MOVE THE WORLD FORWARD

MITSUBISHI HEAVY INDUSTRIES GROUP

SUSTAINABILITY DATABOOK 2023

For the Year Ended March 31, 2023

MITSUBISHI HEAVY INDUSTRIES

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Editorial Policy

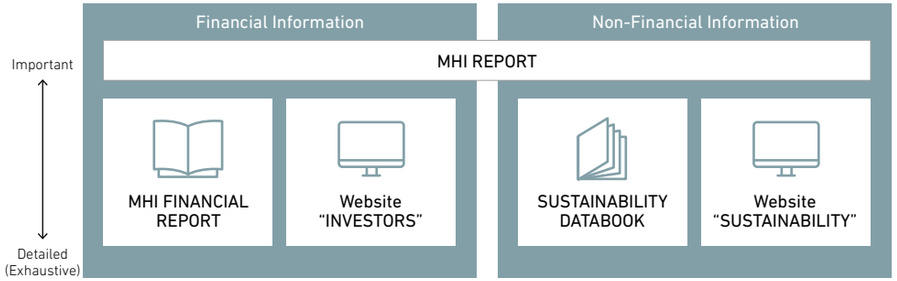
■ Reason for Publishing and Positioning of This Report (SUSTAINABILITY DATABOOK)

Based on the Group Statement, which sums up the Group's management principles, 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 SUSTAINABILITY DATABOOK serves as a supplement to the MHI REPORT, summarizing non-financial information and presenting it along with detailed performance data to stakeholders who possess a vested interest in the sustainability initiatives of the Group.

■ Structure of Information Disclosure

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



MHI REPORT, MHI FINANCIAL REPORT: https://www.mhi.com/finance/library/annual/
SUSTAINABILITY: https://www.mhi.com/sustainability/

■ Coverage

Target organization: In principle, 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, 2022, to March 31, 2023 (includes information on some activities after March 31, 2023)
Reporting cycle: Annual
Date published: December 2023 (Partially revised in July 2024)

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■ Third-party Assurance

To enhance the reliability of data, we have received third-party assurance. Third-party Assurance ▶ P.143

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

- Assurance Statement on Materiality Disclosure
- Assurance Statement on Environmental and Social Data

■ Reference Guidelines

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

■ Forward-Looking Statements

Forecasts regarding future performance presented in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, these projections involve risks and uncertainty. For this reason, investors are recommended not to depend solely on these projections for making investment decisions.

It is possible that actual results may change significantly from these projections for a number of factors.

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CEO MESSAGE

Contributing to the Realization of a Sustainable Society through Business Activities

MHI Group has a corporate mission to "integrate cutting-edge technology into expertise built up over many years to provide solutions to some of the world's most pressing issues and provide better lives."

Global warming, resource depletion, and human rights violations are among the main social issues in recent years, and the values and purpose required of companies by society have been changing. Increasingly, people expect corporate management to be practiced with an awareness of sustainability on a global scale.

MHI Group has identified materiality to be addressed on a medium- to long-term basis in order to raise corporate value through solutions to these types of contemporary issues in society. One is to provide energy solutions to enable a carbon neutral world. We have declared our carbon neutral goal as MISSION NET ZERO. The goal calls for reducing CO_2 emissions from Group businesses by half by 2030 and to zero by 2040, when including contributions to emission reductions from use of the Group's products by customers. In addition, MHI Group is enhancing its human capital management and has started human rights due diligence.

Previously, we published the annual ESG DATABOOK to report on the progress of our sustainability initiatives. This year we have updated it and renamed it the SUSTAINABILITY DATABOOK in order to gain the understanding of all stakeholders regarding our management strategies, which are aimed at the sustainability of both society and the Company Group. These changes make the book easier to read and allow it to convey the Group's thinking, policies, systems and initiatives in a systematic, easy-to-understand manner.

The book offers an expanded range of information on human capital management and human rights due diligence, and, regarding risk management, it conveys how we are strengthening initiatives using MHI Group technologies for business continuity management (BCM) and cybersecurity.

As we engage with our various groups of stakeholders, going forward we will continue to contribute to the realization of a sustainable society and work for the sustainable growth of MHI Group.

Seiji Izumisawa
President and CEO

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Sustainability Framework

Sustainability and CSR Policy Policy

In accordance with the Three Corporate Principles* that are at the heart of Our Principles, MHI Group serves as a manufacturing corporation that contributes to societal progress through its business endeavors of delivering products and technologies in support of social and industrial infrastructure worldwide. MHI shall not only make contributions through its products and technologies to resolve social issues such as environmental problems, but shall also work on resolving a wide range of social challenges through various activities in the process of its overall business and promote CSR activities in tandem with its business activities. MHI believes the basis of CSR is to engage in business activities that take its diverse range of stakeholders into consideration and return profits to all stakeholders in optimum fashion, while at the same time providing excellent products and technologies to realize a sustainable society and a secure future for people and the planet.

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

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

* The Three Corporate Principles
The corporate philosophy set forth in the 1930s by Koyata Iwasaki, the fourth president of Mitsubishi Goshi Kaisha.

Corporate Responsibility to Society "*Shoki Hoko*"
Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

Integrity and Fairness "*Shoji Komei*"
Maintain principles of transparency and openness, conducting business with integrity and fairness.

Global Understanding Through Business "*Ritsugyo Boeki*"
Expand business, based on an all-encompassing global perspective.

Our Principles

- We deliver reliable and innovative solutions that make a lasting difference to customers and communities worldwide.
- We act with integrity and fairness, always respecting others.
- We constantly strive for excellence in our operations and technology, building on a wide global outlook and deep local insights.

CSR Action Guidelines

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

- **Care for the planet**
  We are eco-conscious, and engineer environmentally-friendly technologies that improve sustainability and protect the Earth
- **Create a more harmonious society**
  We embrace integrity and proactive participation to solve societal challenges
- **Inspire the future**
  We cultivate global talent who share a vision and desire to move the world forward for generations to come

(Others)

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

MHI Policy on Human Rights
https://www.mhi.com/company/aboutmhi/policy/humanrights.html

Basic Policy on Environmental Matters and Action Guidelines
https://www.mhi.com/jp/company/aboutmhi/policy/environment.html

Privacy Policy
https://www.mhi.com/privacy.html

Policy of Safety and Health
https://www.mhi.com/company/aboutmhi/policy/safety_health.html

Procurement Policy
https://www.mhi.com/company/procurement/policy/index.html

MHI Group Supply Chain CSR Promotion Guidelines and Basic Policy Concerning Conflict Minerals
https://www.mhi.com/company/procurement/csr/

MHI Group's Declaration on Biodiversity
https://www.mhi.com/sustainability/environment/pdf/declaration_on_biodiversity_e.pdf

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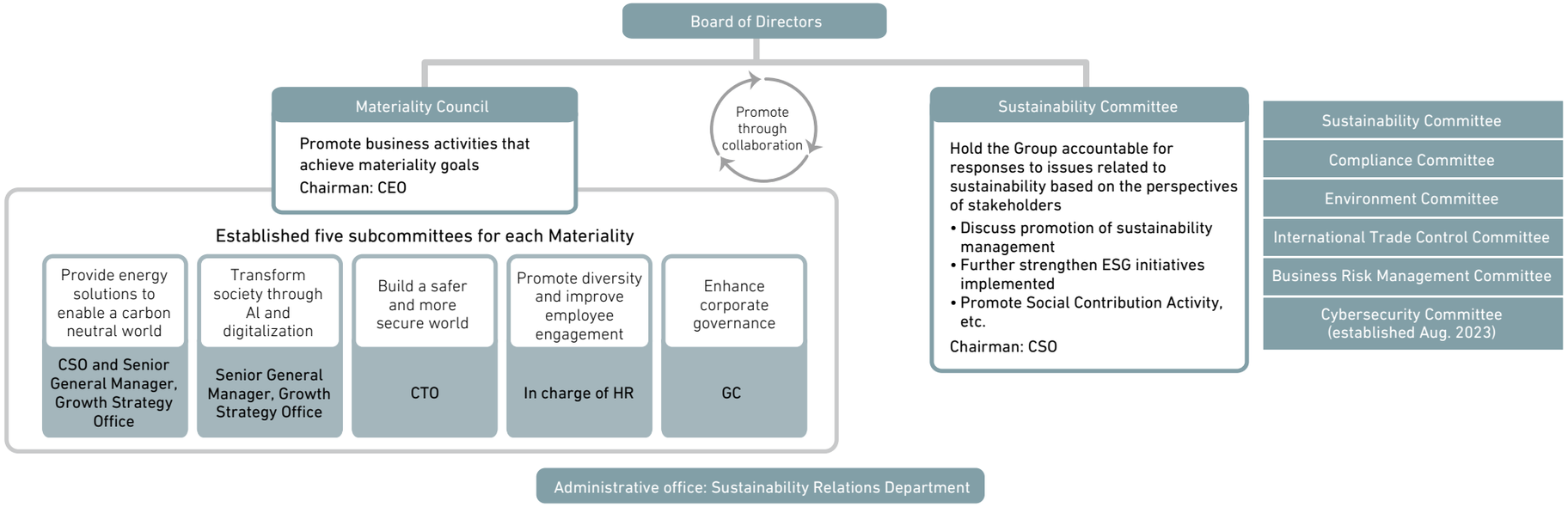
Sustainability Framework

Sustainability Promotion System System Activity results

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



Committee name	Head	Members	Purpose	Meetings held in FY2022	Main agenda items in FY2022
Materiality Council	CEO	Chaired by President and CEO, including Executive Vice Presidents, CSO (executive officer in charge of sustainability), GC, CFO, CTO, officer in charge of HR, head of Business Strategy Office, domain CEOs and Senior General Manager, Growth Strategy Office.	To follow up on business activities to realize materiality goals and discuss how to respond going forward	2	• Detailed decisions on company-wide materiality goals and the scope of initiatives for KPI (progress monitoring indicators) • Monitoring progress of materiality initiatives
Sustainability Committee	CSO (executive officer in charge of sustainability)	Chaired by CSO (executive officer in charge of sustainability), including Executive Vice Presidents, GC, CFO, CTO, officer in charge of HR, and head of Business Strategy Office. * Meetings are convened with domain CEOs as members in accordance with the agenda.	To make management-level decisions related to how to address sustainability issues (ESG initiatives, etc.)	2	• ESG evaluations, reports on ESG initiatives • TCFD planning cycle for FY2022 • Human Rights Due Diligence activities report • How to carry out sustainability management

* CEO: Chief Executive Officer, CSO: Chief Strategy Officer, CTO: Chief Technology Officer, GC: General Counsel, HR: Human Resources

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Basic Approach Policy

To enhance corporate value and grow in the medium to long term through solutions to social issues, in fiscal 2020, MHI Group has identified Material Issues it should be addressing. The identified materiality have been reflected in the 2021 Medium-Term Business Plan (the 2021 business plan announced in October 2020). Progress of each Material Issue is managed with progress monitoring indicators (KPIs), and the PDCA cycle is steadily applied.

Promotion System System

Activities involving engagement with Material Issues embody sustainability management in terms of business. To make the activities effective, we have established subcommittees with managers and departments for each Material Issue, and the person responsible and organizing department consider specific measure and roadmaps.

In October 2021, we established the Materiality Council, chaired by the CEO and attended by officers in charge of corporate and domain CEOs, to follow up on business activities aimed at realizing company-wide goals for Material Issues and to instruct business divisions addressing the goals to take necessary measures. At this time (as of September 2023), the 4th Materiality Council has been held. During the meeting, information on the progress made with respect to each Material Issue was shared and reported, along with related project examples from business units, and questions and opinions were freely exchanged. These activities are important themes in sustainability management and are regularly reported to the Board of Directors.

Sustainability Promotion System ▶ P.08

■ Third-party Assurance (AA1000AS)

We have obtained the AA1000AS warranty from an independent third party for disclosure information regarding the "Mitsubishi Heavy Industries Group Material Issues" identified in 2020.

Third-party Assurance (AA1000AS) ▶ P.143

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Processes of Identifying Material Issues Policy

Step 1 — Prioritizing Social Issues

We inventoried the Company's businesses and initiatives, 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, the EU taxonomy and others, and identified 37 social issue themes related to MHI Group.

Step 2 — Creating a Materiality Matrix

1. Importance of social issues assessed and mapped along two axes (Vertical axis: degree of impact on society; Horizontal axis: degree of impact on the Company)
2. Nine materiality postulated based on the materiality map

Step 3 — Verifying Appropriateness

1. Discussion held at Materiality review meetings (consisting of CSR Committee members), and Material Issues narrowed down to six items
2. Dialogue held with three outside experts
https://www.mhi.com/jp/sustainability/library/pdf/esgdatabook2020_all.pdf#page=12

[Expert]
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 Special Advisor to the President Institute of Engineering Innovation, School of Engineering, the University of Tokyo

* Indicated roles and titles are as of the indicated date.

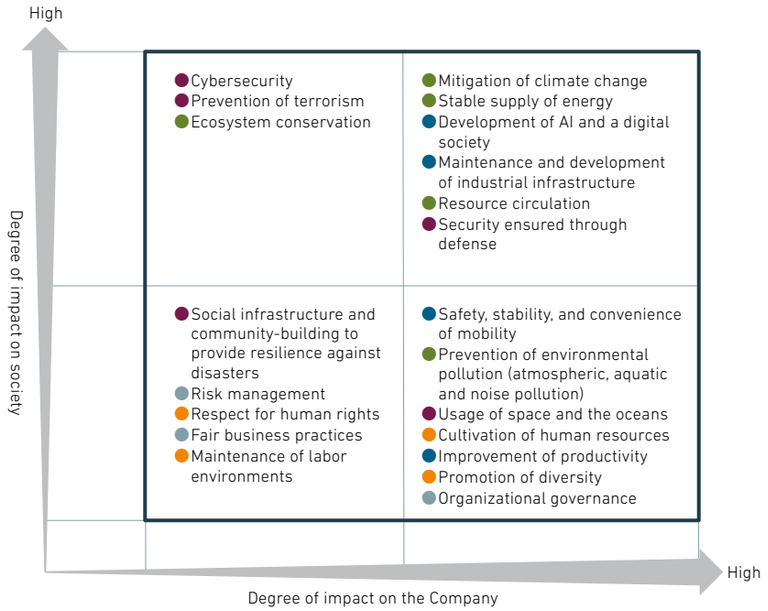
Step 4 — Identifying Material Issues

CSR Committee members narrowed Material Issues down to five issues, which were formally finalized after Executive Committee and Board of Directors meetings in September 2020.

Step5 — Setting Company—Wide Goals and Progress Monitoring Indicators (KPIs)

1. A task force team comprising young and mid-level employees played a central role in establishing a draft of company-wide goals and KPIs for monitoring progress of materiality
2. These were further considered in materiality subcommittees, and decided upon by the Materiality Council and disclosed

■ Approach to Identifying Material Issues



Five Material Issues identified based on social issues important to MHI Group

Business Contribution (business-related)	Provide energy solutions to enable a carbon neutral world Transform society through AI and digitalization Build a safer and more secure world
Foundation to Support Business (corporate-related)	Promote diversity and improve employee engagement Enhance corporate governance

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Material Issues, Officer in Charge	Company-wide Goals	Progress Monitoring Indicator (KPI)	Scope	Initiatives and Progress in FY2022
Provide energy solutions to enable a carbon neutral world **CSO and Senior General Manager, Growth Strategy Office** In recent years, as the effects of climate change become more serious, people eagerly await the realization of a carbon neutral world. In the future, energy infrastructure will be reconstructed in accordance with 3E+S (Note) based on the characteristics of each country, while resource recycling and decarbonization are expected to develop on the demand side. To achieve this transformation of social infrastructure as quickly as possible, MHI Group will strive to continue using existing facilities and promote carbon recycling by significantly improving energy efficiency, capturing and fixing CO_2, introducing carbon-free fuels, and expanding the use of nuclear power and renewable energies that meet the world's highest safety standards.	Reduce the CO_2 emissions of MHI Group Achieve Net Zero CO_2 emissions from its operations by 2040 (Scopes 1 and 2)	Reduce total CO_2 emissions from business activities (Scopes 1 and 2) by 50% by 2030 (compared to 2014 levels), and achieve net zero by 2040	MHI Group (Global)	• Reduced CO_2 emissions in 2021 by 42% (compared to 2014 levels). • Forecasting a reduction in 2022 CO_2 emissions of 47% (compared to 2014 levels). • Drafted basic concepts and management systems for Carbon Neutral Management. • Began installation of the renewable-energy power generation equipment at Mihara Machinery Works to achieve a Carbon Neutral Factory. (to be completed by the end of FY2023)
	Contribution to society throughout the value chain by 2040 Achieve Net Zero CO_2 emissions from its entire value chain by 2040 (Scope 3 + reduction through CCUS)	Reduce CO_2 emissions across the entire value chain (Scope 3 + CCUS contribution for CO_2 reduction) by 50% by 2030 (compared to 2019 levels) and achieve net zero by 2040	MHI Group (Global)	• Disclosed CO_2 emissions for 2021 in ESG DATABOOK 2022. • Calculating CO_2 emissions for 2022.
		Develop products and services that contribute to decarbonization of the energy supply by 2040 (energy transition)	MHI Group (Global)	• Successfully completed the world's largest hydrogen mixed firing validation test with 20% hydrogen at Plant McDonough-Atkinson's high-efficiency large-frame GTCC facility. • Formed alliance with ExxonMobil which will advance next-generation carbon capture technologies and enable integrated CCS offering by deploying MHI's CO_2 capture technology as part of ExxonMobil's end-to-end CCS solution. • Contributed to restarting and safe and stable operation of existing nuclear plants in Japan. Jointly have been developing advanced light water reactor SRZ-1200, which will meet the world's highest standards of safety, with Hokkaido Electric Power Co., Inc., The Kansai Electric Power Co., Inc., Shikoku Electric Power Co., Inc. and Kyushu Electric Power Co., Inc. Also, developing new type reactors (small light-water reactors, high temperature gas-cooled reactors and fast reactors) to meet the diversified needs in the future.
		Develop products and services that contribute to conservation, decarbonization, and automation of energy use by 2040 (Smart Infrastructure)	MHI Group (Global)	• Awarded Pre-FEED contract for carbon capture plant at a cement production facility in UK. • To expand use of carbon capture in hard-to-abate sectors, signed collaboration agreement with ArcelorMittal, BHP and Mitsubishi Development Pty Ltd*1 for development of carbon capture in the steel industry. • Signed a MoU with Fortescue, voestalpine and Mitsubishi Corporation to jointly evaluate green ironmaking plant using HYFOR*2 process.
		Develop and prove new products and services that contribute to the carbon cycle	MHI Group (Global)	• Working toward demonstration of biowaste utilization (hydrolysis) and recycling of decommissioned large structures.

(Note) The pursuit of energy security, economic efficiency, and environmental conformance on the precondition of safety
*1 Mitsubishi Development Pty Ltd: A wholly owned subsidiary of Mitsubishi Corporation that has contributed to global industries for more than 50 years through its developments in the mineral resources sector.
*2 HYFOR: Hydrogen-based fine ore reduction. A new process for directly reducing fine ore occurring in the iron ore sorting process developed by Primetals Technologies

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Transform society through AI and digitalization Senior General Manager, Growth Strategy Office Due to the rapid advancement of AI and digitalization present day, human values, activities, and lifestyles are undergoing major changes. In the midst of various social concerns such as climate change, aging societies with low birthrates, widening disparity between the rich and the poor, and COVID-19, two key themes are how to provide a convenient and comfortable life to everyone without discrimination and how to live in a sustainable manner. MHI Group will seek to realize a society that balances economic development with the resolution of social issues (Society 5.0) by breaking away from preconceived notions and maximizing the use of AI and digitalization to pursue the question of what it means for people to lead affluent lives.	Expand lineup of useful and sustainable AI/ digital products meeting needs of customers and users	Steadily increase the number of newly developed advanced AI and digital solutions (services, products, R&D) that solve customer issues	MHI Group (Global)	• Confirmed the basic performance of the prototype for the next generation unmanned forklift (based on ΣSynX), and conducting demonstration activities for an automated picking solution at YHH*3. Further development of intelligent logistics systems is also continuing. • An automated material handling system for maritime transportation is under development. • An intelligent system for operation of industrial machines is under development. • Within our central R&D organization, MHI Group conducts advanced research and development, and the results are applied widely across our business areas. This allows us to promote the development of solutions such as AI and digital products and services for diverse business units.
	Contribute to a sustainable society through future-oriented energy management strategies that use AI and digitalization to appropriately and efficiently manage power supply and demand	Propose optimal energy infrastructures to customers according to the characteristics of the region	MHI Group (Global)	• Conducted feasibility study of optimal energy infrastructure solutions for Southeast Asia, considering regional characteristics based on an assessment balancing social, economic, and environmental factors.
		Increase the number of products linked to future-oriented energy management systems	MHI Group (Global)	• Started external verification with expanded control functions for heating equipment for use in carbon neutral EMS products.
	Improve our working environment to produce creative products	Improve employees' awareness of creative time and environments	MHI Group (Global)	The following were implemented to make MHI a more creative workplace: • Internal community site (EKKYO BASE): Organized collaboration projects (8 times with 3,000 total participants). Expanding opportunities for dialogue and co-creation between MHI Group employees and other companies to foster new business development and organizational culture improvement. • Future Design Task Force: R&D on co-creation is ongoing to establish future design processes. • Formulated a human resource development plan in the field of Digital Innovation, under the strategic goal of developing approximately 20 thousand Digital Innovation experts groupwide. • Advanced efforts in promoting groupwide use of CRM (Customer Relations Management), utilization of data foundation, and development of future IT architecture. • Started a human resources development system (training system) at YHH and accepted two trainees in October 2022.

*3 YHH: Yokohama Hardtech Hub. Co-creation space for manufacturing administered by MHI in Honmoku, Yokohama

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Material Issues, Officer in Charge	Company-wide Goals	Progress Monitoring Indicator (KPI)	Scope	Initiatives and Progress in FY2022
Build a safer and more secure world CTO Building a safe and secure society is essential for realizing affluent lives. In recent years, we have faced various risks including natural disasters, pandemics, a shrinking workforce, and changes in the security environment, including cyberspace. Since its establishment, MHI Group has contributed to the development of society by building critical infrastructure and taking on challenges in the unknown worlds of space and the deep sea. By drawing on this wealth of knowledge and experience, we will build a flexible, robust, and labor-saving system that will contribute to the realization of a safer and more secure society.	Boost the resilience of products, businesses, and infrastructure	Carry out various disaster impact assessments, and promote the development and practical application of resilient designs and technologies	MHI Group (Global)	• Developed resilience indicators for products and services based on recovery and resistance. • Goal setting is underway for each business unit and has been completed for 8 of the total 31 business units. • A company internal meeting was held on "Risk Assessment and Measures for Resilience and Business Development." • Investigating new business potential in the area of disaster prevention. (Collaboration with Kyoto University Disaster Prevention Research Institute) • Typhoon damage simulation was presented in the MHI Technical Review and International Conference (AJK2023). • Disaster prevention simulations including tsunamis, typhoons and heavy rains were carried out for seven Japanese factories in the company. • A study of the disaster countermeasure system was carried out (Nuclear Energy Systems).
	Implement fully-automated and labor-saving measures	Promote the development and practical application of technologies that enable the remote operation and automatic inspection of products, businesses and infrastructure	MHI Group (Global)	• Confirmed functional performance of the unmanned forklift prototype of the intelligent logistics system (ΣSynX). • Verifying road-vehicle coordination on an ITS freeway. • Continued to promote the research & development of unmanned defense equipment. • Continued to promote research & development of intelligent operation systems for paper converting machinery. • Delivered a monitoring platform (Synx-Supervision) for steelmaking plants. • A remote monitoring and operation support system (MaiDAS) for a waste incinerator plant has been verified and presented at a major academic conference. • Demonstrated a security check patrol with a single-rotor unmanned drone. • Developing a labor-saving system for ferry cargo handling. • Developed a tail-end detection system for ironmaking machinery and a digital service platform for ironmaking machinery. • Developing a solution for automating the nut tightening work of aircraft panels by human and robot cooperation. • Demonstrated the automatic generation function for an inspection map in a catalytic inspection system of a flue gas treatment unit.
	Continuously strengthen cybersecurity measures for all MHI products	Promote the development and practical application of cybersecurity technologies	MHI Group (Global)	• In FY2022, cybersecurity R&D investments increased 3.0 times the level of FY2020. • To strengthen the security resistance of our factories, evaluation and verification of network security detection devices were conducted in Sagamihara Machinery Works, YHH, Nagoya Guidance & Propulsion Systems Works – Komaki North Plant and other locations. • The basic security requirements set by Charter of Trust*4 were reflected in the company standards. • Industrial control system security manager meetings were held twice to share the security measures of factory infrastructure.

*4 Charter of Trust: Activities at the private-sector company level to build cybersecurity reliability. MHI has participated since April 2019.

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Promote diversity and improve employee engagement 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 17 PARTNERSHIPS FOR THE GOALS **In charge of HR** Given the globalization of business in recent years, there is an urgent need to develop human resources who have a firm awareness of human rights across the supply chain and can operate on the international stage. In addition, to continue creating new value based on diverse ideas, it is essential to improve productivity and ensure safety by building a culture in which each individual is respected and can demonstrate and develop their abilities. Therefore, we support the growth and health of human resources through the promotion of diversity and health management. Our goal is to train human resources who are full of vitality and can contribute to society not only during their employment but also after retirement.	Project new value through participation of diverse human resources	Increase the ratio of women on the Board of Directors to at least 30% by 2030	MHI	• Continued our training program for potential future executive candidates in collaboration with each business unit. • Expanded various employee support systems with consideration to childcare and caregiving to enable employees to continue their careers. Promoting a workplace environment and organizational culture allowing for a balance of professional and private life.
		Double the ratio of women in management positions by 2030 (compared to FY2021)	MHI Group (Global)	
		In accordance with the MHI Group Human Rights Policy, raise awareness of diversity among Group employees through education and other efforts	MHI Group (Global)	• Started development of educational materials (e-learning) on the topic of respecting human rights in MHI Group. About 75,000 employees world-wide took the course.
	Ensure safe and comfortable workplaces	Reduce the number of serious accidents to zero	MHI Group (Global)	• A subcontractor's fatal accident occurred. The root cause analysis was undertaken immediately to prevent recurrence and measures were announced to all departments in MHI.
		Maintain a labor (work absence) accident frequency each year at a rate that is equal to or lower than the industry average	MHI Group (Global)	• The rate of lost-worktime injuries was less than the industry average. • Conducted early detection and root cause analysis based on data from past accidents, and studied and developed countermeasures across divisions.
	Improve our environment that maximizes employee performance, and develop human resources who are healthy, energetic and able to contribute to society	Raise the employee awareness survey's "engagement" score above the global average by FY2030	MHI Group (Global)	• The 4th MHI Group Employee Survey was undertaken in March 2023. • President's Town Meeting was held at 4 sites in Japan. • Announced pulse survey tool to all MHI Group and continuing operational improvement.

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Material Issues, KPI, Progress Policy System Activity Results

Material Issues, Officer in Charge	Company-wide Goals	Progress Monitoring Indicator (KPI)	Scope	Initiatives and Progress in FY2022
Enhance corporate governance 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS GC For a company to continue to provide value to society, it is important to earnestly address the issues and demands of global society and form a sound organizational culture. Since we have a particularly diverse range of businesses, it is essential that we strengthen the governance structure of the entire Group. We will promote compliance management and strengthen internal controls to ensure compliance with laws and regulations and promote honest, fair, and equitable business practices. We will promptly identify opportunities and risks for the organization and take appropriate action. In addition, to earn the trust of society, we will implement timely and appropriate information disclosure regarding management, while ensuring fairness and transparency.	Further enhance deliberations by the Board of Directors	Maintain the ratio of independent outside directors on the Board of Directors at 50% or more	MHI	• Maintained the percentage of independent outside directors at 50% (6/12) and worked to speed up decision-making processes and strengthen oversight functions.
		Assess the effectiveness of the Board of Directors annually to ensure and improve it	MHI	• Engaged in the following initiatives to evaluate the effectiveness of the Board of Directors in FY2022. ▶ Conducted questionnaires to all members of the board. ▶ Discussed the results of these evaluations in meetings of independent outside directors and reported the same to Board of Directors meetings. ▶ Established policies based on the results of the effectiveness evaluation and finalized the draft of disclosure, both by the resolutions of the Board of Directors. Also started planning the agenda schedule for FY2023.
	Promote legal compliance and honest and fair business practices	Maintain the number of serious laws/regulation violations at zero	MHI Group (Global)	• There were no serious laws/regulation violations. • Case studies related to compliance were published monthly to raise awareness within the company. • Compliance information tailored to each region was shared with Group companies outside Japan in an effort to prevent compliance issues. • Ensuring that overseas group companies set up hotlines for reporting on compliance issues.
		Continue activities that promote an open organizational culture	MHI Group (Global)	• Implemented the following compliance training for employees both within and outside Japan. ▶ Japan: e-learning, discussion-based training, job grade-based training ▶ Outside Japan: e-learning
	Further promote responsible (CSR) procurement in the global supply chain	Promote sustainability and CSR procurement activities with partners to build a sustainable supply chain	MHI Group (Global)	• Implemented a CSR questionnaire for overseas partner companies with a certain amount of regular purchase orders from MHI, and obtained their agreement to the MHI Group Supply Chain CSR Promotion Guidelines.
		Offer continuous educative information to suppliers/business partners in order to establish and maintain a sustainable supply chain	MHI Group (Global)	• Delivered educational materials on CSR procurement when sending the periodical CSR questionnaire for partner companies, and confirmed understanding within each company. Performed CSR procurement education at business briefings and meetings with partners.
	Create opportunities to explain non-financial information	Conduct ESG briefings to investors at least once a year	MHI Group (Global)	• Held an ESG briefing in March 2023 to explain MHI Group's framework for addressing sustainability and the progress toward achieving KPIs for each material issue.

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Stakeholder Engagement

Basic Approach Policy

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.

