental data will be obtained around June of 2021.

(Note) Data subject to third-party assurance is indicated with ✓.

- Assurance Statement on Social data

Reference Guidelines

- International Integrated Reporting Council (IIRC) International Integrated Reporting Framework
- Global Reporting Initiative (GRI) Sustainability Reporting Standards
(Reference) GRI Guidelines Comparison Tables https://www.mhi.com/csr/management/report_gri.html
- Ministry of the Environment of Japan Environmental Reporting Guidelines (2018 version)
- Ministry of Economy, Trade and Industry of Japan's
"The Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation"
- National Standards Bodies Guidance on social responsibility ISO26000

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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CSR Management

► CSR Framework

Policy

In accordance with the three statements that are at the heart of our Principles, the 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 corporate social responsibility (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.

In 2007, we formulated CSR Action Guidelines to 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 through a corporate creed centered on the principles of CSR.

In 2015, we formulated the MHI Group Code of Conduct in response to the Group's globalization and diversification. As a global company, the MHI Group employs individuals from different backgrounds, nationalities, and cultures, and the code of conduct describes how MHI employees should conduct themselves. Furthermore, we promote respect for human rights and support international standards such as the Universal Declaration of Human Rights. In light of the Guiding Principles on Business and Human Rights, adopted by the United Nations in 2011, and in keeping with international society's increasing emphasis on human rights, we formulated the MHI Basic Policy on Human Rights in 2014.

Recent years, respond to the increasing importance of sustainability in international rules and guidelines, as seen in the Sustainable Development Goals (SDGs) adopted by the United Nations, growing investment in Environment, Society, and Governance (ESG), and the EU taxonomy and subsequent changes in megatrends influencing the MHI Group. In 2020 we reviewed the materiality identified in 2015 and added five new items.

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 Basic Policy on Human Rights	https://www.mhi.com/csr/social/huamnrights.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/
MHI Group Policy for Social Contribution Activities	https://www.mhi.com/csr/social/contribution.html

CSR Promotion System

MHI has established the CSR Committee as the management-level body for making decisions related to CSR. Chaired by the Chief Strategy Officer (CSO, the executive officer in charge of CSR), the CSR Committee comprises six members including the general counsel (GC, director), Chief Financial Officer (CFO, director), Chief Technology Officer (CTO), the officer in charge of human resources (HR), and head of the Business Strategy Office. In principle, with the aim of establishing an ESG/Sustainability Promotion System, the committee meets twice each year to determine various policies and material items related to CSR and conduct status reports, and deliberates and reports on important matters related to ESG at the Management meeting attended by multiple directors. As is outlined below, we have also put in place various committees^(Note), such as the Compliance Committee and the Environment Committee, to deliberate material items related to CSR.

Audit and Supervisory Committee	Members: Audit and Supervisory Committee Members (five) Number of meetings: 16 (FY2019)
Nomination and Remuneration Meetings	Members: Outside directors (six) and the President and CEO Number of meetings: 8 (FY2019)
Outside Directors' Meetings	Members: Outside directors (six) + management personnel (as necessary) Number of meetings: 1 (FY2019)
CSR Committee	Members: Chaired by the CSO (the executive officer in charge of CSR), including the GC (director), CFO (director), CTO, the officer in charge of HR, and head of the Business Strategy Office. Number of meetings: 1 (FY2019)
Compliance Committee	Members: Chaired by the Executive Vice President, GC, and composed of 24 members. Number of meetings: 2 (FY2019)
Committee for Raising Awareness of Human Rights	Members: Chaired by the Senior Vice President in charge of HR, and composed of 25 members. Number of meetings: As necessary
MHI Group Environment Committee	Members: Chaired by the Executive Vice President, CTO and composed of 13 members. Number of meetings: 1 (FY2019)
International Trade Control Committee	Members: Chaired by the Executive Vice President, GC, and composed of 13 members. Number of meetings: 2 (FY2019)

(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 always conducts its business activities in accordance with international codes of conduct. In 2004, MHI 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.

The Ten Principles of the Global Compact

In 2004 MHI became a signatory to the UN Global Compact. In addition to carrying out its Ten Principles on human rights, labor, 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 Capital 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

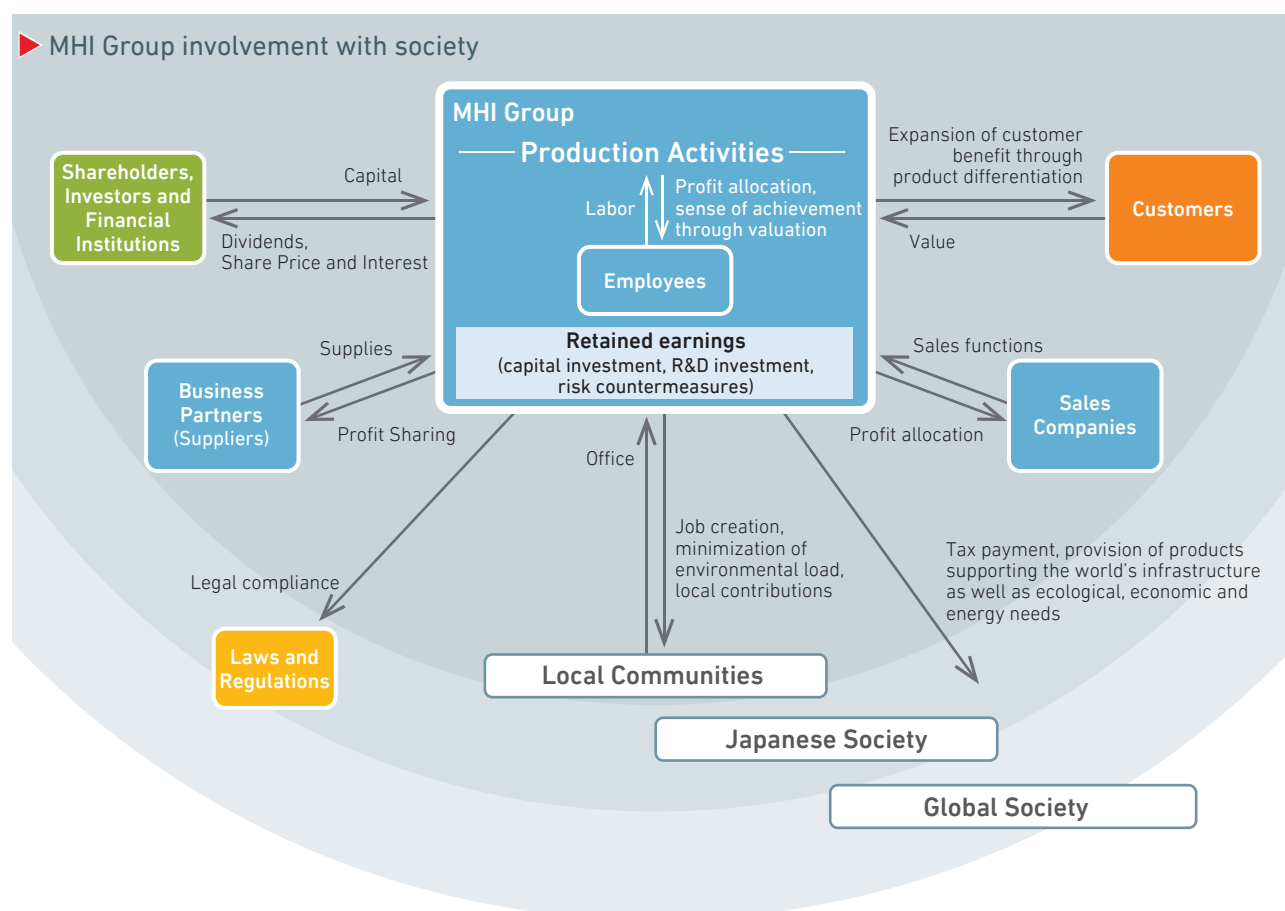
(Note) The core subjects and issues were determined in reference to Understanding ISO 26000 (November 2010), translated by the Japan Standards Association.

► Stakeholders

Our Stakeholders

In accordance with the three principles that define the spirit of our creed, the 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 corporate social responsibility (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.

► MHI Group involvement with society



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 June 2020 Executive Vice President, Chief Strategy Officer and Head of Growth Strategy Office, Hitoshi Kaguchi, heading the Growth Strategy Office, met with Professor Masayoshi Miyana of the Tokyo University of Science, Graduate School of Management, Department of Management Technology, to dialogue on direction for the ways in which MHI Group can help to resolve social issues. In September 2020, in identifying materiality, the members of our CSR Committee engaged in a dialogue with experts in various fields on the validity of specific processes for solutions.

Stakeholder dialogues

Contents	Date	Attendees ^(Note)	Outline
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 experts 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 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.
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, Kwansei 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 Stakeholder

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 2019












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)	MOA Museum of Art Children's Art Exhibition Executive Committee	Culture and art
Yamaguchi (Japan)	Yamaguchi Japan Fisheries cooperative, Hikoshima branch	Environment
Yamaguchi (Japan)	Shimonoseki Bousaisi Liaison meeting	Disaster prevention
Yamaguchi (Japan)	Shimonoseki Center for Assault Prevention	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 (Phragmites Australis)	Environment
Kanagawa (Japan)	Sagamihara City Rugby Ball Association (NPO)	Health and sports
Kanagawa (Japan)	Hashimoto shopping district cooperative association	Regional contribution
Kanagawa (Japan)	Elementary Schools in Sagamihara	Health and sports
Kanagawa (Japan)	Sagamihara Youth Counseling Center and Yokoyama Park Group management joint venture Public Interest Incorporated Foundation Sagamiharashi Machimidori	Health and sports
Kanagawa (Japan)	Date Rugby Football Union	Health and sports

► Materiality

Materiality of MHI Group

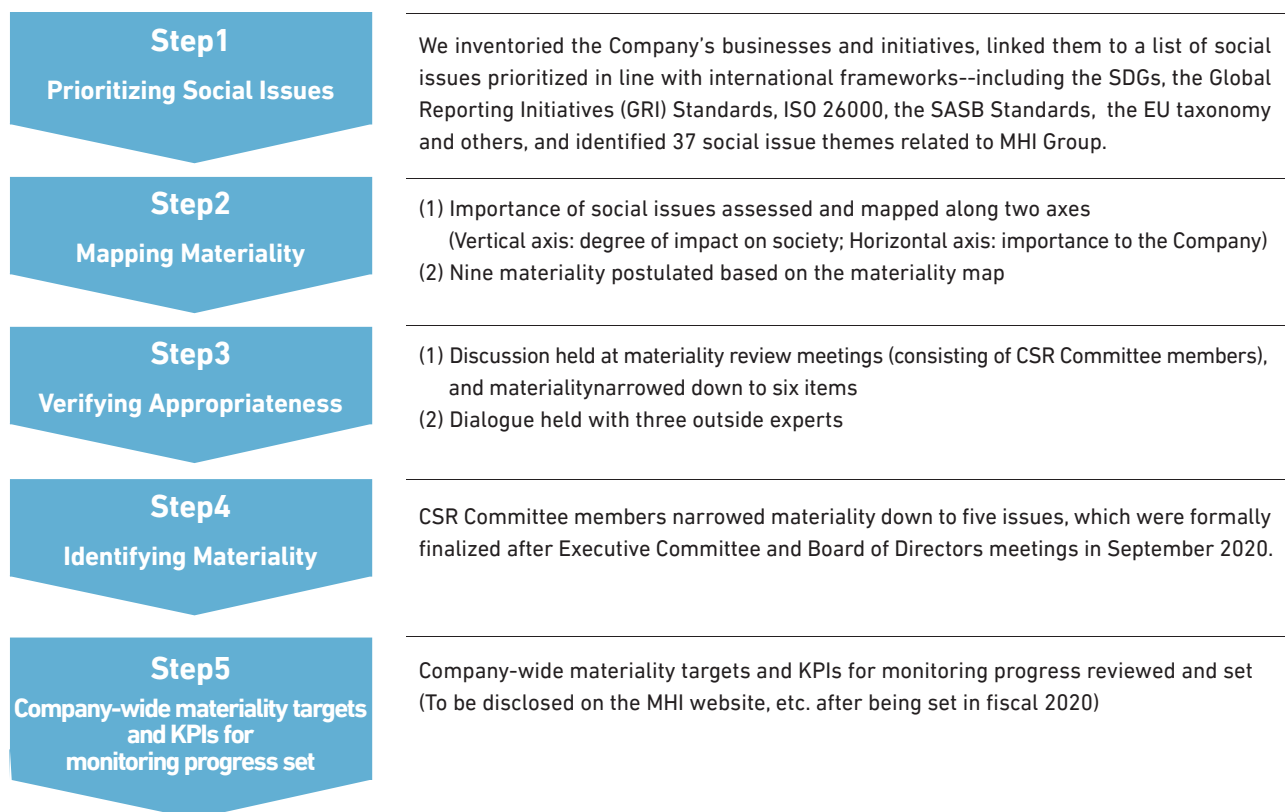
To enhance corporate value and grow in the medium to long term through solutions to social issues, MHI Group has identified materiality it should be addressing.

In response to the increasing importance of sustainability in international standards and guidelines, as seen in recent years in the Sustainable Development Goals (SDGs) adopted by the United Nations, growing ESG Investment, and the EU taxonomy and subsequent changes in megatrends influencing the MHI Group, in 2020 we reviewed the materiality identified in 2015 and added five new items as noted below. The materiality we identified is reflected in the 2021 Medium-term Business Plan announced in October 2020 and targets have been set for each, with progress regularly monitored as part of the Group's non-financial management indicators.