Main Initiatives in FY2022 Activity Results

Experts

Sustainability Dialogue (Takashi Nawa and CSO Kaguchi)

Visiting Professor Takashi Nawa of Hitotsubashi University Business School and CSO Hitoshi Kaguchi (CSO of the Company at the time) held a dialogue on purpose, sustainability, and materiality.

MHI Sustainability Dialogue
https://www.mhi.com/jp/sustainability/management/stakeholder_dialogue01.html

Suppliers

At platforms such as business partner meetings and business policy briefings, we explain the Group's CSR promotion guidelines and offer educative information on the conduct expected of suppliers by introducing cases of ESG risks in the supply chain.

In addition, to reduce risks in the supply chain, we conduct a CSR survey to confirm the CSR promotion initiatives of suppliers, and based on the results we reconfirm laws related to CSR and ESG, conduct onsite surveys on the status of compliance systems and initiatives, and consult with suppliers on making improvements.

NPOs

Since 2015, in Tanegashima, a key location for the Group's rocket launch transport business, MHI Group has offered its support for the Tanegashima Loggerhead Turtle Survey, an event sponsored by Earthwatch Japan, an authorized NPO. The Group participates in the survey each year.

Institutional Investors

In addition to various reports and information disclosed at briefings, we hold interviews with the participation of officers and employees to improve communication with institutional investors inside and outside Japan.

Also, in fiscal 2022, we held ESG briefings for ESG analysts from domestic institutional investors and explained the progress we are making on promoting sustainability management.

MHI ESG briefing materials
https://www.mhi.com/jp/sustainability/library/pdf/esg_materials2022.pdf

Employees

The Sustainability Relations Office holds regular discussion sessions to further raise the awareness of employees with regard to sustainability. In fiscal 2022, discussions were held with employees at the level of foreman and deputy foreman in manufacturing divisions. We shared how interest in sustainability and the SDGs is rising throughout the world and discussed how to respond to social issues from a manufacturing perspective and how to contribute to society through products.

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Initiatives and Groups We Participate In

MHI Group participates in initiatives and groups inside and outside Japan related to sustainability to help realize a sustainable society.

	UN Global Compact	Task Force on Climate-related Financial Disclosures (TCFD)	GX League	Keidanren Initiative for Biodiversity
Groups and initiatives in which we participate				
Activities	MHI became a signatory to the UN Global Compact in 2004 and put into practice the compact's ten principles. In 2015, we created the MHI Group Global Code of Conduct to provide a set of action guidelines for all MHI Group employees to follow. We also participate in subcommittees on the environment, human rights and the supply chain established by Global Compact Network Japan, a local network in Japan, which is helping us to plan our own initiatives and solve issues.	MHI has a mission of leading the way in climate action and in February 2019 announced its support for disclosure based on the TCFD recommendations.	MHI is boldly taking on the challenge of transitioning to carbon neutrality. It participates in the GX League, a framework through which successful international companies drive the green transformation. We also plan to participate in a voluntary emissions trading scheme (GXETS), which is a pledge and review framework for achieving the voluntary emission reduction targets the companies have set.	A total of 283 companies and groups (as of August 21, 2023) participate in the initiative by engaging in a least several of the seven items that make up the Declaration of Biodiversity by Keidanren and Action Policy (Revised Edition) or by expressing their support for the initiative overall. As a participating company, we are involved in promoting biodiversity initiatives.

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Recognition from Society

Status of Inclusion in ESG Indexes Indexes

MHI Group promotes management with an emphasis on sustainability and is focused on various activities and information disclosure. Thanks to these initiatives, we have been selected for the sixth consecutive year for inclusion in the Asia Pacific Index of the Dow Jones Sustainability Index (DJSI), a globally leading index for environmental, social, and governance (ESG) investing (as of September 2023).

In addition, the Government Pension Investment Fund (GPIF), a Japanese pension fund that is one of the largest institutional investors in the world, has selected MHI for all six of its ESG-related indices used for Japanese stocks.

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index
- Morningstar Japan ex-REIT Gender Diversity Tilt Index

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX カーボン エフィシェント 指数

External Assessment of Sustainability Ratings and certifications

CDP Climate Change 2022 Score B

CDP, an international non-profit organization, conducts global assessments of companies' efforts in terms of climate change and water security. There are nine levels of scoring: A, A-, B, B-, C, C-, D, D- and F (declined to answer or no response). MHI received a score of B in the CDP Climate Change 2022 assessment.

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.

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.

Certified Excellent Health and Productivity Management Corporation

An "Excellent Health and Productivity Management Corporation" is a certification system launched by the Ministry of Economy, Trade and Industry in 2015 to promote "health management." Corporations that are recognized for considering and practicing employee health management from a managerial perspective are recognized. In 2019, our company issued the President's Declaration on Health Management and promoted health management. As a result, the company was recognized as an "Excellent Health and Productivity Management Corporation 2023."

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TCFD Disclosure

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Basic Policy on Environmental Matters and Action Guidelines Policy

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.

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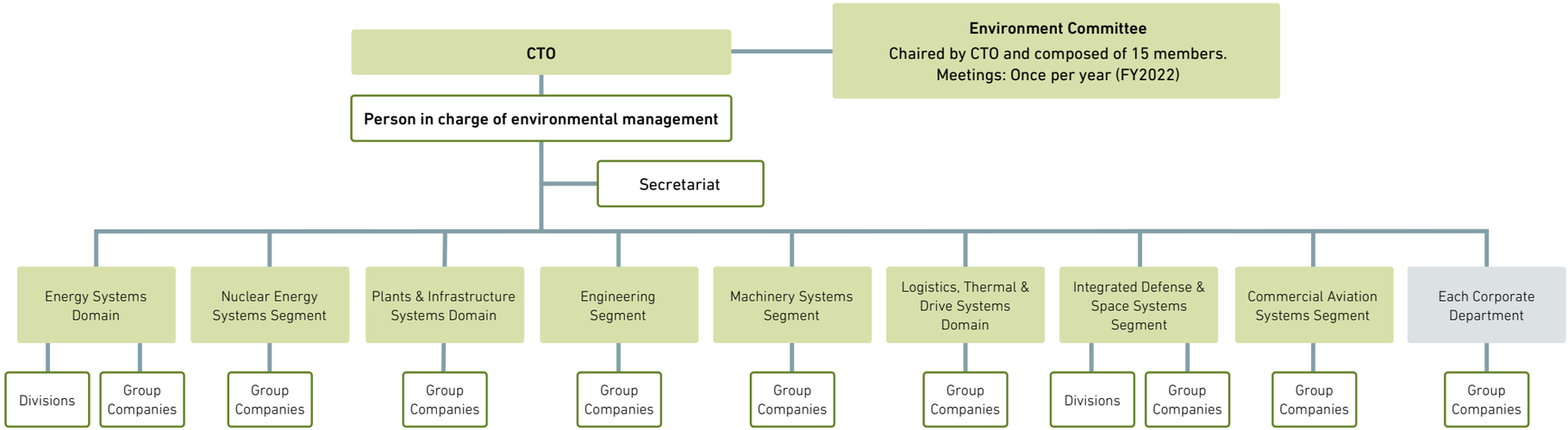
Environmental Management System

At MHI Group, the Environment Committee is chaired by the Chief Technology Officer (CTO), who takes charge of environmental management, and made up of members selected from the domains and segments, and corporate units. The committee plans and drafts policies and initiatives shared throughout the Group and deploys them across all Group companies via the domains, segments of each business, and corporate units.

The MHI Group's Environmental Management Organization (As of April 1, 2023)



■ Environmental audit system

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.

■ Reporting on breaches

Regarding the number of environment-related violations, their details, and measures taken, there was no significant breach of the sort that would cause the company to be fined (as of July 31, 2023; coverage is Japan).

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Environmental Targets Target

The Long-Term Environmental Target and the Fifth Environmental Targets, which represent the medium-term goals, were established at a meeting of the Environment Committee held in March 2021. The Long-Term Environmental Target aims at decarbonizing the business activities of the MHI Group by 2040. The Fifth Environmental Targets aim for reductions in CO_2 emissions, reductions in water usage, and reductions in waste generation by fiscal 2023. MHI Group will continue to contribute to solve environmental problems that are important social issues and work as one to achieve these goals.

	Item	Scope of target	Target (FY2021-FY2040)
The Long-Term Environmental Target (FY2040)	Reduction in CO_2	Entire MHI Group	Decarbonize MHI Group's business activities by 2040

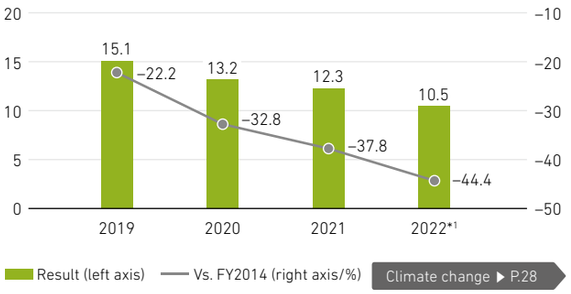
(Note) Consolidated Group Companies will be subject to this target

	KPI Items	Scope of target	Target (FY2021-FY2023)
The Fifth Environmental Targets (FY2021–FY2023)	1. Reduction in CO_2 emissions	Entire MHI Group	Reduction in CO_2 emissions per unit from offices and plants by 9% in FY2023 relative to FY2014.
	2. Reduction in water usage	Entire MHI Group	Reduction in water usage per unit in FY2023 by 7% relative to FY2014. (Water: industrial water, tap water, groundwater, rivers, lakes; excludes seawater).
	3. Reduction in waste generation	Entire MHI Group	Reduction in waste generation per unit in FY2023 by 7% relative to FY2014 (Excluding valuable materials; including hazardous waste.)

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

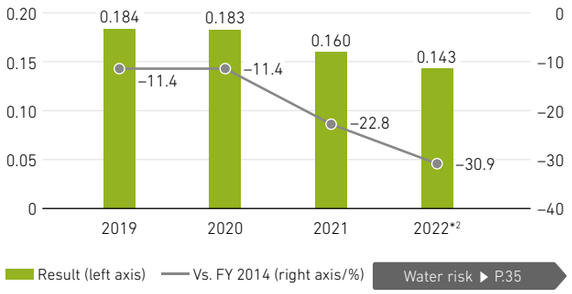
■ Progress on Environmental Targets (KPI: per unit)

1. CO_2 emissions/Amount of sales



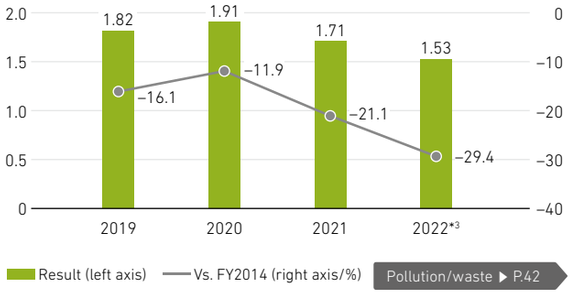
Climate change ▶ P.28

2. Water usage/Amount of sales



Water risk ▶ P.35

3. Waste generation/Amount of sales



Pollution/waste ▶ P.42

[Scope] : *1 MHI and 163 domestic and overseas Group companies
*2 MHI and 143 domestic and overseas Group companies
*3 MHI and 116 domestic and overseas Group companies

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ESG Finance Initiatives

MHI has defined two growth areas to focus on in its 2021 Medium-term Business Plan, announced in October 2020: "Energy Transition," which aims to decarbonize the energy supply side, and "Smart Infrastructure," which aims to realize decarbonization and promote energy efficiency, manpower saving in the energy demand side. As part of the financing necessary for focusing on businesses in these areas, and promoting decarbonization, electrification and intelligence in its existing businesses, MHI is utilizing ESG finance such as green bonds and transition bonds.

ESG finance is not merely a means of financing for investments but presents us with valuable opportunities for dialogue and communication with investors and society at large. Through continuous dialogue with investors and our broader stakeholders we will enhance corporate value by accelerating our energy transition efforts and utilizing financing arrangements appropriate to these areas.

Takasago Hydrogen Park, a validation facility for hydrogen power generation

■ Green Bonds

MHI issued green bonds (Note) in November 2020 and September 2021. All funds procured through issuance of the MHI Green Bond in 2020 were allocated in full toward the Company's business in renewable energy (partial refinancing of investment relating to offshore wind power systems). Funds raised from the 2nd Series MHI Green Bond issued in 2021 were allocated to the Company's renewable energy business (wind power systems and business) and clean energy business (hydrogen power systems and business).

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

Bond name	Issue date	Outstanding balance	Interest rate	Redemption date
38th unsecured corporate bond (2nd Series MHI Green Bond)	September 1, 2021	¥15.0 billion	0.090%	September 1, 2026
36th unsecured corporate bond (MHI Green Bond)	November 24, 2020	¥25.0 billion	0.140%	November 21, 2025

Information on past issues can be found on our website.
https://www.mhi.com/finance/stock/esg/greenbond

<Establishment and External Evaluation of Green Bond Framework>

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

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

Second-Party Opinion
Reviewed by: MORNINGSTAR | SUSTAINALYTICS

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■ Transition Bonds

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

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

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

<Issue of 1st Mitsubishi Heavy Industries Transition Bond>

In September 2022, MHI issued its first transition bond(Note). Procured funds are being allocated to development of hydrogen-fired gas turbines and hydrogen manufacturing (blue, turquoise, etc.).

(Note) A type of bond issued by companies seeking to reduce greenhouse gas emissions in order to raise funds for projects intended to facilitate the transition to a decarbonized society.

Bond name	Issue date	Outstanding balance	Interest rate	Redemption date
40th unsecured corporate bond (1st Mitsubishi Heavy Industries Transition Bond)	September 8, 2022	¥10.0 billion	0.310%	September 8, 2027

Information on past issues can be found on our website.
https://www.mhi.com/finance/stock/esg/transitionbond.html

<Establishment and External Evaluation of Green/Transition Finance Framework>

MHI has developed "Mitsubishi Heavy Industries, Ltd. Green/Transition Finance Framework" for the issue of transition bonds and has obtained a second party opinion from DNV Business Assurance Japan K. K., an independent external reviewer, that this framework is aligned with the principles and guidelines at right.

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

EXTERNAL REVIEW-VERIFICATION
DNV
Second Party Opinion

■ Positive Impact Finance

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

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

(Note) Positive Impact Finance (PIF), based on the Principles for Positive Impact Finance and implementation guidelines formulated by the United Nations Environment Programme Finance Initiative (UNEP FI), is a loan intended to provide continuous support for corporate activities while comprehensively analyzing and evaluating the impacts (both positive and negative) those activities have on the environment, society, and the economy.

See here for details.
https://www.mhi.com/finance/stock/esg/positive_impact_finance.html

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ISO 14001 (environmental management system) Initiatives

The MHI Group operates an environmental management system (EMS) to reduce its environmental impact and contribute to the sustainable development of society. As of March 2024, our group companies, which account for approximately 80% of our sales, have manufacturing bases that have acquired ISO 14001 certification, the international standard for EMS.

In addition, some group companies have acquired Eco Action 21 certification, an environmental management system standard established by the Ministry of the Environment, and KEMS certification, an environmental management system standard operated by the Kobe Environmental Forum. All of us, including smaller group companies, are working to operate and maintain EMS practices.

Education and Collaboration with Local Communities Initiatives

■ Environmental education

<Environmental Education and Training for Employees>

We have created an environmental education curriculum based on e-learning and other methods to educate our employees on the environment and to raise employee awareness of our Basic Environmental Policy, which calls for efforts to reduce environmental impact, efforts to reduce energy and water consumption and waste emissions, and realize the Group's environmental goals. In addition, training programs for internal environmental auditors are organized by the Training Center, and specialized training on daily management procedures and emergency treatment methods is provided to personnel engaged in painting and the handling of hazardous materials.

Record of environmental education for employees in FY2022

Details	Target		Participants
Environmental e-learning	MHI and Group companies	All employees	Approx. 16,000
Seminar on environmental law	MHI and Group companies	Environmental mangers	851

<Environmental Education for Suppliers>

MHI Group's Action Guidelines stipulate that we "strive to preserve the environment in partnership with our stakeholders and gain their understanding of this policy." Under these guidelines, 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.

Supply Chain Management ▶ P.91

■ Coordination with local communities

We are involved in major environmental preservation initiatives that include support for a conservation survey on loggerhead turtles in danger of extinction and forest conservation activities with local governments and NPOs.

Biodiversity ▶ P.37

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Product Stewardship Initiatives Initiatives

■ Life-cycle assessment

<Environmental Standards for Product Development and Assessment of Environmental Impact>

In 2005, we formulated the Basic Guidelines for Environment-Friendly Product Fabrication as a reference for manufacturing products that contribute to environmental protection and CO_2 reduction.

For example, the Guidelines provide information on environmental impact assessments throughout the product life cycle and on the creation of products designed to reduce environmental impact, as follows:

- Reduction of energy input at any stage of the product lifecycle, including electricity and steam used at a factory when manufacturing a product or parts; fuel consumed during product/parts transportation by truck, etc.; and electricity/fuel used as a power source when using a product.
- Reduction of material input at any stage of the product life cycle.
- Management easiness, e.g., in terms of parts replacement during a service; easiness of disassembly or sorting out for collection, recycling and disposal; and safety level of work.

<Reduction to Hazardous Substances in Products>

In accordance with the regulations of the countries and regions in which we provide products and services, we are working to reduce or eliminate hazardous substances in each of our businesses. For example, we are working to reduce the lead content of brass material bearings used in medium- and large-sized turbochargers for industrial machinery to less than 4% (the final target is less than 0.1%) in order to meet customers' needs subject to the EU's RoHS Directive. This is an application exempt from the RoHS Directive and the expiration date is 2024, so it will be reduced by 2024.

■ 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, 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 meeting 100% of the set energy-saving standards. In addition, certain centrifugal chillers, heat pumps, gas engines, and other units have been recognized with the LD-Tech certification of the Ministry of the Environment in Japan for their leading decarbonization technology. The sales ratio of products subject to the Environmental Product Declaration is less than 10%.

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■ 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.

The sales ratio of products subject to product recovery/reuse and recycling is less than 10%.

<Recognizing Outstanding Environmental Contributions through MHI's Best Innovation Awards>

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

In fiscal 2022, the awards went to two projects: reduction of carbon emissions through provision of large-capacity centrifugal chillers for high-efficiency district cooling; and reusing processed waste material from the composite aircraft wing in household application

See here for more details.
MHI website: Products and Initiatives That Contribute to the Environment
https://www.mhi.com/sustainability/environment/commendation.html

[Initiative Example] Recycling processed waste material from the composite aircraft wing in household application

Waste materials from composite wings produced for Boeing's 787 mid-size aircraft is being recycled in household application. Carbon fiber waste material generated during the wing production process is commercially repurposed for use in the pipes and handles of the "iNSTIK ZUBAQ," a cordless stick cleaner produced by Mitsubishi Electric Corporation. The move has put MHI in the lead in building a supply chain that includes reuse of difficult-to-recycle carbon fiber waste material in a mass-manufactured product. Effective use of resources has contributed to mitigation of environmental impact and protection of the global environment, thereby enhancing the Company's corporate image.

Composite material wing of a Boeing 787

Mitsubishi Electric iNSTICK ZUBAQ cordless cleaner

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Basic Approach and Policy Policy

MISSION NET ZERO, Our Declaration to Achieve Carbon Neutrality

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

MHI has defined two growth areas to focus on in its 2021 Medium-term Business Plan, announced in 2020: "Energy Transition," which aims to decarbonize the energy supply side, and "Smart Infrastructure," which aims to realize the decarbonization, and promote the energy efficiency, manpower saving in the energy demand side. MHI Group is committed to promoting the business strategies of these two areas, and to advancing the decarbonization of the existing businesses, electrification, and intelligence, in order to achieve Net Zero by 2040, and to help create a carbon neutral society.

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

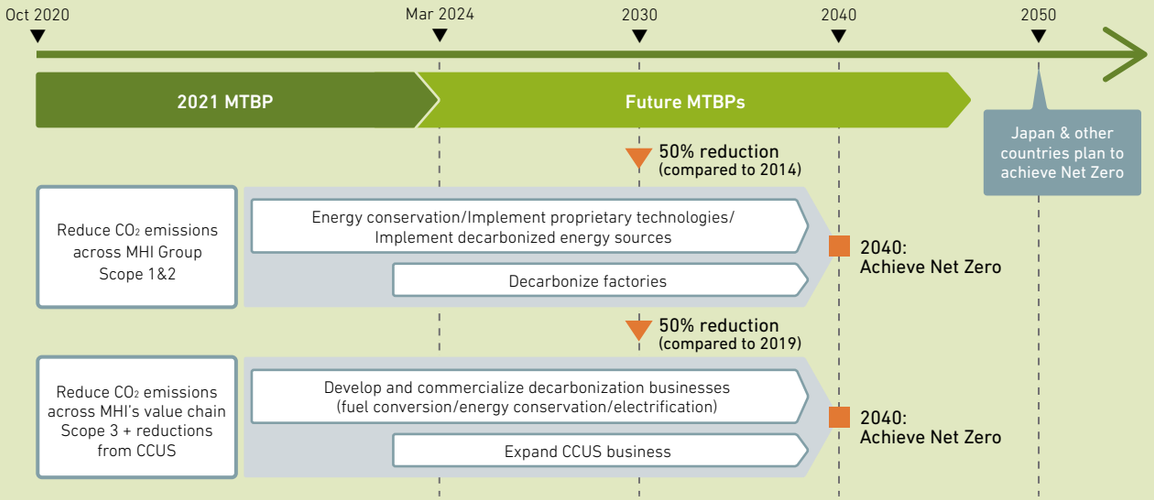
To this end, each and every one of us will be embracing and internalizing MISSION NET ZERO and will act to implement a Net Zero future, working closely with all of our stakeholders, including clients, partners, academia and local and national governments.

CO_2 Emission Reduction Target

Target Year	Reduce CO_2 emissions across MHI Group Scope 1&2	Reduce CO_2 emissions across MHI's value chain Scope 3 + reductions from CCUS
2030	–50% (compared to 2014)	–50% (compared to 2019)
2040	Net Zero	Net Zero

Scope 1&2: The calculation standard is based on the GHG Protocol.
Scope 3: The calculation standard is based on the GHG Protocol. However, we also account for reductions achieved by CCUS as an MHI original index.

Roadmap to Achieve Carbon Neutrality



■ Environmental Targets

The Long-Term Environmental Target (2021–2040) and the Fifth Environmental Targets (FY2021–FY2023) have been established as targets for reducing CO_2 emissions, and we are working to solve the problem of climate change through business activities, products and services. By promoting energy saving activities and improving work processes we are reducing the energy load and continuing to work to reduce CO_2 emissions.

Environmental Targets ▶ P.22

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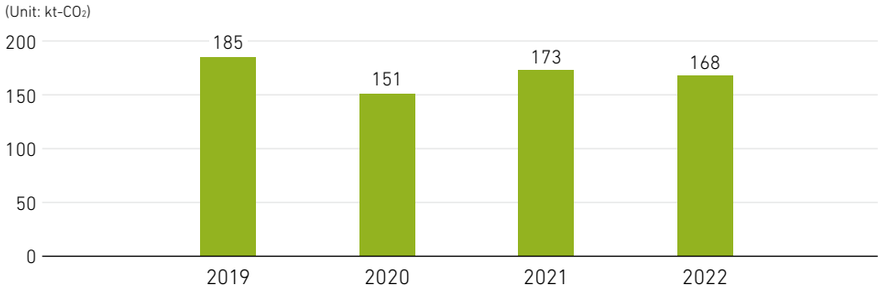
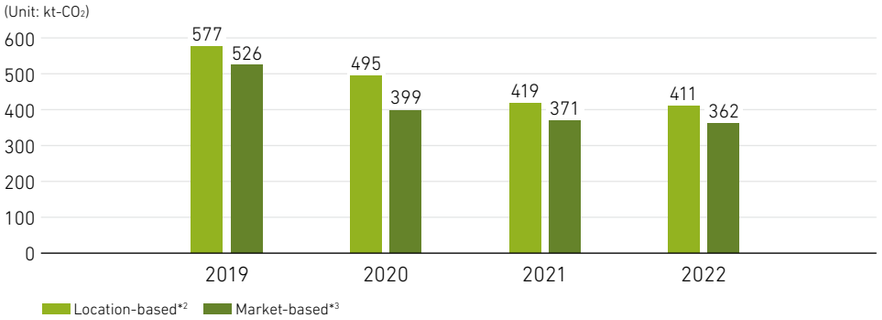
GHG Emissions/Energy Consumption Data Results Data

GHG Emissions

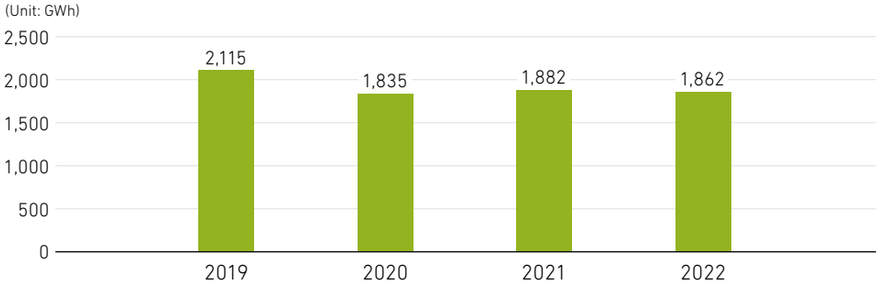
Direct GHG emissions (Scope 1)*1



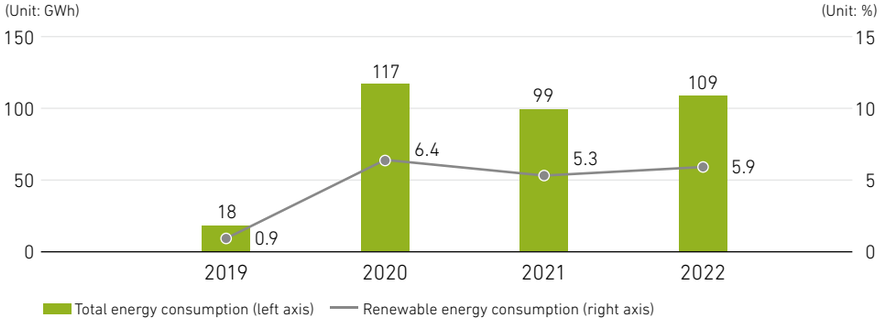
Indirect GHG emissions (Scope 2)*1



Energy consumption*1



Total energy consumption/Renewable energy consumption*1



*1 Coverage: MHI and domestic and overseas Group companies (157 companies in FY2019, 156 companies in FY2020, 158 companies in FY2021, and 163 companies in FY2022 [accounting for 98% of net sales])
*2 Calculated using the national average emission factors published by the Ministry of the Environment and country average emission factors from IEA Emission Factors published by the International Energy Agency (IEA).
*3 Calculated using emission factors by electricity utility operator. However, if emission factors by electricity utility operator are not available, country emission factors from IEA Emissions Factors are used.

Other indirect GHG emissions (Scope 3)

Refer to the Data Section.

Data Section ▶ P.126

Refer to the Data Section for electricity purchase volumes, energy usage records (domestic) and third party-verified data.

Data Section ▶ P127-128

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Activities that Mitigate Climate Change Initiatives

■ Initiatives in Business Activities

<Energy-saving Activities>

To reduce emissions of CO_2 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.

In addition, in accordance with the Act on Rationalization of Energy Use and Shift to Non-fossil Energy, the Company (*non-consolidated) is aiming to reduce unit energy consumption by an average of 1% per year.

<Introduction of renewable energy>

MHI Group, at some of its business sites, works to reduce emissions of CO_2 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 CO_2 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 CO_2 emissions. Furthermore, the electricity generated by the White Deer Wind Farm operated in the group exceeded the electricity used by Group companies in the United States in fiscal 2022. In fiscal 2022, electricity consumption in the United States was derived from 100% renewable energy through a Renewable Energy Certificate (REC),and is reducing CO_2 emissions by about 32,000 tons per year. Furthermore, at our Mihara Works, in order to achieve a "carbon neutral factory" with completely zero CO_2 emissions within the plant by the end of fiscal 2023, we work with electric utilities to introduce solar power generation equipment and other measures.

■ Product and service initiatives

<Development of Various Products>

MHI Group is working to create a low-carbon society across a broad spectrum of fields, including large-scale power generation technologies such as highly efficient thermal power generation plants and nuclear power plants; power generation systems that utilize wind, geothermal, and other renewable energies; ships and transportation systems for improving the efficiency of the transportation sector; and high energy-saving air-conditioning systems that use heat pump technology; and CCUS that captures CO_2 for utilization or storage.

<Incentives Toward Management Activities Related to the Issue of Climate Change>

MHI Group introduced as part of its "Best Innovation" in-house award program the Environment/Sustainability Award, which recognizes products and business activities that contribute to global environmental conservation and protection, and reduction of environmental loads. Award winners receive rewards of up to several hundred thousands of yen. In fiscal 2023, awards were given for products or activities aimed at mitigating climate change, including "A liquefied CO_2 handling system that accelerates building of a CCUS value chain" and "Factory decarbonization project at Mihara Machinery Works demonstrating how CO_2 emissions can be significantly reduced."