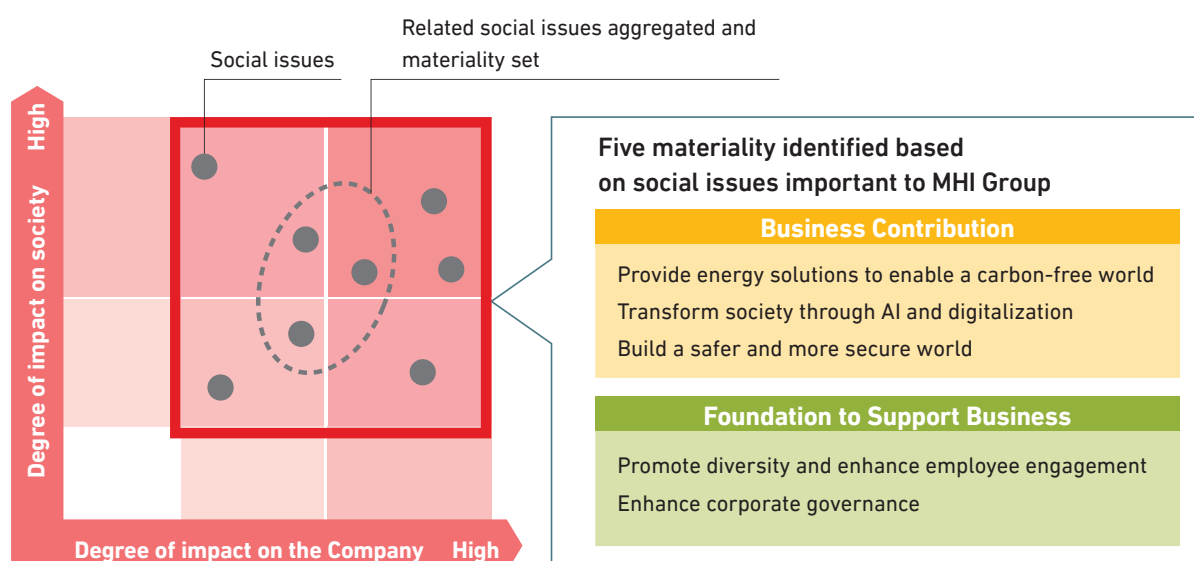
	Materiality	Social issues	SDGs
Foundation to Support Business (Corporate)	Provide energy solutions to enable a decarbonized world	<ul style="list-style-type: none"> ● Mitigate climate change ● Reduce GHG emissions ● Stable energy/electricity supply ● Improve energy efficiency ● Popularize renewable energy ● Promote 3Rs/circulation economy 	  
	Transform society through AI and digitalization	<ul style="list-style-type: none"> ● Promote AI/digitalized society ● Enhance productivity in response to labor shortages ● Update outdated facilities ● Enhance transportation safety/convenience ● Decarbonize mobility ● Diversify transportation needs ● React to increased logistics 	   
	Build a safer and more secure world	<ul style="list-style-type: none"> ● National security by defense ● Adapt to climate change ● Enhance function/durability of infrastructure ● Rationalize infrastructure ● Interfere with cyber attacks on industrial systems/IoT ● Prevent pandemics and take appropriate measures 	    
Business Contribution (Business)	Promote diversity and increase employee engagement	<ul style="list-style-type: none"> ● Nurture/secure workforces ● Respect human rights ● Promote diversity ● Enhance labor productivity ● Labor safety and hygiene ● Promote health management 	    
	Enhance Corporate Governance	<ul style="list-style-type: none"> ● Corporate governance ● Comply with laws and regulations/international standards ● Fair competition/business practices ● Understand and manage overall corporate risk ● Timely information disclosure 	 

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. Going forward, company-wide targets will be set for each of the five issues of materiality thus identified, along with indices (KPIs) for monitoring progress, as we work to promote sustainability management by steadily continuing related activities.



Approach to Identifying Materiality



Dialogue held with experts to discuss identifying materiality

On September 4, 2020, a dialogue was held with three experts to discuss identifying materiality. Valuable opinions were offered by the three based on their knowledge of their respective areas of expertise.



Expert Profiles and Their Opinions

Expert Profiles

Their Opinions



Specially Appointed Professor,
Graduate School of
Social Design Studies,
Rikkyo University

Mariko Kawaguchi

- As the world shifts direction toward decarbonization, putting forth decarbonization rather than low-carbon goals is more in line with the times.
- What about specifying your approach to adapting to climate change? Adaptation is one area in which we expect something of MHI. You can create a powerful message by reevaluating your approach with the understanding that disasters and climate change come as a set.



Chief Executive Officer,
Sustainability Forum Japan
Board Member

Toshihiko Goto

- The current materiality represents a significant improvement over those announced in 2015 because they also encompass the Company's development strategy.
- It is important to demonstrate the relationship between materiality and your medium- to long-term development strategy.
- Materiality would be further improved by an outside-in perspective on your own business, based on the social issues.
- Given that more than half of MHI's business is overseas, materiality needs to be compiled with an awareness of their relationship to human rights as well.



Professor,
Graduate School of Engineering
Special Advisor to
the President Institute of
Engineering Innovation,
School of Engineering,
the University of Tokyo

Ichiro Sakata

- If you can put forth ideas for overcoming the trade-off between the shift to smart technologies and increased energy consumption associated with the growing volume of information traffic, this should have an impact on your business strategy and materiality.
- Taking issues of digitalization and data into consideration based on MHI's future growth might result in a more forward-thinking discussion. Those elements can provide a new driver toward efforts to achieve a better society.

Response to Opinions

Based on these dialogues, our materiality now reflects both decarbonization and energy issues in an effort to clearly set forth MHI Group's response to climate change.

In addition, based on suggestions regarding digitalization and data, we have incorporated an AI/Digitalization item as part of our business materiality. We have also positioned respect for human rights as a more important issue of materiality given the expansion of MHI Group's business activities around the globe.

With regards to the relationship between materiality and our medium- to long-term development strategy, we established our Medium-term Business Plan with an understanding of the materiality identified, and will conduct regular monitoring of our materiality targets.

MHI Group materiality established in 2015

(Note) Details of materiality established in fiscal 2015 are available starting on page 9 of the ESG DATABOOK 2019.

1. An Optimal Governance Structure Based on Our Corporate Culture

- An optimized organization to continually contribute to society through our business
- The assurance of fair operating practices and appropriate labour practices

Objective

- Ensure an organizational culture in which values are shared globally and universally

KPI Number of whistleblowing cases

We have provided two hotlines where any actual or potential breach of the Code of Conduct, and any other actual or potential breaches of ethics, including bribery and corruption, can be reported: the MHI Whistleblowing Hotline, which is available to all employees, including those of Group companies, and the MHI External Whistleblower Hotline. The Compliance Committee Secretariat promptly investigates all reports made to these hotlines, and takes appropriate remedial or preventive action where breaches are identified.

Number of whistleblowing cases, by type

Type	FY2016	FY2017	FY2018	FY2019
Labour and the work environment	42	49	81	69
Overall discipline and breaches of manners	28	17	13	13
Transaction-related laws	11	11	15	12
Consultations and opinions	3	0	1	2
Other	34	36	32	44
Total (number of corrections and improvements)	118 (64)	113 (59)	142 (65)	140 (66)

2. The Use of Global Human Resources

- The attraction and development of human resources with the ability to respond to globalization
- Diversity and equal opportunity, including the empowerment of female employees.

Objective

- Be an organization that embraces diversity (Ensure that barriers to diversity are removed)

KPI Number of female managers

In July 2014, MHI has set a target to increase the number of its female managers, in positions of section manager and higher, threefold by 2020 from the level at that point. As a result of promotion for the active participation of women in the workplace in conjunction with its pursuit of diversity management, MHI has achieved the target as of April 1, 2020.

Number of female managers

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
85	102	126	149	171	204	258

(Note) People in positions of section manager or higher as of April 2020. Figures are for MHI and Mitsubishi Power, Ltd. (Coverage: 92% of employees)

3. Response to Mega Trends

- Innovation and quality control to meet global needs
- Enhanced safety and security, including improved information disclosure and transparency

Objective

- Enact strategic measures and business operations that meet the needs of global society

Strategic KPIs

- Improvement in stakeholder evaluations (SRI surveys, customer satisfaction surveys and others)

► SDGs Initiatives

Solving social problems through our business activities

For more than 130 years, MHI Group has contributed to the development of society in accordance with the spirit of Our Principles of “We deliver reliable and innovative solutions that make a lasting difference to customers and communities worldwide.”

In recent years, social issues have become more complex and people’s values have been diversifying, as represented by SDGs ^(Note).

Through its business activities, MHI Group will continue to provide products and solutions that help resolve the challenge of balancing economic development and reducing environmental impact of economic activity.

(Note) SDGs: In September 2015, the United Nations adopted these 17 goals to be achieved by 2030.

Contributing to solutions to the challenge of balancing economic development and reducing environmental impact of economic activity

MHI Group works to reduce the environmental impact of economic activity in all processes of its business activities, including reducing greenhouse gas emissions, as well as working to put together specific solutions to social issues by providing more environmentally friendly products and solutions.

MHI GROUP × SDGs

MHI Group works to reduce the environmental impact of economic activity in all processes of its business activities, including reducing greenhouse gas emissions, as well as working to put together specific solutions to social issues by providing more environmentally friendly products and solutions.



- Offshore wind turbine
- Geothermal power plant
- Gas turbine
- Pressurized water reactor
- CO₂ recovery plant, sinter plant equipped with waste gas recirculation
- Highly efficient gas engine power plant
- Gear grinding machines
- Three-wheel electric counterbalance forklift
- Centrifugal chiller
- Turbocharger
- Launch services

Today

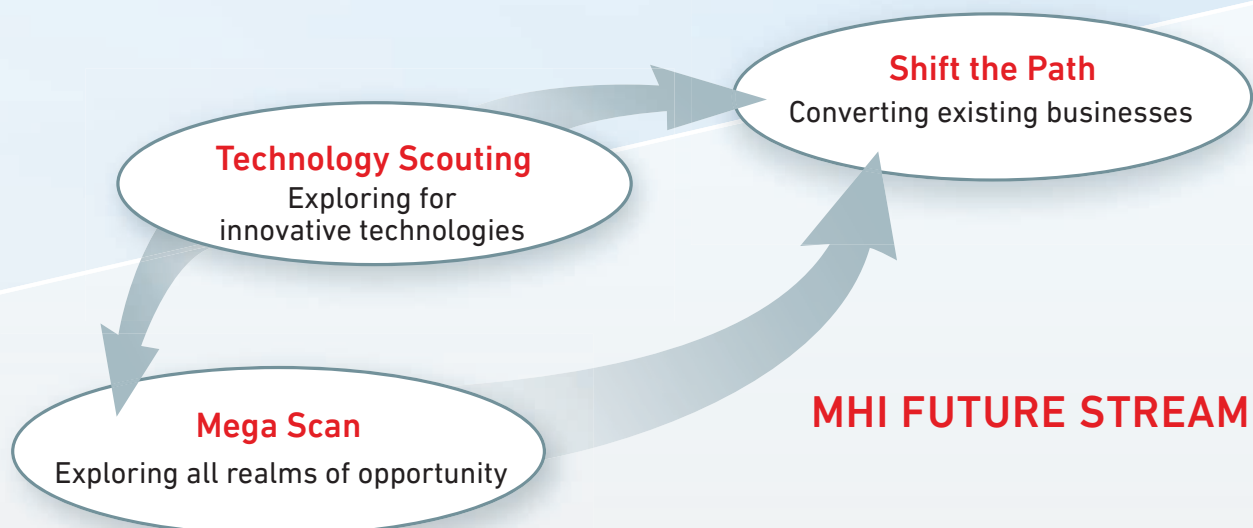
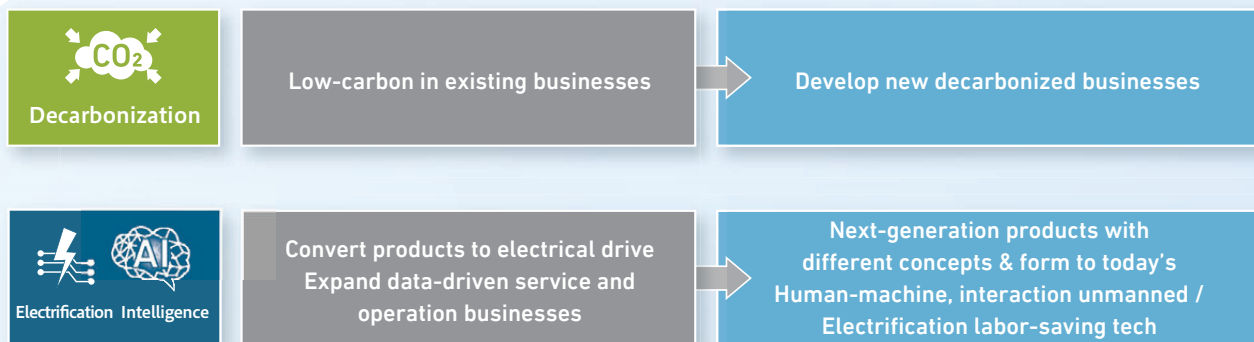
→ Near future



Society where all human beings
can live with peace of mind

Take on challenges
of the distant future

- Expand our business domains by taking on social value changes and technological innovations based on manufacturing
- Take initiatives for the decarbonization and evolution of machinery systems through electrification and intelligent systems



→ Distant future

Governance

► Corporate Governance

As a company responsible for developing the infrastructure that forms the foundation of society, MHI Group'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, with outside directors numbering five, including three who are Audit and Supervisory Committee members. In 2016, we established the Nomination and Remuneration Meetings and reduced the number of directors from 14 to 11. In 2020, MHI's Board of Directors has consisted of 12 directors (of whom five are serving as Audit and Supervisory Committee Members), and six directors (of whom three are serving as Audit and Supervisory Committee Members) are the independence outside directors. Through this reform, we aim to accelerate decision-making and strengthen the supervisory function.

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

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

Number of Outside Directors

2020 **6**

Ratio of Outside Directors

2020 **50%**

Performance Data

Corporate Governance

Independence of the Board of Directors

Independence policy,
target

(Reference)

Article 21 of the Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd. clearly addresses our goal: "MHI shall endeavor to 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."

Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd.

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

Diversity of Board of Directors

When selecting directors who are not Audit and Supervisory Committee members, it is MHI's policy to nominate as candidates those who have extensive experience in executing MHI's business, and who see things from the perspective of senior management; and in addition, to invite more than one individual as candidates for the role of outside directors to perform supervision from an objective standpoint while giving consideration to external stakeholders.

Moreover, the Board of Directors strives to ensure that its composition strikes a balance between diversity and appropriate size while maintaining a good balance overall in terms of knowledge, experience, competence, and other qualities. Furthermore, from the perspective of ensuring effective audits, as directors who are Audit and Supervisory Committee members, MHI's policy is to select individuals who have extensive knowledge and experience in various fields such as corporate management, legal, finance, and accounting in a well-balanced manner.

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 Meeting as an advisory body to the Board of Directors with the goal of obtaining the opinions and advice of outside directors and further enhancing transparency and fairness prior to deliberations by the Board of Directors on matters relating to the nomination of candidates for directors, the dismissal of directors, and the appointment and dismissal of other executives and officers, and matters relating to the remuneration of directors (excluding directors who serve as Audit and Supervisory Committee members). The Nomination and Remuneration Meeting deliberates on the amount of director remuneration and the policy for determining its calculation method and decides on that policy after reporting the outline of its deliberations to the Board of Directors.

The Company's Board of Directors is 12 directors (of whom five are Audit and Supervisory Committee members), six (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 important operations to the president and CEO, 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	1

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 (FY2019)
Selection and nomination	Name	Nomination and Remuneration Meetings
	Members	Outside directors (six), Chairman of the Board, and the President and CEO
	Number of meetings	8 (FY2019)
Others-related to governance	Name	Outside Directors' Meetings
	Members	Outside directors (six) + management personnel (as necessary)
	Number of meetings	1 (FY2019)
CSR	Name	CSR Committee
	Members	Chaired by the CSO (the executive officer in charge of CSR), the GC (director) CFO (director), CTO, the officer in charge of HR, and head of the Business Strategy Office.
	Number of meetings	1 (FY2019)
Compliance	Name	Compliance Committee
	Members	Chaired by the Executive Vice President, GC, and composed of 24 members.
	Number of meetings	2 (FY2019)
Human Rights	Name	Committee for Raising Awareness of Human Rights
	Members	Chaired by the Senior Vice President in charge of HR, and composed of 25 members.
	Number of meetings	As necessary
Environment	Name	MHI Group Environment Committee
	Members	Chaired by the Executive Vice President, CTO and composed of 13 members.
	Number of meetings	1 (FY2019)
Others-related to governance	Name	International Trade Control Committee
	Members	Chaired by the Executive Vice President, GC, and composed of 13 members.
	Number of meetings	2 (FY2019)

(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	%	98 (FY2019)
	The minimum attendance	%	82 (FY2019)

Rate of Attendance at Board of Directors Meetings by Directors	Name	Position (as of March 31, 2020)	Board meeting attendance (for the year ended March 31, 2020)
	Shunichi Miyanaga	Chairman of the Board	100%
	Seiji Izumisawa	President and CEO, CSO	100%
	Masanori Koguchi	Director, Senior Executive Vice President, CFO	100%
	Masahiko Mishima	Director, Executive Vice President, GC	100%
	Naoyuki Shinohara	Outside Director	100%
	Ken Kobayashi	Outside Director	94%
	Toshifumi Goto	Director, Full-time Audit and Supervisory Committee Member	100%
	Hiroki Kato	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	82%

Directors' terms of office		Unit	
		year	1 (2 for Audit and Supervisory Committee members)
	Average	year	3 (As of October 2020)

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

Board evaluation results	
	<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 32) aiming at ensuring further effectiveness of the Board of Directors by verifying its functional efficiency as an entity and being fully accountable for stakeholders, by conducting holistic analysis and evaluation of the Board.</p> <p>In fiscal 2019, continuing from the previous fiscal year's analysis and evaluation, using the process below, we conducted analysis and evaluation from four main perspectives. These were composition of the Board of Directors, operations of the Board of Directors, oversight function of the Board of Directors, and a structure to support outside directors.</p> <ul style="list-style-type: none"> • Self-evaluation questionnaire completed by all directors (including outside directors). • Discussing results of the self-evaluation at the Board meeting. • Results of the evaluation are reported and resolved at the Board meeting based on the self-evaluation and discussions. <p>Through the processes mentioned above, the overall effectiveness of the Board of Directors in 2019 has been ensured with no major concerns.</p> <p>The status of activity concerning the issues recognized in the Board evaluation conducted in the previous year (FY2018), as well as major issues recognized this time, and future responses are as follows.</p>

1. Initiatives to address issues recognized in the previous year

- (1) We explained MHI Group growth strategies (evolution in machinery systems, the "Shift the Path" program for our existing businesses, etc.) to our outside directors, and set up a discussion forum with management.
- (2) Each domain continued to implement business status reporting for the Board of Directors, and materials of the Board of Directors were designed to have a well-defined content with a focus on medium- to long-term scenarios and specific product businesses, as well as supplement that content through meetings between outside directors and individual domains, thereby expanding opportunities for outside directors to gather information.
- (3) In addition to continuing to provide prior explanations to outside directors, we prepared and explained materials that clarify the key points of deliberations, thereby enhancing deliberations at the Board of Directors.

2. Issues recognized this time and future initiatives

- (1) Discussion of companywide growth strategies
Amid a rapidly changing business environment, we will provide opportunities for regular discussions on MHI group's overall medium- to long-term growth and business strategies, focusing on the development of new businesses through decarbonization, electrification, and intellectualization, as well as the growth strategies of existing businesses.
- (2) Discussion that takes Company stakeholders into consideration
In order to incorporate opinions of various stakeholders into management improvement, we will report to the Board of Directors topics including how financial markets view MHI's management, MHI's ESG and SDGs initiatives and external evaluation on them, and provide opportunities for discussion on the direction of future action.
- (3) Discussion related to key risks and management processes
In light of strengthened disclosure of risk information, we will report on and provide opportunities for discussion on companywide risk management processes, and selected and specified important risks.

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 remuneration from the viewpoint of reflecting business performance and sharing interests 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 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 profit before income taxes reached ¥200.0 billion; calculated based on the fair value of stock award points granted during fiscal 2018), making for a remuneration structure in which the higher a director's rank 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 fiscal 2019, the Company had a loss before income taxes ¥32.6 billion, thus missing the target (initial forecast) of a profit of ¥210.0 billion, which was set at the start of fiscal 2019. However, in calculating performance-linked remuneration for fiscal 2019, depending on the position of each individual director, we made partial corrections for the sake of fair remuneration commensurate with earnings for the term, such as by excluding the effect on the relevant earnings performance of write-downs on figures recorded for other fiscal years.

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	Millions of yen	477	238	13	225
Directors who are serving as Audit and Supervisory Committee members (excluding outside directors)		2	Millions of yen	142	142	-	-
Outside directors		7	Millions of yen	85	85	-	-

(Note) Table above includes one director who was not an Audit and Supervisory Committee member and two directors who was an Audit and Supervisory Committee member who retired this fiscal year.

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

47.1%
Stock remuneration

Individual remuneration ^(Note)	Name	Position	Unit	Total	Base remuneration	Performance-linked remuneration	Stock remuneration
	Shunichi Miyanaga	Director	Millions of yen	145	68	-	76
	Seiji Izumisawa	Director	Millions of yen	151	74	-	76

(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

151

Mean employee salary Millions of yen

8.5

Ratio time

17.7

Effectiveness of the Audit and Supervisory Committee

■ Duties, etc.

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 selection 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.

■ Composition, etc.

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.

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.

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 fiscal 2019, the Audit and Supervisory Committee discussed the progress of business plans and risk-status centered on the overall outlook for the Company, focusing on consideration for and checking the progress of growth strategy and the status of establishment of the global group-management system.

■ Results of Initiatives Implemented in Fiscal 2019

Pertaining to activities in fiscal 2019, 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 26, 2020, 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 fiscal 2020.

Effectiveness of the Audit and Supervisory Committee members

Audit and Supervisory Committee attendance		Unit	
Average		%	97.5 (FY2019)
The minimum attendance		%	80.0 (FY2019)

Rate of attendance at Audit and Supervisory Committee by Audit and Supervisory Committee members		Position (as of March 31, 2020)	Audit and Supervisory Committee attendance (for the year ended March 31, 2020)
Toshifumi Goto	Director, Full-time Audit and Supervisory Committee Member		100%
Hiroki Kato	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		80.0%

(Note) As at October 2020, Toshifumi Goto, Koji Okura, Christina Ahmadjian, Hiroo Unoura, and Nobuyuki Hirano serve as Audit and Supervisory Committee members by resolution of the 95th General Meeting of Shareholders, held on June 26, 2020.

Ensuring the reliability of our financial statements and independence of Accounting Auditor (FY 2019)

- Remuneration for KPMG AZUSA LLC, the Company's Accounting Auditor, was as follows.
 - Amount of remuneration for audit services
616 million yen (the Company: 325 million yen, consolidated subsidiaries: 291 million yen)
 - Amount of remuneration for non-audit services ^(Note 1)
36 million yen (the Company: 28 million yen, consolidated subsidiaries: 8 million yen)
- Remuneration for organizations those belong to the same network as the Company's Accounting Auditor (KPMG), was as follows. (Excluding the contents of 1)
 - Amount of remuneration for audit services
603 million yen (consolidated subsidiaries: 603 million yen)
 - Amount of remuneration for non-audit services ^(Note 2)
616 million yen (the Company: 361 million yen, consolidated subsidiaries: 254 million yen)

(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

UN Global Compact (UNGC)

Global Reporting Initiative (GRI)

Task Force on Climate-related Financial Disclosures (TCFD)

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.

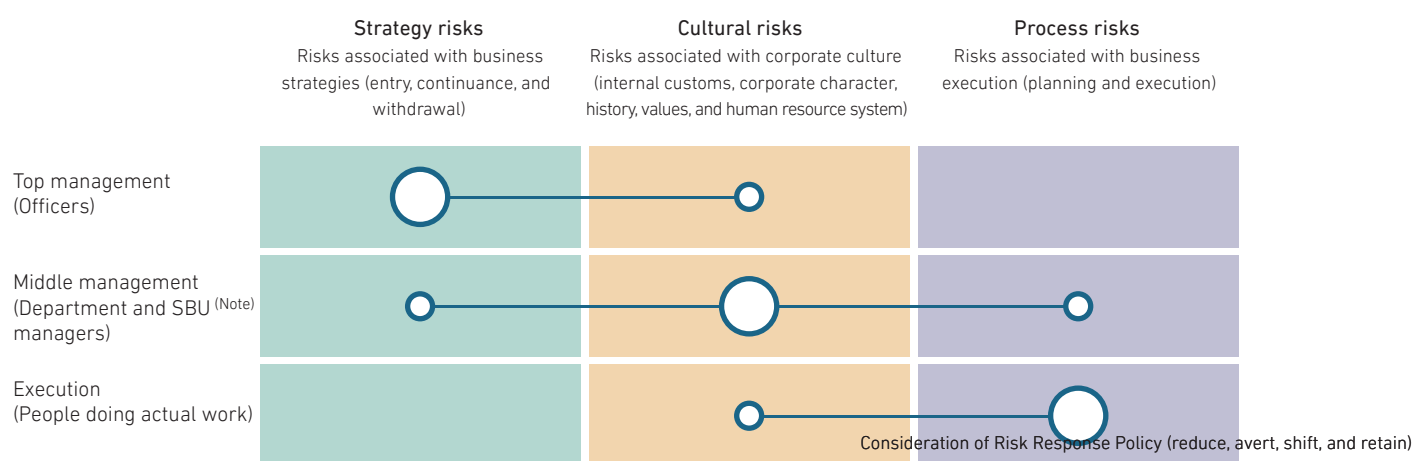
To promote challenges of this kind and prepare for the next leap into the future, MHI Group, applying its past experience and lessons learned, aims to create the mechanisms that will ensure the effective execution of business risk management. At the same time, we reinforce advanced, intelligent systems 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

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

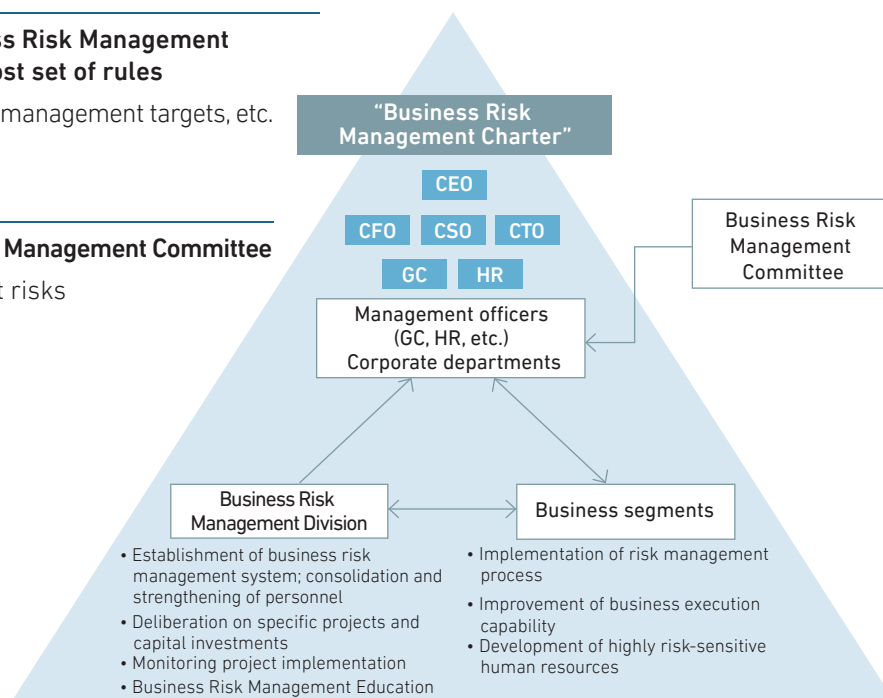
Observe and practice the Business Risk Management Charter as the Company's foremost set of rules

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

2

Hold meetings of the Business Risk Management Committee

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

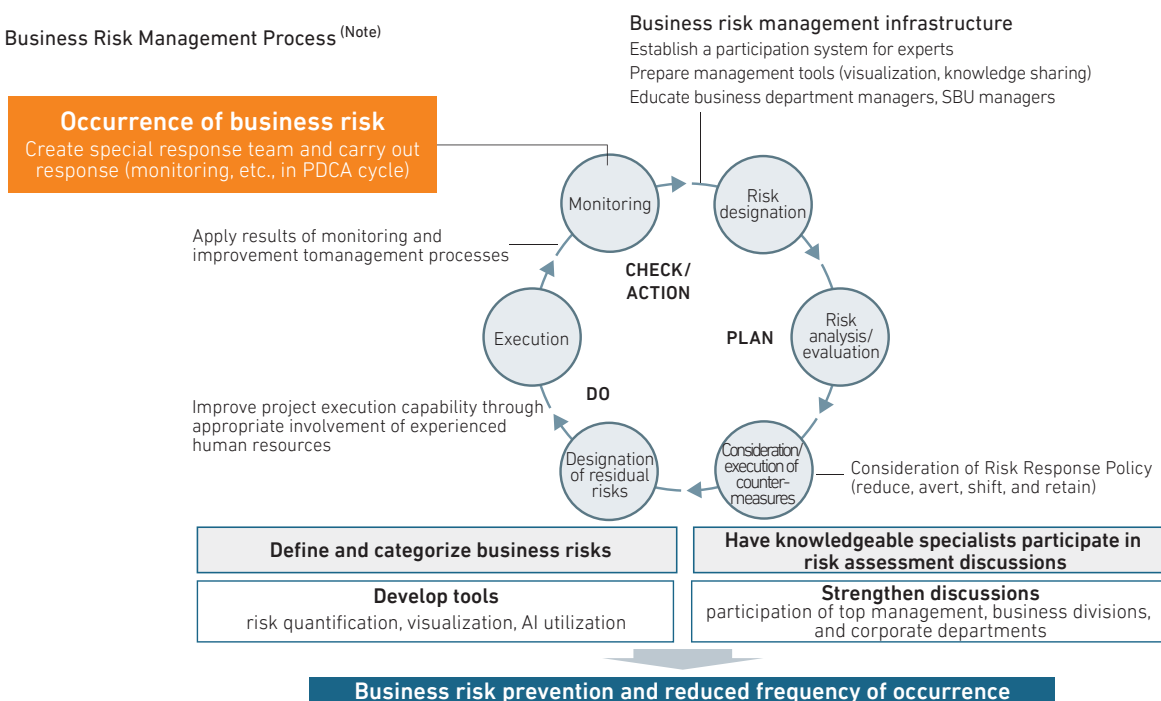


Content of Activities

With the Business Risk Management Department 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 recognizes its responsibility in protecting business information (including intellectual property, technical information, sales information, personal information, etc.). To fulfill this responsibility, MHI has established a cybersecurity policy and strategy to ensure and enhance our cybersecurity. Recognizing cybersecurity as a critical risk, President and CEO supervises the cybersecurity strategy and CTO reports at least once a year 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 cyberattacks. Cybersecurity governance (establishing standards, implementation of measures, self-assessments, and internal audits), incident response, training and awareness, etc., are performed under this program. At the same time, MHI Group is contributing to the establishment of a global framework.