See here for more details.
MHI website: MHI Group Presents "Best Innovation 2023" Awards
https://www.mhi.com/news/240221.html

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TCFD Disclosure

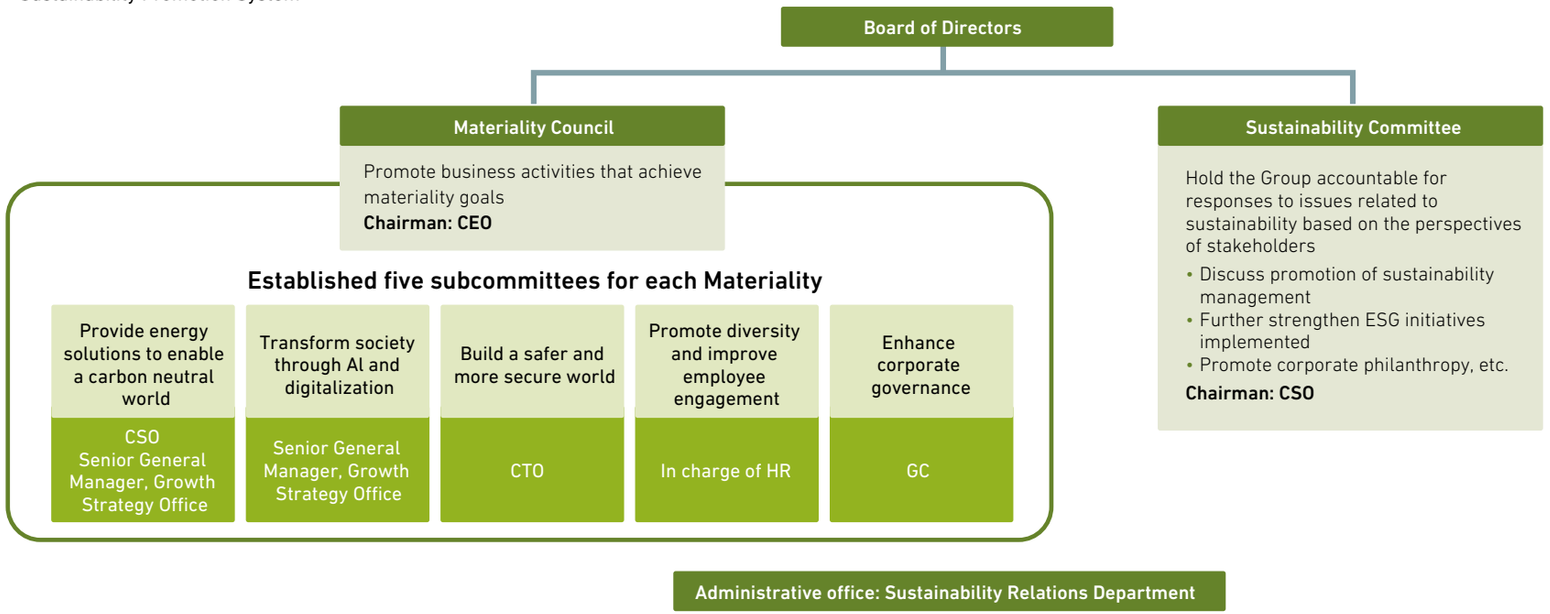
MHI Group has endorsed the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations and discloses climate-related information in accordance with the TCFD recommendations.

■ 1. Governance System

MHI Group has identified the "provision of energy solutions to enable a carbon-neutral world" as a material issue under our materiality framework ("materiality"), which responds to the important global issue of climate change.

Our materiality initiatives help us to realize sustainability management throughout our business operations. Through this approach to materiality, we aim to increase our corporate value and drive medium- and long-term growth. The Materiality Council, which was established on October 1, 2021, and is chaired by the MHI Group President, meets twice a year to monitor business activities aimed at achieving materiality targets and to direct business divisions to take appropriate actions. In addition, our Sustainability Committee, which is chaired by the Chief Strategy Officer (CSO), generally meets twice a year to address sustainability issues raised by our stakeholders. In order to further strengthen ESG initiatives, the committee's members are made up of corporate officers in our corporate-center functions and officers in charge of domains and segments in accordance with the agenda. The CSO is responsible for the analyses based on the TCFD recommendations and reporting within the Sustainability Committee. Climate change-related risks and opportunities are factors that each business unit considers when developing their respective business plans. The committee also reports to the Board of Directors regularly on the status of the Sustainability Committee's activities, including disclosures in accordance with TCFD recommendations.

Sustainability Promotion System



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■ 2. Strategies (Scenario Analysis)

<Climate Scenarios>

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

❶ Decarbonization Scenario

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

❷ Fossil Fuel Dependency Scenario

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

<Risks and Opportunities under the Hypothetical Climate Scenarios>

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

The Fossil Fuel Dependency Scenario, on the other hand, focuses on the physical risks associated with climate change.

In terms of opportunities, as it is difficult to imagine that future regulations will be eased in developed countries that are already promoting various environmental regulations, we can assume that business opportunities will arise by offering the benefits of our emission reduction technologies.

<Selection of Analysis Scope and Determination of Risk/Opportunity Impact>

We have conducted an examination of the risks and opportunities associated with the two climate scenarios described at left in terms of what should be addressed as a whole Group and what should be incorporated into the strategies of each individual business.

In the strategy by business, businesses were selected for analysis based on the following criteria.

- Businesses of a certain size (generally ¥200.0 billion) or larger that are substantially impacted by decarbonization
- Businesses that may be small currently but are expected to grow significantly on the impact of decarbonization

Also, regarding the determination of the relative impact of risks and opportunities, the difference in business profit between end-FY2023 and 2030 was estimated and businesses categorized as follows.

Large: Impact on business profit of ¥10.0 billion or more
Medium: Impact on business profit between ¥5.0 billion and less than ¥10.0 billion
Small: Impact on business profit of up to ¥5.0 billion

Going forward, we will work to expand and refine the scope of analysis for risks and opportunities based on changes in the business environment.

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■ 2. Strategies (Scenario Analysis)

Risk and opportunity analysis results for major products organized by business domain in a decarbonization scenario.

Regarding the determination of the relative impact of risks and opportunities, the difference in business profit between end-FY2023 and 2030 was estimated and businesses categorized as follows.

Large : Impact on business profit of ¥10.0 billion or more Medium : Impact on business profit between ¥5.0 billion and ¥10.0 billion Small : Impact on business profit of up to ¥5.0 billion

<Risks>

Energy Systems

	Type	Content	Impact	Response
GTCC	Technology	• Delayed development of hydrogen gas turbines	Small	• Adhere to the development schedule
Steam Power	—	• No significant risk exists under this precondition(Note)	—	—
Nuclear power	—	• No significant risk exists under this precondition	—	—

Plants and Infrastructure Systems

	Type	Content	Impact	Response
CO_2 Capture System	Technology	• Decline in the competitiveness of our current CO_2 capture technology • Emergence of innovative alternative technologies	Small	• Improve the current CO_2 capture technology • Expand our CO_2 capture technology lineup
Metals Machinery	—	• No significant risk exists under this precondition(Note)	—	—

Logistics, Thermal & Drive Systems

	Type	Content	Impact	Response
Engines and Turbochargers	Market/ Customer Trends	• Reduced demand for conventional models due to the shift to carbon-neutral fuels and electrification of vehicles	Medium	• Introduce products compatible with carbon neutrality to the market -Hydrogen-powered engines -Electric compressors for fuel cells
Logistics Systems	Market/ Customer Trends	• Possible reduction of service revenue due to the shift from engine to battery forklift trucks	Small	• Consider ways to expand service revenue from battery-powered forklifts

(Note) In determining the impact of risks and opportunities, we compared the impact on business profit between the end of FY2023 and 2030. Based on this, the risks associated with declining demand for coal-fired power plants and carbon-intensive steelmaking plants have been factored into the FY2023 figures (base plan figures).
GTCC: Gas Turbine Combined Cycle

<Opportunities>

Energy Systems

	Type	Content	Impact	Measures
GTCC	Market/ Customer Trends	• Increased demand for products and services that promote carbon neutrality	Small	• Promote development of hydrogen gas turbines • Promote solutions that combine GTCC and CCUS
Steam Power	Market/ Customer Trends	• Increased demand for products and services that promote carbon neutrality	Small	• Promote ammonia co-firing/ mono-firing conversion
Nuclear power	Changes in policy and legislation. Market/ Customer Trends	• Promote policies aimed at maximizing nuclear power use in Japan • Increasing importance of energy security • Increased demand for products and services that promote carbon neutrality	Large	• Promote the new construction of advanced light water reactors, provide support for restarting existing plants (PWR/BWR), and provide maintenance for restarted plants

Plants and Infrastructure Systems

	Type	Content	Impact	Measures
CO_2 Capture System	Changes in policy and legislation. Market/ Customer Trends	• Development of legal/tax systems in various countries and regions • Increased demand for products and services that promote carbon neutrality	Large	• Promote CO_2 capture business in North America, Europe, etc., where progress has been made in establishing the legislation, tax systems • Expand our CO_2 capture-related product lineup and develop new business model • Promote strategic partnerships
Metals Machinery	Market/ Customer Trends	• Increased demand for products and services that promote carbon neutrality	Small	• Promote the development of hydrogen reduction steelmaking equipment, and encourage the replacement of existing plants

Logistics, Thermal & Drive Systems

	Type	Content	Impact	Measures
Engines and Turbochargers	Market/ Customer Trends	• Increased demand for products and services that promote carbon neutrality • Tightening of environmental regulations in emerging countries	Small	• Introduce products compatible with carbon neutrality to the market -Hydrogen-powered engines -Electric compressors for fuel cells • Expand sales to new customers, especially those in emerging countries
Logistics Systems	Market/ Customer Trends	• Increased demand for products and services that promote carbon neutrality	Small	• Provide competitive battery-powered forklift trucks as well as eco-friendly port handling equipment (RTG)

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■ 3. Metrics and Targets

(1) Our Declaration to Achieve Carbon Neutrality by 2040

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

The first target is to reduce the Group's CO_2 emissions (Scope 1, 2 (Note 1)) to net zero by 2040. As an interim target, we also plan to reduce emissions by 50% by 2030 (versus 2014 levels). This represents a reduction of CO_2 emissions from production activities at the Group's plants and other facilities. Through such efforts, we are committed to achieving carbon neutral plants by applying our developed technologies and promoting further energy saving.

The second target is to achieve net zero CO_2 emissions across the entire value chain by 2040. As an interim target, we also plan to reduce emissions by 50% by 2030 (versus 2019 levels). This is primarily based on our customers reducing CO_2 emissions (Scope 3 (Note 2)), through the use of our Group's products, as well as reduction contributions from the widespread use of CCUS.

The Group possesses a broad selection of technologies and solutions in all business areas, including the decarbonization of customers' existing equipment, and will continue contributing to the reduction of global CO_2 emissions by offering a variety of solutions.

(Note 1) Scopes 1 and 2 of the GHG Protocol, an international standard for the accounting and reporting of greenhouse gas (GHG) emissions.
(Note 2) Scope 3 of the GHG Protocol, an international standard for the accounting and reporting of greenhouse gas (GHG) emissions.

Target Year	Reduce CO_2 emissions across MHI Group Scope 1&2	Reduce CO_2 emissions across MHI's value chain Scope 3 + reductions from CCUS
2030	–50% (compared to 2014)	–50% (compared to 2019)
2040	Net Zero	Net Zero

See here for more details MISSION NET ZERO, Our Declaration to Achieve Carbon Neutrality ▶ P.28

(2) Progress

We are making steady progress toward our interim target for CO_2 reductions by 2030. As of the end of fiscal 2022, we have reduced emissions by approximately 530,000 tons in Scope 1 and 2 and by approximately 1.2 billion tons in Scope 3.

Scope 3 has a total of 15 categories, but the Company's Scope 3 emissions are around 99% accounted for by CO_2 emissions from product use (Category 11), and our main activities are aimed at reducing these emissions. Going forward, we will refine measurements for the other categories as well and consider reductions.

■ 4. Risk Management System

Transition risks and physical risks are factors we consider when developing a management plan in all business divisions. The Sustainability Committee verifies the findings of analyses related to the aforementioned climate change risks and opportunities.

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

See here for details.
MHI website: Disclosures Based on TCFD Recommendations
https://www.mhi.com/sustainability/environment/climate_tcfd.html

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Water Risk

Basic Approach and Policy Policy

The MHI Group set targets for reducing water consumption in the Fifth Environmental Targets (FY 2021 to FY 2023). We are working to reduce the amount of water used in our business activities by carrying out early repairs and process improvements through water leakage surveys. At some sites, wastewater from production activities is treated using on-site wastewater treatment facilities and a portion of the water is reused to flush toilets. In addition, from the viewpoint of ensuring the quality of wastewater, regular monitoring is conducted to prevent water pollution.

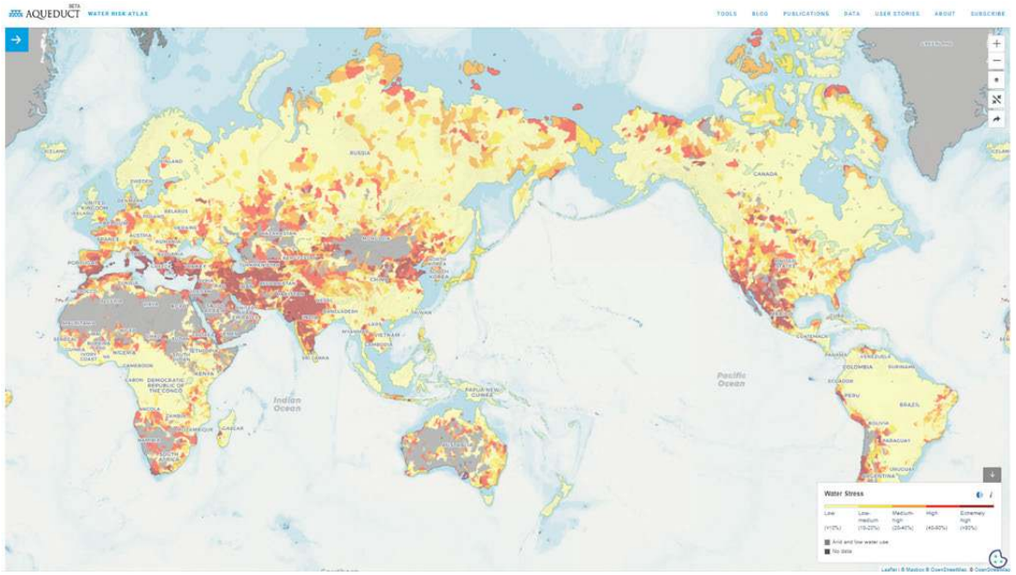
Management System Systems

In the Fifth Environmental Targets, which were set by the Environment Committee, reduction targets were set in relation to the effective use of water resources, and measures are being undertaken on a Groupwide basis. 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.

Initiatives Initiatives

■ Water Risk Assessment at Main Production Sites

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.



Source: World Resource Institute's Aqueduct tool

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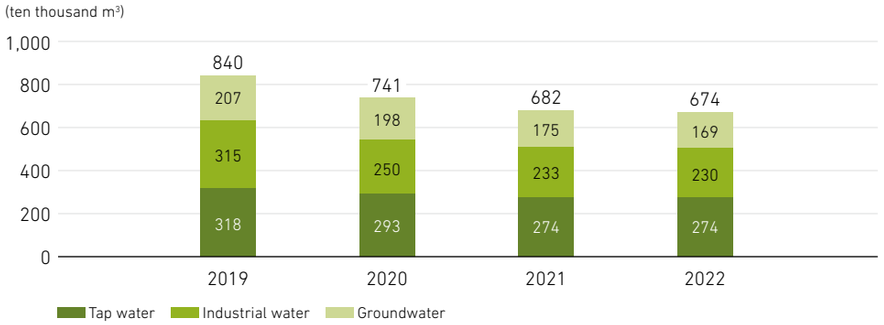
■ **Products contributing to the reduction of water use**

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.

Quantity of Water Intake Data Results

■ **Water Usage**



[Coverage] MHI and domestic and overseas Group companies (142 companies in FY2019, 139 companies in FY2020, 144 companies in FY2021, 143 companies in FY2022 [accounting for 94% of net sales])

See here for other water-related data Data Section ▶ P.129

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Biodiversity

Basic Policy on Biodiversity Policy

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

MHI Group's business activities both depend on and have potential to impact biodiversity and natural capital in various ways. In keeping with the Kunming-Montreal Global Biodiversity Framework, the Group profoundly recognizes the importance of adopting nature-positive initiatives, and to realize a world that lives in harmony with nature by 2050. MHI Group will undertake the initiatives to conserve and restore biodiversity and natural capital.

■ MHI Group's Declaration on Biodiversity

MHI Group issued the "MHI Group's Declaration on Biodiversity" in April 2023.

MHI Group's Declaration on Biodiversity April 2023

Recognizing that our business activities both depend on and have potential to impact biodiversity and natural capital, MHI Group aims to realize the vision of a world that lives in harmony with nature by 2050 and declares that we will undertake the following initiatives:

1. Identify dependencies and potential impacts of Group business activities on biodiversity and natural capital
2. Strive to mitigate negative impacts on biodiversity and natural capital in all aspects of our business activities, including product R&D, design, procurement of raw materials, manufacture, transport, usage, service, and disposal
3. Recognize that biodiversity loss and climate change are closely linked and treat biodiversity loss as one of the most important management issues together with climate change
4. Promote recovery of nature and revitalization of regions through environmental stewardship initiatives to preserve biodiversity and natural capital
5. Share knowledge through collaboration with stakeholders to improve effectiveness of initiatives for biodiversity and natural capital
6. Raise awareness on biodiversity and natural capital among all Group employees through environmental education

MHI Group's Declaration on Biodiversity
https://www.mhi.com/sustainability/environment/pdf/declaration_on_biodiversity_e.pdf

Biodiversity Goals Goals

■ Realize a world in harmony with nature

To realize a world in harmony with nature by 2050, we will strive to mitigate negative impacts of business activities on biodiversity and natural capital and contribute to recovery of biodiversity and natural capital through our businesses and environmental stewardship initiatives.

Corporate Structure on Biodiversity Corporate Structure

■ **Officer in charge:** CSO
■ **Deliberative body:** Sustainability Committee (meets twice a year)
■ **Department in Charge:** Sustainability Relations Department

As one of the EGS measures being undertaken by MHI Group on a priority basis, we are promoting biodiversity initiatives led by the Sustainability Committee.

The activities of the Sustainability Committee, which include biodiversity initiatives, are regularly reported to the Board of Directors.

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Biodiversity Initiatives Initiatives

■ Biodiversity Risk Assessment

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

Risk assessment process utilizing the LEAP approach

STEP 1 Locate our interface with important areas to nature
STEP 2 Evaluate dependencies and impacts on nature
STEP 3 Assess risks and opportunities related to dependencies and impacts on nature
STEP 4 Prepare to respond to nature-related risks and opportunities

<Locate Interfaces with Areas of Biodiversity Importance Utilizing IBAT*2>

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

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

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

Investigation results: Number of areas of biodiversity importance close to MHI Group sites

		Areas of biodiversity importance							
		Protected areas							Key Biodiversity Areas (KBA)
					IUCN Protected Area Categories				
		World Heritage sites	Ramsar Convention wetlands	UNESCO MAB	Ia	Ib	II	III	
Locations of operational sites investigated (number of sites)	1. Japan (36 sites)	0	1	0	0	0	0	0	3
	2. Asia (31 sites)	0	0	0	0	0	0	0	3
	3. Europe (8 sites)	0	2	0	2	0	1	0	3
	4. North America (21 sites)	0	0	1	0	0	0	0	2
	5. South America (3 sites)	0	0	0	0	0	0	1	0
	Total operational sites investigated (99 sites)	0	3	1	2	0	1	1	11

*1 LEAP: An assessment process for nature-related risks and opportunities, comprised of the following 4 phases: Locate the organization's interfaces with nature, Evaluate dependencies and impacts, Assess risks and opportunities, and Prepare to respond to nature-related risks and opportunities and report.
*2 IBAT (Integrated Biodiversity Assessment Tool): One of TNFD's recommended tools, it can survey protected natural areas, habitats of endangered species, etc. around a target location based on latitude and longitude information.

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<Evaluate Potential Dependencies and Impacts on Nature Using ENCORE*>

Next, as STEP 2, we used ENCORE as recommended by TNFD to evaluate the materiality of potential dependencies and impacts of our business on nature at the operational sites confirmed in STEP1 as located close to areas of biodiversity importance, as Very High, High, Medium, Low, or Very Low.

As a result, no material items were identified as High or Very High for potential dependencies on nature. On the other hand, five material items were identified as High for potential impacts on nature.

We will conduct detailed risk assessment based on the results of STEP1 and STEP2 and continue business activities with even further consideration given to biodiversity.

* ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure): One of TNFD's recommended tools, potential dependencies and impacts on nature can be assessed for each of 11 sectors and 157 sub-industries.

Ecosystem Services

Heat map on dependencies (Sub-industry)	Direct Physical Input					Enables Production Process						Mitigates Direct Impacts				Protection from Disruption					
	Animal-based energy	Fibres and other materials	Genetic materials	Groundwater	Surface water	Maintain nursery habitats	Pollination	Soil quality	Ventilation	Water flow maintenance	Water quality	Bio-remediation	Dilution by atmo-sphere and ecosystem	Filtration	Mediation of sensory impacts	Buffering and attenua-tion of mass flows	Climate regulation	Disease control	Flood and storm protection	Mass stabilization and erosion control	Pest control
Aerospace & Defense				M	M				VL	M	L		L	VL	M		VL		M	VL	
Auto Parts & Equipment				M	M				VL	M	L		L	VL	M		VL		M	VL	
Construction Machinery & Heavy Trucks				M	M				VL	M	L		L	VL	M		VL		M	VL	
Industrial Machinery				M	M				VL	M	L		L	VL	M		VL		M	VL	
Heavy Electrical Equipment				M	M				VL	M	L		L	VL	M		VL		M	VL	
Household Appliances				M	M				VL	M	L		L	VL	M		VL		M	VL	

Very High | High | Medium | Low | Very Low

Impact Drivers

Heat map on impacts (Sub-industry)	Land/freshwater/ocean use change			Resource use		Climate change	Pollution				Other
	Terrestrial ecosystem use	Freshwater ecosystem use	Marine ecosystem use	Water use	Other resource use	GHG emissions	Non-GHG air pollutants	Water pollutants	Soil pollutants	Solid waste	Disturbances
Aerospace & Defense				H		H	M	H	H	H	M
Auto Parts & Equipment				H		H	M	H	H	H	M
Construction Machinery & Heavy Trucks				H		H	M	H	H	H	M
Industrial Machinery				H		H	M	H	H	H	M
Heavy Electrical Equipment				H		H	M	H	H	H	M
Household Appliances				H		H	M	H	H	H	M

Very High | High | Medium | Low | Very Low

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■ Collaboration with Stakeholders

<Collaboration with NPOs>

Tanegashima: 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 conservation.

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.

Researchers putting on a tag*

A mother turtle came to lay eggs*

* Infrared photo

Identification tags to be put on mother turtles that lay eggs

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

<Collaboration with Local Governments>

Forest conservation

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 conservation programs. Centering on employees and their families, tree planting and thinning efforts are underway to protect the forests that provide habitats for diverse organisms.

- At the Sagamihara Machinery Works, Mitsubishi Heavy Industries Engine & Turbocharger, Ltd. has worked with Kanagawa prefecture as partners in forest rebuilding through the Kanagawa Water Forest Creation Project every year since 2009, assisting with planning and carrying out forest conservation activities. The purpose of this partnership is to raise awareness for the conservation of the natural environment among employees.
- Since 2009, Mitsubishi Heavy Industries Thermal Systems, Ltd. has endorsed the initiative by naming the "Corporate Forest" in Mie Prefecture "Beaver Forest Kihoku". The employees regularly visit the site to plant trees and maintain the side road.
- At Mitsubishi Power Gas Turbine Engineering Technology (Nanjing) Co., Ltd. in China, around 100 employees and their family members planted 50 Chinese tallow trees at the Laoshan National Forest Park on the outskirts of Nanjing.

Participants doing thinning

Reforestation work on slopes

Forest planting outside of Nanjing, China

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■ **Conservation initiatives at operational sites**

<Takasago Machinery Works: Flowerbeds that Take in Account the Ecosystem Created Based on an Environmental Assessment>

At Takasago Machinery Works, we created a greening mound for native species at the Takasago combined cycle plant validation facility in consideration of the ecosystem. We have also established flowerbeds to preserve and grow Salvia plebeia and Carex neurocarpa Maxim, rare plants.

"Green road" at Takasago Machinery Works

■ **Consideration for biodiversity across the supply chain**

MHI Group has included items related to consideration for the environment in the MHI Group Supply Chain CSR Promotion Guidelines and requests its business partners to conduct activities with consideration for biodiversity and ecosystems.

MHI: Promotion of CSR Procurement
https://www.mhi.com/company/procurement/csr

■ **Participation in initiatives**

<Participation in "Declaration of Biodiversity by Keidanren">

MHI is an active participant in the "Declaration of Biodiversity by Keidanren and Action Policy (Revised Edition)." As of August 21, 2023, a total of 283 companies and organizations are either carrying out a multiple number of the 7 items listed under this initiative launched by Keidanren (Japan Business Federation), or agree with its overall idea and purposes.

Keidanren: Declaration of Biodiversity Initiative
https://www.keidanren-biodiversity.jp/logo_en.php

■ **Raising awareness of biodiversity and natural capital**

<Environmental Education for Employees>

Through e-learning-based environmental and sustainability education, we are working to raise the awareness of employees with regard to biodiversity and natural capital.

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Waste/Pollution

Basic Approach and Policy Policy

As part of the Fifth Environmental Targets (FY2021–FY2023), we set targets to reduce waste generation, including hazardous waste, promote thorough separation and reuse of waste, and reduce waste generation by minimizing resources. 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.

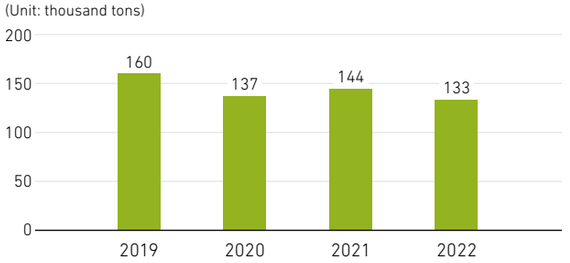
Management System System

In the Fifth Environmental Targets, which were set by the Environment Committee, consistent Groupwide reduction targets were set in relation to reducing waste discharge, and measures are being undertaken on a Groupwide basis. We have created an action plan to reduce waste discharge through each Group subsidiary's environment-management program and similar measures. Regarding data related to waste and volatile organic chemicals (VOC), an IT system is used for compilation and reporting to review the progress of each company.

Waste Generation/VOC Emissions Data Results Data

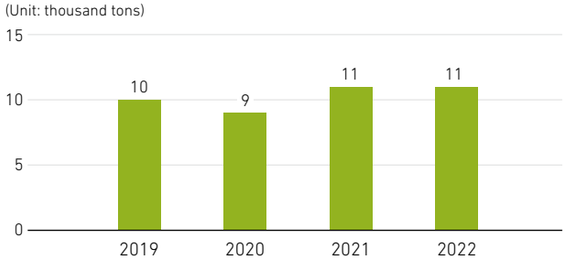
■ Waste generation*1,2

Waste generation



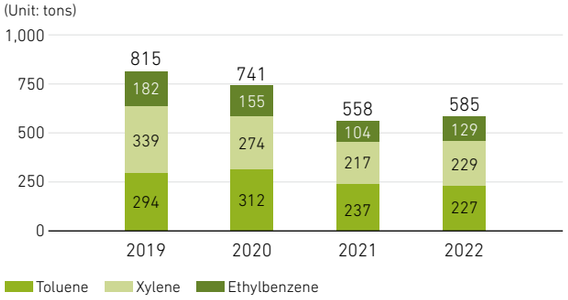
■ Hazardous waste generation*2

Waste generation



■ VOC emissions*3

Total



*1 Including valuables.
*2 Coverage: MHI and domestic and overseas Group companies (116 companies in FY2019, 119 companies in FY2020 and FY2021, and 116 companies in FY2022 [accounting for 91% of net sales])

*3 Coverage: MHI and domestic Group companies (28 companies in FY2019, 25 companies in FY2020, 27 companies in FY2021, and 25 companies in FY2022 [accounting for 72% of net sales])

See here for other pollution and waste data Data Section ▶ P.130

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- Human Resource Development Initiatives to Strengthen Business Operations through Digital Technology

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- Initiatives for Career-Development and Feedback
- Main Systems and Initiatives to Promote Autonomous Workstyles among Employees
- Major Systems and Measures to Support a Good Work-Life Balance
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- Health and Productivity Management Declaration
- MHI Group Health and Productivity Management Structure
- Health Promotion Programs and Initiatives

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- Basic Approach/Product Safety and Quality Management
- Quality and Safety Programs for Key Products

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- Basic Approach/Promotion System
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- Examples of Activities

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- Example of Initiatives

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Basic Approach Policy

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

■ MHI Group Human Rights Policy

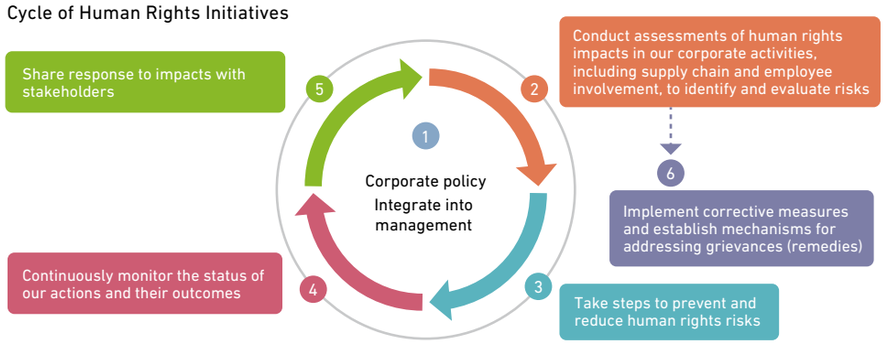
We have formulated the "MHI Group Human Rights Policy" in 2013 to ensure respect for the human rights of all stakeholders involved in our business activities and to contribute to the development of a sustainable society. In today's globalized society, we recognize the importance to protect human rights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

MHI Group Human Rights Policy

1. Comply with Laws and Regulations on Respecting Human Rights
2. Targets and Education
3. Responsibilities on Respecting Human Rights
4. Human Rights Due Diligence
5. Dialogue and Consultation
6. Information Disclosure

The full text is available for reference on the MHI website.
https://www.mhi.com/company/aboutmhi/policy/humanrights.html

Cycle of Human Rights Initiatives



Reference: OECD Guidance

■ Participation in the UN Global Compact Network Japan's Human Rights Due Diligence Subcommittee

Since fiscal 2018, we have been participating in the UN Global Compact Network Japan's Human Rights Due Diligence Subcommittee conference together with other companies to discuss human rights issues in the business context and to promote human rights due diligence in line with the UN Guiding Principles on Business and Human Rights. Among the topics covered were commitment to company policies on protecting human rights, assessing the possibility of human rights violations in the company and its supply chain and the potential impact thereof, establishing measures for preventing, mitigating and resolving human rights violations, and disclosing progress of human rights-related initiatives. Specifically, the conference involved lectures by experts in human rights issues, assessments of progress of related company initiatives, workshops, and group work on topics of interest.

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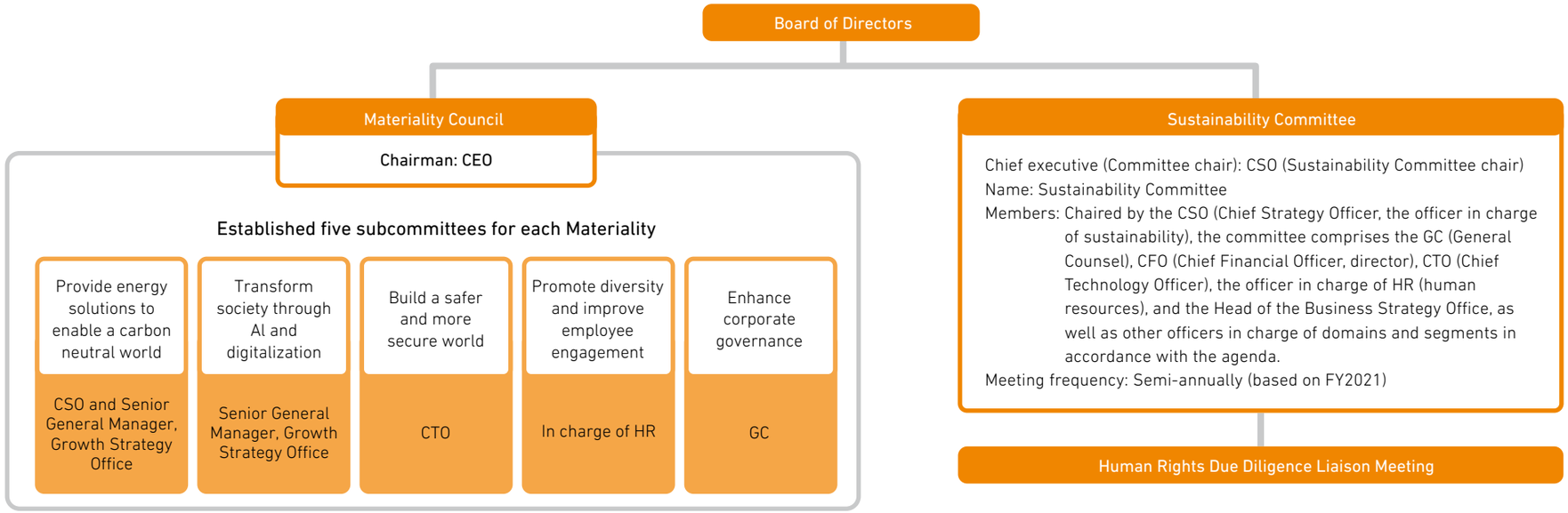
System for Promoting Respect for Human Rights System

We have established a governance structure for the entire Group, with the Chief Strategy Officer (CSO) serving as chair of the Sustainability Committee, responsible for driving our ESG initiatives. As part of our ESG efforts, we are addressing business and human rights.

Furthermore, to ensure timely and appropriate responses, taking into consideration the legal frameworks in each country, we will facilitate cross-departmental information sharing through the Human Rights Due Diligence Liaison Meeting held quarterly.



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Human Rights Due Diligence System Initiatives

■ Roadmap for human rights initiatives

In order to ensure our commitment to business and human rights, we have created a roadmap for our human rights due diligence (DD) efforts, in consultation with relevant departments. This roadmap also draws upon the framework established by the United Nations Guiding Principles. We will continue to advance our efforts in line with this roadmap, taking into account stakeholder requests and societal trends, and periodically reviewing it to minimize the negative impact on human rights.

Human rights DD implementation items		Initial phase of activities ~FY2022 (results)	Entrenchment of activities FY2023	Deepening and advancement of activities FY2024~2025
1. Implementation structure	Establishment and operation of implementation structure	Establishment of Human Rights Due Diligence Liaison Meeting (convenes four times/year)	Entrenchment of operations (report and discussion at the Human Rights Due Diligence Liaison Meeting and report at the Sustainability Committee before submission to the Board of Directors)	Consideration of how to enhance system
		Formulation of human rights global policies and procedures*	Establishment of human rights promotion structures in each department and Group company	
		Review of internal audit procedures	Internal audit implementation (process establishment/ verification) and reporting to the Sustainability Committee	Monitoring of activities
2. Training and development of internal personnel	Dissemination and integration of human rights policy	Development of human rights policy Commencement of human rights education (e-learning)	Improvement of participation rates and content revision in human rights education	
3. Human rights risk identification, assessment, mitigation, prevention, and remediation	Stakeholder engagement		Identification of relevant stakeholders, and maintenance and disclosure of completed actions	Exchange of views with NGOs, international organizations, and experts
	Assessment and improvement of human rights risks and risk response status in each Group company	Initiation of due diligence for suppliers (questionnaires and on-site investigations) focused on high-risk regions and domains identified in the risk assessment results	Expansion of scope of due diligence for supplier	
			Consideration of interviews for non-Japanese workers among our suppliers' domestic employees (technical intern trainees) to ascertain presence and risks	Expansion of scope of due diligence for employees
	Response to salient human rights issues in the Group			Clarification of salient human rights issues in the Group and consideration of measures (identification and response)
	Information disclosure (voluntary)		Disclosure of information on initiatives through our website and various reports	
	Compliance with information disclosure (mandatory)		Collecting information and ensuring appropriate response to Statutory Disclosure	
4. Establishment of a consultation and reporting mechanism for human rights violations in the Group and by business partners			Establishment of a consultation and reporting mechanism for human rights violations by business partners (refer to page 71) JaCER membership ▶ P.48	

* Human rights global policies and procedures: Policies and manuals that establish the structure and processes for conducting human rights due diligence based on Our Principles and Code of Conduct.

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Human Rights Risk Assessment

We conducted an investigation into human rights risks in our value chain, including our own operations, across the 39 countries where MHI Group has business locations. The assessment covers risks for workers at our companies and suppliers, as well as for women, migrant workers, and local communities that we believe will be particularly affected. The assessment, conducted under the supervision of external experts, involved internal discussions in which we identified potential human rights issues.

At present, we believe that the following two risks related to MHI Group's business and human rights should be prioritized for action:

1. Human rights violation risks within our supply chain in high-risk regions
2. Human rights violation risks concerning non-Japanese workers (particularly foreign technical intern trainees) within Japan

We will periodically review these issues as needed in the future.

Initiatives for Suppliers

Based on the assessment results, the areas where human rights risks within the supply chain are presumed to be high are shown in the table below.

Specific risk		
Human rights indicators to keep in mind	Region	Affected entities
Forced labor, occupational safety and health, freedom of association, discriminatory practices, etc.	Asian Region	Supplier workers, business partner workers, in-house group workers, local residents

Starting from fiscal 2022, we have been conducting questionnaire surveys and fact-finding surveys in high-risk areas with a high impact on human rights as part of our impact assessment.

Specifically, we conducted a questionnaire survey of 25 suppliers in Southeast Asia and an additional on-site survey of certain suppliers and found no human rights risks of note.

In fiscal 2023, we will expand the scope of suppliers under investigation and continue our due diligence efforts. We will be examining targeted suppliers primarily in the Procurement Division and business divisions, and we plan to continue conducting investigations on a total of 19 companies, with a focus on the Asian region.

Initiatives Related to Human Rights, Occupational Safety, and Procurement ▶ P.94

Initiatives for technical intern trainees

Starting from fiscal 2023, we have initiated surveys across our domestic locations to gain insight into the presence and circumstances of technical intern trainees among our Group employees in Japan. Based on these results, we aim to comprehend and mitigate human rights risks through employee surveys and individual interviews.

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■ Grievance mechanism

MHI Group has established internal and external reporting channels to whom all Group employees (including part-time), business partners, etc. can report issues pertaining to compliance including human rights issues. These reporting channels, including those established overseas, can accommodate a total of six languages, including Japanese, English, and Chinese. Reports can also be submitted anonymously online, by telephone or by regular post. In response to submitted reports, the Compliance Committee Secretariat investigates matters swiftly and takes appropriate responses. At all times, measures are taken to protect whistleblowers while maintaining their anonymity. In the case of outside stakeholders, their grievances are handled through the Company's website or other contact points.

To deal with harassment issues, "Harassment Consultation Helplines" have been established internally and externally to respond to all employees. Measures are taken to strictly ensure the privacy and confidentiality of whistleblowers, to prevent them from suffering any retaliation and disadvantage as a result of their consultation. Anonymous consultations are also accepted.

MHI Group website: Contact MHI
https://www.mhi.com/inquiry

In fiscal 2023, we joined JaCER (Japan Center for Engagement and Remedy on Business and Human Rights) in order to go about establishing remedy mechanisms for all of our stakeholders based on the United Nations Guiding Principles and OECD Guidance for stakeholders worldwide. This organization provides a collaborative platform for non-judicial grievance handling based on the United Nations Guiding Principles on Business and Human Rights. It provides support for complaint resolution for participating companies from a specialized perspective, and we also utilize this collaborative platform to aim for improved access to remedies related to human rights.

JaCER website
https://jacer-bhr.org/en/index.html

Human Rights Awareness Dissemination and Education System Initiatives

■ Internal awareness and educational outreach initiatives

<Development of Company-wide content on respect for human rights in MHI Group>

In fiscal 2022, we introduced an e-learning course for all members of MHI Group to promote a deeper understanding of our philosophy on business and human rights and our commitment to respecting human rights in the Group. This content is available in four languages: Japanese, Chinese, English, and Thai. In fiscal 2022, approximately 75,000 individuals, representing 99.6% of all Group members, completed the course.

<Implementation of human rights training>

Discrimination will not be tolerated by MHI Group, and to prevent any discriminatory incidents from occurring, each year we conduct training to promote human rights awareness at the workplace. The training covers the fundamentals of human rights and harassment and is targeted at new employees and new appointees at the managerial level, including deputy managers and section managers. In fiscal 2022, about 340 new employees and some 1,400 newly appointed managers and supervisors underwent the human rights awareness training. Furthermore, in an effort to heighten awareness of and prevent power harassment (workplace bullying and harassment), we introduced an online learning course in fiscal 2010 that continues to this day.

■ External awareness and educational outreach initiatives

We are actively working on initiatives to ensure that our business partners, including suppliers, are well-informed of our policies.

Supply Chain Management ▶ Promotion system P.91, P.94

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Ensuring Diversity, Equity, and Inclusion in the Workplace

Basic Approach and Policy Policy

MHI Group aims to contribute to the resolution of societal challenges through its business activities to achieve sustainable growth. To sustain the Group's ongoing development and maximize the creation of shared value with society, we consider diversity, such as gender, age, nationality, disability status and other factors, is an asset among our workforce and the backbone of our business. We are committed to fostering an environment where each employee, with diverse backgrounds, can collaborate while acknowledging each other's differences under a common corporate culture. In cases where there are social disparities, we will work to eliminate barriers and achieve fairness and equality.

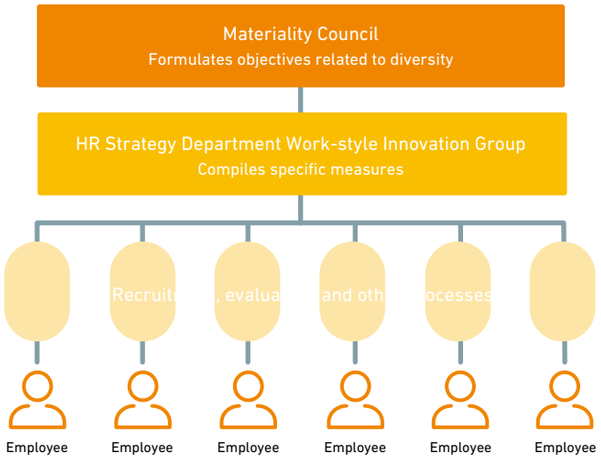
We have a zero-tolerance policy for discrimination and harassment. This commitment is outlined in the MHI Group Global Code of Conduct, which serves as a standard that all employees must adhere to. In addition, in the Harassment Prevention Leaflet posted on the Company's internal website, which is accessible to all employees, MHI proscribes all forms of discriminatory treatment and harassment, including sexual harassment. Disciplinary action for infringement of good labor practices are clearly defined in the MHI Employ Work Regulations.

MHI website Global Code of Conduct
https://www.mhi.com/company/aboutmhi/policy/conduct.html

System System

■ Diversity Promotion Framework

Promoting diversity, along with improving engagement, has been positioned as an MHI Group Material Issues. We have also established a diversity promotion organization to coordinate related initiatives.



■ Employee penetration on diversity

We offer diversity education as a mandatory course for management-level employees. Additionally, we have established a dedicated website on our intranet for disseminating information to promote diversity.

■ Employee education on harassment

We provide education on harassment as one of the topics in compliance training for all employees and position-based training, such as onboarding and after promotion to a management position. In fiscal 2022, approximately 2,000 employees at MHI took the course.

In addition, we conducted 360-degree feedback assessment for about 2,500 managers including the key Group companies, in fiscal 2022. This provides an opportunity to reflect their way of management from various perspectives.

■ Harassment consultation services

MHI has set up an internal consultation office and harassment consultation office on its website, enabling internal and external stakeholders to consult as needed.

MHI website Harassment consultation services
https://www.mhi.com/inquiry

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Data Related to Diversity and Equal Opportunity Performance Data

Data Related to Diversity and Equal Opportunity

Data			Unit	2019	2020	2021	2022
Executive*1	Total			63	61	51	51
	Number of males (ratio)		(%)	61 (96.8)	58 (95.1)	49 (96.1)	49 (96.1)
	Number of females (ratio)		(%)	2 (3.2)	3 (4.9)	2 (3.9)	2 (3.9)
Manager (in positions of section manager and higher*2)	Total			3,265	3,396	5,498	5,455
	Number of males (ratio)		(%)	3,159 (96.8)	3,273 (96.4)	5,336 (97.1)	5,298 (97.1)
	Number of females (ratio)		(%)	106 (3.2)	123 (3.6)	162 (2.9)	157 (2.9)
Differently abled people employment rate	Employment rate		%	2.29	2.24	2.34	2.45
Wage equality*2, 3	Managers (basic salary only)	Male	—	1.02	1.02	1.05	1.05
		Female		1	1	1	1
	Managers (basic salary + other incentives such as bonuses)	Male		1.01	1.01	1.03	1.03
		Female		1	1	1	1
	Non-managers	Male		1.03	1.03	1.05	1.05
		Female		1	1	1	1

Coverage: MHI

		Unit	2019	2020	2021	2022
Ratio of Females in Each Position	All employees	%	—	—	13.4	13.8
	Non-managers		—	—	15.3	16.1
	Managers*4		—	—	4.7 (4.5)	4.6 (4.5)
	General managers*4		—	—	3.4 (3.7)	3.4 (3.6)
	Executives*1		—	—	4.5	4.2
	Profit center managers*4, 5		—	—	4.4 (4.1)	4.2 (4.0)

Coverage: MHI Group (accounting for 89.8% of consolidated employees in FY2021 and 91.3% in FY2022)

*1 Including executive officers
*2 Managers are defined as section managers and above
*3 The lowest average wages for men and women in each tire is 1.00, and the difference is displayed in the index
*4 Aggregate figures including higher positions in parentheses
*5 Profit centers are defined as non-corporate organizations

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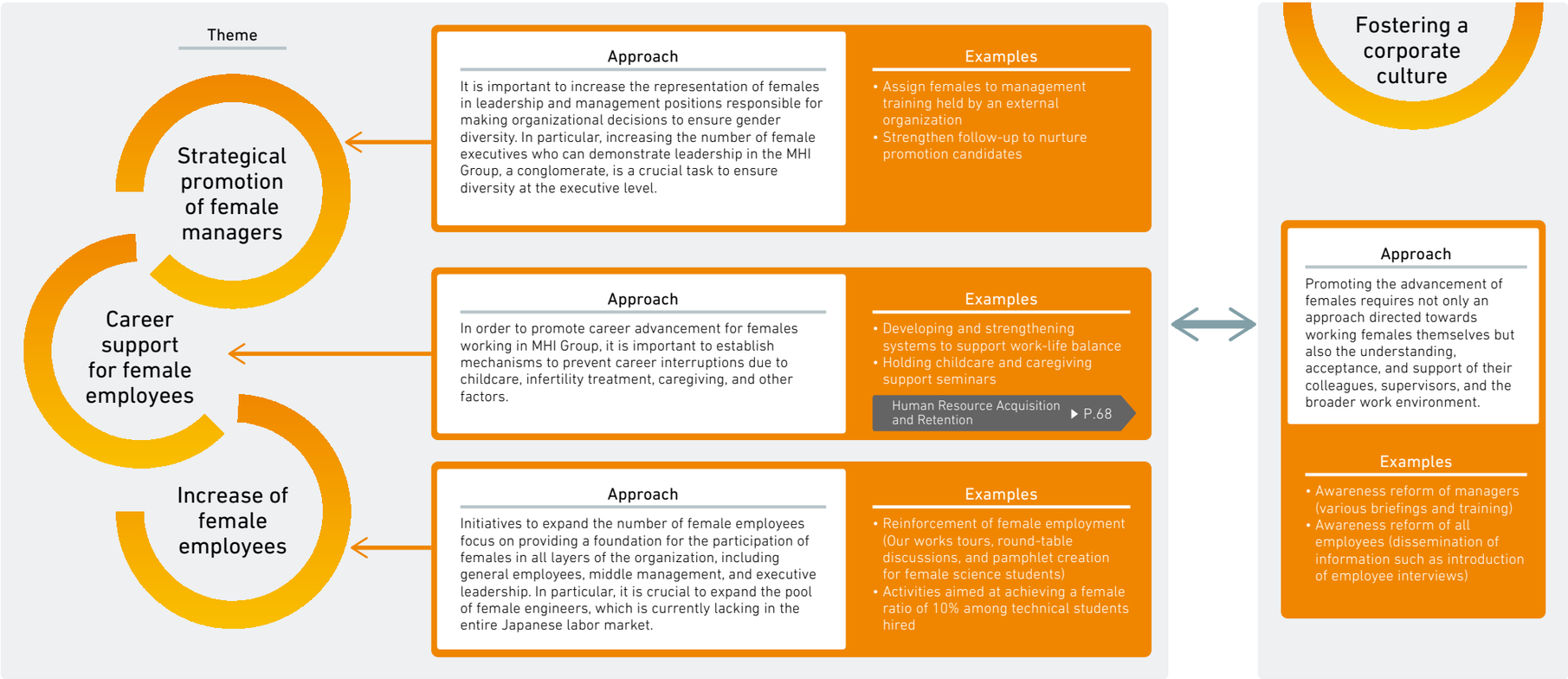
Ensuring Diversity, Equity, and Inclusion in the Workplace

Initiatives to Promote the Advancement of Female Initiatives

In order for MHI Group to grow sustainably, it is crucial to achieve gender diversity and increase the participation of females at manager and executive roles.

However, according to the Global Gender Gap Report 2023, Japan's Gender Gap Index rank was ranks 125th out of 146 countries. In addition to the global challenges of promoting the advancement of females and achieving gender equality, it is clear that Japan's unique society also contributes to the low index. In order to overcome these challenges and realize a company that can play an active role regardless of gender, MHI Group is working to promote the advancement of females by focusing on three elements of the employee experience cycle—increase of female employees, career support for female employees, and strategic promotion of female managers—and the fourth element of fostering a corporate culture that supports them.



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Pick Up Examples of specific initiatives for the advancement of females

■ Setting a target number of female executives

MHI Group has set a goal for gender diversity at the executive level to achieve a female executive* ratio of 30% by 2030.

* Executive refers to directors, accounting advisors, and corporate auditors according to the Companies Act in Japan

Ratio of female executives

2022 result **16.7%**

■ JEES MHI Mirai Scholarship (for female engineers in science and technology)

Considering that in the Japanese society, the proportion of females working in STEM (Science, Technology, Engineering, and Mathematics) fields are among the lowest compared to OECD member countries, MHI Group makes donations to Japan Educational Exchanges and Services (JEES), a public foundation, to support their scholarship program. This program aims to broaden the base of female engineers in Japan, especially those in STEM disciplines and graduate programs.

Since the initiation of donations in fiscal 2015, 40 scholarship recipients have been supported, thereby contributing to the development of exceptional female engineers who play a significant role in society.

■ External evaluation of gender diversity initiatives

MHI received the highest "Eruboshi" certification of "Three Stars", in July 2020, by fulfilling criteria in all five evaluation categories: recruitment, continued employment, work style such as working hours, proportion of females in management positions and diverse career courses. We have been continuously meeting these criteria even after the certification.

女性が活躍しています！

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Efforts beyond Female Empowerment Initiatives

■ Initiatives for differently abled people

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 working environment, equipment, and facilities, that support our employees and provide consulting services. In December 2018, we also created new workplaces where differently abled people can play active roles and conducted recruitment activities in collaboration with the Employment Support Center, which is a public institution that helps differently abled people to find work and supports companies in employing such people. In 2021, we began operating workplaces with a focus on beautification of the premises in two regions. We plan to expand the number of workplaces that are friendly to these employees in more regions. Through these efforts, we are working to ensure that more and more differently abled people become interested in our company and make them feel at ease in applying to work with us.

Certain merchandise for the social rugby team Mitsubishi Heavy Industries Sagamihara Dynaboars is created by differently abled employees in MHI Group.

■ Efforts to support the active participation of senior employees

We have introduced an extended employment program up to the age of 65 that allows employees who wish to continue working beyond the retirement age of 60 years to have flexible work arrangements and a well-balanced treatment. We aim to create an environment where the rich knowledge and skills cultivated through years of experience can be put to good use. In the future, considering aspects such as the transfer of technical and skill expertise, we will continue to develop systems and structures to ensure that senior employees can work even more enthusiastically than before.

■ Efforts in gender diversity

We will promote employee engagement in various workplaces, irrespective of gender, and ensure that same-sex couples receive the same benefits as legally married couples. We have also installed multi-purpose restrooms in multiple locations.

■ Efforts related to religion and faith

We have prayer rooms in several locations to accommodate the diverse faiths of our employees and their need for various worship spaces.

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Basic Approach and Policy Policy

■ Basic Approach

The environment surrounding MHI Group's business is in an accelerating process of change driven among other things by increasingly diverse values and increasingly complex social issues. So that the Group can continue its sustained development no matter what challenges the environment presents, each of our employees must be able to respond to customer needs by thinking and acting as an individual. MHI Group is pursuing focused initiatives to develop human resources with the relevant abilities.

■ MHI Group Talent Development Guidelines

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

MHI Group Talent Development Guidelines

MHI Group's mission is to 'integrate cutting-edge technology into expertise built up over many years to provide solutions to the world's most pressing issues and provide better lives.' Towards the fulfilment of its mission, MHI Group works to upgrade the abilities of each Group employee, provides support for career development, and creates an environment where all can learn and grow.

MHI Group Values

To achieve MHI Group Mission we share three values, for which each and every member of MHI Group will take action.

Ownership
- Recognize one's role, and take ownership as a first-person mindset.
- Identify issues proactively and think thoroughly to provide solutions.

Collaboration
- Collaborate with each other with a future orientation. Contribute to society through further development of technologies cultivated over a long history.
- Respect and learn from each other to drive results as a team.

Challenge
- Without being bound by the past, gain insights into the true nature of the current issues. Never give up despite difficulties.
- Continue to grow by communicating with others to create opportunities.

Approach to the Talent Development

The growth of each member of MHI Group is the source of sustainable development for the MHI Group.
We will work to develop our talents continuously from a medium to long term perspective.
Through dialogues, we identify each person's challenges and set goals.
Through feedback, we support growth and career development by daily work experience (OJT: On the Job Trainings) as well as by complementary trainings (Off-JT: Off the Job Trainings) and self-development.

Role of employees
Grow with autonomy. Take advantage of opportunities to grow, self-learn, and challenge proactively.

Clarify skills and mindset that every MHI Group member is expected to have. Actively provide growth opportunities to employees who wish to grow by themselves.

Role of the Company

Role of managers

Understand that talent development is one of the most important tasks for management. Support members' growth by setting goals, and by providing opportunities and feedback for OJT/Off-JT. Not only playing managerial roles, but also striving humbly for one's own growth.

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Human Resource Development Structure Initiatives

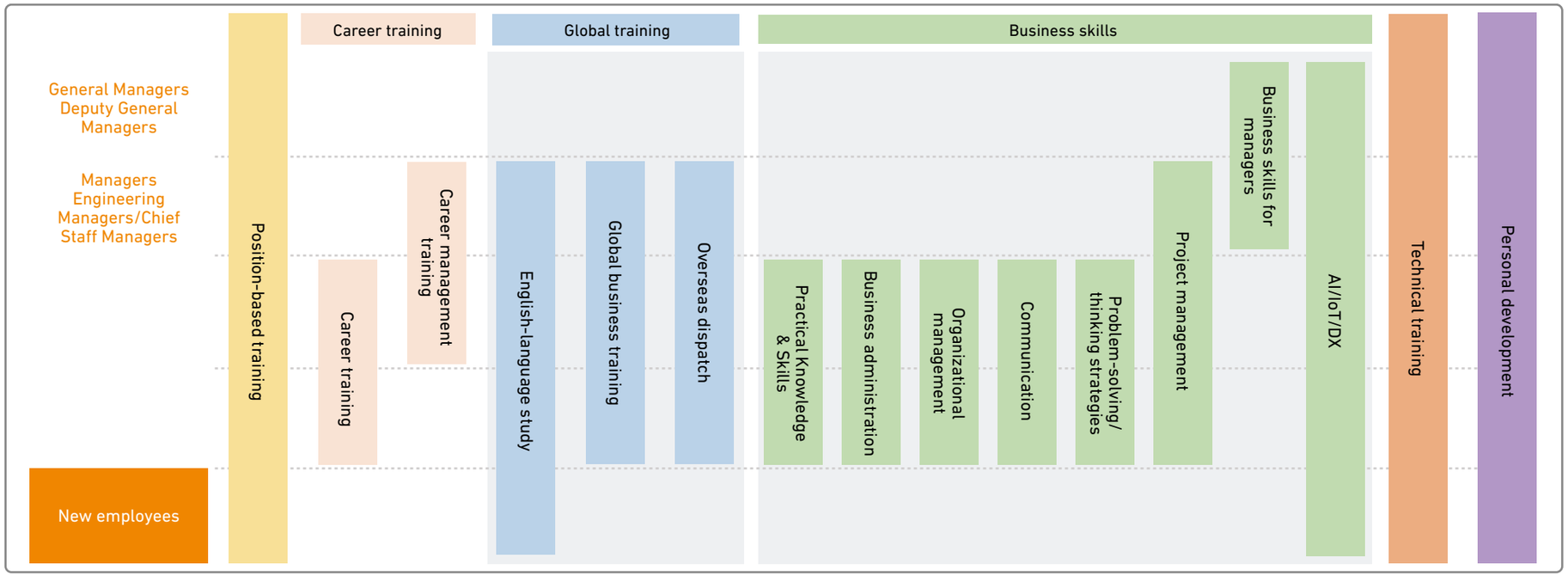
■ Structure of Human Resource Development Programs

MHI Group recognizes the growth of individual Group employees as the source of the MHI Group's sustained development. We therefore offer a wide range of programs to support Group members in proactive learning and career ownership based on the MHI Group Talent Development Guidelines.

As core initiatives for human resource development, we focus on enhancing the management capabilities of management-level employees, supporting employees' career ownership, developing global human resources, promoting DX education, supporting the onboarding of junior employees, training junior technicians for the forefront of manufacturing, and providing training activities to Group company employees.

For technical and business skill training, our training center in Nagoya plays the central role in initiatives to enhance skills across the Group.

Structure of Human Resources Development Programs for Technical and Non-technical staff



In addition to the above system diagram, we are working to further strengthen the globalization and diversification of our senior management personnel with regard to the development of next-generation management personnel and the development of overseas group company employees, which will be particularly important in the future.