Cybersecurity Governance

MHI Group has defined a cybersecurity standard according to the NIST-CSF ^(Note1) providing a multi-layer protection mechanism as well as threat detection and prevention.

Vulnerability test and analysis of collected threat information have been implemented to maintain and improve cybersecurity. Periodic self-assessments and internal audits are also performed to examine the compliance of security measures against MHI Group cybersecurity standard. Through these activities, MHI Group is gaining intelligence of the latest cybersecurity threats which are becoming more sophisticated every day. In addition, industrial control systems provided in MHI Group products are secured through the implementation of a framework that controls cyber risks for control systems. Furthermore, MHI Group will continue enhancing and developing next-generation solutions in this area.

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

Response to Cybersecurity-Related Incidents

In the event of a cybersecurity incident, a Computer Security Incident Response Team (CSIRT) immediately handles analysis and examination of cybersecurity-related incidents, recovers systems after an incident, and carries out measures to prevent reoccurrence. If necessary, the incidents are to be reported to relevant government agencies and disclosed. Serious incidents are reported to related members including Directors, and measures are taken according to the crisis management system of the company.

Contributing to the Establishment of a Global Cybersecurity Framework

Through participation in the Study Group for Industrial Cybersecurity ^(Note2), the Charter of Trust ^(Note3), promotion of the Declaration of Cyber Security Management ^(Note4), and other cybersecurity initiatives, MHI Group is contributing to the establishment of a global cybersecurity framework.

(Note 2) An initiative by the Ministry of Economy, Trade and Industry to examine industrial cybersecurity measures. MHI began participation in this initiative in December 2017.

(Note 3) An initiative by private corporations to build trust in cybersecurity. MHI began participation in this initiative in April 2019.

(Note 4) Announced by the Keidanren (Japan Business Federation) in March 2020.

Response to Cybersecurity-Related Incidents

In the event of a cybersecurity incident, a Computer Security Incident Response Team (CSIRT) immediately handles analysis and examination of cybersecurity-related incidents, recovers systems after an incident, and carries out measures to prevent reoccurrence. If necessary, the incidents are to be reported to relevant government agencies and disclosed. Serious incidents are reported to related members including Directors, and measures are taken according to the crisis management system of the company.

► 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 set up whistleblowing hotlines in Japan and overseas in 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.

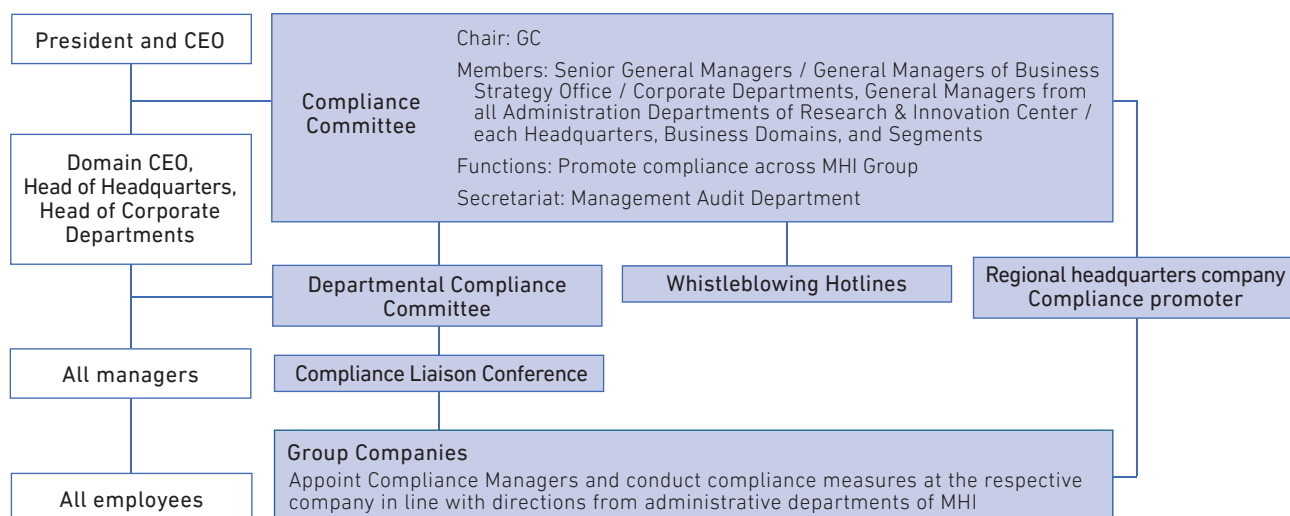
In addition, and in order to keep raising awareness of compliance, we are conducting e-learning and training programs for MHI and Group employees in Japan and overseas on anti-trust laws, anti-bribery, and export-related laws and regulations. Furthermore, we have created a compliance guidebook for employees 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 regions outside of Japan, MHI Group appointed Regional Audit & Compliance Officers (RAO) in each of the four regions of the Americas, Europe, Asia Pacific, and China, 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, 2020)



Number of participants at compliance training (e-learning)

FY2019

88,133

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

Masahiko Mishima (Executive Vice President, GC)

Responsible institution or committee

Name

Compliance Committee

Members

Chaired by the Executive Vice President, General Council, and composed of 24 members.

Number of meetings

2 (FY2019)

Whistle-blowing system

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.

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.

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.

Compliance situation

Training	Number of attendees	2015	2016	2017	2018	2019	Coverage
		75,303	93,353	84,300	90,300	88,133	Group

Number of whistle-blowing reports	2015	2016	2017	2018	2019	Coverage
	131	118	113	142	140	Group

Compliance awareness survey

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.

Reporting on breaches

There were 66 compliance violations among the compliance whistleblowing reports, including on corruption (such as bribery), in fiscal 2019. Among them, we took corrective action on 109 cases.

There was no significant breach last year, with no related fines or penalties as a result.

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. In Southeast Asia, where corruption risk is particularly high, we created an anti-corruption e-learning program in 2019 to educate local employees. Moreover, in 2019 we conducted audits in Asia and other regions to ascertain the status of fraud risk management at high-risk project sites. 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

(Reference)

MHI Group

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.

Total Donations and Contributions (fiscal 2019)

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 20,500 employees in total have taken these courses so far. In 2019, we conducted face-to-face training on bribery prevention in seven locations nationwide, and around 1,390 people 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

(Reference)

MHI Group

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 19,600 employees in total have taken these e-learning courses so far. In 2019, we conducted face-to-face training on compliance with anti-trust law in seven locations nationwide, and around 1,500 people have taken this training so far.

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

(Reference)

MHI Group

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, and a total of 45,000 people have taken these courses to date. We have also introduced e-learning focused on classifications check since 2017, and 6,000 people have taken the course since then. Since fiscal 2016, we have been conducting e-learning on export control for people at overseas Group companies at the management level, and 6,700 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

2019 Total Approximately **17,000**

Pick Up

Quality and safety programs for key products

Nuclear Safety Steering Committee 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 2019, the committee reported on the initiative, taking lessons from the accident, to ingrain in everyone involved the safety-first policy in nuclear-power operations and the effort to continuously increase the safety and reliability of nuclear power plants by implementing all-encompassing safety measures.

It also confirmed the resolution to keep working to help the people involved in the accident communicate their thoughts to the following generations so it will not be forgotten, while continuing effort to build public confidence in nuclear power.

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 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 improvement of the safety and reliability of nuclear power plants and to the establishment of a stable power supply.

Shipbuilding: enhancing QMS activities to prevent product accidents

Mitsubishi Shipbuilding Co., Ltd. (MHIMSB), and Mitsubishi Heavy Industries Marine Structure Co., Ltd. (MHIMST), which are involved in the commercial ships business & marine structure business, are 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. Workshops are also held so that relevant personnel can share information, for example, information on revisions made to laws, regulations and standards pertaining to railways. 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 has introduced a system tool for the sharing of 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

The air-conditioning and refrigeration business^(Note) 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.

(Note) MHI's air-conditioning and refrigeration business has been taken over by Mitsubishi Heavy Industries Thermal Systems, Ltd. who commenced operations in October 2016.

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. Cutting-edge technologies in the defense sector have a broad reach, and ripple effects to the civilian sector are expected, in the fields of materials, components, and processing technology. 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.



X-2 (Advanced Technology Demonstrator)

Promoting nuclear power Public Acceptance (PA) activities

MHI accept visitors tours of nuclear power plant factories at Kobe Shipyard & Machinery Works to promote nuclear PA activities to understand of the need for and safety of nuclear power generation. MHI holds these tours every year, and many people participate. MHI will continue PA activities, such as providing related information and hosting tours, to restore public confidence in nuclear power generation.

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



Touring the Kobe Shipyard & Machinery Works

Performance Data

Product Stewardship

Safety and quality management

Impact evaluation related to safety and quality

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.

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. 100% 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.

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 38,500 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 17,000.

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, 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.

Nuclear Development Corp.		Unit	2017	2018	2019
Radioactive waste-storage capacity (Solid waste)		200L drum	3,293	3,293	3,293
Volume of radioactive waste stored (Solid waste)		200L drum	2,399	2,506	2,539
Volume of radioactive waste generation (Solid waste)		200L drum	99	107	33
Radiation exposure of employees with radiation-related jobs (average) ^(Note)		mSv/year	0.00	0.03	0.15

Mitsubishi Nuclear Fuel Co., Ltd.		Unit	2017	2018	2019
Radioactive waste-storage capacity (Solid waste)		200L drum	11,603	11,603	17,053
Volume of radioactive waste stored (Solid waste)		200L drum	10,175	11,066	13,403
Volume of radioactive waste generation (Solid waste)		200L drum	29	891	2,337
Radiation exposure of employees with radiation-related jobs (average) ^(Note)		mSv/year	0.14	0.09	0.00

(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.

In fields of business where companies are our customers, such as power generation and engines, we ask customers directly to complete questionnaires. For example, for areas in which general consumers are our customers, such as air-conditioning, we have set up a desk to respond to Internet and telephone inquiries. Each year, we receive around 6,000 responses 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

2019

0

Pick Up

Implementing technical support as an aspect of preventative maintenance

Since 1999, Mitsubishi Power, Ltd. has been maintaining high operating rates at thermal power plants (gas turbine) around the world and providing technical support services to prevent problems. Through these paid services, we observe and support the operations of gas turbine plants 24 hours a day, 7 days a week in real time from remote monitoring centers established in two locations, one in Japan and the other abroad. We also established a remote monitoring center in Nagasaki and in the Philippines to monitor steam power plants, and are working to expand our services. We have been utilizing more than 20 years of the operational data of the plants to prevent problems. Also, we minimize shutdown of the plants by quickly and automatically detecting plant anomalies, applying quality engineering, and immediately implementing troubleshooting procedures.

As of August 2020, these services were used globally on 173 gas turbines whose total output is over 40 million kilowatts, and we have been contributing to stable power generation operations for our customers.



Remote monitoring center

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.

Thermal power systems

Mitsubishi Power, Ltd., collects Voice of Customer (VOC) information through daily face-to-face and online communication. VOC information is classified into five categories (Maintainability and Operability, Consideration, Necessary Ability, Price, and Response Speed) 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 Mitsubishi Power contact. The results are then used to further improve product quality and customer service.

Air-Conditioning & Refrigeration:

Mitsubishi Heavy Industries Thermal Systems, Ltd., which engages B-to-C business in 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

Thermal power systems

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

Air-Conditioning & Refrigeration:

Mitsubishi Heavy Industries Thermal Systems, Ltd. provides a remote monitoring service that enables 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 the status of engine power plant via the Internet to find warning signs of trouble, and to prevent it.

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 part of our worldwide advertising strategy for fiscal 2019, we placed advertorials in globally renowned media outlets such as Forbes, The Financial Times, Bloomberg, The Economist, The Wall Street Journal, BBC, CNBC, and The Washington Post, as well as in leading newspapers in Japan (including the Yomiuri and the Mainichi). 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 2019.

► 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 a new Shared Technology framework 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 a comprehensive Research & Development 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

2019 **1,468** billions of yen

Percent of sales

2019 **3.6**%

Performance Data

Innovation Management

R&D situation

R&D expenditure	Unit	2015	2016	2017	2018	2019	Coverage
Total	Billions of yen	1,506	1,607	1,768	1,521	1,468	Group
% of sales		3.7	4.1	4.3	3.7	3.6	Group
Employees of R&D position	FTEs	1,300	1,300	1,300	1,350	1,350	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.

■ Benefit

MHI has been involved in R&D into CO₂ recovery technology for more than 25 years. This 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). We expect CO₂ recovery technology to grow more popular, contributing to efforts to stop global warming. 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), and security, and promote their application to our products.

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. For example, by improving the manufacturing process and increasing the sophistication of production management systems in the aircraft parts, we were able to reduce the manufacturing lead time by 20%, and lower energy costs.

Environmental innovation

Environmental innovation

■ Case

Air-Conditioning & Refrigeration:

■ Benefit

In 2017, Mitsubishi Heavy Industries Thermal Systems, Ltd. launched new series, a high-efficiency condensing unit for freezing and refrigeration using the natural refrigerant CO₂, without using any fluorocarbon refrigerant. The specifications of these refrigerants have a global warming potential (GWP) of 1, a significant reduction compared with conventional fluorocarbons. Moreover, by installing the Company's original "scroll compressor," which integrates scroll and rotary mechanisms, we have reduced annual energy consumption by 16%, compared with conventional models ^(Note).

(Note) HCA751M (using R22 refrigerant)

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. H-25 (HP: 28-42MW) ^(Note), a small- to medium-sized gas turbine, is a compact but highly efficient quality product tailored to the needs of emerging markets, and has been enjoying strong demand. In fiscal 2019, there were orders from China.

(Note) For reference, normally a large gas turbine for power generation has HP200 –300 MW and above, mostly for use in developed markets.

Air-Conditioning & Refrigeration:

Through selling environmentally friendly products to the emerging countries of Southeast Asia—where living standards have risen—that are equivalent to those sold in developed countries, we are endeavoring to strike a balance between providing comfortable living environments and environmental conservation.