Initiatives to Develop Leadership Human Resources ▶ P.58-59

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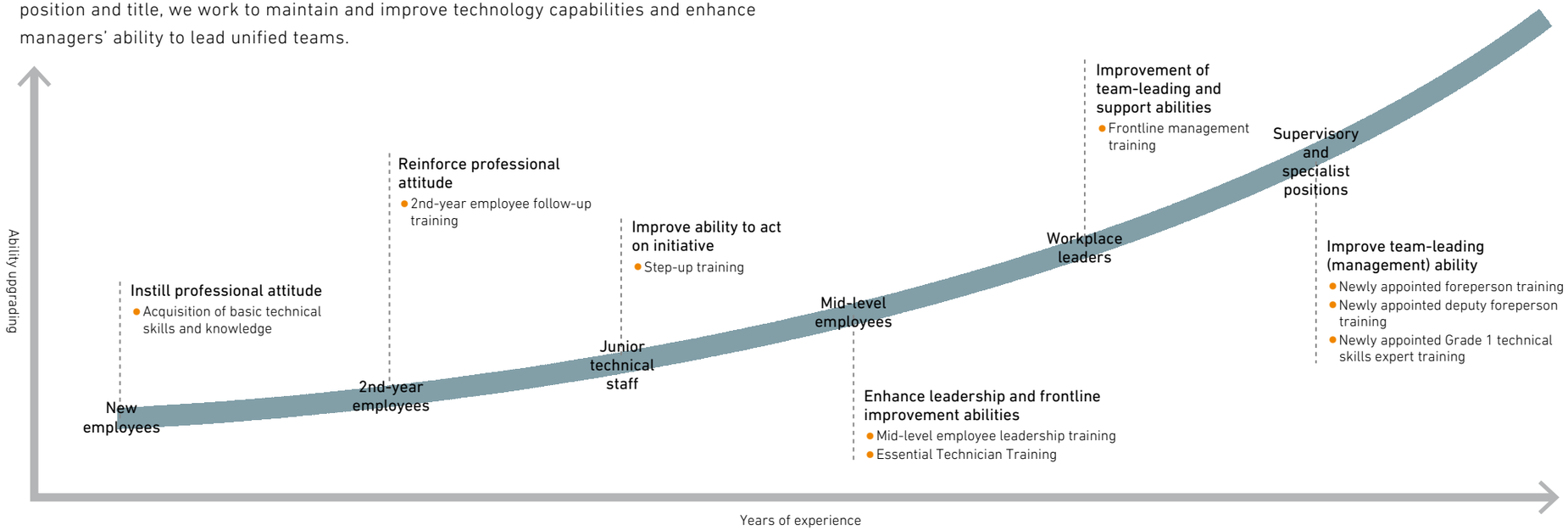
Structure of Human Resources Development Programs for Technical Staff

The training of the technical staff who take charge of our manufacturing functions is of vital importance. By providing appropriate education and training targeted by job position and title, we work to maintain and improve technology capabilities and enhance managers' ability to lead unified teams.



■ Chief Engineer and Master Technician Designation System

With the aim of demonstrating in and out of house our commitment to valuing the technologies and technical skills fundamental to our manufacturing, we have created the designations 'Chief Engineer' and 'Master Technician' to recognize outstanding achievement.

The designation 'Chief Engineer' honors top-grade technicians in a specific area of technology, while 'Master Technician' distinguishes employees who have demonstrated top-level technical skills at the manufacturing frontline.

We will continue working to improve staff abilities in order to maintain a solid manufacturing base, built on outstanding technical skills and technologies, that contributes to social progress and a brighter future.

No. of new designations	2019	2020	2021	2022
Chief Engineer	3	3	4	6
Master Technician	2	3	3	4

Coverage: MHI

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Training Hours and Training Costs Performance Data

Training hours and training costs

		Unit	2019	2020	2021	2022
Training hours	Total training hours	Hours	470,055	317,769	703,521	766,933
	Training hours per employee	Hours/Employees	19.4	13.1	13.6	16.0
Training costs	Total costs	Thousands of yen	682,041	477,354	1,326,638	1,881,621
	Training costs per employee	Yen/Employees	28,184	19,633	25,708	39,228
Scope of calculation	Number of eligible employees		24,200	24,313	51,605	47,966
	Employee coverage ratio	%	29.6	30.4	66.2	62.4

Coverage: MHI and domestic Group companies

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Initiatives to Develop Leadership Human Resources Initiatives

■ Next-Generation Managerial Human Resource Development

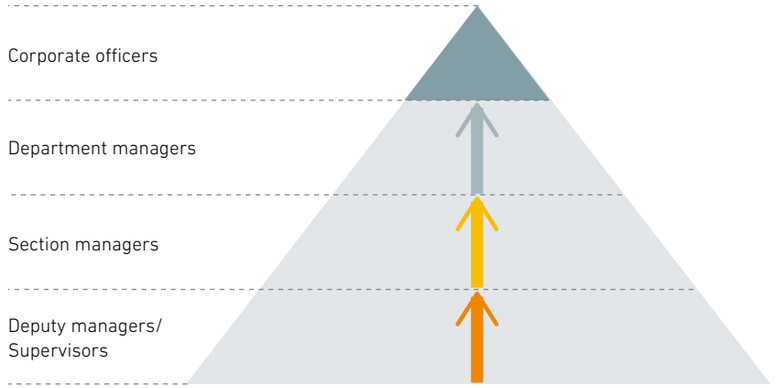
Given the great changes in the business environment driven by the urgent issue of climate change, increasing levels of geopolitical risk, and other factors, cultivating managers who can set out a reliable business strategy and steer a successful course for the Group as a whole is a major focus of our human resource strategy. MHI Group has been working steadily to foster next-generation managerial human resources in the medium to long term.

This initiative consists of creating a talent pool so as to identify human resources with managerial potential Group-wide at an early stage, then implementing a managerial human resource development program targeted at this talent pool. To further drive the globalization and diversification of senior management human resources going forward, we are taking steps to introduce more wide-ranging evaluation criteria into the selection process and to open the opportunity to a wider range of employees, including by promoting use of the self-recommendation system introduced in fiscal 2022.

We will continue to put in place and operate structures for human resource development that enable us to begin fostering candidates with strong potential at an early stage. In this way we will build a steady global-level pool of outstanding human resources to serve as senior management candidates.

Managerial Human Resource Talent Pool

- Early-stage selection from a wide candidate pool at Group-wide level (partial introduction of self-recommendation)
- Formulation of development plan, assessment, participation in managerial human resource development programs, intensive training through assignment to challenging management positions



Managerial human resource development programs for each talent pool

Managerial Human Resource Development Program

- Acquisition of management knowledge and skills, stimulation of managerial ambition
- Position-based programs
- The overseas program is conducted on a global basis and includes partnerships with business schools around the world
- To further challenge candidates, we have introduced a system to build experience by transferring candidates to important positions in other departments based on regular review.

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Building a Managerial Human Resource Talent Pool

MHI Group is building a managerial human resource talent pool, in general through selection by recommendation from the various departments. In fiscal 2022, we introduced a system of selection based partly on self-recommendation in order to encourage employees to challenge themselves by opening the opportunity to a wider range of candidates and at the same time to ensure the diversity of future management and leadership human resources. By formulating individual development plans, undergoing assessment, participating in managerial human resource development programs, and engaging in other activities, the candidates in the human resource talent pool are encouraged to develop literacy as managers and a managerial mentality. Additionally, we stimulate them to refine the qualities required of managers and to broaden their experience by appointing a selection of the top-ranking candidates in the talent pool to a series of important management positions in Japan and overseas as part of a challenging assignment program.

Managerial Human Resource Development Program

To systematically cultivate the next generation of senior management, we select human resources with the potential to take on leadership positions in Group and business management at an early stage from a wide candidate base across the Group. The selected candidates then take part in an intensive off-the-job training and development program, which includes partnerships with business schools around the world, to acquire management knowledge and skills and to stimulate managerial ambition. In fiscal 2022, more than 200 employees took part in the program in Japan and overseas. We also operate an initiative whereby the candidates are transferred to important positions in other departments based on regular review in order to build broad-based operational experience. Through programs of this kind, we are building a successor generation of managerial human resources able to win through in whatever situation, thus continuously adding to our corporate growth potential.

PickUp MHI Leadership Program

To accelerate globalization and diversity, it is essential to upgrade the abilities and skills of diverse human resources, including at overseas Group companies. In partnership with renowned overseas business schools, MHI Group is strengthening selection-based training programs for senior management candidates in order to cultivate managerial human resources for overseas Group companies and regions.

Scene from MHI Leadership Program
In our group-based development programs, recommended candidates from Japan interact with outstanding human resources from all overseas regions recommended by local Group companies, bringing a rich and stimulating element of diversity.

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Human Resource Development Initiatives for Mid-Level Employees Initiatives

■ Courses in Business Administration

In order to acquire a broader operational perspective, junior to mid-level employees, who are the core of every workplace, learn the basic knowledge necessary to take charge of future departmental management in areas such as management strategy, marketing, and accounting and finance.

This ensures that employees gain a broad overview of workplace operations and acquire a wide perspective enabling them to adapt to global business expansion.

■ Global Management Training (Outsourced to Educational Institutions and International Universities)

Course participants, who are prospective global managers aiming for success at overseas Group companies, acquire the MBA-based practical knowledge and presentation skills necessary for business execution.

The program, in which all meetings and discussions are held in English, provides instruction in a number of areas* over a five-day period. A special feature of this demanding and intensive training is interaction with the overseas students who participate in meetings as facilitators, which not only imparts knowledge but also offers contact with a range of differing values.

* Cross-Cultural Communication, Organizational Behavior, Corporate Finance, Marketing Strategy, Strategic Management, Presentation

Scene from global management training

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Human Resource Development Initiatives for Junior Employees Initiatives

■ Group Interdepartmental Program

We have launched a new initiative to provide junior employees with opportunities to experience different divisions for a fixed term. In fiscal 2023, the first year of the program, the program is being implemented for 3 to 8 years of clerical employment.

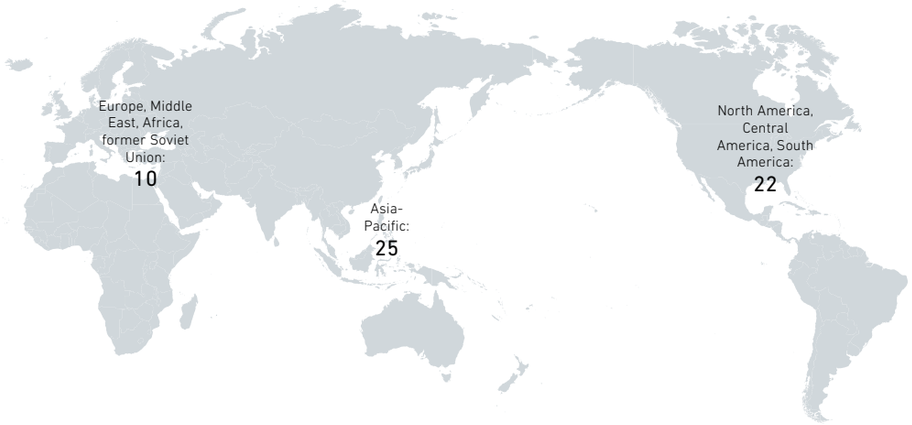
With the increasingly rapid pace of change in society, there is nowadays a stronger than ever demand for companies to achieve ceaseless innovation and for individuals to shape their careers independently. In response, we promote the development of diverse human resources equipped with wide-ranging insights and perspectives and support autonomous career building. This in turn contributes to new value creation within MHI Group.

■ On-the-Job Training at Overseas Group Companies (Overseas posting of junior employees/MHI Global Training (MGT)

This initiative offers junior employees the opportunity for on-the-job training at overseas Group companies, mainly in developing countries. The aim is for participants to appreciate the resilience and other qualities needed in a global environment through practical hands-on experience, improve their ability to respond at a global level, and stimulate at an early stage an awareness of their position in the context of global human resources.

Launched in 2012, the program was suspended during the COVID-19 pandemic but reopened to applicants in fiscal 2022 with a change from a recommendation to a self-recommendation system. It now once again offers personal growth opportunities to junior employees wishing to gain overseas operational experience.

Number of postings since 2019



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Human Resource Development Initiatives to Strengthen Business Operations through Digital Technology Initiatives

■ Training in Digital Innovation (DI)

MHI Group has identified 'transforming society through AI and digitalization' as one of its material issues. As part of this, we aim to work co-creatively with customers to present a series of solutions based on smart connectivity with complex mechanical systems and to develop new value chains utilizing digital technology. As the Group works together to promote digital innovation, MHI is also actively cultivating digital human resources.

In the process of digital human resource development, we put in place a digital human resource model compliant with the various standards and guidelines, establish unitary standards for tasks and skills, and make an accurate assessment of the required human resources before formulating relevant development programs. The programs are conducted by our dedicated technical training center, which conducts over 500 training sessions a year made up of 240 different courses designed in-house. These include courses on AI and IoT dealing with their business applications and other aspects.

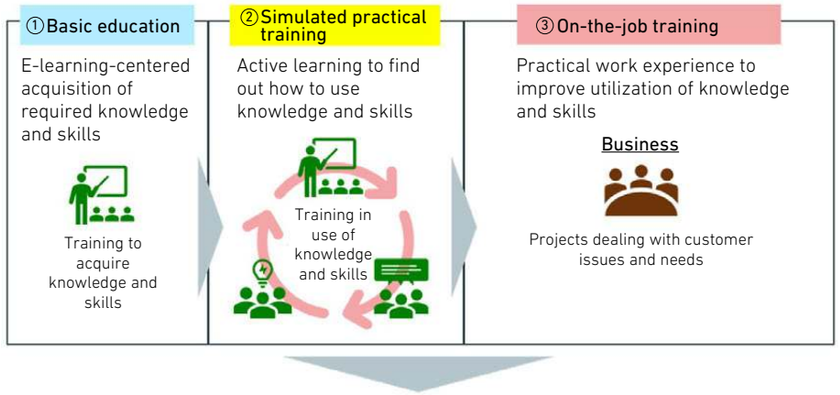
We have additionally introduced an external education program offering around 2,000 course options at beginner, basic, or practical level. We publish a list of recommended courses and support of all employees to participate, whether in technical or non-technical grades.

To drive digital innovation, we consider it important to improve digital literacy—having basic digital knowledge and being open to digital approaches to operational and organizational innovation—across the MHI Group. We are therefore progressing with digital literacy training for all 75,000 MHI Group employees.

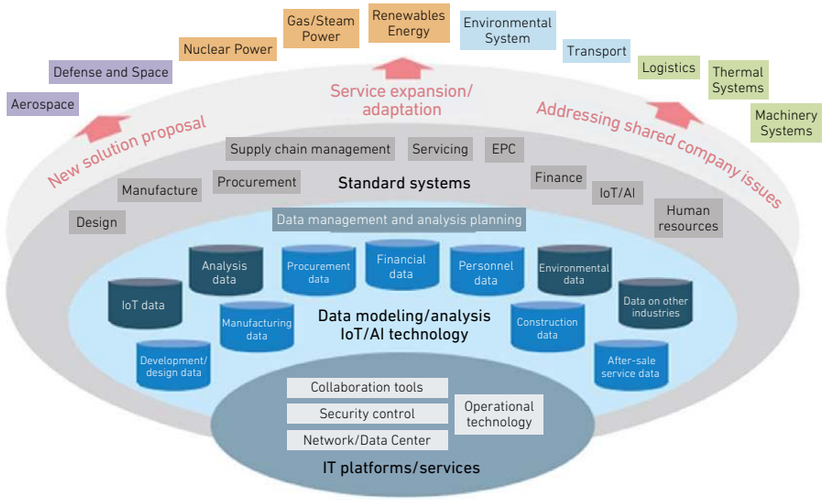
The above training is supplemented where appropriate with a development program focused on training digital human resources to match the latest business requirements.

By working in this way to develop digital human resources across the MHI Group, we will accelerate Group-wide digital innovation leading to business value creation and growth.

MHI Group Digital Human Resource Development Process



Creating Business Value through Digital Innovation



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Talent Attraction and Retention

Basic Approach and Policy Policy

With attraction and retention of talent seen as a very important aspect of its human resource strategy, MHI Group takes a range of measures to boost its competitiveness in the recruitment market and enhance employee engagement. Specifically, improving engagement, together with promoting diversity, has been designated as one of the MHI Group's material issues.

Recruitment System and Initiatives System Initiatives

To steadily implement its management strategy, MHI Group is taking steps to strengthen recruitment. In order to attract highly talented and diverse human resources able to take on the challenge of expanding existing businesses and moving into growth areas, we are engaged in recruitment initiatives concerted across the Group.

Main Recruitment-Related Initiatives

Technical grades

Introduction of recruitment based on job-matching for graduate technical-grade staff

In graduate recruitment for technical-grade staff, we operate job-matching, which means that a screening process before hiring is used to reach agreement on which department or research laboratory the recruit will be assigned to. By enabling us to secure human resources suited to the particular features of the workplace, this helps prevent mismatched placements and contributes to an increased post-recruitment retention rate.

Technical grades

Expansion of female employment in technical grades

With the aim of increasing diversity in our human resources, we have set an increased target of 10% for the ratio of females among our new graduate recruitment for technical-grade positions. As specific measures, we organize factory tours exclusively for female science students and round-table discussions with our female engineering employees to promote MHI to women as an attractive employer.

Non-technical grades

Introduction of preference system in graduate non-technical recruitment

In graduate recruitment for non-technical positions, we have introduced a system whereby, for three of our corporate departments—legal affairs, accounting and finance, and personnel—applicants can express a preference for that particular department as their initial assignment before acceptance. By allowing applicants to choose between this preference system and normal recruitment, where the department the candidate is assigned to is decided through questionnaire and interview after a non-specific provisional job offer, or to apply through both systems, we aim to reduce the rate of mismatched placement, improve employee engagement, and raise the post-recruitment retention rate.

All grades

Internships and workshops

We offer 5- to 10-day in-house internships for science students and 2-day online workshops for students aiming for non-technical positions. The science-oriented internships generally cover around 300 areas of work each year and attract prospective human resources from a wide range of backgrounds.
The non-technical grade workshops allow participants to experience the excitement of employment at MHI Group through hands-on work experience in areas including ordering and sales operations and self-analysis.

All grades

Training of interviewers

With a view to securing outstanding human resources, we provide special training for the staff in charge of interviewing for both new graduate and mid-career recruitment. This ensures that all relevant staff understand the recruitment requirements and the points for evaluation in the interview and helps to prevent uneven evaluation by different interviewers. It also makes our recruitment process more competitive by allowing us to use the interview setting to provide motivation to students and promote MHI as an attractive employer.

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Improve Engagement System

MHI Group believes that initiatives to improve employee engagement is a task that should be addressed by the human resources department (HR), executives, and managers based on a three-way partnership. We are working to improve engagement through six different initiatives in three corresponding areas. To ensure that the leadership of each corporate organization is committed to improving engagement, domain and segment CEOs and all chief officers are required to describe each organization's initiatives to improve engagement at the Board of Directors report.

Roles of HR, executives, and manager

HR

Improve engagement in terms of work rules, systems, and provide support to other departments

Work rules and personnel systems have a major influence on employee engagement. HR is required to be mindful of improving employee engagement when considering work rules and systems. It is also required to provide various kinds of support to executives and managers based on its expertise in organizational development and engagement.

Executives

Show leadership and take overall responsibility for engagement throughout the organization

To improve engagement, a strong commitment from executives is essential. Leaders of each corporate organization and executive of MHI Group is responsible for engagement and required to show leadership in improving engagement.

Manager

Take responsibility for engagement of subordinates

Manager is in the strongest position to directly influence the work situation of individual employees. With a view to ensuring that each employee approaches their work with a high level of engagement, a manager is required to constantly monitor and review their own situation as a manager and the situation of their team.

6 initiatives in 3 areas

Human resources initiatives	**Develop systems, mechanisms, and infrastructures**	HR will take initiatives to develop personnel systems, rules related to workstyles, and infrastructure.
	Support employees' autonomous career development	Support each employee in envisioning their career and ensure that performance is appropriately evaluated.
Management initiatives	**Penetrate business visions and strategies**	Break down business strategy and link to the work of each employees' position.
	Promote diversity	Promote diverse human resources to achieve equality in terms of gender and other attributes and create an organizational culture that generates innovation.
Work style initiatives	**Continue to review business processes to make them more effective**	Improve tangible factors that impede productivity, such as lack of resources and insufficient delegation of authority.
	Build an organizational culture pleasant to work in	Improve intangible factors that impede productivity, such as lack of psychological safety and insufficient communication.

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Improve Engagement Initiatives

■ Measure Engagement

MHI Group has introduced a survey platform linked with its global human resource database to conduct employee awareness surveys covering the whole MHI Group and pulse surveys for any organizational unit tailored to the needs of a particular region or business on the same platform. Employee awareness surveys are conducted roughly once every two years as a way of measuring engagement among MHI Group employees and identifying factors that drive engagement. Surveys conducted in March 2023 indicated that the percentage of highly engaged employees was 57%. Pulse surveys varied between regions. In the Japan region, a pulse survey is used when the employee awareness survey and the initiatives cannot cover issues at the workplace, which is useful to improve individual employee engagement by focusing on the workplace unit to address the issue. Pulse surveys conducted by MHI Group have the distinctive feature of addressing issues at the specific workplace level and are used to improve the workplace environment through dialogue between managers and employees benefiting from the advantage of the direct personal contact that is a feature of the workplace. We have also created a set of guidelines for an action plan to follow up each pulse survey and enhance workplace communication.

Reference information (in Japanese) on workplace-level pulse surveys

Pick Up Initiative for dialogue between President Izumisawa and employees (town hall meetings)

It is very important to listen directly to the voices of each employee as well as using engagement surveys to establish an overall picture of employees' feedback. It is one of the initiatives of MHI Group that President Izumisawa makes visits to our business sites and overseas bases to directly have a dialogue with frontline employees.

For employees to speak their minds at the dialogue, the content is not shared with anyone but the participants, creating an open atmosphere. The result of the most recent employee awareness survey is used as a guide. Participants are asked to raise any issues and speak out on what should be done and how, and discuss what they want the company and the workplace to be like.

Participants also had the opportunity to convey a message or ask questions to the president. As a corporate leader and sometimes as a senior colleague, the president gave an honest response to each comment and questions. These meetings have been held in regions in Japan and overseas bases with the participation of many MHI Group employees. Many of the employees who have participated at the dialogue with the president comment that "hearing directly from the top executive made MHI Group policy seem easier to understand", and "the discussion reminded of the importance of having the ambition and energy to achieve personal growth".

Scene from a town hall meeting

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Initiatives for Career-Development and Feedback Initiatives

As part of the human resource-related initiatives included among the designated six initiatives in three areas to improve engagement, we are implementing a range of initiatives for employee career-development and provision of feedback from managers and colleagues. The findings of the engagement survey have indicated that the factors correlating with engagement include the prospect of achieving career goals and provision of feedback and its effectiveness, indicating the importance of this initiative.

Name of system or initiative	Background and aim	Outline and implementation
Creating opportunities for conversation		
Career design interview program	It is important for employees to take the initiative in developing their careers by actively monitoring changes in their individual business environment and taking autonomous and continuous action for personal growth.	We have introduced a career design interview program for technical- and non-technical-grade employees and management-level employees. In dialogue between managers and their juniors, career goals are identified that align with the employee's aspirations and expected role while taking account of the diverse values and lifestyles of individuals. A concrete action plan is then designed and implemented. For technician-grade employees, dialogue to establish medium- to long-term goals is used to promote autonomous action for growth and create opportunities for career-development.
Quarterly performance interview	Business environment around our company and our employees is changing at a dramatic pace, making it all the more necessary to effect a timely response to day-by-day change and follow it through. As a result, it is important to create a framework for more frequent communication between managers and their subordinates to promote attainment of work goals and monitor relevant progress.	For technical grade and non-technical grade employees, we have introduced a quarterly dialogue system (performance interview system). This is designed to strengthen relationships by creating opportunities for dialogue between managers and their subordinates and increasing the frequency of dialogue. By also setting appropriate goals and giving feedback, we aim to foster individual growth and achieve results for the organization.
Strengthening managerial ability		
Career management training	To support employees to expand their potential and secure increased opportunities for awareness and growth, it is very important for the management-level employees who conduct interviews to strengthen their career management ability.	We provide career management training for management-level staff. The training consists of three modules: what career means and why career design is important; how to approach a career design interview; and reference frameworks.
360-degree-feedback	Management-level staff are at the center of corporate operations and strengthening their managerial ability is very important. Therefore, management-level staff should be facilitated to review their routine management behavior and identify their strengths and issues.	We have introduced 360-degree-feedback for management-level staff. This means gathering a range of opinions from people with diverse perspectives—the subject him- or herself, senior and subordinates, and colleagues—to provide an objective and reliable basis for identifying the employee's strengths and issues and then, in dialogue with superiors, formulating an action plan to address the issues. This creates a conscious commitment to improvement in day-to-day management activity. Improvement in managerial ability is additionally targeted through participation in off-the-job training programs relevant to the identified issues.
Creating systems to broaden experience		
Job-Posting System	For employees to undertake autonomous career-building, they need a framework that lets them actively choose the field of their personal growth. It is also important to create a structure that allows the MHI Group's outstanding human resources with their variety of knowledge, experience, and backgrounds to interact freely beyond the existing framework in a way that leads to innovation.	The job-posting system introduced in 2019 allows employees to change jobs within the Group by personal choice, subject to meeting the requirements of the new position. As of August 2023, around 600 Group employees have taken on the challenge of moving to a new job internally.
Second Job System	It is greatly beneficial to career development for employees to obtain experiences and insights through their second job that are not available in their main job. In addition, it is very effective to gain experiences and perspectives that differ from their main job to deepen the diversity of individuals necessary for innovation creation.	To take account of safety requirements, the Second Job System set an upper limit on total working hours including the main employment and is intended for such activity to sole business proprietors, who can adjust their personal workload relatively easily.

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Main Systems and Initiatives to Promote Autonomous Workstyles among Employees Initiatives

We have introduced a range of measures and systems to secure an appropriate work-life balance for employees and at the same time adapt to increasingly diverse lifestyles. Going forward, to support each employee to develop an autonomous workstyle that maximizes their potential, we will work to expand and enhance these systems in line with the changing times.

Promoting flexible workstyles	
Name of system or initiative	Main features and content
Super-flextime system	Flexible working hours system with no required core time. Available not only to office staff but now to an extended range including some manufacturing departments
Telework system	Available to all employees
Annual paid leave	22 days granted from first year of employment (exceeds legal minimum requirement)
Annual leave in hourly increments	Leave available in increments of 1 to 2 hours for employees with childcare or family care commitments, pregnant employees who want to avoid rush hour commuting, or in view of other personal circumstances
Short vacation leave	Special leave of one day per year to be taken in conjunction with two or more days of paid annual leave to encourage longer leave periods
Reserved leave	It is also applicable to childcare leave, up to 60 days
Menstrual leave	Paid leave available in half-day or hourly increments
Working Hours Committee	Regular meetings to discuss reducing excessive working hours

Benefit systems to match increasingly diverse lifestyles	
Name of system or initiative	Main features and content
Rent subsidy system	Transition from company-owned housing and dormitories to rent subsidies to provide flexible housing options tailored to individual needs
Adoption of cash subsidy systems for all lunch expenses	Tailored to diversifying values and options in food
Defined-contribution pension plans	Expanded support for asset-building toward retirement (available to employees of the MHI parent company and 35 Group companies in Japan)
Family support allowance	Merging of existing family allowance with various other financial support programs for working parents to provide more comprehensive support for work-life balance
Employee stock ownership system	To support asset building and also stimulate improved motivation among employees, who take increased interest in the company's business operations when they become holders of Company stock

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Major Systems and Measures to Support a Good Work-Life Balance Initiatives

To create an environment that makes it easier for employees to balance work and life, we are enhancing our systems to support childcare, family care, and other commitments. It is notable that our systems for childcare leave, short-time work for childcare, family care leave, and short-time work for family care all exceed the legal minimum requirements. In addition, information on system and procedures for childcare, family care, and other commitments is available on the corporate intranet for easy access to employees.

■ Balancing with pregnancy, childbirth, and childcare

Balancing with pregnancy, childbirth, and childcare	
Name of system and initiative	Main features and content
Child-planning (infertility treatment) leave	For infertility treatment the leave can be taken up to one year (dividable)
Childcare leave	Leave can be taken until the children reach age of 3, and can be divided as many times as necessary
Spouse childbirth leave	Can take within 5 days, and can be taken on a half-day basis
Short-time work for childcare	Can take until the children enter junior high school, and can be divided as many times as necessary
Child nursing leave	Can take up to 20 days / year until the children enter junior high school

<Holding childcare support seminars>

Seminars have been held every year to provide useful information and give an opportunity for informal communication with other employees for employees on childcare leave. The aim is to address any concerns they may have about resuming work and to help them prepare for returning to work. In recent years, in order to foster a culture to enable diverse and flexible working styles, the seminars have been opened up to managers who have subordinates who are doing short-time work for childcare and for employees who have young children and are interested in the seminar. In the seminar, the Company's support systems for working parents and examples of workstyles of employees who benefit from these systems to balance work and childcare is explained. Informal communication among participants is also provided as an opportunity to exchange information and take a break from routine.

■ Balancing with family care

Balancing with family care	
Name of system or initiative	Main features and content
Family care leave	Can take up to one year, and can be divided as many times as necessary (dividable)
Short-time work for family care	Can take until the reason for family care disappears, and can be divided as many times as necessary
Family care annual leave	Can take up to 10 days/year regardless of the number of eligible family members

<Holding family care seminars>

Every year we hold a seminar to balance work and family care. As the seminar is video-streamed, employees can watch from home with their family members. The speaker has an expert knowledge and addresses a wide range of subjects relating to family care and explains support offered by our program, important points, required procedures, financial, and other aspects. We have also put in place a consultation system for interested employees including free online advice sessions with nursing care professionals and care managers. We will deepen our understanding of family care issues that everyone may suddenly face, and continue to create a working environment that allows everybody to balance family care and work with the spirit of mutual support.

■ Other support systems

In addition to the childcare and family care systems, we have introduced other programs to support work-life balance. These include a leave system for employees whose spouse is seconded overseas (between 6 months and 4 years), and a career return (re-employment) system for employees who have retired on account of marriage, childbirth, childcare, family care, the work commitments of their spouse, or other reasons, but now wish to rejoin the Company.

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Approach to Work Conditions Policy

Regarding labor standards on salary, working hours, and other matters, we ensure full compliance with the laws and regulations of each country. Within Japan likewise, we comply strictly with laws and regulations, including by specifying maximum working hours of 8 hours a day and 40 hours week for MHI Group employees. This stance is in line with our ongoing efforts to enhance the working environment.

Additionally, we conclude collective agreements with labor unions and work to maintain good labor relations through ongoing discussions and exchanges of opinion with labor representatives on areas such as wages, bonuses, occupational health and safety, improvement of relevant systems, and the state of business.

Data on Workstyles and Support for Work-Life Balance Performance Data

Data on workstyles and support for work-life balance

		Unit	2019	2020	2021	2022
Number of employees taking childcare leave*1	male		69	152	172	272
	female		78	81	93	95
Percentage of employees taking childcare leave	male*2	%	6.0	14.5	16.8	30.6
	female*3	%	84.8	88.0	97.9	99.0
Number of employees using Short-time work for childcare	male		218	245	348	417
	female		262	269	559	531
Rate of return to work after childcare leave		%	99.4	99.8	98.9	99.6
Rate of retention after childcare leave		%	97.3	97.5	96.9	96.0
Annual leave uptake rate		%	76.4	74.5	73.7	77.0
Number of employees using work from home*4			2,280	6,501	12,186	12,655

Coverage: MHI
*1 Number of employees on childcare leave
*2 Employees on childcare leave/employees giving birth
*3 Employees on childcare leave/employees completing pre- and post-natal absence from work now able to take childcare leave
*4 Employees using Short-time work for childcare or Short-time work for family care and pregnant employees until July 2019; all employees from August 2019.

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Occupational Safety and Health

Basic Approach and Policy Policy

MHI Group Policy of Safety and Health was established by the Senior Vice President in charge of Human Resources, who is responsible for occupational Safety and Health. Its main elements are a basic policy giving utmost priority to Safety and Health in the spirit of respect for human life, and three action guidelines: strict compliance with laws and regulations, awareness raising on safety and health, and fostering of a safety culture.

Based on this policy, we implement initiatives to create a safe and healthy workplace and to maintain and improve physical and mental health. We extend these initiatives to the affiliate and partner businesses who collaborate with our employees in our business activities.

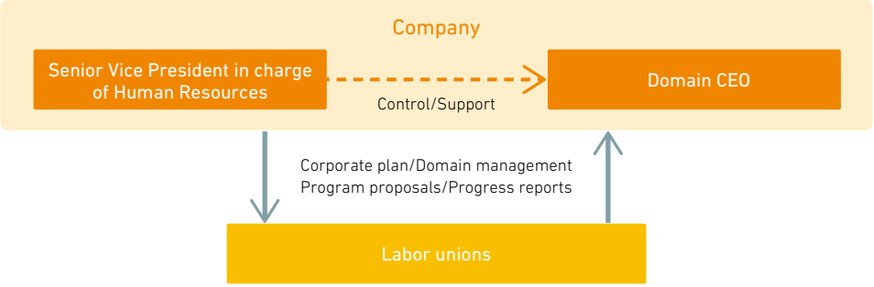
MHI Group Policy of Safety and Health https://www.mhi.com/company/aboutmhi/policy/safety_health.html

Safety and Health System System

■ Safety and Health System

To clarify which initiatives to prioritize, the Senior Vice President in charge of Human Resources draws up a corporate Safety and Health management plan for each fiscal year, presents it for discussion to the statutory Safety and Health Committee and reports regularly to the committee on the progress of the plan. In this way, labor and management work together to promote Safety and Health activity.

Based on the corporate Safety and Health management plan, each domain CEO draws up a management program based on a management system approach for the systematic and continuous implementation of Safety and Health management, clarifies the goals and targets of the initiatives for the current fiscal year, and then rolls out preventive activities against occupational accidents. Each domain CEO also monitors the progress of the plan through internal audit and undertakes management review based on its results.



■ Response to Risk

To deal with risks that may cause industrial accidents, the departments responsible for Safety and Health, manufacturing, and local construction take the central role in making risk assessments of operational procedures, equipment and facilities, and chemical substances. After determining an order of priority based on the seriousness of the risk, they take action to eliminate or reduce any risks identified.

■ Safety Training

For employees still gaining experience and other relevant staff members, we provide safety training using visual training materials and hands-on facilities that simulate the experience of an industrial accident, and work to improve safety sensitivity and foster a safety culture.

■ Response to Emergencies and Prevention of Recurrence

Where, in spite of these efforts, Safety and Health risks are identified that could lead to fatal or serious accidents, the domain where the risk is detected reports immediately to senior management in accordance with the corporate crisis management response framework. In parallel, the measures for dealing with emergency situations prescribed by each domain are applied to minimize damage and injury and bring the situation under rapid control and the cause of the accidents is investigated as part of measures to prevent similar accidents. At the same time, the Senior Vice President in charge of Human Resources, after receiving from the department where the risk was detected a report giving detailed information and outlining the response measures, issues the instruction to share with all Group workplaces the insights gained from the accident. Where necessary an urgent message is additionally addressed to MHI Group employees to ensure optimal occupational Safety and Health risk supervision and management.

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Data on Occupational Safety and Health Performance Data

Data on Occupational Safety and Health

	Item	Unit	2019*1	2020*2	2021*3	2022*3
Working hours (Employees + Contractors)	Total working hours	Hours	207,196,189	200,930,240	194,327,661	175,604,460 ✓
Number of fatal accidents/serious accidents	Goal	Incidents	0	0	0	0
	Result	Number of cases	5	2	0	1 ✓
Lost-time industrial accidents frequency rate*4 (Employees + Contractors)	Goal	Number of cases	—	—	0.26	0.33
	Result	Number of cases	0.25	0.35	0.34	0.30 ✓
	Manufacturing industry average	Number of cases	—	—	1.31	1.25

*1 Coverage: MHI and 44 Group companies (accounting for 71.3% of consolidated employees)
*2 Coverage: MHI and 56 Group companies (accounting for 77.4% of consolidated employees)
*3 Coverage: MHI and 56 Group companies (accounting for 77.5% of consolidated employees)
*4 Lost-time injury frequency rate is the number of casualties due to occupational accidents per 1 million cumulative actual working hours, and represents the frequency of accidents. Number of casualties due to work-related accidents resulting in absence of one day or more ÷ total number of actual working hours x 1,000,000

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Safety and Health Initiatives Initiatives

■ Facilities to Enhance Employees' Sense of Safety

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

The Safety Transmission Center at Nagasaki Shipyard & Machinery Works

■ Fostering Safety Culture Through Stop Work Authority (SWA) Activities

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

Pick Up Autonomous challenge regarding chemical substances

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

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Promotion of Health and Productivity Management

Health and Productivity Management Declaration Policy

MHI Group is committed to health and productivity management under the president's "Health and Productivity Management Declaration," with an emphasis on employees' motivation to work and physical and mental health.

Health and Productivity Management Declaration

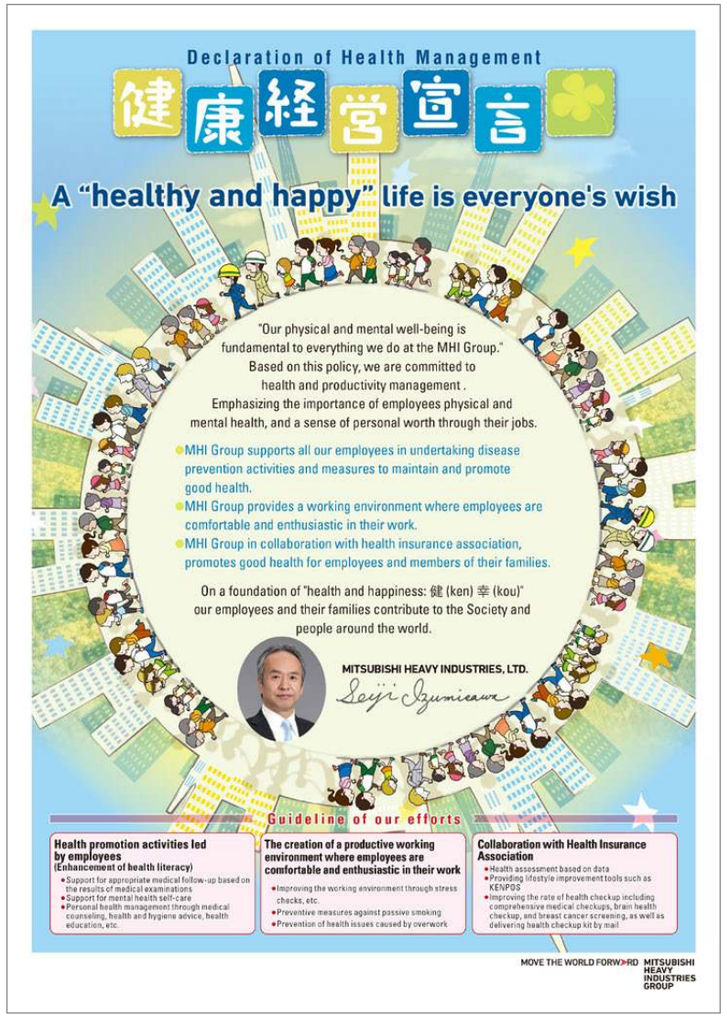
Based on a policy stating that employee health is fundamental to everything we do at MHI Group, we implement health and productivity management with emphasis on enabling employees to feel motivated in their work and maintain their physical and mental health.

- We support employees to take action to prevent disease and maintain and improve their health.
- We strive to create an energizing workplace environment where employees can develop their potential.
- In partnership with our health insurance union, we promote the health of both employees and their families.

Taking as our starting point the health and happiness of employees and their families, we contribute to supporting human life and society around the world.

MHI was certified by Japan's Ministry of Economy, Trade and Industry as an organization with outstanding health and productivity management in 2023.

2023 健康経営優良法人 Health and productivity



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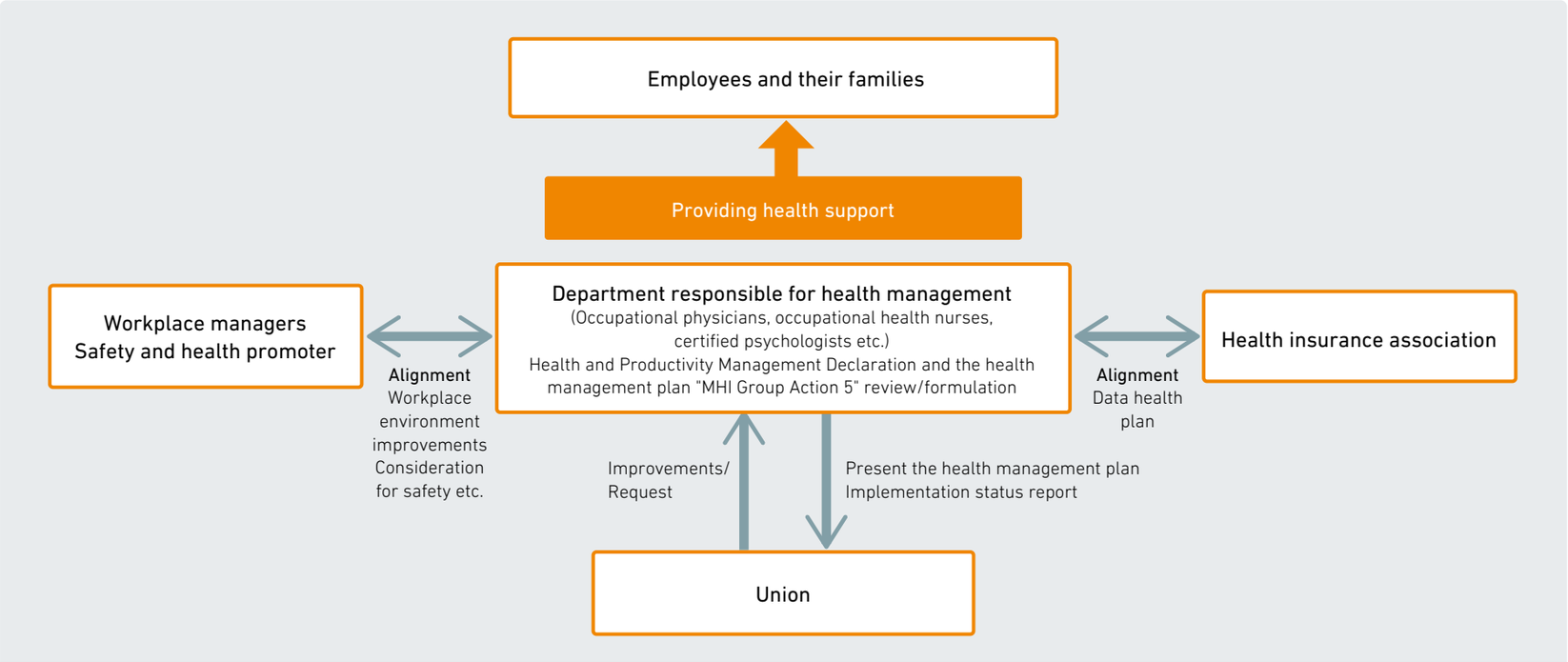
Promotion of Health and Productivity Management

MHI Group Health and Productivity Management Structure System

Under the Health And Productivity Management Declaration, the department responsible for health management works to implement health and productivity management by formulating health management measures and providing health support to employees and their families in collaboration with internal and external partners (managerial staff, safety and health promoter, labor unions, and the health insurance union etc.).



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Promotion of Health and Productivity Management

Health Promotion Programs and Initiatives Initiatives

MHI Group Health Management Plan

MHI Group Action 5 Health and Happiness!

In cooperation with the MHI health insurance union's data health plan, we have compiled the health management plan "MHI Group Action 5 Health and Happiness!" with the following five priority items and are implementing activities throughout MHI Group to achieve the plan. By promoting health and productivity management, we aim to help the development of human resources who can contribute to a healthy and vibrant society.

Measures against lifestyle-related diseases

- Introduction of health app and holding of a range of participatory events through the app
- Various seminars (lifestyle improvement such as exercise and diet, women's health care, cancer seminars, oral care seminars, etc.), which also utilize online education, are held once every few months.
- Easy access to health information through a dedicated portal site
- Setting of a unified standard for follow-up measures based on health check results, consultations with occupational health physicians, support for attendance at medical institutions, healthcare advice, healthcare guidance program for employees with metabolic syndrome
- Provision of healthy menus at workplace cafeterias

Mental health measures

- Provision according to job position of self-care training for stress management and training for managers and supervisors in the care of their line staff
- Use of stress checks to support workplace environment reform initiatives based on promoting individual awareness, organizing guidance interviews with physicians, and reviewing the results of group analysis
- Horizontal rollout of examples of good practice in workplace reform
- We have established a system in which occupational health physicians, occupational health nurses, psychological counselors, and external specialists can be used on a regular basis to provide employees with counseling and support.

Prevention of aggravation

- We have established criteria for applying employment-related measures (restrictions on work) based on health check results. In line with the opinion of an occupational health physician, we take steps to prevent aggravation of the condition such as revising work content and reducing workload.
- The MHI health insurance union is rolling out a program to prevent aggravation of diabetes. To encourage active participation, eligible employees receive a message from an occupational health physician together with their invitation.

Observance of compliance, including thorough implementation of the taking of regular medical examinations and physician interviews for employees working long hours

- To encourage all employees to undergo the statutory regular medical examinations, we follow up any employees who have missed out.
- We are properly assessing working hours, and when overtime exceeds the limit, we strive to promptly detect health problems by checking the degree of fatigue with a health check sheet and interviews with industrial physicians.
- Industrial health staff, who are well versed in the characteristics of work at each workplace, liaise with the workplace to improve the environment that may cause overwork, beyond merely checking health conditions.

Measures against passive smoking and quitting smoking support

- We are currently promoting various measures to achieve zero passive smoking in our premises. In fiscal 2021, we achieved zero indoor smoking rooms that do not meet technical standards by proactively tackling various issues regarding smoking rooms.
- MHI has designated the 22nd of each month as the MHI Group "Suwan" Day and the World No-Tobacco Day on May 31 of every year as the MHI Group No Smoking Day. On these days, we make an effort not to smoke within the company from the perspective of preventing passive smoking and to continue various measures including awareness-raising activities.
- In collaboration with the MHI health insurance union, we are rolling out the MHI Group Quit Smoking Challenge based on an online smoking cessation program to foster a workplace culture that makes it easier to quit.
- Starting from the second half of fiscal 2023, we plan to roll out medium- to long-term measures against passive smoking and to support a smoke-free workplace at all Group companies in Japan as part of our vision for the year 2030 (MHI Group Smoke Free Project).

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

Item	Target	2020	2021	2022
Regular medical examination rate	100%	99.5%	99.2%	99.5%
Comprehensive medical examination rate	50% or above	35.0%	57.2%	59.0%
Smoking rate	Less than 23%	23.7%	22.6%	22.0%
Rate of follow-up attendance at medical institution after regular medical examination	+ 10 points compared to previous fiscal year	46.6%	48.0%	50.6%
Blood glucose improvement program participation rate	15%	12.0%	9.0%	6.9%

Note: Data for MHI employees and Group company employees subject to health management by the department responsible for health management of MHI

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Promotion of Health and Productivity Management

Health Management for Employees Seconded Overseas

MHI Group has established a health management system that enables employees dispatched overseas and their accompanying family members to work there in a healthy and secure manner. MHI provides information about globally prevalent illnesses such as tuberculosis, HIV/AIDS, measles, rubella, and viral hepatitis. As well as the spread of and methods for preventing illnesses unique to their destinations, such as malaria, dengue fever and others. If the infection can be prevented through a vaccine, employees are vaccinated at company expense prior to travel.

MHI has assigned occupational health physicians in charge of overseas medical support to accept health consultations from the destination and respond promptly to any health management problems that may occur during work overseas. MHI has signed contracts with medical assistance service providers so that expatriates are able to receive support such as consultation, hospital introductions, and transportation arrangements in Japanese. In addition, MHI has worked closely with its in-house occupational health physicians to ensure a system that allows travelers to seek medical advice with peace of mind.

For long-term overseas site maintenance, occupational health physicians visit the sites to conduct evaluations on medical facilities, provide guidance on lifestyle conditions, conduct one-on-one interviews based on health check results and local information, and provide training according to the needs of the area.

Having confirmed that the COVID-19 situation had stabilized to a considerable extent, tours of our overseas bases by occupational health physicians were resumed in September 2022 after a three-year interruption, starting with Bangladesh.

Implementation of overseas tours by occupational health physicians

Year	Period	No. of days	Location
2019	Jan. 25–Feb. 2	9	Indonesia (4 cities)
	Sept. 2–Sept. 10	9 days	Indonesia (3 cities)
	Dec. 15–Dec. 23	9	India (5 cities)
2020	*Canceled due to COVID-19		
2021	*Canceled due to COVID-19		
2022	Sept.9–Sept.18	10	Bangladesh (2 cities)
	Dec. 4–Dec. 11	8	India (6 cities)
2023	Feb.11–Feb.18	8	Saudi Arabia (7 cities)

Visit to a local medical institution during an overseas tour by occupational health physicians

Visit to a local medical institution by occupational health physicians to check ward facilities, exchange opinions with the institution's medical staff and lectures by occupational physicians overseas

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Basic Approach Policy

In the manufacturing industry, ensuring product safety and quality is undoubtedly a top priority. As a global provider of a wide range of products, MHI Group's Global Code of Conduct underlines the importance of adhering to pertinent laws, internal standards, and customer specifications concerning the safety and quality of products and services. We are dedicated to upholding product safety and are committed to swiftly and appropriately addressing any safety and quality-related issues that may arise. We have established customized quality management systems (QMS) based on public standards such as ISO 9001(Note) for each of the Group's distinctive businesses and products, to align with the unique requirements of our customers and markets. We are also accredited by the certification body of QMS for individual businesses and products.

Furthermore, as part of our efforts to raise awareness about product safety and quality, we have established an Accident Exhibit and Materials Room based on past incidents and conduct educational programs on safety and quality to prevent product incidents.

(Note) Including other standards such as JIS Q 9100 for aerospace that are specifically designed for aerospace products

Product Safety and Quality Management System

■ Evaluating the impact of product safety and quality

As the markets for the MHI Group's products are diverse, we establish a quality management system (QMS) for each business or product based on public standards such as ISO 9001 that meet customer and market needs. 91% of sites in Japan and 94% of sites overseas have been accredited by a certification body. In April 2013, QMS Promotion Group was established within the Monozukuri Innovation Planning Department (curently the Value Chain Innovation Department), and by sharing technology and knowledge from all over the MHI Group, we strengthen quality management, including at Group companies, and promote improvement of work processes to meet the globalization.

■ Radiation safety management and quality impact assessment

In the MHI Group, MHI Nuclear Development Corp., which conducts research and development related to nuclear power plants and fuels, and Mitsubishi Nuclear Fuel Co., Ltd., which produces nuclear fuels, classify radioactive waste according to the radioactivity level and the place of generation, and carry out appropriate storage management in accordance with applicable laws and regulations.

In addition to legal compliance, we strictly control radiation by applying internal rules designed to minimize radioactive waste disposal. To establish a nuclear-fuel cycle to recycle spent fuel, we are building reprocessing facilities and MOX fuel plants. Through these efforts we will continue helping reduce radioactive waste within our Group and among the customers to which we deliver nuclear power plants.

■ Education and awareness related to safety and quality

The Accident Exhibit and Materials Room uses videos and actual exhibits to introduce cases of serious incidents that MHI Group has had in the past, such as a fire on a large cruise ship under construction. We are creating opportunities for all employees to pledge to never allow such incidents to occur again.

In addition to making tours of the Accident Exhibition Materials Room part of the program for employee education, we also provide "safety and quality" education based on incident cases for various positions, so that employees can learn what they can do to prevent incidents. By thinking about that, MHI fosters awareness of safety and quality of the products they are involved with.

MHI will continue to create opportunities for all employees to recognize the importance of product safety and quality and enrich employee education for Product Safety.

	2022
Total number of participants [Product safety and quality]	20,273

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Quality and Safety Programs for Key Products Initiatives

■ Nuclear

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

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

In fiscal 2022, the Steering Committee received reports on efforts to raise awareness of nuclear safety and promote safe and stable operation to contribute to society through the further use of nuclear power.

We also implement initiatives to effectively convey the seriousness of accidents and the weight of responsibility to the next generation. This includes providing guidance to managers actively working on the frontline and distributing information online to all individuals related to the nuclear energy systems of Mitsubishi group companies.

(Note) Renamed the Mitsubishi Nuclear Safety and Maintenance Steering Committee in fiscal 2020

<Measures for enhancing domestic nuclear power plant safety>

MHI set up an emergency task force immediately after the Great East Japan Earthquake. After the Advanced Station Safety Department (currently, the Advanced Plant Safety Department) was established in August 2011, the task force was transferred to this department and developed countermeasures against the blackout that occurred at the Fukushima Daiichi Nuclear Power Plant. The task force has been reflecting these countermeasures at PWR (Pressurized Water Reactor) power plants built by MHI in Japan. Furthermore, the new safety criteria that were 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. In addition to these domestic PWR plants, we are also supporting the restart of BWR (Boiling Water Reactor) plants, which are different from what we manufacture, at the soonest date possible.

MHI has been supporting power companies to implement medium and long-term countermeasures, such as Installation of Specialized Safety Facility, etc.

MHI continues to contribute to the safe and stable operation of nuclear power plants in order to meet urgent power demand in Japan by taking advantage of its comprehensive technological capabilities as a nuclear power plant manufacturer.

<Promoting nuclear power Public Acceptance (PA) activities>

MHI accepts visitors to our Kobe Shipyard & Machinery Works, where the equipment and facilities for nuclear power plants are manufactured, and promotes nuclear power PA activities to deepen understanding of the necessity and safety of nuclear power.

MHI will continue our activities to promote the understanding of nuclear power through shop tours and provision of information to promote nuclear power use.

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

Touring the Kobe Shipyard & Machinery Works

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Safe control of radiation

MHI Group properly stores and manages radioactive waste generated through research and development on nuclear power generation and production of nuclear fuel in accordance with applicable laws and regulations.

			Unit	2019	2020	2021	2022
MHI Nuclear Development Corporation	Radioactive waste Solid waste	Storage capacity	200L drum	3,293	3,293	3,293	3,293
		Volume of radioactive waste stored		2,539	2,555	2,610	2,689
		Volume of radioactive waste generation		33	16	55	79
	Radiation exposure of employees with radiation-related jobs (average)*1		mSv/year	0.15	0.02	0.07	0.04
Mitsubishi Nuclear Fuel Co., Ltd.	Radioactive waste Solid waste	Storage capacity	200L drum	17,053	17,053	17,053	17,053
		Volume of radioactive waste stored		13,403	14,747	16,108	16,102
		Volume of radioactive waste generation		2,337	1,344	1,361	−6*2
	Radiation exposure of employees with radiation-related jobs (average)*1		mSv/year	0	0.01	0.01	0.02

*1 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.
*2 Result when the volume of radioactive waste reduced exceeds the volume generated

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■ **Logistics, Thermal & Drive Systems (Air Conditioners)**

<With customer safety as a top priority, safety design, verification processes and product related risk management processes are incorporated in "control procedures for design work">

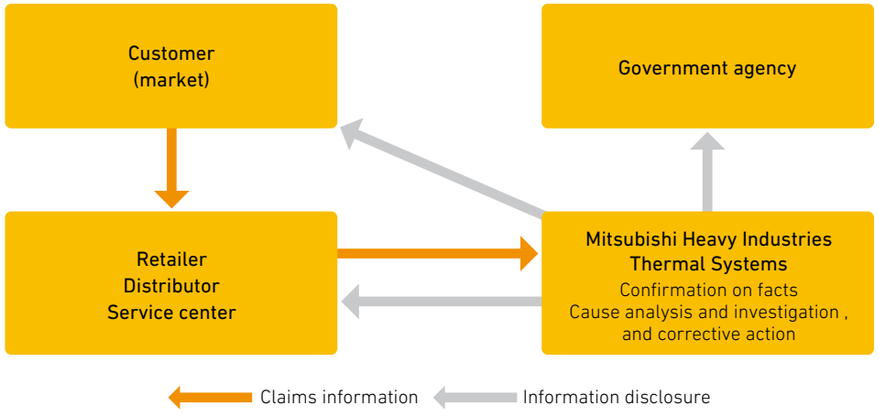
Mitsubishi Heavy Industries Thermal Systems, Ltd. acquired ISO 9001 certification in 1994 and established "control procedures for design work" for product design and development to ensure the safety of air-conditioners. These standards are based on quality policies that are derived from our quality management 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.

We conduct management at the component level in order to manufacture environmentally friendly products.

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.

As an example, 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.

<Process following a serious product-related accident>



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■ Plants & Infrastructure Systems [Shipping]

<Enhancing QMS activities to prevent product accidents>

Mitsubishi Shipbuilding Co., Ltd., which is involved in the commercial ships business & marine structures business, is engaged in the manufacturing and engineering business for a wide range of ships and marine products in the Yokohama, Shimonoseki, and Nagasaki regions. Mitsubishi Shipbuilding Co., Ltd. strives to adopt the same quality indicators, non-conformity management systems, safety and quality education programs, and internal audits in all regions, and is 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. Mitsubishi Shipbuilding Co., Ltd works to deliver products and services that meet customers' expectations through ISO 9001 external audits for QMS activities.

■ Engineering Solutions [Transportation Systems]

<Ensuring the safety of transportation systems based on quality management systems>

MHI is working on the development of various transportation systems with a high potential for use in public settings, such as the 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, MHI operates QMS based on ISO 9001 and our own quality policies in all processes from design, procurement, and manufacturing to installation, test operation, and maintenance. Every year, top managers review these activities, evaluate the effectiveness of the quality management system, and propose new actions for improvement. Mechanisms are also being developed to incorporate safety standards and customer requirements in various countries into the initial design stage of projects developed in and outside Japan. In addition to these efforts, MHI utilize a system tool for sharing the lessons learned from past projects. Employees involved in past projects disclose and record their experiences and lessons learned so that current project members can acquire and share useful skills and knowledge, and find a stronger awareness of product safety.

■ Machinery Systems

<Fostering cohesive QMS activities by unifying the audit process>

Mitsubishi Heavy Industries Machinery Systems, Ltd. was established in October 2017 by restructuring and merging stable, profitable small and medium-sized businesses. As a pivotal player in the manufacturing and the engineering sectors, the company is deeply rooted in mechatronics technology and is dedicated to providing a broad spectrum of equipment and mechanical systems that underpin various aspects of daily life. Its operations are structured around three distinct divisions, allowing for flexible adaptation to the unique characteristics of different products. In the past, the company obtained ISO 9001 certification for individual products from separate certification bodies. However, in 2020, it unified the audit process across the entire company to foster a cohesive approach to Quality Management System (QMS) activities. This move towards centralized audits also served as a catalyst for dismantling barriers between business units and products, enabling a seamless integration of QMS activities that encompassed extensive information sharing and collaboration during internal audits. By harnessing a diverse array of technologies, experiences, and talents from various product segments, the company aspires to enhance customer satisfaction by delivering even more gratifying products and services while contributing to the sustainable development of society.

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■ Integrated Defense & Space Systems [Defense Products]

<Contributing to the peace and safety of Japan through technology>

MHI is dedicated to the core vision of supplying cutting-edge technology for national safety and security. As a leading supplier in the Japanese defense industry, MHI endeavors to maintain and strengthen defense production and technological bases. MHI develops and manufactures a vast array of defense equipment based on the requirements of the government of Japan, including fighter planes, helicopters, missiles, defense vessels, and tanks, and also provides operational support. The environment surrounding the defense of Japan has been changing dramatically over the last few years. In light of the current financial difficulty of Japan and the speed of technological progress, it is increasingly important to maintain and strengthen defense production and technological bases, in order to satisfy the requirements of the government.
MHI is focusing on the future security environment and is developing various technologies that meet the needs of the country. This includes research into stealth and weight-reduction technologies and avionics to be applied to F-X, and into technology related to high-water-speed at sea for amphibious vehicles. We are also working on dual-use businesses such as cybersecurity, drone application, and satellite data analysis that utilize advanced technologies developed on the foundation of experience in the defense business up to this point. We are also working on dual-use businesses such as cybersecurity, drone application, and satellite data analysis that utilize core technologies developed in the defense and space fields up to this point. Therefore, we believe defense technologies can also contribute to long-term technological advances in Japan and the defense sector is expected to develop as a national strategic industry.

■ Commercial Aviation Systems [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 in 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.

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Basic Approach Policy

Manufacturing technologies are the source of value creation for 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).

Promotion System System

About Research and Development, in 2015 we established "Research & Innovation Center", consolidating five domestic R&D centers and transitioning to cross-organizational management in our R&D structure.