Improving productivity

Technology introduction

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, the technology of our primary thermal power plant products, including gas turbines, steam turbines, boilers, Flue Gas Desulfurization (FGD) plants and Selective Catalyst Reduction (SCR), has been introduced by providing licenses to manufacturers in China, Korea, India, etc.

Improving labour productivity

To maintain Japanese standards for high quality, a small group operation has been implemented; for developing skilled workers, Japanese engineer educators have been dispatched and overseas trainees have been accepted at Japanese sites.

Vietnam aircraft manufacturers have established an in-house manufacturing technology school where Japanese instructors instruct and educate the Vietnamese employees for their talent development. On-site OJT is also provided, for facilitating early acquisition of the skills. OJT opportunities in Japan (Oye Plant, Eba Plant) are also provided for the Vietnamese employees, aiming at skill acquisition through mutual exchange of employees.

**Reviewing procurement agreements
or inventory levels****Air-Conditioning & Refrigeration:**

We sell our products through dealerships and distributors in each country (including emerging countries). However, when orders are received, we perform checks of the inventory status along trading routes and the level of demand in each country to keep inventory from accumulating.

Furthermore, by devising improved production methods, we are building a supply system that can adjust to changes in demand by shortening 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 CSR procurement with business partners and the partners that build the supply chains of partners, we are promoting 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. In these ways, we are carrying out training on the conduct expected of business partners from a social aspect.

(Reference) MHI Group Supply Chain CSR Promotion Guidelines <https://www.mhi.com/company/procurement/csr/>

Number of partner participants in CSR training

2019

Total number of participants **1,773** companies

Performance Data

Supply chain management

Supply chain structure

Spending analysis

(analysis of procurement history)

Amounts by Supplier (Billions of yen)

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.

Results for Fiscal 2019

Japan	1,451
North America	158
Europe	192
China	82
Asia / Oceania	152
India	24
Korea	23
Middle East	13
Taiwan / Hong Kong	11
Central and South America	10
Africa	0.5

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	23,796 companies (FY2019)
Primary Tier 1 suppliers	2,790 companies (FY2019)

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	2,009 companies
Ratio	8.4%
	In addition, we conduct surveys in order to ascertain the status of CSR promotion initiatives by suppliers.
Number of suppliers surveyed	2,790 companies
Number of suppliers assessed	Based on supply chain monitoring result, to mitigate risks to MHI group supply chain, we are conducting physical inspection 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.
	FY2020 Plan: 10 companies

Conflict minerals

Basic Policy Concerning Conflict Minerals	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. 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 conducted in fiscal 2019 targeting smelter and country of origin, which is mineral procurement source for aircraft and automobile parts, the results confirmed that 6,190 smelters out of 2,216 identified are 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.
(Reference)	MHI Group Supply Chain CSR Promotion Guidelines https://www.mhi.com/company/procurement/csr/

Our improvements in the supply chain

Procurement Education and Training

Procurement departments at MHI provide a range of training programs designed to ensure compliance with the applicable laws and regulations. In fiscal 2019, a total of 40 new employees and employees just transferred to procurement departments attended an introductory course on basic information concerning procurement practices, overseas procurement, and the negotiation of commercial contracts.

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. In fiscal 2019, a total of 1,773 business partners participated in these activities.

Educated suppliers

Fiscal 2020 Plan 1,000 companies

Participating in Initiatives

Participating in Supply Chain-Related Initiatives

In order to advance MHI Group's CSR procurement initiatives, we take 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.

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.

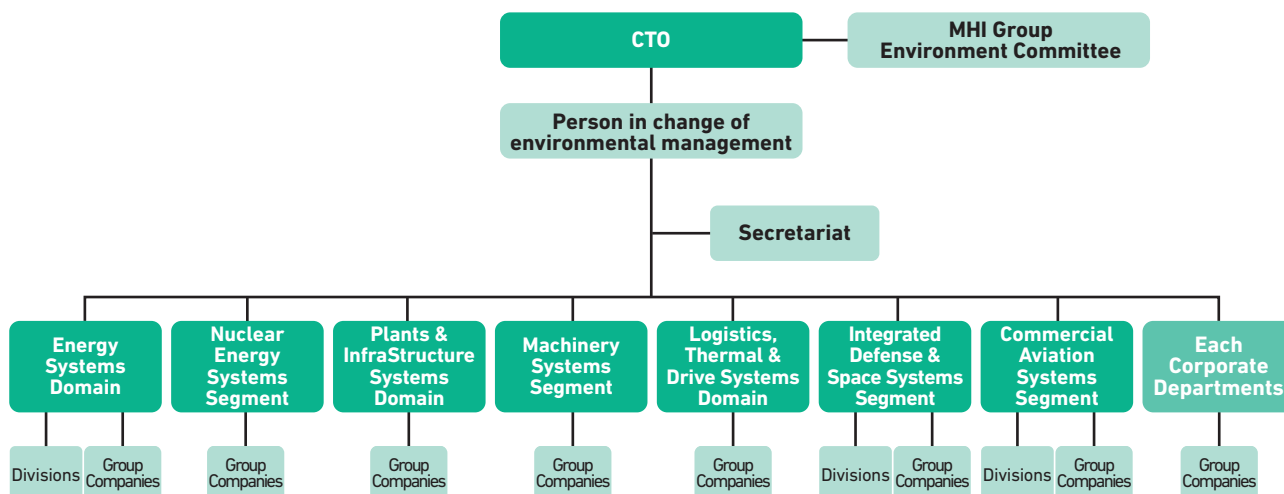
Formulated in 1996 (Revised in January 2018)

(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 Fourth MHI Group Environmental Targets, which represent the Group's medium-term goals, were established at a meeting of the Environment Committee held in December 2017. The Long-Term Environmental Target is focused on reducing CO₂ by fiscal 2030, the same target year as the Paris Agreement. The Fourth MHI Group Environmental Targets aim for reduction in CO₂ emissions, more efficient water usage, and reduction in waste generation by fiscal 2020. MHI Group will continue to contribute to global environmental conservation and work as one to achieve these goals.

Long-Term Environmental Target (FY2030)

Unit CO₂ emissions

-16% Compared with FY2014 (Note)

The Fourth MHI Group Environmental Targets (FY2020)

Unit CO₂ emissions

-6% Compared with FY2014 (Note)

Unit water consumption

-6% Compared with FY2014 (Note)

Unit waste generation

-6% Compared with FY2014 (Note)

(Note) Consolidated Group Companies

■ The MHI Group Long-Term Environmental Target (FY2030)

Category	Item	Scope of target	Target (FY2018-FY2030)
Reduction in greenhouse gas emissions	Reduction in CO ₂ emissions	Entire MHI Group	Reduce ^(Note 1) the unit CO ₂ emissions in FY2030 by 16% compared to FY2014. The numerator: The sum of the CO ₂ emissions of all Group companies. Unit: ton. The denominator: The total consolidated sales of all Group companies. Unit: Yen. (Note 1) Annually whether 1% reduction of the unit CO ₂ emissions is achieved or not will be evaluated.

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

■ The Fourth MHI Group Environmental Targets (FY2018-FY2020)

Category	Item	Scope of target	Target (FY2018-FY2020)
1. Reduction in greenhouse gas emissions	1.1 Reduction in CO ₂ emissions	1.1.1 Entire MHI Group	Reduce ^(Note 1) the unit CO ₂ emissions in FY2020 by 6% compared to FY2014. The numerator: The sum of the CO ₂ emissions of all Group companies. Unit: ton. The denominator: The total consolidated sales of all Group companies. Unit: Yen. (Note 1) Annually whether 1% reduction of the unit CO ₂ emissions is achieved or not will be evaluated.
2. More efficient water usage	2.1 Reduction in water usage	2.1.1 Entire MHI Group	Reduce ^(Note 1) the unit water consumption in FY2020 by 6% compared to FY2014. (Water: industrial water, tap water, groundwater, rivers, lakes; excluding seawater). The numerator: The sum of the water consumption of all Group companies. Unit: m ³ . The denominator: The total consolidated sales of all Group companies. Unit: Yen. (Note 1) Annually whether 1% reduction of the unit water consumption is achieved or not will be evaluated.
3. Reduction in waste generation	3.1 Reduction in waste generation	3.1.1 Entire MHI Group	Reduce ^(Note 1) the unit waste generation in FY2020 by 6% compared to FY2014. The numerator: The sum of the waste generated by all Group companies' activities. Unit: ton. The denominator: The total consolidated sales of all Group companies. Unit: Yen. (Note 1) Including hazardous waste generation. Annually whether 1% reduction of the unit waste generation is achieved or not will be evaluated.

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

Performance Data

Environmental management

Responsible person

Chief Technology Officer (Executive Vice President)

Committee

Name

MHI Group Environment Committee

Members

Chaired by Executive Vice President, CTO and composed of 13 members.

Number of meetings

1 (FY 2019)

ISO14001 certification
(As of March 31, 2020)

MHI and Group company in Japan

19 companies

61%

Overseas Group company

24 companies

24%

Coverage ratio of target sites (net sales basis)

Other certification

(As of March 31, 2020)

EcoAction 21

2 company

K-EMS (Certification by City of Kobe)

3 companies

ECO STAGE 1

1 company

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.

Environmental management
in each site ^(Note 1)

MHI Group has prepared and uses an ISO-based manual for each works (plants), encompassing such issues as risk identification methods, daily management procedures, and contingency plans. At each works (plants), emergency response drills are carried out to confirm the effectiveness of the response procedures for emergencies such as oil spills and earthquakes.

In the event of any crisis, the Company's in-house crisis management information system is prepared to quickly convey information to the President.

Reporting on breaches ^(Note 2)

There was no significant breach last year. (As of October 31, 2020)

(Note 1) In principle, MHI on a non-consolidated basis

(Note 2) Coverage is group companies of Japan

Environmental KPIs

The Fourth MHI Group Environmental Targets

KPI(1) CO ₂ emissions / Amount of sales	Target	Reduce the unit CO ₂ emissions by 6% compared to FY2014.
	Target Year	FY2020
KPI(2) Water usage / Amount of sales	Target	Reduce the unit water consumption by 6% compared to FY2014.
	Target Year	FY2020
KPI(3) Waste generation / Amount of sales	Target	Reduce the unit waste generation in by 6% compared to FY2014.
	Target Year	FY2020

	2016		2017		2018		2019	
	Performance	Compared with FY2014	Performance	Compared with FY2014	Performance	Compared with FY2014	Performance	Compared with FY2014
KPI(1) CO ₂ emissions ^(Note 1) / Amount of sales ^(Note 1)	18.7	Down 4.8%	16.9	Down 13.7%	16.5	Down 15.9%	14.7	Down 24.9%
KPI(2) Water usage ^(Note 2) / Amount of sales ^(Note 2)	0.196	Down 5.2%	0.171	Down 17.3%	0.175	Down 15.4%	0.177	Down 14.4%
KPI(3) Waste generation ^(Note 3) / Amount of sales ^(Note 3)	2.15	Up 0.9%	1.92	Down 9.8%	1.79	Down 15.9%	1.77	Down 16.7%

(Note 1) Data is for MHI on a non-consolidated basis and 157 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 116 Group companies

Environmental activities

Fostering environmental awareness	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.
Environmental Education for Suppliers	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.
Activities for environmental preservation	Supporting conservation survey for loggerhead turtles in danger of extinction Promoting forest conservation and non-native species removal activities
(Reference)	Biodiversity (p61)

Product Stewardship

Life-cycle assessment

Environmental Standards for Product Development and Assessment of environmental impact^(Note 1)

In 2005, we formulated the Basic Guidelines for Environment-Friendly Product Fabrication (not disclosed). This internal common technology standard provides a framework for creating products that contribute to environmental preservation and CO₂ reduction. Under these guidelines, we assess the environmental impact of products across their life cycles and strive to create products that reduce environmental impact.

Reduction in CO₂ from using MHI's products

Every year, we calculate the amount of CO₂ reduction achieved by the use of our representative products. CO₂ reductions the use of MHI Group's products^(Note 2) in fiscal 2019 came to 61,438 thousand tons.

(Note 1) In principle, MHI on a non-consolidated basis

(Note 2) Base lines were determined (base year / comparison target) in accordance with the characteristics of each product. Using these base lines, the amount of CO₂ reduced through product use was calculated in accordance with such factors as the number of products in operation and the number of units sold in the relevant fiscal year.

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 5%

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 5%

Recognizing Outstanding Environmental Contributions through MHI's Best Innovation Awards

In fiscal 2017, MHI Group introduced its Best Environmental Product Awards and Best Environmental Practice Award as part of its "Best Innovation" in-house award program.

In fiscal 2019, the Best Environmental Product Awards were presented to two products including the plug-in hybrid transport refrigeration unit which reduces energy consumption and exhaust emissions and MEROS®, the dry-type multicomponent off-gas cleaning system for steel plants. Meanwhile, the Best Environmental Practice Award, which recognizes business activities that reduce environmental impact, was presented to the members of the Commercial Aviation Systems Division who successfully reduced VOC emissions in the process of manufacturing aircraft metallic parts through the development of solventless paint.

(Reference)

Products / Projects that Contribute to the Environment <https://www.mhi.com/csr/environment/commendation.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 Ltd. 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

The International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework

Ministry of the Environment's Environmental Reporting Guidelines (2018 version)

ISO 26000 Guidance on Social Responsibility

Ministry of Economy, Trade and Industry of Japan's The Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

► Climate Change

MHI Group has established CO₂ emission reduction targets within its MHI Group Long-Term Environmental Target (FY2018-2030) and Fourth MHI Group Environmental Targets (FY2018-2020) and is engaging in efforts to solve climate change problems through its business activities and products and services.

Greenhouse gas emissions in our business activities, in fiscal 2019 amounted to 71 ten thousand tons, decrease from fiscal 2018. The Group will continue its efforts to reduce CO₂ emissions in fiscal 2020 and beyond in accordance with the Fourth MHI Group Environmental Targets through ongoing efforts to promote energy saving and improve work processes, contributing to further reductions in energy load and other environmental improvements.

CO₂ emissions (Scope 1 & 2)

FY2019

71 ten thousand tons (Note 1)

CO₂ emissions rate (Compared with FY2014 levels)

FY2019

24.9 %

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

Performance Data

Climate Change

Climate change governance

Committee

MHI Group Environment Committee

Risk management measures

At MHI, our efforts to mitigate and adapt to climate change with measures like reducing CO₂ and other greenhouse-gas emissions is responsible for the Environment Committee, chaired by the Chief Technology Officer (CTO), which holds supreme authority in the field. In fiscal 2016, the Environmental Planning Group at MHI Headquarters served as the Secretariat. The managers of individual divisions assess climate change risk and other forms of environmental risk using benchmarks for the scale of impact on business operations and society, and the urgency of risk countermeasures. Significant risks are relayed through Environmental Planning Group channels to the Environment Committee, which then deliberates on countermeasures. Especially serious risks are reported to the Executive Committee headed by the Company President. The Executive Committee then explores reported risks and implements Companywide measures against those deemed important. These risks will be proposed to the Board of Directors for deliberation when members of the Board of Directors present at the Executive Committee deem it important to do so.