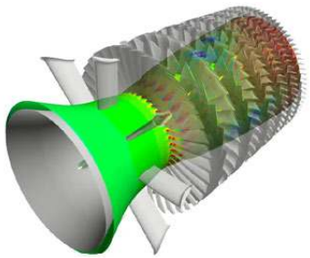
In April 2016, MHI also launched "Shared Technology Framework" newly consolidating the Company's technologies as well as its marketing, procurement, and other functions, overseen by the CTO. We created this framework to maximize the MHI Group's comprehensive technological strength to bolster competitiveness over the medium to long term.

In addition, 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.

■ Shared Technology Framework

- CTO
  - Technology Strategy Office
  - Research & Innovation Center
  - Digital Innovation Headquarters
  - Value Chain Headquarters

■ Examples of R&D fields



Flow field analysis of a compressor

Hydrogen gas turbine (image)

CO_2 recovery pilot equipment

Intelligent logistics systems

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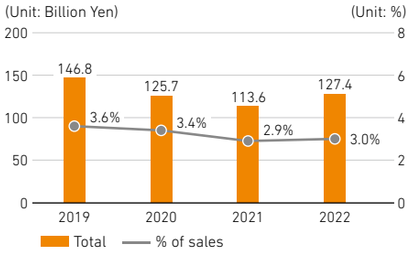
R&D Data Performance

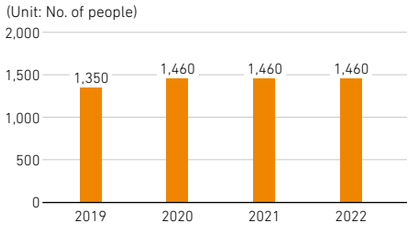
Pick Up

R&D expenditure	% of sales
2022 127.4 Billion Yen	2022 3.0%

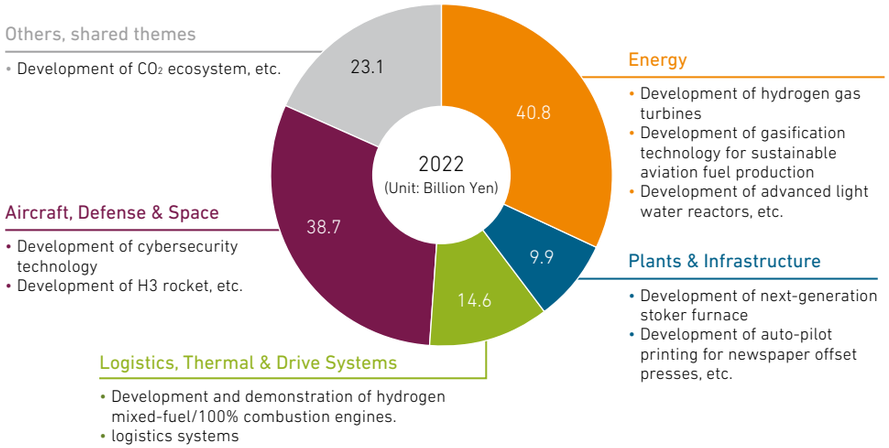
R&D expenditure



Employees in R&D positions



R&D expenditure by segment



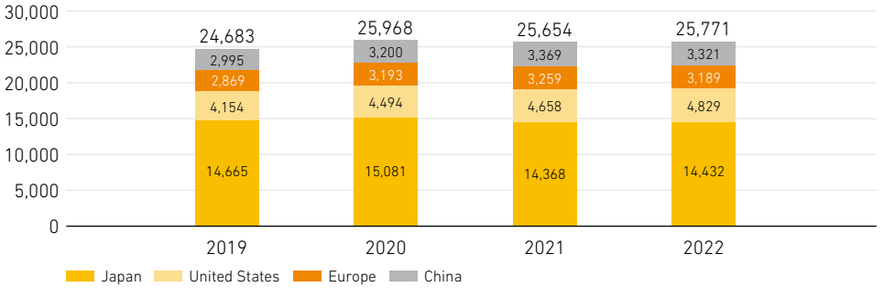
Intellectual Property Management Policy Initiatives

MHI Group is committed to addressing various social challenges by developing innovative products and technologies that support national security across social and industrial infrastructure on land, sea, and in the air, delivering globally. In recent years, we have tackled Material Issues such as providing energy solutions to enable a carbon neutral world and building a safe and secure society. To align with these challenges, the entire Group focuses on creating and utilizing intellectual property (IP) that contributes to generating social value (providing social solutions), emphasizing a social value-based approach to our IP activities. Specifically, we formulate and systematically execute IP strategies in line with the business and R&D strategies of each division to effectively address various societal challenges. This approach reinforces our commitment to sustainability management within MHI Group. We also strive to secure sustainable growth and further enhance corporate value by regularly reporting on our IP strategies and activities to the Executive Committee. Furthermore, we deploy IP specialists to our locations in the United States, Europe, and China. This allows us to address IP generated at our overseas sites and support local Group companies amid efforts to promote global IP activities.

In this way, MHI Group contributes to the stable supply of exceptional products and technologies that enable the realization of a carbon-neutral society and the creation of a secure future for people and the planet and a sustainable society through social value-based IP activities.

IP Data Performance

Number of patents held



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Examples of Activities Initiatives

World's largest CO_2 capture process

In October 2022, MHI entered into a collaboration agreement with four companies, including BHP, a major resources company, and ArcelorMittal, a leading steel and mining company. We will provide CO_2 capture technology for a feasibility and design study at a steel plant in Belgium and other facilities as part of efforts to capture CO_2 in the steel industry.

In November 2022, through an alliance with ExxonMobil, we joined forces to deploy our carbon capture technology with ExxonMobil's carbon capture and storage (CCS) solution, enabling an integrated end-to-end CCS offering.

Benefit: MHI has been involved in R&D into CO_2 recovery technology for more than 30 years. The demonstration test of emissions at a coal-fired power plant owned by Southern Company has shortened the development period substantially. Furthermore, over a period of approximately five years, we have succeeded in scaling up the CO_2 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 development of the commercial small-scale CO_2 capture device (CO_2MPACT™) has enabled compact and highly versatile modularization, significantly reducing the time required for transportation and installation.

Compact CO_2 capture system (CO_2MPACT™)

Venture capital investment

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. We have also initiated collaborations with other venture capital firms, including Clearvision Ventures in the United States, to enhance our exploration of new technologies in new fields.

Benefit: By using technology from venture companies, we have been able to accelerate our development and productization processes, which would otherwise take us several years.

Other Impacts: The introduction of new ways of thinking and business styles, in addition to cutting-edge technology, has made us realize the necessity for transformation to enhance our international competitiveness. We also promote internal pivot development, which involves conducting research in short cycles to match the development speed of startups. This approach has significantly shortened our research and development timelines.

Opened a manufacturing-based co-creation space

In October 2020, we opened the Yokohama Hardtech Hub (YHH) within a building housing the Company's plant (total floor space: approx. 20,000m^2) as a co-creation space for companies, local governments, educational institutions, and others involved in venture companies and manufacturing to gather. As of April 2022, 9 venture companies and partner companies have moved into YHH for their activities. In addition to the connection with those venture companies, YHH has begun playing a role of being a place to accelerate new business projects in which we are involved, from PoC (Proof of Concept) to social implementation, promoting various demonstrations of advanced technologies and ideas through co-creation.

Benefit: In August 2022, YHH launched the LogiQ X Lab facility within which it demonstrates an automated picking solution utilizing AGV (Automated Guided Vehicle) for logistics warehouses. Starting in November 2022, YHH initiated co-creation efforts with potential customers such as Kirin Beverage Co., Ltd. and Kirin Group Logistics Co., Ltd.

Additionally, in 2022, we broadened the large-scale demonstration testing of an immersion cooling system for data centers, which YHH initiated in 2021, in collaboration with the major telecommunications company KDDI corporation, leading to concrete results.

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

LogiQ X Lab

Immersion cooling unit

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Customer Relationship Management

Basic Approach Policy

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. Through these activities, MHI will continuously work to provide products and services that satisfy customers. We are actively carrying out advertising and promotional campaigns based on our business plans to reach stakeholders around the world. In conducting these activities, we ensure the accuracy of the information we provide to our customers, and we diligently adhere to the relevant regulations and industry standards.

Management System System

Since customer characteristics and business practices are quite different in each of our businesses, each business unit utilizes their own optimized measurement method for Customer Relationship Management.

■ Business-to-business divisions

Business-to-business divisions such as power generation and turbochargers conduct Voice of Customer research to collect customer feedback.

Division	Method	Concrete activities
Energy [Thermal power generation systems]	• Face-to-face • Online • Online survey	MHI collects Voice of Customer (VOC) information through daily face-to-face and online communication. VOC information is classified into seven categories (Maintainability and Operability, Consideration, Necessary Ability, Price, Response Speed, Market information, and others) to identify strengths and weaknesses. We work on areas such as technology development and Kaizen. Improvement activities based on the results of analyses are carried out on a daily basis. In addition, the Company deploys web-based questionnaires specifically targeting overseas customers, with whom face-to-face communication is not easy, on an annual or biannual basis. The system collects and analyzes customers' comments on quality, price, and responsiveness of MHI contact. The results are then used to further improve product quality and customer service.
Plants & Infrastructure [Shipbuilding]	• Face-to-face • Online • E-newsletter	In Mitsubishi Shipbuilding Co., Ltd.'s new shipbuilding business, we have established a system of maintaining close communication with shipowner's site supervisors stationed at the shipyard. This ensures that we can promptly respond to our customers' requests and make our own proposals. In our engineering business, which includes the sale of LNG fuel supply systems, we register customer requests in a CRM tool hosted in the cloud. We use this system for internal collaboration among team members and leverage it for future product development and identifying customer needs. We also send an email newsletter to our customers almost monthly, introducing them to our business activities, and to build and maintain relationships.

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Division	Method	Concrete activities
Nuclear Energy	• Face-to-face • Online	We assign technical service managers to customers with pressurized water reactor (PWR) power plants in Japan so we can establish dedicated technical contacts tailored to our customers' locations, which serves to build strong relationships. We also have on-site managers who engage in face-to-face interactions. They actively listen to the daily feedback and concerns of our customers and provide feedback to our team. This allows us to swiftly address issues, provide maintenance proposals aligned with our customers' needs, and enhance safety, stability, and plant operational efficiency. The industry has recognized and valued the trust and track record we have built through these efforts over many years, and now, we receive numerous requests from new customers with boiling water reactor (BWR) plants.
Machinery Systems	• Face-to-face • Online	Mitsubishi Heavy Industries Machinery Systems, Ltd. conducts activities to gather customer feedback through surveys and interviews, and then leverages this feedback to enhance its products and services. As an example, for customers in the printing machine industry, the company has developed a customer portal to facilitate communication and is operating it as the fourth customer touchpoint alongside traditional in-person, phone, and email interactions. The company is gradually launching services to support customers in collecting technical information, making various inquiries, purchasing spare parts, and providing maintenance support systems for the stable operation and upkeep of their machines. Going forward, we will expand these initiatives to other businesses to meet a wide range of customer needs.
Integrated Defense & Space Systems	• Face-to-face	In the Integrated Defense & Space Systems segment, we conduct customer satisfaction surveys for certain business products with the aim of improving customer satisfaction. We visit the Japan Self-Defense Forces, our customer, to receive evaluations regarding the quality of the products delivered and the support provided. We listen to their opinions and requests for appropriate support and improvements aimed at facilitating unit activities. Continuing these efforts strengthens communication with our customers, allowing us to respond promptly to inquiries and other needs, thus enhancing trust.

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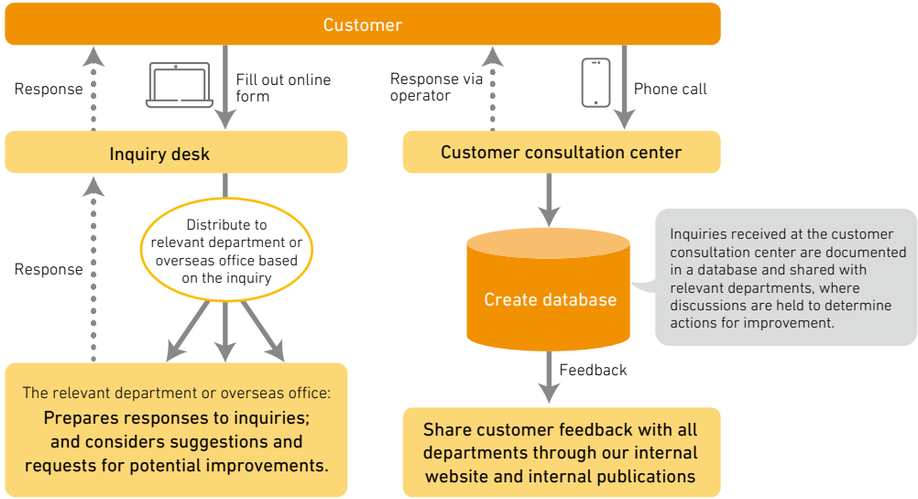
Customer Relationship Management

■ **Areas in which general consumers are customers (air-conditioners, etc.)**

Businesses whose customers are general consumers create contact points with customers by establishing contact points via the Internet and telephone. In addition to commercial air-conditioners, Mitsubishi Heavy Industries Thermal Systems, Ltd. which offers residential air-conditioners for general consumers, has set up an inquiry desk on its website and a customer consultation center by telephone (for Japan only) to constantly collect customer feedback. Moreover, the company conducts in-depth analysis of the VOC (Voice of customer) collected from distributors and contractors during daily sales and service operations, twice a year. The information is fed back to relevant departments, which aids in making improvements to products, sales, and services.

<Customer support process>



Responsible Advertising Activities System Initiatives

MHI Group engages in advertising and promotional activities for stakeholders worldwide. In pursuing these activities, we ensure that we provide accurate information to our stakeholders and adhere to relevant laws and industry regulations. After running advertisements, we obtain measurements of their effectiveness, assessing their impact on increasing brand recognition and permeating our corporate image.

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Example of Initiatives Initiatives

■ **Business-to-business divisions**

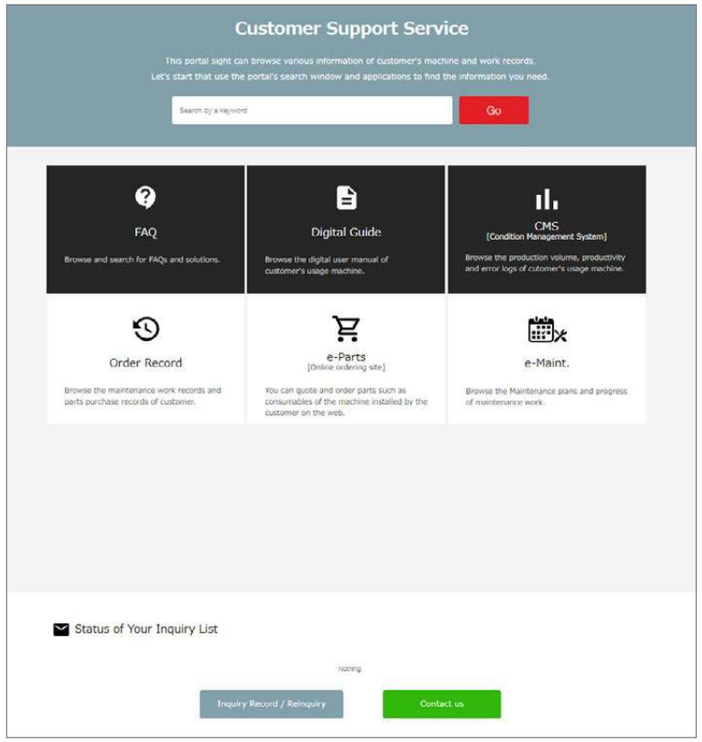
<Launched new customer portal for printing and packaging systems>

We have developed and launched a new communication tool, a customer portal for printing and packaging systems made by Mitsubishi Heavy Industries Machinery Systems, Ltd. This portal serves as the fourth customer touchpoint, supplementing the traditional in-person, phone, and email interactions. Customers can access a wide range of information, including troubleshooting and technical manuals, in a timely manner on the dedicated webpage of this portal. It also allows for two-way communication with us for various inquiries. Moreover, we have gradually started operating services such as an e-commerce website for purchasing spare parts and a maintenance support system for tracking and managing maintenance progress. These services are aimed at supporting the stable operation and maintenance of our customers' machines. We will continue to work towards providing higher-quality services going forward.

[Customer portal functions (as of August 2023)]

1. FAQ that summarize responses to common inquiries from customers
2. Order history for reviewing past orders
3. E-commerce site for ordering spare parts
4. Digital guides as instruction manuals
5. Remote monitoring system for checking the operating status of machines
6. Maintenance support system for tracking maintenance progress and implementation
7. Inquiry management function enabling inquiries online,

etc.



Top page of "customer portal for printing and packaging systems"

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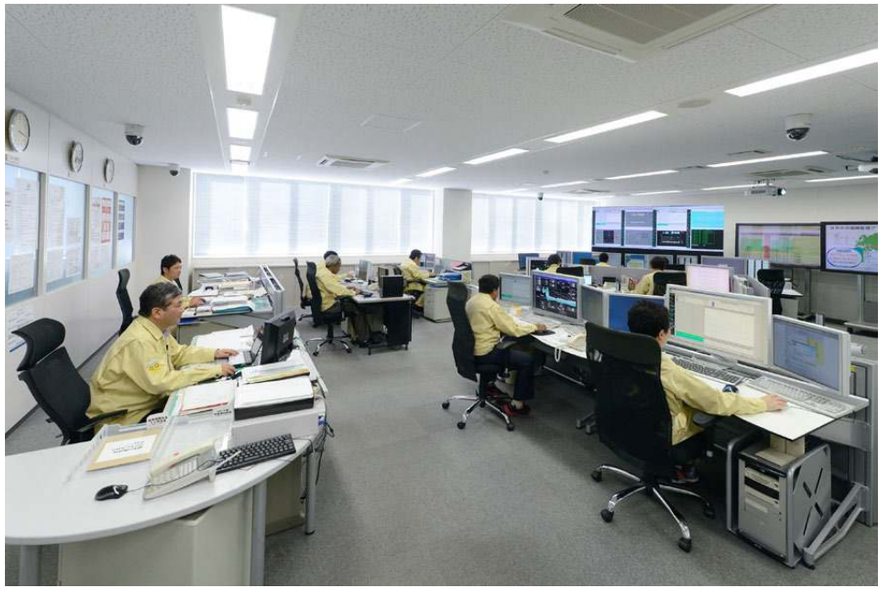
Example of Initiatives Initiatives

■ Business-to-business divisions

<Implementing technical support as an aspect of preventative maintenance>

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

By combining the MHI Group's abilities in a diverse range of solutions, we will provide support that will help increase the value of facilities and achieve a decarbonized society. As of August 2023, the system was connected to approximately 274 units in real time, contributing to our customers' stable power generation operations.



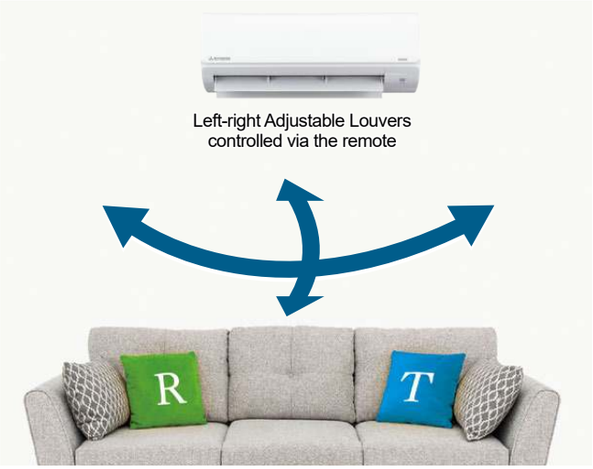
Takasago TOMONI HUB

■ Areas in which general consumers are customers

<Development of air-conditioners reflecting customer feedback>

Mitsubishi Heavy Industries Thermal Systems, Ltd. has developed a compact air-conditioner with an indoor unit height of 250mm for the Japanese market as part of efforts to utilize customer suggestions and requests received through contact points for product and service improvement. This development allows installation in Japanese homes with limited space above windows, where conventional air-conditioners could not be installed, offering a more comfortable living environment.

In addition, responding to customers' requests for remote control adjustments of the airflow direction of air-conditioners installed in high places, Mitsubishi Heavy Industries Thermal Systems, Ltd. has equipped all models, including the standard model, with left-right adjustable louvers that can be controlled via remote. This feature has received high praise from customers over the years.



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Supply Chain Management

Basic Approach Policy

MHI Group 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, who are fairly and impartially evaluated and selected in accordance with related laws, regulations, and social norms. We then work to build mutually beneficial relationships of trust with suppliers as business partners. In December 2018, MHI Group revised its 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 suppliers, and also with the suppliers who make up the supply chains of our suppliers, we are promoting sustainability and CSR activities across the entire supply chain.

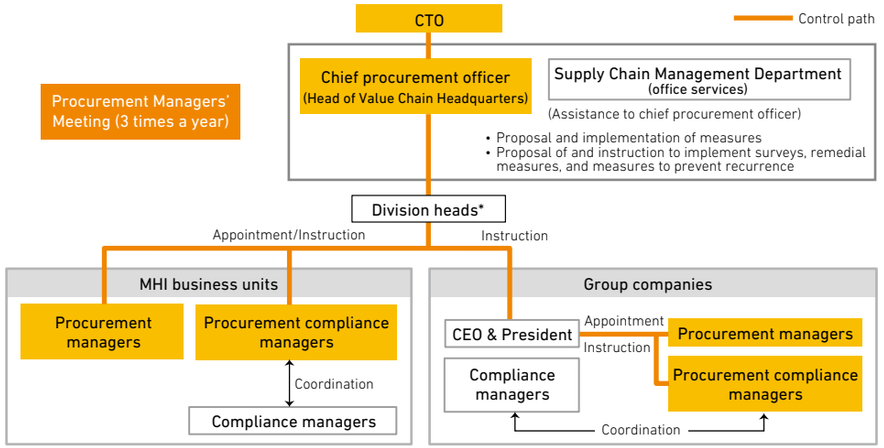
MHI website Promoting CSR procurement https://www.mhi.com/company/procurement/csr

Promotion System System Initiatives

In house system

Based on our Procurement Global Policy & Procedures*, we ensure thorough compliance in procurement operations with the aim of establishing and maintaining a procurement system trusted by the public and our stakeholders. Under the overall control of the chief procurement officer, we appoint procurement managers and procurement compliance managers to each MHI business unit and Group company to manage and control operations within the Group.

Procurement management system



* Division heads: domain CEO, segment CEO, business division head, corporate department head, etc.

With office services provided by the Supply Chain Management Department, a Procurement Managers' Meeting made up of the heads of procurement from each MHI business unit and major Group companies convenes to discuss procurement-related measures and promote a range of activities through Group-wide coordination.

* Policy and procedural document setting out Group-wide procurement process rules based on the MHI Group Principles and Code of Conduct.

Suppliers as business partners

The MHI Group Supply Chain CSR Promotion Guidelines set out our basic supply chain policy, which is aimed at realizing a sustainable society, and request the understanding and cooperation of suppliers in its implementation. In addition to ensuring product safety, quality, fair pricing, and timely delivery, the guidelines advocate enhanced technological development capabilities, due attention to compliance, corporate ethics, human rights, occupational safety, and the environment, and contributions to local communities and society.

Moreover, at platforms such as "business partner meetings" and "business policy briefings," we explain the Group's CSR promotion guidelines and offer educative information on the conduct expected of suppliers by introducing cases of ESG risks in the supply chain.

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■ Critical suppliers

By business unit, MHI designates critical suppliers based on factors such as the size of orders, the importance of the parts or equipment, the lack of alternative suppliers, and the level of geopolitical risk.

	FY2023
Tier 1 suppliers	24,799 companies
Primary Tier 1 suppliers	2,111 companies

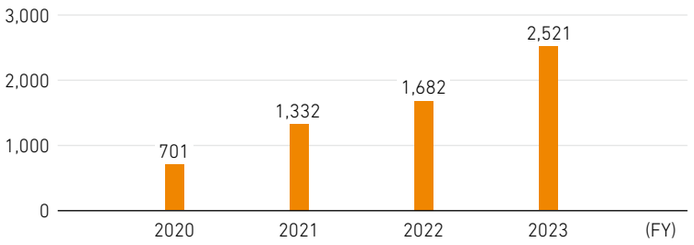
Data about the Supply Chain Performance

Pick Up

Number of business partners provided with sustainability and CSR education

2023 Total number of participants **2,521** companies

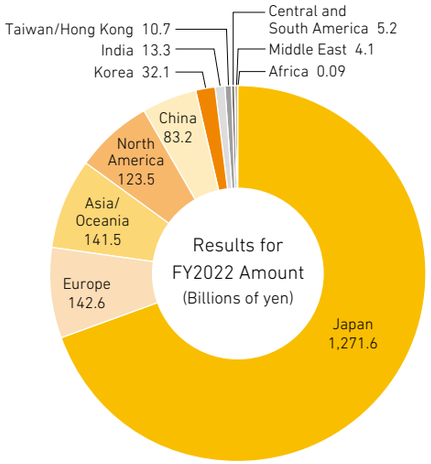
Number of participating suppliers



■ Spending analysis (analysis of procurement history)

We conduct a spending analysis of the MHI Group's total expenditure on orders and analyze procurement and related expenditure by region.

Region	Results for FY2022 Amount (Billions of yen)
Japan	12,716
Europe	1,426
Asia/Oceania	1,415
North America	1,235
China	832
Korea	321
India	133
Taiwan/Hong Kong	107
Central and South America	52
Middle East	41
Africa	0.9



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Supply Chain Management

Initiatives on Sustainability and CSR Procurement Initiatives Policy

To enhance the sustainability of the MHI Group's supply chain, we conduct a CSR questionnaire survey as an initial screening of the status of suppliers' CSR/ESG initiatives. Based on the results, we then carry out an on-site survey, including human rights due diligence, to observe actual conditions, and later conduct a follow-up survey to check on improvement measures.

This initiative, implemented continuously on a one-year cycle, represents a concrete step toward the designated goal of further promoting responsible (CSR) procurement in the global supply chain as part of efforts to enhance corporate governance, which is one of MHI Group's Material issues.

MHI website Promoting CSR procurement
https://www.mhi.com/company/procurement/csr

Material issues: Enhance corporate governance
Goal: Further promote CSR procurement in the global supply chain

- Based on the scale and continuity of the business relationship, we designate critical Tier 1 suppliers within our global supply chain for completion of a CSR questionnaire survey. We are continuously expanding our activities to include suppliers both in Japan and overseas.

CSR questionnaire survey
Supplier self-evaluation of CSR/ESG initiatives

- In the CSR questionnaire survey, we use the Self-Assessment Questionnaire (SAQ) of the Global Compact Network Japan (GCNJ), the Japanese arm of the United Nations Global Compact.

On-site survey
Review of related initiatives and collaboration in corrective measures for suppliers with low self-evaluation in the CSR questionnaire survey

- Together with the CSR questionnaire survey, we confirm suppliers' agreement with our CSR procurement activity and provide them with educational materials on CSR procurement as measures to raise their awareness.

Follow-up survey
Continuous monitoring of suppliers after on-site survey

<CSR questionnaire survey items>

Environment
Chemical substance management, management and reduction of effluent, sludge, and other waste matter, effective use of resources, reduction of greenhouse gas emissions, etc.

Social
Respect for human rights and prohibition of discrimination, respect for local communities, prohibition of discrimination in employment, equal opportunities for employees, prohibition of inhumane treatment, payment of appropriate wages, fair regulation of working hours, vacation, etc., prohibition of forced labor and child labor, etc.

Governance
Creation of systems for CSR promotion, internal control, business continuity, compliance, internal whistleblowing, information security, etc.

Other CSR items
Quality and safety, supply chain, harmonious coexistence with local communities

Main questionnaire items	ESG category
I. CSR in corporate governance	G (Governance)
II. Human rights	S (Social)
III. Labor	S (Social)
IV. Environment	E (Environment)
V. Fair business practices	G (Governance)
VI. Quality and safety	—
VII. Information security	G (Governance)
VIII. Supply chain	—
IX. Harmonious coexistence with local communities	—

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Initiatives on Human Rights, Occupational Safety, and Procurement Initiatives Performance

■ **Human rights due diligence**

In fiscal 2022, we implemented a trial human rights questionnaire survey of 25 suppliers in Southeast Asia identified as having human rights risk of a comparatively high level within the MHI Group's business operations.

Of these, five suppliers with relatively low self-evaluation scores were selected for on-site survey, with interviews to check that there were no human rights risks requiring attention.

Since fiscal 2023, we have incorporated human rights due diligence into our existing sustainability and CSR procurement initiatives, expanded the scope of the initiatives, and started full-scale implementation.

In fiscal 2023, we visited 13 suppliers mainly in Asia that had low self-evaluation scores in the areas of human rights and labor in their CSR procurement, and confirmed that there were no human rights risks that required attention.

Human rights due diligence taskforce
FY2021: plan formulated
FY2022: trial completed

→ **Identification of trial targets**
Suppliers in the Southeast Asia region identified as having comparatively high human rights risk

→ **Human rights questionnaire survey**
Self-evaluation questionnaire survey on human rights initiatives implemented at 25 suppliers

→ **On-site human rights survey**
On-site survey with interview were implemented at a total of five suppliers with relatively low scores

Supply Chain Monitoring Initiatives Performance

■ **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.

In addition, we conduct CSR surveys in order to ascertain the status of CSR promotion initiatives by suppliers. Based on supply chain monitoring results, to mitigate risks to the MHI Group supply chain, we are conducting on-site surveys at supplier's site and perform assessments regarding suppliers' CSR/ESG activity including their knowledge about the relevant laws, their compliance structure, and activity status against high risk suppliers from a CSR/ESG point of view. We also discuss improvement as necessary.

In fiscal 2023, we have confirmed that there will be no major negative impacts as a result of our on-site surveys.