Climate change opportunities

Implementation of the Paris Agreement is expected to spur global growth in the demand for highly efficient power generation as a step toward the creation of a low-carbon society. MHI Group has developed and begun supplying power generation systems that use hydrogen fuel, power-generating plants powered by high-efficiency gas turbines as well as systems for the recovery of CO₂ from power plant exhaust gases. The Group considers emissions regulations overseas to be a significant business opportunity.

Incentives toward management activities related to the issue of climate change	<p>In fiscal 2017, as part of its Group-wide award system, MHI Group established the Best Environmental Product Award and the Best Environmental Practices Award as categories in its annual Best Innovation Awards. Winners receive awards amounting to hundreds of thousands of yen.</p> <p>In fiscal 2019, the Best Environmental Product Awards were presented to two products including the plug-in hybrid transport refrigeration unit which reduces energy consumption and exhaust emissions and MEROS®, the dry-type multi-component off-gas cleaning system for steel plants. Meanwhile, the Best Environmental Practice Award, which recognizes business activities that reduce environmental impact, was presented to the members of the Commercial Aviation Systems Division who successfully reduced VOC emissions in the process of manufacturing aircraft metallic parts through the development of solventless paint.</p>
CDP submission	We have submitted a CDP response since fiscal 2004, and the evaluation of fiscal 2019 was A-.
Recommendations for policies related to climate change	In order to maximize efforts to combat climate change, MHI Group makes policy recommendations through the Japan Business Federation.

Efforts toward the Task Force on Climate-related Financial Disclosures

Efforts toward the Task Force on Climate-related Financial Disclosures	<p>Offering solutions to address the issue of climate change is MHI Group's contribution and responsibility to society. Efforts to do so are part of the Group's business strategy and determined after Groupwide discussion.</p> <p>Initiatives on reducing environmental burden are carried out across the entire Group. We conducted the initiatives and analysis below centered on the energy-related products business, which has the biggest impact on the environment.</p>
1. Climate scenario for the Under 2°C Increase Goal	<p>Power demand will grow worldwide and share of renewable energy will increase.</p> <p>United States and Europe: Power demand is increasing due to the progress in electrification. Meanwhile, society is aiming for decarbonization as the penetration of renewable energy.</p> <p>Southeast Asia : Power demand is increasing by economic growth. Stable power supply is required in addition to renewable energy.</p>
2. Climate-related risks and opportunities	<ul style="list-style-type: none"> • Downward trend in the market for new coal-fired thermal power facilities. • Meanwhile, demand still remains for the thermal power with low environmental emissions with the energy security needs. Strong demand for modernizing existing power plants reducing CO₂ and other environmental emissions for stable energy supply. • Solid market expected over medium- to long-term demand for new gas power plants with expansion of the LNG market. • Growth in offshore wind turbine market (Expansion from the Europe into greater North America and Asia (approx. 4–6 GW per year))
3. Business strategies and risk management	<ul style="list-style-type: none"> • Optimization of resources for the market after 2021 (reorganization, personnel shifts, etc.) • Provision of solutions for low-carbon needs Strengthen mass production systems for offshore wind turbines and launch the world's largest turbine Collaboration with renewable energy toward realizing a decarbonization society in the future (eg. the development of hydrogen-powered gas turbines.) • Promotion of state-of-the-art technologies (IGCC, highly efficient GTCC/USC, CCS/CCUS) • Provision of AI/IoT technology solutions • Development of Key Index Approach (QoEn™ Index) ^(Note 3) to support necessary energy supply with high-quality energy infrastructure in accordance with the characteristics and needs of target area.
4. Financial impact	Disclosure of results at earnings announcements, business strategy meetings, etc., upon examination within business forecasts.

(Note 1) Ultra super critical

(Note 2) Carbon capture and storage/carbon capture utilization and storage

(Note 3) QoEn™ is a registered trademark of Mitsubishi Heavy Industries, Ltd.

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.

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. In fiscal 2019, through the reduction in CO₂ from using MHI Group's main products came to about 61,438 thousand tons.

(Note) Base lines were determined (base year/comparison target) in accordance with the characteristics of each product. Using these base lines, the amount of CO₂ reduced through product use was calculated in accordance with such factors as the number of products in operation and the number of units sold in the relevant fiscal year.

GHG Emissions

Direct GHG emissions (Scope1)

		Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
CO ₂ emissions (consolidated)	Performance	kt	221	188	184	185
	Assurance (domestic)	kt	193	151	135 ^(Note 5)	Under examination
Other emissions (MHI)						
CH ₄	Performance	t-CO ₂	193	82	259	51
N ₂ O	Performance	t-CO ₂	123	458	464	187
HFCs	Performance	t-CO ₂	1,545	791	1,303	579
PFCs	Performance	t-CO ₂	0	0	0	0
SFCs	Performance	t-CO ₂	44	42	39	21
Other	Performance	t-CO ₂	0	0	0	0

(Note 1) Data is for MHI on a non-consolidated basis and 137 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 152 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 163 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 157 Group companies. (Coverage: 97% of consolidated revenues)

(Note 5) Data is for MHI on a non-consolidated basis and 16 Group companies.

Indirect GHG emissions (Scope2)

	Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
Performance	kt	653	649	609	525
Assurance (domestic)	kt	469	433	358 ^(Note 5)	Under examination

(Note 1) Data is for MHI on a non-consolidated basis and 137 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 152 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 163 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 157 Group companies. (Coverage: 97% of consolidated revenues)

(Note 5) Data is for MHI on a non-consolidated basis and 16 Group companies.

GHG emissions (other) ^(Note)

	Unit	2017	2018	2019
Transport and delivery (downstream emissions)	t	3,095	1,374	1,647

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

Energy Consumption
Total energy consumption

	Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
Performance	GWh	2,425	2,231	2,147	2,099

Electricity purchased

	Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
Performance	GWh	1,263	1,269	1,191	1,122

Renewable energy

	Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
Renewable energy consumption	GWh	10	12	17	18

(Note 1) Data is for MHI on a non-consolidated basis and 137 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 152 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 163 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 157 Group companies. (Coverage: 97% of consolidated revenues)

Energy use (Japan)

	Unit	2017 (Note 1)	2018 (Note 2)	2019 (Note 3)
Electricity	GWh	840	739	701
Heavy fuel oil A	ML	4	5	3
Heavy fuel oil B+C	kL	0.1	0	20
Gasoline	ML	2	0.7	0.3
Diesel/Gas oil	ML	7	4	3
Kerosene	ML	3	2	3
Jet fuel	ML	0.7	0.7	0.7
Coal for fuel use	kt	0.2	0.1	0.1
Coke	t	0	0	0
City gas	Mm ³	39	38	35
Liquefied Petroleum Gas	kt	5	4	3
Liquefied Natural Gas	kt	0.5	0.2	0.1
Petroleum hydrocarbon gas	Km ³	0.4	0	0.1
Hot water	GJ	5	30	21
Chilled water	TJ	13	17	6
Steam	TJ	11	10	4

(Note1) Data is for MHI on a non-consolidated basis and 66 Group companies in Japan.

(Note2) Data is for MHI on a consolidated basis and 16 Group companies.

(Note3) Data is for MHI on a non-consolidated basis and 14 Group companies.

► Water Risk

The Fourth MHI Group Environmental Targets (FY2018–FY2020) established the target of reducing unit water usage in our business activities.

In fiscal 2019, water usage is 842 ten thousand m³, decrease from fiscal 2018.

MHI Group will continue its efforts to reduce water usage in fiscal 2020 and beyond in accordance with the Fourth MHI Group Environmental Targets 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

FY2019

842

 ten thousand m³ (Note 1)

Unit reduction rate (Compared with FY2014 levels)

FY2019

14.4%

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

Performance Data

Water Risk

Water risk governance

Committee

MHI Group Environment Committee

Risk management measures related to water risks

In the Fourth MHI Group Environmental Targets (FY2018–FY2020), 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 2019 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	2016	2017	2018	2019
Quantity of water intake	ten thousand m ³	903 ^(Note 1)	850 ^(Note 2)	925 ^(Note 3)	842 ^(Note 4)
Third-party Assurance (domestic)		775	683	666 ^(Note 5)	Under examination
Breakdown by Quantity of water intake					
Tap water	ten thousand m ³	383	368	417	320
Third-party Assurance (domestic)	ten thousand m ³	275	224	212 ^(Note 5)	Under examination
Industrial water	ten thousand m ³	344	307	303	315
Third-party Assurance (domestic)	ten thousand m ³	329	284	286 ^(Note 5)	Under examination
Groundwater	ten thousand m ³	176	175	205	207
Third-party Assurance (domestic)	ten thousand m ³	171	173	167 ^(Note 5)	Under examination
Reused water usage ^(Note 6)	ten thousand m ³	32	26	22	18
Ratio of recycled water usage ^(Note 5)	%	7.8	6.7	6.0	5.0
Usage amount	ten thousand m ³	935 ^(Note 1)	876 ^(Note 2)	947 ^(Note 3)	860 ^(Note 4)
Unit water consumption ^(Note 7)		0.196	0.171	0.175	0.177
Unit reduction rate (Compared with FY2014 levels)	%	5.2	17.3	15.4	14.4
Water discharge ^(Note 6)	ten thousand m ³	403	1,027	1,048	794

(Note 1) Data is for MHI on a non-consolidated basis and 131 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 156 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 150 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 142 Group companies. (Coverage: 94% of consolidated revenues)

(Note 5) Data is for MHI on a non-consolidated basis and 15 Group companies.

(Note 6) Data is for MHI on a non-consolidated basis.

(Note 7) Calculated as water usage per net sales.

► Biodiversity

The Basic Policy on Environmental Matters and Action Guidelines and the MHI Group CSR Action Guidelines include the concepts of the Guidelines for Private Sector Engagement in Biodiversity released by the Ministry of the Environment and the Biodiversity Declaration from the Japan Business Federation.

Each district pursues various biological diversity activities in accordance with these principles and guidelines.

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. This project is recognized as a project promoted by the Japan Committee for United Nations Decade on Biodiversity (UNDB).

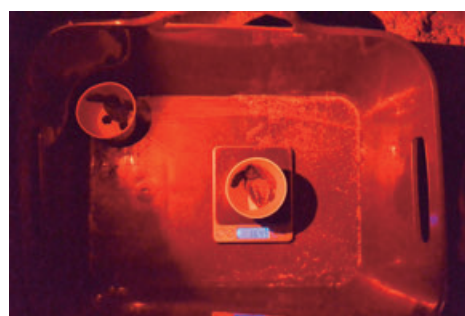
In September 2020, we compiled the survey results for the previous six years and published them on our website.

(Reference) MHI Group's website CSR, Environment, Biodiversity

https://www.mhi.com/csr/environment/biodiversity_initiatives.html



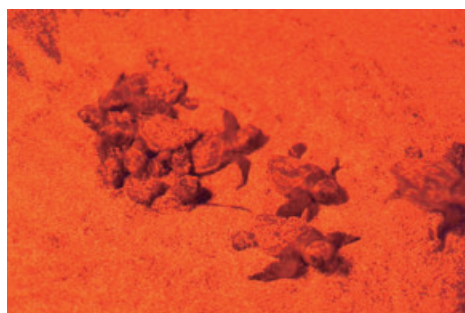
Checking turtle shell patterns (infrared photo)



Weighing newly hatched turtles (infrared photo)



Waiting for turtles to leave the nest (infrared photo)



Newly spawned turtles heading out to sea (infrared photo)



Volunteers receive vital information before taking part in the survey

Promoting forest conservation and non-native species removal 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.

Working with NPOs and other organizations, MHI also actively participates in programs to remove non-native species that are impacting Japan's ecosystem.

At the Sagami-hara 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.



Participating employees and their families

Conserving Biodiversity at Business Sites

Based on the results of environmental assessments at the Takasago plant of Mitsubishi Power, Ltd., the Company has established flowerbeds to preserve *salvia plebeia*, a rare plant. In addition, the Company is working to exterminate invasive alien plants, such as the Madagascar ragwort, that have been placed on the blacklist of warning species by the Ministry of the Environment and Hyogo prefecture. Furthermore, as a business with locations in the same prefecture as Lake Biwa, Mitsubishi Heavy Industries Machine Tool Co., Ltd, with headquarters in Ritto City, Shiga Prefecture, participates yearly in efforts to remove invasive fish in an event sponsored by the Biwako-Wo-Modosukai (Team to Bring Back Lake Biwa). Through these efforts, the Company is cooperating in the environmental conservation and ecological conservation of Lake Biwa.

Performance Data

Initiatives on Biodiversity

Action plan and impact assessment pertaining to biodiversity

We are performing a variety of initiatives to minimize the impact on biodiversity surrounding business locations.

► Waste / Pollution

As part of the Fourth MHI Group Environmental Targets (FY2018–FY2020), 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. In fiscal 2019, the amount of waste generated is 159 thousand tons, decreased compared with fiscal 2018 as a result of the changes in the number of data aggregation companies.

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. As a major example, MHI developed VOC-free, solventless paints in partnership with a Japanese paint maker, and significantly reduced VOC emissions in the process of coating metallic aircraft parts..

Atmospheric emissions of VOCs amounted to 815 tons in fiscal 2019, a decrease from fiscal 2018.

MHI Group will continue its efforts to reduce waste generation and VOC emissions.

Amount of waste generated

FY2019

159 thousand tons (Note 1)

Atmospheric Emissions of Xylene, Toluene, and Ethylbenzene

FY2019

815 t (Note 2)

(Note 1) Including valuables. Data is for MHI on a non-consolidated basis and 116 Group companies. (Coverage: 92% of consolidated revenues)

(Note 2) Data is for MHI on a non-consolidated basis and 28 Group companies in Japan. (Coverage: 85% of consolidated revenues)

Performance Data

Waste / Pollution

Waste generation

Waste generation	Unit	2016 (Note 2)	2017 (Note 3)	2018 (Note 4)	2019 (Note 5)
Waste generation (Note 1)	thousand tons	180	189	173	159
Third-party Assurance (domestic)	thousand tons	137	119	49 (Note 6)	Under examination
Recycling amount (Note 1)	thousand tons	142	123	130	119
Landfill waste disposal amount	thousand tons	7	9	14	10

(Note 1) Including valuables.

(Note 2) Data is for MHI on a non-consolidated basis and 137 Group companies.

(Note 3) Data is for MHI on a non-consolidated basis and 152 Group companies.

(Note 4) Data is for MHI on a non-consolidated basis and 118 Group companies.

(Note 5) Data is for MHI on a non-consolidated basis and 116 Group companies. (Coverage: 92% of consolidated revenues)

(Note 6) Data is for MHI on a non-consolidated basis and 14 Group companies. Excluding valuables.

Hazardous waste generation

Hazardous waste generation	Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
	thousand tons	11	11	10	10

(Note 1) Data is for MHI on a non-consolidated basis and 137 Group companies.

(Note 2) Data is for MHI on a non-consolidated basis and 152 Group companies.

(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. (Coverage: 92% of consolidated revenues)

VOC emissions

VOC emissions	Unit	2016 ^(Note 1)	2017 ^(Note 2)	2018 ^(Note 3)	2019 ^(Note 4)
Total	t	1,878	2,364	1,145	815
Toluene	t	417	484	313	294
Xylene	t	965	1,192	536	339
Ethylbenzene	t	496	688	296	182

(Note 1) Data is for MHI on a non-consolidated basis and 10 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 22 Group companies in Japan.

(Note 4) Data is for MHI on a non-consolidated basis and 28 Group companies in Japan. (Coverage: 85% of consolidated revenues)

Contributions to Society

► Labour Practice

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.

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.

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. We also support the “Declaration on Action by Groups of Male Leaders Who Will Create a Society in Which Women Shine,” published by the Cabinet Office. In addition, in 2014 MHI set a target to increase the number of female managers in positions of section manager and higher in the Company threefold by 2020, which was also identified as our company’s priority issue. As planned, the goal was successfully achieved in April 2020.

Our current phase of activity addresses 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. Under these themes, we are considering flexible working styles by creating frameworks and environment for female to further develop their careers. In the course of these efforts, in April 2019 we appointed our first female executive officer. Moreover, in July 2020, MHI received “Three Stars,” the highest “Eruboshi” ^(Note) rank, in all five evaluation categories: recruitment, continued employment, working hours, proportion of women in management positions, and diversity of career courses.

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. 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.

(Note) “Eruboshi” is a certification awarded by the by 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.

Number of female managers at MHI

FY2020

258 (Consolidated) (Note)

(Note) People in positions of section manager or higher as of April 2020. Figures are for MHI and Mitsubishi Power, Ltd. (Coverage: 29% of employees)

Performance Data

Labour Practice

Diversity and Equal Opportunity

Number of employees (At the end of the fiscal year)		Unit	2015	2016	2017	2018	2019	Coverage
	Total		81,845	83,932	82,728	80,744	81,631	Consolidated
			19,357	16,824	14,717	14,534	14,501	MHI
	Male		17,414	15,166	13,213	13,104	13,042	MHI
		%	90.0	90.1	89.8	90.2	89.9	MHI
	Female		1,943	1,658	1,504	1,430	1,459	MHI
		%	10.0	9.9	10.2	9.8	10.1	MHI
Average length of service and age for employees		Unit	2015	2016	2017	2018	2019	Coverage
		years	16.1	16.2	16.4	17.0	17.6	MHI
		age	39.0	39.2	39.5	40.1	40.7	MHI
	Male	years		16.2	16.4	17.0	17.7	MHI
	Female	years		16.6	16.6	17.2	17.4	MHI
Executive		Unit	2015	2016	2017	2018	2019	Coverage
	Total		59	54	58	57	63	MHI
	Male		58	53	57	56	61	MHI
		%	98.3	98.1	98.3	98.2	96.8	MHI
	Female		1	1	1	1	2	MHI
		%	1.7	1.9	1.7	1.8	3.2	MHI
Manager (in positions of section manager and higher)		Unit	2015	2016	2017	2018	2019	Coverage
	Total		4,108	3,478	3,083	3,196	3,265	MHI
	Male		4,029	3,398	2,998	3,096	3,159	MHI
		%	98.1	97.7	97.2	96.9	96.8	MHI
	Female		79	80	85	100	106	MHI
		%	1.9	2.3	2.8	3.1	3.2	MHI
Differently -abled people		Unit	2015	2016	2017	2018	2019	Coverage
Employment rate		%	2.22	2.17	2.13	2.1	2.29	MHI
Number of employees re-hired over retirement age (60yrs)		Unit	2015	2016	2017	2018	2019	Coverage
Total			1,613	1,284	925	696	519	MHI

Freedom of Association

	Unit	2015 ^(Note 1)	2016 ^(Note 1)	2017 ^(Note 1)	2018	2019
Employees covered by collective bargaining agreements	%	99.9	99.9	99.9	88.9 ^(Note 2)	88.9 ^(Note 2)
Number of labour union-management consultations	times	44	36	43	40 ^(Note 1)	41 ^(Note 1)

(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)

Layoffs

	Unit	2015	2016	2017	2018	2019	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 embraces a basic policy for employee health and safety founded on the following three commitments: (1) Safety is the number one priority. We will do everything in our power to protect lives; (2) We devote every effort to safety in creating outstanding products that contribute to the development of society; and (3) Our physical and mental wellbeing is fundamental to everything we do at MHI Group, and we must continue to elevate and embrace a culture of health and safety across our workplaces. This policy also applies to subcontracted companies engaged as a business partner with our employees. Based on these commitments, we operate an occupational health and safety management system throughout the Company to create a safe and pleasant workplaces. As of September 2020, two of the Group company ^(Note) have workplaces that have acquired the occupational health and safety management certification standard "ISO 45001".

Plans for and progress related to occupational health and safety are regularly reported to and deliberated with the Senior Vice President in charge of HR. At the same time, the Central Production Committee, chaired by the Senior Vice President in charge of HR, also performs regular consultations and follow-ups on progress regarding health and safety management plans. Every month, the health and safety committee at each work location, comprising the health and general safety manager, employees, and the labour unions, meet with health and safety committees in each division. In addition, we consult with labour unions on a regular basis.

It is our standard practice to quickly report workplace deaths, accidents, and other health and safety risks to our management teams. Providing a summary of risk-control information and preventive measures at the meeting with managers and the Board of Directors is necessary. When some kind of occupational health and safety risk has exposed, such as death or major disaster, the Senior Vice President, the Senior Vice President in charge of HR have the department involved to provide a report in detail and shall instruct the department to inform and share with all workplaces within the Group any knowledge gained from the event; if necessary, emergency message shall be transmitted to all MHI Group employees.

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

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

(Note) Coverage: 3.73% of employees

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

FY2019 **0.27** (Consolidated) ✓

Manufacturing industry average

FY2019 **1.20**

(Note) Data is for MHI on a non-consolidated basis and 23 Group companies (coverage: 48.5% of employees), per 1 million total working hours.

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

Opening the Safety Transmission Center at Nagasaki Shipyard & Machinery Works

MHI opened a facility for providing education on work safety in October 2010. The facility, called the Safety Transmission Center at the Nagasaki Shipyard & Machinery Works, is dedicated to the Nagasaki Shipyard & Machinery Works' resolution not to let any fatal accidents occur in its production operations. The facility consists of two zones: the Accident Case Studies Zone, where videos and displays show employees how accidents happen and what to do to prevent them, and the Human Error Study Zone, where employees can learn, in a hands-on format and using real-life examples, the principles that trigger human error and how to identify risks before accidents occur.

The Nagasaki Shipyard & Machinery Works is working to cultivate in its workforce a sensitivity to hazards and a culture of safety by using the Safety Transmission Center as a place where all employees, from managers to operators, can learn nearly firsthand the horror of accidents and the pain they cause, and decide for themselves what they can and should do to prevent them.



Safety Transmission Center

Performance Data

Occupational Health and Safety

Fatalities		2015	2016	2017	2018	2019
	Coverage	MHI	MHI	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)
	Employees	0	0	0	0	0 ✓
	Contractors	0	2	1	0	4 ✓
LTIFR (Note 2)		2015	2016	2017	2018	2019
	Coverage	MHI	MHI	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)
	Employees	0.11	0.28	0.18	0.17	0.19 ✓
	Contractors	0.45	0.41	0.46	0.29	0.33 ✓
OIFR		2015	2016	2017	2018	2019
	Coverage	MHI	MHI	MHI	MHI	MHI
	Employees	0.02	0.02	0.08	0.03	0.03 ✓
Number of Industrial accidents		2015 (Note 3)	2016 (Note 3)	2017	2018	2019
	Coverage	MHI	MHI	Consolidated (Note 1)	Consolidated (Note 1)	Consolidated (Note 1)
	Employees	34	39	19	17	18 ✓
	Contractors	-	-	52	37	38 ✓

(Note 1) Data is for MHI on a non-consolidated basis and 23 Group companies in Japan. (Coverage: 48.5% of employees)

(Note 2) 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.

(Note 3) The number of industrial accidents for 2014 to 2016 represents all accidents including those not requiring leave of absence.

Working hours		2015	2016	2017	2018	2019
Coverage Hours		MHI	MHI	Consolidated ^(Note 1)	Consolidated ^(Note 1)	Consolidated ^(Note 1)
		108,164,976	89,026,326	218,665,120	227,229,887	207,196,189 ✓

Goals for reducing labour-related accidents ^(Note 1)

Number of fatal accidents / serious incidents		2016	2017	2018	2019	2020
Goal Result		0	0	0	0	0
		2	2	0	5	

(Note1) Data is for MHI on a non-consolidated basis and 23 Group companies in Japan. (Coverage: 48.5% of employees)

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 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 and manufacturing 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 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 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 situation surrounding an incident and its cause, we are taking measures to prevent similar accidents from recurring.

Health Management

Programs and initiatives for promoting health

- In October 2019 the president issued a "Health Management Declaration". Health management must provide all employees to realize motivation to their work and must care about physical and mental health.
- Based on the declaration, we compiled the health management plan "Fiscal Year 2020 MHI Group Action 5 Health and Happiness!" report and are carrying out the action measures forward as a Group wide effort.
 - 1) Health-promotion activities to prevent lifestyle diseases by changing lifestyle (i.e., a blood-vessel-health program and healthy menus) and an online anti-smoking program linked with the MHI health-insurance union
 - 2) Workplace reforms using stress checks to elicit more smiles and make an atmosphere which employees can ask for advice in ease
 - 3) Smoking-room reforms and consolidation, and help for smokers to quit and build smoke-free work environments
 - 4) Groupwide promotion of programs to control lifestyle and other chronic diseases through follow-up care after regular health checks, and a program to prevent aggravation of diabetes using continuous glucose monitors
 - 5) Comply with 100% achievement implementation of health check up
- As indices for health management we set up target KPIs for each health measure in addition to the ratio of sick/injury leave occurrences and lengths. For the three years starting in 2019 we have been encouraging employees to reduce metabolic-syndrome ratio by 10 points and high-stress workplaces to zero.
- As a measure against COVID19, we have established a portal site dedicated to COVID19, and we are working to foster a sense of security among our employees by providing guidelines for employees' actions and special treatment for the provision of necessary information and compensation for absence from work.

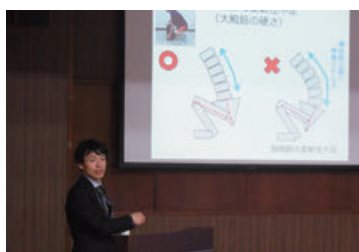
- As part of our approach to deal with mental health, we provide mental health education to new graduate employees, employees seconded to overseas, young employees, managers, and supervisors.
- We make an effort to establish a work environment that enables our employees, employees seconded to overseas and their families to consult with industrial physicians and nurses in the workplace and expert counselors, as well as through an Employee Assistance Program (EAP) set up outside the Company.



Lifestyle disease prevention seminar



An example of a healthy food menu



Chronic back pain prevention seminar



Visceral fat measurement meeting

For Employees Traveling Overseas

- We give opportunity to learn for employee who travel overseas from Japan, regarding health management, including mental health. We also provide 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.
- Health checks are conducted by industrial physicians to permit overseas travels before departing for long-term visits and according to the circumstances of the destination.
- Since the COVID-19 pandemic, we have continued our business while giving priority to employees' safety, such as evacuation of expatriates and suspension of new overseas dispatch. MHI will evaluate the risk of aggravation of the COVID-19 infection by pre-dispatch medical examinations and industrial physicians regardless of the length of the dispatch period. MHI decides whether dispatch is possible or not after comprehensively considering the epidemic situation and medical resources of the destination.
- Industrial physicians and nurses visit the destinations to conduct evaluations on medical facilities, conduct one-on-one interviews based on health check results, provide local information, and provide training and guidance on lifestyle conditions according to the needs of the area. We also post letters periodically concerning health management and provide personal consultations to those in poor physical or mental condition through telephone and other venues.
- 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 site maintenance: Local patrol supporting by industrial health staff



Morning meeting



Workplace interview

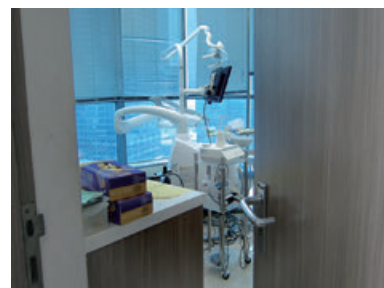
Visits to areas near medical facilities by industrial physicians



Examination room



Emergency room



Dental clinic

Health education provided by industrial physicians



Health education for dispatched employees



Health education for family members accompanying dispatched employees

► 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 resources development, we are concentrating on education to strengthen global responsiveness, development of the overseas MHI Group employees and of junior technicians on the forefront of manufacturing, and training activities for the Group company employees.

Training hours per employee

FY2019

19.4 hours

Training costs per employee

FY2019

28,184 yen

Performance Data

Human Resources Development

Human resources management

Focus areas on human resources management

We are promoting human resources development mainly by encouraging employees to develop their own careers on their own initiatives, conducting training to strengthen global responsiveness, developing localized training for the overseas MHI Group employees, conducting training for MHI Group employees, and promoting the active participation of women.

Human resources development programs

Program (1)

Education to strengthen global responsiveness

To further strengthen global responsiveness, in fiscal 2011 MHI established a program for dispatching young employees overseas (MGT: MHI Global Training).

Benefits

The program develops an early awareness of global human resources and enhances global response capabilities throughout the organization.

Attendance

9 employees (FY2019)

Program (2)

Education to strengthen global responsiveness

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, we are enhancing trainings for future candidates for regional and local management positions. In fiscal 2017, we revamped our training program contents and target group. We started to implement it in Bangalore, India for exceptional human resources who are recommended by Group companies in all over the world, as well as nominees from Japan. The training contents developed in collaboration with one of India's leading business schools, these prospects participate in fieldwork in Bangalore a city which is attractive as a market and an advanced place for ICT startups. This combination has made for a diverse and exciting program.

In addition, since fiscal 2019 we have been implementing one of the two courses in Australia. By such measures, we are working to further enhance the program through improving access from North America and enhancing efficiency of advance learning in partnership with a leading business school in Australia.

■ Benefits

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.

Attendance

20 employees (FY2019)

Program (3)

Development of junior technicians on the forefront of manufacturing

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.

■ Benefits

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.

Program (4)

Training activities for Group company employees

To promote human resource development that is unified throughout MHI Group, we conduct management training by job levels and business skills training as consistent programs across the Group. In fiscal 2017, we began conducting 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.

► Talent Attraction and Retention

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.

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.

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.

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 ensuring work/life balance and facilitating lifestyle diversity for our employees, we have introduced a variety of benefits including measures to support housing, defined-contribution pension plans, employee stock-ownership plans, and retirement payouts.

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. Based on the result, we will concentrate on 1) internal sharing of strategies, visions, and goals, 2) reform of work practices, including more flexible delegation of authority, review of rules, and improving work processes and content, and 3) reviewing our HR systems and operation.

(Note 1) Data is for MHI on a non-consolidated basis and 27 Group companies in Japan.

Returning to work after childcare leave

2019 **99.4%**

Remaining in work after childcare leave

2019 **97.3%**

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 two terms, with applications received from several hundred employees. As of September 2020, about 20 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.

Performance Data

Talent Attraction and Retention

Employee Performance Appraisal

	Unit	2015	2016	2017	2018	2019	Coverage
Management by objectives	%	58	63	60	60.9	60	MHI
Multidimensional performance appraisal	%	42	37	40	39.1	40	MHI

Employment

	Unit	2015	2016	2017	2018	2019	Coverage
New hired							
Total		484	589	469	316	288	MHI
Male		441	518	416	277	247	MHI
	%	91.1	87.9	88.7	87.7	85.8	MHI
Female		43	71	53	39	41	MHI
	%	8.9	12.1	11.3	12.3	14.2	MHI
Total turnover rate	%	5.6	3.3	2.5	3.1	2.5	MHI
Male	%				2.7	2.3	MHI
Female	%				7.3	4.4	MHI
Voluntary turnover rate	%	0.7	0.7	0.8	1.1	1.1	MHI
Male	%				0.9	1.0	MHI
Female	%				2.5	2.5	MHI
Length of service							
	years	16.1	16.2	16.4	17.1	17.6	MHI
Male	years		16.2	16.4	17.0	17.7	MHI
Female	years		16.6	16.6	17.2	17.4	MHI

Employee awareness surveys

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 2018, the survey was not conducted in fiscal 2019. Therefore, the next survey is planned to be conducted on October or November of fiscal 2020.

(Example) Ratio of highly engaged employees		2017 ^(Note 1)	2018 ^(Note 2)
Average	%	57	55
Response rate	%	82	87

(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.

Work-life balance

Number of employees	Number of individuals	Unit	2015	2016	2017	2018	2019	Coverage
using programs that focus on work-life balance	Childcare leave		219	182	203	199	257	MHI
	of which are men		20	17	36	43	113	MHI
	Childcare workshift		465	444	459	532	480	MHI
	of which are men		72	99	134	192	218	MHI
People using child planning leave			3	4	2	1	1	MHI
Family-care leave			5	2	7	18	8	MHI
Family-care work shift			14	13	19	29	15	MHI
Returning to work after childcare leave		%	98.2	99.1	97.2	98.0	99.4	MHI
Remaining in work after childcare leave		%	96.0	98.1	98.5	98.8	97.3	MHI
Percent of employees taking annual paid leave		%	76.8	77.7	81.4	80.9	77.7	MHI
Number of employees using work-from-home system ^(Note1)			80	119	191	362	2,280	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 firmly committed to respecting human rights and workers' rights of employees as per international treaties of human rights.

In May 2015, we established the MHI Group Global Code of Conduct as the common standard for our Group with reference to the UN Guiding Principles on Business and Human Rights. Through this, we believe we will cultivate a single, shared corporate culture. One that is rooted in mutual trust and affords dignity and respect to all employees. The MHI Group values the individual contribution of people irrespective of race, colour, religion, political convictions, gender, age, nationality, sexual orientation, marital status, or disability.

Discrimination will not be tolerated by MHI Group. In addition, we have formulated our Basic Policy on Human Rights in order to respect the human rights of the stakeholders with whom we do business, and contribute to the development of a sustainable society. Our policy stipulates that we act in line with the UN Guiding Principles on Business and Human Rights in order to avoid any acts that lead to human rights violations or promote any similar effect.

Each year, we conduct training to promote human rights awareness at the workplace. It covers the fundamentals of human rights and harassment. This training targets new recruits and newly appointed managers such as deputy managers and section managers. In fiscal 2019, we rolled this training out across 190 new recruits and 1,170 newly appointed managers and supervisors. Furthermore, in an effort to heighten awareness of and prevent power harassment (workplace bullying and harassment), we introduced an e-learning course in fiscal 2010 that continues to be taken to this day. Harassment counselors placed at each Company location attend lectures once a year to increase their skills for handling harassment situations when they occur in an appropriate manner.

Furthermore, to work toward resolving human rights issues, a multi-faceted subject, each company of the Mitsubishi Group takes part in subcommittee activities of the Mitsubishi Human Rights Enlightenment Council, launched in 1983, to allow for mutual exchange between Mitsubishi Group companies, to learn about the foremost examples of human rights issues, and to upgrade our human rights efforts.

Moreover, in fiscal 2019 we took part in Global Compact Network Japan's Human Rights Due Diligence Subcommittee together with other companies to discuss the issue of human rights among businesses and ways in which to engage in human rights due diligence according to the United Nations' Guiding Principles on Business and Human Rights such as being committed to the company policy of protecting human rights, assessing the possibility and impact of human rights violations on the company and the supply chain, establishing measures on preventing, reducing, resolving, and mitigating human rights violations, and disclosing the progress of human rights related initiatives. Specifically, the subcommittee involves lectures held by experts, assessments on the progress of initiatives by companies, workshops, and group work on themes of interest.

People undergoing human rights awareness training

2019

Approximately **1,360**

Basic Policy on Human Rights

MHI Group formulated the MHI Basic Policy on Human Rights in 2013 in order to respect the human rights of stakeholders involved in our business activities and contribute to the development of a sustainable society.

■ MHI Basic Policy on Human Rights

The Mitsubishi Heavy Industries Group endeavors to fulfill its responsibilities for the protection of human rights in order to continue contributing to social progress in accordance with the MHI creed. We act in line with the Guiding Principles on Business and Human Rights adopted by the U.N. Human Rights Council and endeavor to never act in ways that elicit or facilitate human rights violations by others or other negative actions or effects.

Performance Data

Respect for Human Rights

Management structure related human rights

Chief Executive	Junichiro Kakiyara (Senior Vice President, in charge of HR)	
Committee	Name	Committee for Raising Awareness of Human Rights
	Members	Chaired by the Senior Vice President, who is in charge of HR, and composed of 26 members.
	Number of meetings	As many as necessary

Grievance mechanism

Grievance mechanism	<ul style="list-style-type: none"> Internal and external hotline for Corporate Compliance that employees, including contract employees, of MHI and all Group companies and business clients can use. Internal and external Hotlines has been established to report power harassment, workplace bullying and harassment, in 2012. 	
Coverage	Employees, including contract employees, of MHI and all Group companies and business clients	

► 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 upbringing of the next generation, our basic policy is to communicate "the heart of Japanese manufacturing" and "the arts of science and technology" to the next generation.

We have likewise made cultivating talent one of the priority measures of the 2018 Medium-Term Business Plan. 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. In addition, the 2018 Medium-Term Business Plan is aimed toward realizing the MHI FUTURE STREAM for a sustainable society, where people all over the world can live with peace of mind. Within this initiative, we will solve the complex and difficult problems faced by society both in the present and in the future by exploring areas of opportunity, retooling existing businesses, and discovering innovative technologies. To face this future head on, we will continue to transform our company to adjust to an ever-changing society.

Expenditure on social contribution activities

2019 **1,328** million yen ✓

Our Policy on Social Contribution Activities

Local contribution

Live together with communities and contribute to their development

Our basic policy is to live together with local communities of our branch offices, overseas offices, and Group companies in foreign countries and to build strong relationships based on mutual trust. With this in mind, we undertake various activities suitable for local cultures and contribute to the local development and stimulation of the communities both in Japan and overseas.

Upbringing of the next generation

Transfer "the heart of Japanese manufacturing" as well as "the arts of science and technology" to the next generation

MHI has developed and produced many types of products in its long history. With the goal of passing on both knowledge and skills of "the heart of Japanese manufacturing" and "the arts of science and technology" onto succeeding generations, MHI has a tradition of organizing educational activities such as science classes with experiments for children.




Pick Up

Results of principal philanthropic activities in fiscal 2019

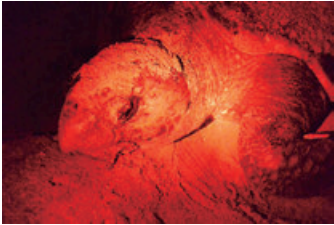




Upbringing of the next generation: Inspire the future

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.</p>	
<p>MHI Space School</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>	
<p>Various Sports Classes</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</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.</p> <p>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>	
<p>Table For Two</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 headquarters and bases of operation.</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>	  
<p>Forest Conservation Programs (forest preservation activities)</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 Furusato Cleanup</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. Such cleanup activities are aimed at enhancing awareness among individual Group employees and family members of environmental preservation and local conservation. In fiscal 2019, 64 of these activities were conducted, and 2,252 people have participated.</p>	  
<p>(Reference) MHI Group's website CSR News CSR, Environment, Biodiversity</p> <p>(Reference) CSR Facebook</p>	<p>https://www.mhi.com/news/kind/csr.html https://www.mhi.com/csr/environment/biodiversity.html https://www.facebook.com/mhi.csr.en/</p>

Performance Data

Corporate Philanthropy

Corporate Philanthropy policy and focus areas

<p>Focus area (1)</p> <p>■ Relevance to business</p>	<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> <p>■ Relevance to business</p>	<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> <p>■ Relevance to business</p>	<p>Environment</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	2015	2016	2017	2018	2019
			Coverage	Group	Group	Group	Group	Group
Total amount		Millions of yen		2,053	2,542	1,668	1,611	1,328 ✓
Category	Academic research	Millions of yen		452	491	438	379	101 ✓
	Education	Millions of yen		636	1,115	627	608	710 ✓
	Community	Millions of yen		295	108	94	89	105 ✓
	Health, medicine, sports	Millions of yen		100	134	90	70	84 ✓
	Others	Millions of yen		570	693	419	391	328 ✓
Type	Cash contributions	Millions of yen		1,027	856	783	678	355
	Time contributions	Millions of yen		819	1,126	283	405	240
	In-kind giving	Millions of yen		40	22	31	14	25
	Management overheads	Millions of yen		167	538	571	669	707

Social contribution benefit

KPIs-Focus area (1)			Unit	2015	2016	2017	2018	2019
Cumulative total number of science classes	Number of participants			9,350	58,578	62,898	111,523	69,779 ✓
	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
KPIs-Focus area (2)			Unit	2015	2016	2017	2018	2019
Records of natural disaster affected area assistance programs	Number of disasters			2	6	5	4	6 ✓
	Donation / support amount	Millions of yen		6	45	43	35	20 ✓
	Coverage			Group	Group	Group	Group	Group
KPIs-Focus area (3)			Unit	2015	2016	2017	2018	2019
Record of Supporting conservation survey for loggerhead turtles in Tanegashima	Number of applicants for volunteer by employees (Number of participants)			33 (12)	159 (26)	81 (24)	68 (36)	32 (24) ✓
	Number of conducted			4	8	8	12	8 ✓
	Number of loggerhead turtle individual identification surveys during egg laying Contributed amounts			23	42	52	18	35 ✓
	Number of hatched baby loggerhead turtle individual identification surveys ^(Note)			-	12	-	123	- ✓

(Note) Surveys on incubation were not conducted in 2015, 2017 and 2019 due to inclement weather.

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 November 13, 2020)

(Reference) MHI Group Website, evaluations

<https://www.mhi.com/csr/management/evaluation>

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 fourth consecutive year for inclusion in the DJSI Asia Pacific Index.

We have been selected for the third year in a row for inclusion in all of the ESG investment indices used by Japan's Government Pension Investment Fund (GPIF), which is the largest pension fund in the world.



2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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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 500 companies are selected for inclusion in the FTSE Japan Index universe, which is a weighted average market capitalization index comprised solely of companies in and outside Japan representing strong ESG practices.

MSCI Japan ESG Select Leaders Index

A comprehensive index developed by MSCI of the U.S., the universe of which consists of the top 500 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.

MSCI Japan Empowering Women Index (WIN)

Developed by MSCI of the U.S., the universe of this index consists of the top 500 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.

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).



Sompo Asset Management's Sompo Sustainability Index

The Sompo Sustainability Index is an investment index that draws on environment (E)-related corporate research conducted by Sompo 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 2019 Score A-**

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 A- in the CDP Climate Change 2019 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 Fiscal Year 2019

Social data within ESG DATA BOOK 2020

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. ("the Company") to provide independent assurance on its social data in fiscal year 2019 starting from 1 April 2019 to ending at 31 March 2020 reported in ESG DATA BOOK 2020 ("the report"), against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE3000.

Our assurance engagement covered the operations and activities of the Company and its subsidiaries in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies
- Evaluating the accuracy and reliability of the data only for the selected indicators listed below: ¹
 - <Social contribution data>
 - Social contribution input
 - Cumulative total number of science classes
 - Records of natural disaster affected area assistance programs
 - Record of Supporting conservation survey for loggerhead turtles in Tanegashima
 - <Occupational health and safety data>
 - Fatalities ²
 - LTIFR (Lost Time Injury Frequency Rate) ²
 - OIFR (Occupational Illness Frequency Rate) ³
 - Number of Industrial accidents ²
 - Working hours ²

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

LR's responsibility is only to the Company. LR disclaims any liability or responsibility to others as explained in the end footnote. The Company'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 the Company.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data

¹ LR undertook the limited assurance of the social data marked with ✓ within the ESG DATA BOOK 2020 and MHI website.

² The boundary covers Mitsubishi Heavy Industries, Ltd. and its 23 consolidated subsidiaries in Japan. The performance data includes the employees of subcontractors who work in the Company's facilities. LTIFR is frequency rate of the lost time injuries per the total working hours (in the unit of million hours) within the reporting period. Number of Industrial accidents represents accidents including those requiring leave of absence.

³ The boundary covers only Mitsubishi Heavy Industries, Ltd. OIFR is frequency rate of the occupational illness per the total working hours (in the unit of million hours) within the reporting period.



The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. 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.

LR's approach

LR's assurance engagements are carried out in accordance with ISAE3000. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing to the key persons responsible for compiling the data and drafting the report.
- Re-calculating the aggregated data by the Company and checking the activity records in sampling basis.

Observations

Further observation and finding, made during the assurance engagement, is:

- The Company should continue to improve the accuracy and reliability of ESG data and information by maintaining the control systems with internal verification.

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

Signed

Dated: 30 September 2020

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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Mitsubishi Heavy Industries, Ltd.

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