Percentage of total spending on key Tier1 suppliers	80%
Number of suppliers surveyed by CSR questionnaire	Japanese and Overseas: 2,111 companies (FY2021, FY2022), 563 companies (FY2023)
Number of suppliers surveyed by ESG inspection	Onsite: 35 companies, Online: 31 companies (FY2023)

Conflict Minerals Policy Initiatives

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 was conducted in fiscal 2023 targeting smelter and country of origin, which is the mineral procurement source for aircraft and automobile parts, and the results confirmed that 5,736 smelters out of 13,733 identified were certified under the conflict-free smelter program. We will continue to work with our customers, suppliers, industry groups and others in efforts to avoid benefiting the armed groups.

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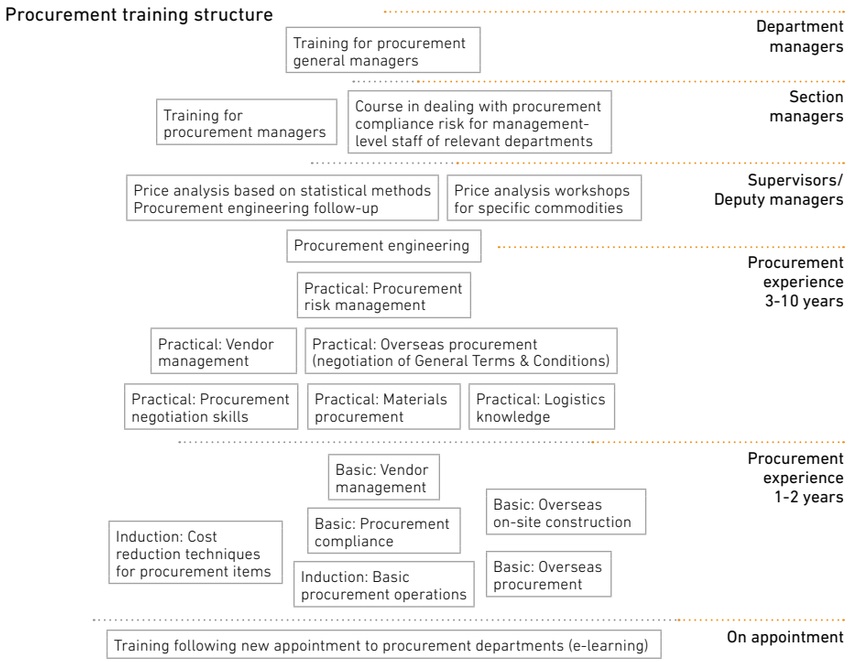
Our Improvements in the Supply Chain Initiatives Performance

■ Development of procurement human resources

The MHI Group's procurement departments offer training to improve the skills of human resources engaged in procurement, offering a range of different courses in procurement operations for different job positions.



In fiscal 2023, new employees and employees newly appointed to procurement departments were given induction training designed to equip them with basic knowledge of procurement operations including CSR procurement, with 92 participants from MHI Group. We also conducted a course in overseas procurement and one designed to improve procurement negotiation skills, which were attended by 34 and 25 employees, respectively.

■ Awareness raising on procurement compliance

To ensure the steady implementation of legally compliant procurement operations, we regularly conduct courses in procurement compliance, with particular focus on raising awareness of compliance with subcontractor law. Each year in November, which is designated a month for particular attention to ensuring appropriate business relations with subcontractors, we implement e-learning on subcontractor law for all MHI Group employees in Japan, with subsequent comprehension testing followed up with group lectures graded according to the results of the comprehension test. In addition, every month we publish a learning aid that summarizes points requiring special attention as a quick guide to subcontractor law.

Pick Up

Number of employees completing subcontractor law e-learning and comprehension test

2023 **62,633**

* Figure for all personnel engaged in MHI operations including temporary and contract workers, on-site subcontractors, etc.

Participating in Initiatives Initiatives Performance

■ Participating in Supply Chain-Related Initiatives

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

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Social Contribution Activity

Basic Approach Policy

MHI Group contributes to resolving various social issues through its businesses and products. Social contribution activity is a means to address issues that cannot be resolved through business activity. In accordance with the CSR Action Guidelines, which set out the shared approach of MHI Group employees, we focus our concrete activities on three areas closely related to our business activities: environmental protection, local community contribution, and fostering the next generation.

Our environmental protection activities come under the heading of 'Care for the planet' and include contributions to mitigating climate change—increasingly important in the face of rapid global warming—and action to preserve biodiversity, designed to protect endangered species.

In our local community contribution, which we call 'Create a more harmonious society,' we recognize that promoting harmonious coexistence with the communities hosting the MHI Group's business bases and building strong relationships of trust is essential to our business continuity. We therefore engage in a variety of activities, adapted to the character and culture of the different regions, to contribute to the development and revitalization of local communities.

To foster the next generation, or 'Inspire the future' we offer a wide range of educational activities to children, including science lessons, whose basic aim is to pass on to youth Japanese manufacturing craft and science and technology skills.

Becoming involved in these various social contribution activities also promotes the development of our human resources and increases employee engagement. We believe that it will additionally contribute to addressing one of the five material issues identified in 2020: Promote diversity and improve employee engagement.

MHI Group's CSR Action Guidelines (adopted in July 2007)

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

Focus areas for MHI Group social contribution activity

Theme	Relationship with Group business
Environmental protection	For MHI, which operates a global business including emerging and developing countries, conducting business activity in a way that shows consideration for the global environment is an important requirement for business continuity.
Local community contribution	For MHI, which operates worldwide, coexisting in harmony with the communities where its businesses are located and building strong relationships of trust is an important requirement for business continuity.
Fostering the next generation	As science and technology are the source of MHI's growth, the declining interest in and understanding of science among children and their shift away from science subjects may act as a barrier to our securing and development of human resources in the future. Stimulating children's interest in science is therefore an important requirement for business continuity.

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Social Contribution Activity

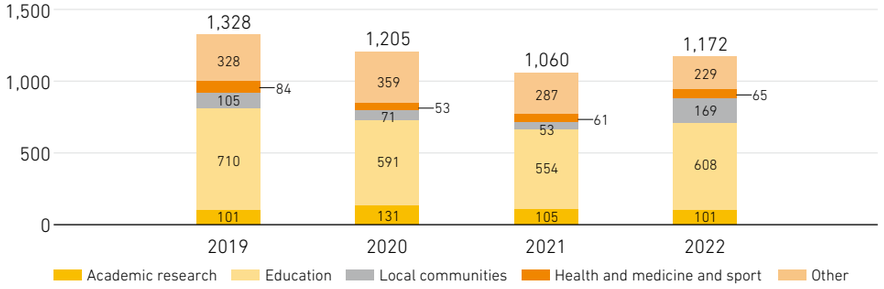
Performance Data Performance

			Unit	2019	2020	2021	2022
Focus area (1) Fostering the next generation	Number of children participating in MHI science lessons (total attendance)*1			69,779	892*2	7,171*2	8,966 ✓*2
Focus area (2) Local community contribution	Number of occasions when MHI provided community support following a natural disaster or similar event*1			6	3	4	3 ✓
	Value of donations and support*1		Millions of yen	20	10	5	5 ✓
Focus area (3) Environmental protection	Support for Tanegashima loggerhead turtle protection survey activities	Employee volunteer applications (participants)		32 (24)	—*3	—*3	— ✓*3
		Number of surveys carried out		8	7	8	8 ✓
		Number of individual mother turtles identified during egg-laying		35	15	28	27 ✓
		Number of individual baby turtles identified during hatching		—*4	—	—	— ✓

*1 Coverage: MHI Group
*2 In FY2020, FY2021, and FY2022, the science lesson program was held on a reduced scale due to COVID-19.
*3 In FY2020, FY2021, and FY2022, the recruitment and participation of employee volunteers was discontinued due to COVID-19 and employees instead supported the survey activity of the staff of a local non-profit organization.
*4 No survey was conducted during FY2019 hatching season due mainly to bad weather.

Social contribution activity cost input

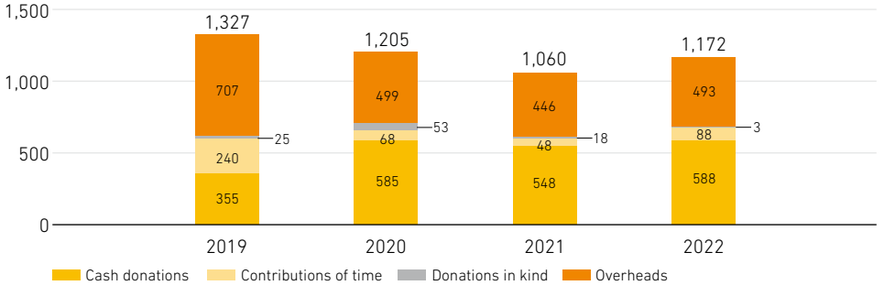
(Unit: Millions of yen)



Data coverage: Group-wide

Type of contribution

(Unit: Millions of yen)



Data coverage: Group-wide

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MHI Group Initiatives Initiatives

Environmental protection: Care for the planet

Tanegashima Loggerhead Turtle Survey

At Tanegashima in Kagoshima Prefecture, the main base of our rocket launch and transport service business, we are providing support to researchers engaged in local survey activities to contribute to the preservation of the loggerhead turtle, an endangered species, by clarifying its lifecycle habits. Employee volunteers are also participating in the activity and deepening their understanding of the importance of preserving biodiversity.

Volunteers receive an advance briefing from a researcher on how to measure a turtle

Forest Conservation Programs

MHI Group employees and their families participate in various forest conservation activities such as tree planting and clearing undergrowth to address the many problems affecting forests around the world and to contribute to the development of ecologically diverse forests.

A Group employee and family members carry out tree-planting on the outskirts of Nanjing in China

Cleanup activities in regions

Group employees and their families carry out local cleanup activities. These ongoing initiatives are focused mainly on the immediate vicinity of our business bases and are intended to raise awareness of environmental protection and local community contribution among all participants and to build relationships of trust with local residents.

Together with JR staff, we cleaned up the area around JR Wadamisaki Station near Kobe Shipyard & Machinery Works.

Local community contribution: Create a more harmonious society

Presentation of shape-memory cutlery

Funds collected by labor unions were matched with an equal amount by MHI for the purchase of shape-memory spoons and forks made with polymer resin. These items, which help improve health and quality of life for users, were donated to social welfare facilities in Tokyo, Yokohama, and Osaka through the Japan National Council of Social Welfare.

The shape-memory items made of polymer resin have handles that can bend into an easy-to-hold shape

TABLE FOR TWO (TFT)

TABLE FOR TWO (TFT) is a non-profit organization whose aims are to relieve hunger in developing countries and at the same time address obesity and lifestyle-related disease in developed countries. MHI cooperates with TFT by incorporating its programs in workplace cafeterias and vending machines. Many employees also take part in TFT's Onigiri Action, whereby sending in a photograph of a rice ball (onigiri) results in a school lunch being provided to a child in Africa or Asia.

Athletes from our marathon club help to publicize the Onigiri Action campaign to people in and outside the Company

Donations to non-profit organizations

At Mitsubishi Power Americas, Inc., which has a very active donation program, employees engage in a wide range of activities to support non-profit organizations. These include raising money by taking part in charity running and walking events and collecting toys and food for Christmas to give as donations.

Christmas toys donated by employees

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Social Contribution Activity

Fostering the next generation: Inspire the future

Science classes

MHI conducts science classes, mainly at elementary and junior high schools located near its business facilities or at the Mitsubishi Minatomirai Industrial Museum, using MHI Group products and technologies as teaching materials. Through hands-on experience of craftwork and experiments, we teach the children the joy of making things.

Junior high school pupils watch an experiment with a home-made dropper rocket

Factory tours with hands-on learning

We invite elementary and junior high school pupils to visit factories with manufacturing and research facilities as an opportunity to observe and learn about manufacturing at first hand. Our Research & Innovation Center collaborated in an educational program sponsored by Nagasaki University to encourage school-age scientists, with activities including demonstrations of facilities used in product development testing and scientific experimentation.

Children participate in a program to encourage young scientists

Career education

MHI Group employees cooperate as lecturers in career education activities. These programs involve educational visits to workplaces for first-hand experience of working life and are seen by schools as a promising way for business to help equip pupils for working life by linking their learning in school with wider society.

Employees of an MHI factory give a talk at a local junior high school on the content of their work and what motivates them

Sponsoring of scholarships

We sponsor scholarship students from Vietnam, a country with an important role in MHI's business, and support them to live in Japan and study at Japanese universities. After graduation, the students seek further challenges, either continuing to graduate school in Japan or returning to Vietnam to make professional use of what they have learned in Japan.

Scholarship students attend a leaving ceremony at MHI after university graduation

Study support

Since fiscal 2012, employees of Mitsubishi Heavy Industries Air-conditioners (Shanghai) Co., Ltd., have built contacts with elementary school pupils in rural areas distant from China's urban centers, donating study utensils and giving special lessons where they explore visions of the future with the children.

Group employees meet with children in the classroom

Sports coaching

We provide coaching sessions to elementary and junior high school pupils in football, rugby, baseball, track and field events, and other sports. This program uses sport as a means to foster emotional wellbeing and physical health in the rising generation and helps to widen their experience of sport.

Members of a junior high school baseball club are coached in batting

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Basic Policy on Business Continuity/
Preparations for Business Continuity (domestic example)

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Efforts toward Cybersecurity

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Corporate Governance

Basic Approach to Corporate Governance Policy

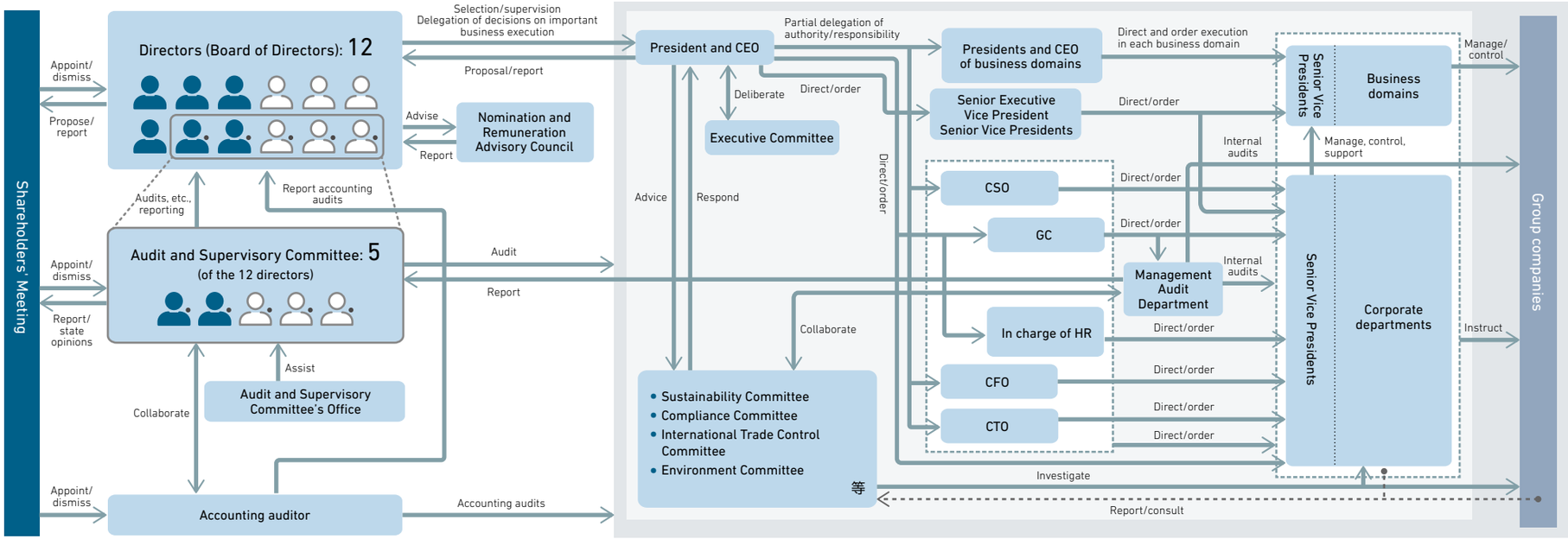
As a company responsible for developing the infrastructure that forms the foundation of society, MHI's basic policy is to manage the company in consideration of all stakeholders and to make efforts to enhance corporate governance on an ongoing basis in pursuit of sustained growth of MHI Group and improvement of its corporate value in the medium and long term. In accordance with such basic policy, MHI endeavors to improve its management system by, among other ways, working to enhance its management oversight function, separating management oversight and execution, and inviting outside directors on the Board, and develop a "Japanese-style global management" focusing on the improvement of the soundness and transparency of its management as well as on diversity and harmony.

Corporate Governance System System

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

See MHI Report P.62–P.71 https://www.mhi.com/jp/finance/library/annual/pdf/report_2023.pdf

Corporate Governance Structure (as of April 1, 2023)



(Reference) MHI Website Corporate Governance Guidelines https://www.mhi.com/jp/finance/management/governance/
https://www.mhi.com/jp/finance/management/governance/pdf/corporate_governance.pdf

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Corporate Governance

■ Composition of the Board of Directors

When selecting directors who are not Audit and Supervisory Committee members, it is MHI's policy to appoint those who are active in the core of MHI's management, have extensive experience in executing MHI's business and have senior management perspective, and to invite more than one outside director whose role is to perform oversight from an objective standpoint, while giving consideration to external stakeholders. Moreover, the Board of Directors strives to ensure both diversity and appropriate size including the aspects of gender, internationality, and career history while maintaining a good overall balance in terms of knowledge, experience, competence, and other qualities, after identifying the skills to be prepared in light of the management strategy.

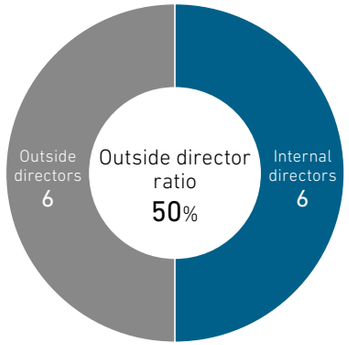
Number of directors (breakdown) (As of June 29, 2023)

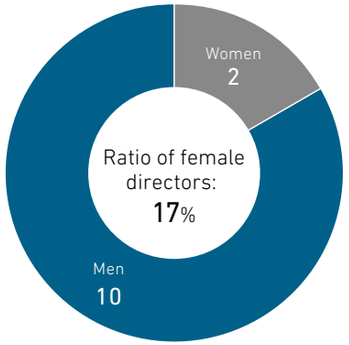
Total Directors	12
Executive directors	3
Non-executive directors	9
Independent directors	6
Female directors	2
Non-Japanese directors	0

Board meeting attendance

Average	99% (FY2022)
Minimum attendance	93% (FY2022)

Composition of the Board of Directors (As of June 29, 2023)





Company's independence criteria: 50%

Ratio of female directors KPI: Ratio of female officers to total officers of at least 30% by 2030

Limits on director's terms of office and concurrently serving

Term of office	One year (two years for directors who are Audit and Supervisory Committee members)
Average tenure	Four years (as of July 7, 2023)
Criteria related to limitiation on concurrent servings	Internal directors are limited to around three companies

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■ List of Directors and Director Skills Matrix

	Gender	Inside/ outside	Position and Responsibility in MHI (As of June 29, 2023)	Audit and Supervisory Committee members	Number of years in office (as of the conclusion of the General Meeting of Shareholders on June 29, 2023)	Board Meeting Attendance Ratio (FY2023)	Number of shares owned (Unit: hundred)	Skills Matrix: Knowledge, experience and expertise(note 2)						
								Socio-Economic Issues	Risk Management/ Compliance	Global Enterprise Management	Technology/ Digitalization	Marketing	Finance/ Accounting	Human Resource
Shunichi Miyanaga	Male	Inside	Chairman of the Board (Note 1)		15	100%	557	●	●	●		●		
Seiji Izumisawa	Male	Inside	President and CEO		6	100%	167	●	●	●	●	●		
Hitoshi Kaguchi	Male	Inside	Director, Senior Executive Vice President, Assistant to President and CEO		2	100%	50	●	●		●	●		
Hisato Kozawa	Male	Inside	Director, Executive Vice President, CFO		3	100%	46	●	●				●	
Ken Kobayashi	Male	Outside	Director		7	100%	21	●	●	●		●		
Nobuyuki Hirano	Male	Outside	Director		4	100%	27	●	●	●			●	
Mitsuhiro Furusawa	Male	Outside	Director		New	—	—	●	●				●	
Setsuo Tokunaga	Male	Inside	Director, Full-time Audit and Supervisory Committee Member	●	2	100%	51	●	●		●			
Ryutaro Takayanagi	Male	Inside	Director, Full-time Audit and Supervisory Committee Member	●	1	100%	22	●	●				●	
Hiroo Unoura	Male	Outside	Director, Audit and Supervisory Committee Member	●	4	100%	40	●	●	●		●		●
Noriko Morikawa	Female	Outside	Director, Audit and Supervisory Committee Member	●	3	100%	5	●	●	●			●	●
Masako Ii	Female	Outside	Director, Audit and Supervisory Committee Member	●	2	100%	5	●	●					●

(Note 1) Chairman of the Board of Directors (the chairman of the board and CEO do not serve concurrently.)
(Note 2) The skills matrix does not indicate the entire range of knowledge, experience and expertise that a given director possesses.

For the analysis and evaluation of the effectiveness of Board of Directors and future initiatives, please refer to MHI Report P.66. https://www.mhi.com/jp/finance/library/annual/pdf/report_2023.pdf

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Corporate Governance

Remuneration of Directors Policy System Actual

■ Structure of Executive Remuneration

<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 (variable remuneration: short-term incentive), and stock-based remuneration (variable remuneration: long-term incentive) from the viewpoint of reflecting business performance and sharing value with shareholders.
- Performance-linked remuneration is determined based on consolidated earnings while also taking into account the roles of each director and the business performance and accomplishments of the business of which he or she is in charge, etc.
- For stock remuneration, the Board Incentive Plan Trust structure is used. MHI shares are issued, and remuneration is paid based on stock award points that are granted in accordance with the individual role of each director and the Company's business performance, etc.
- After revising the stock-based remuneration system through a resolution passed at the 94th Annual General Meeting of Shareholders, which was held on June 27, 2019, the standard for the remuneration of the Company's president was set at roughly 30% base remuneration, 40% performance-linked remuneration, and 30% stock-based remuneration (in the event that consolidated profit before income taxes reached ¥200 billion; calculated based on the fair value of stock award points granted during fiscal 2018), making for a remuneration structure in which the higher a director's position is, the greater his or her performance-linked remuneration will be.
- The benchmark used to calculate performance-linked remuneration is profit from business activities. Profit from business activities was chosen so that the results of business operations are reflected in performance-linked stock remuneration. Starting in 2022, the benchmark was changed from pretax profit to profit from business activities, a major indicator used in business planning in order to further strengthen the link with business plans including the Medium-Term Business Plan.
- The benchmark used to calculate stock-based remuneration is pretax profit. Pretax profit was chosen to incorporate the results of business operations inclusive of finance income/costs in stock-based remuneration.
- In fiscal 2022, the profit from business activities used in the calculation of performance-based remuneration for fiscal 2022 was ¥193.3 billion, compared to the target (initial forecast) of profit of ¥200 billion. The profit before income taxes for fiscal 2021 targeted for use (initial forecast) in the calculation of stock-based remuneration for fiscal 2022 was ¥130 billion and the actual amount was ¥173.6 billion.

Methods for Determining Each Type of Remuneration

(Remuneration of directors who are not Audit and Supervisory Committee members [excluding outside directors])

Base remuneration: Standard amount based on position + Additional amount based on performance

- The standard amount based on position is determined in accordance with a director's position and the details of his or her duties, etc.
- The additional amount based on performance is determined within a range that shall not exceed ¥500,000 a month.

Performance-linked remuneration: Position-based payment coefficient x Profit from business activities for the given fiscal year ÷ 10,000 x Coefficient of business results

- Performance-linked remuneration is paid when the Company records a profit from business activities (or after adjustment in the event that partial adjustments are made) and carries out dividend payments.

* From the current fiscal year, the key indicator in business plans was changed from profit before income taxes to profit from business activities to increase the linkage with business plans such as the Medium-Term Business Plan

- The position-based payment coefficient is determined in accordance with a director's position and the details of his or her duties, etc.
- The coefficient of business results evaluates the performance and results of a business of which a director is in charge. It is determined within a range from 1.3 to 0.7.

Stock-based remuneration: Position-based standard points coefficient of business results

- As a general rule, directors receive MHI shares and cash in an amount equivalent to MHI shares' liquidation value three years after being granted stock award points.
- Position-based standard points are determined in accordance with a director's position and the details of his or her duties, etc.
- The coefficient of business results is based on profit before income taxes in the previous fiscal year.
- In the event that a director engages in improper conduct, the Company suspends the granting of stock award points and the issuance of shares to said director. The Company asks the director to submit a payment equivalent to the number of shares issued to him or her, so-called "clawback".

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■ Incorporating an ESG perspective into stock-based renumeration calculations

In order to objectively evaluate the Company's broad range of ESG initiatives, starting with executive compensation in fiscal 2023, external evaluations by major ESG evaluation organizations are reflected in the performance coefficient.

■ 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: 43.9% / Type: Stock remuneration

■ Remuneration (Note)

	Number		Unit	Total	Base remuneration	Performance-linked remuneration	Stock remuneration
Directors who are not serving as Audit and Supervisory Committee members (excluding outside directors)	4	Male	Millions of yen	1,023	231	444	348
	0	Female	Millions of yen	—	—	—	—
Directors who are serving as Audit and Supervisory Committee members (excluding outside directors)	2	Male	Millions of yen	103	103	—	—
	0	Female	Millions of yen	—	—	—	—
Outside directors	5	Male	Millions of yen	63	63	—	—
	2	Female	Millions of yen	37	37	—	—

(Note) The table above includes one director who not was an Audit and Supervisory Committee member and who retired during the fiscal year under review.
(Note) Actual remuneration levels are based on position and does not differ between male and female directors.

<Remuneration of 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.

<Remuneration of 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.

■ Average salary of all employees and CEO remuneration

	Unit	Stock remuneration
CEO remuneration	Millions of yen	348
Mean employee salary	Millions of yen	9.65
Median employee salary	Millions of yen	8.92
Ratio	time	36.1 (pairwise average), 39.0 (pairwise medians)

■ Individual remuneration (Note)

Name	Position	Unit	Total	Base remuneration	Performance-linked remuneration	Amount
Shunichi Miyanaga	Director	Millions of yen	327	68	140	118
Seiji Izumisawa	Director	Millions of yen	348	74	155	118
Hitoshi Kaguchi	Director	Millions of yen	201	49	85	66
Hisato Kozawa	Director	Millions of yen	145	39	62	43

(Reference) Securities Report (FY2023), P.72
https://www.mhi.com/jp/finance/library/financial/pdf/2023/2023_04_all.pdf
(Note) Officers receiving more than 100 million yen in total sum

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Duties of the Audit and Supervisory Committee Policy

The Audit and Supervisory Committee monitors and verifies various aspects of the Company's operations, including the execution of duties of directors, the appropriateness of business report, etc., adequacy of audits by the accounting auditor, and the effectiveness of internal control systems. The results of this monitoring and verification are provided to the Company's shareholders via audit reports. In addition, the Audit and Supervisory Committee decides on opinions pertaining to the election of and remuneration for directors who are not Audit and Supervisory Committee members. The committee is also responsible for determining the details of agenda items related to the appointment of accounting auditors, among other duties. Moreover, distinct from directors who are not Audit and Supervisory Committee members, directors who are Audit and Supervisory Committee members are appointed at the General Meeting of Shareholders. Each director has a duty of due care, based on their contract of service with the Company.

Structure of the Audit and Supervisory Committee System

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.

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

In its activities in fiscal 2022, the Audit and Supervisory Committee positioned as "key points" such matters as the status of progress on important measures in the 2021 Medium-Term Business Plan that the Audit and Supervisory Committee considers it necessary to pay close attention to, as well as the status of responses to individual events with a major impact on management.

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.

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.

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 regular meetings (around once a month) to exchange information and Audit and Supervisory Committee members attend audits performed by the Management Audit Department as necessary.

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.

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Effectiveness of the Audit and Supervisory Committee Members Actual

■ Audit and Supervisory Committee attendance

Average	100% (FY2022)
The minimum attendance	100% (FY2022)

■ Rate of attendance at Audit and Supervisory Committee by Audit and Supervisory Committee members

Name	Inside/Outside	Position (as of March 31, 2023)	Audit and Supervisory Committee Attendance (FY 2022)
Koji Okura	Inside	Director, Full-time Audit and Supervisory Committee Member	100%
Setsuo Tokunaga	Inside	Director, Full-time Audit and Supervisory Committee Member	100%
Ryutaro Takayanagi	Inside	Director, Full-time Audit and Supervisory Committee Member	100%
Hiroo Unoura	Outside	Outside Director, Audit and Supervisory Committee Member	100%
Noriko Morikawa	Outside	Outside Director, Audit and Supervisory Committee Member	100%
Masako Ii	Outside	Outside Director, Audit and Supervisory Committee Member	100%

(Note) Since Mr. Koji Okura, Director, retired at the conclusion of the 97th Annual General Meeting of Shareholders held on June 29, 2022, and Mr. Ryutaro Takayanagi, Director and Full-time Audit and Supervisory Committee Member assumed office on the day of the 97th Annual General Meeting of Shareholders (June 29, 2022), the Audit and Supervisory Committee members as of March 31, 2023 were Setsuo Tokunaga, Ryutaro Takayanagi, Hiroo Unoura, Noriko Morikawa, and Masako Ii.

■ Results of Initiatives Implemented in fiscal 2022

Pertaining to activities in fiscal 2022, the Audit and Supervisory Committee prepared an Audit Report giving its opinion that the Business Report and other reports fairly represent the conditions of the Company in accordance with laws and ordinances and the Articles of Incorporation; that it found no misconduct or significant facts in violation of laws and ordinances or Articles of Incorporation in the execution of duties by directors; that the content of the Board of Directors' resolutions on internal control systems is appropriate; that it found no matters warranting comment regarding the contents of the Business Report and directors' execution of their duties related to internal control systems, including internal control systems related to financial reporting; and that the Accounting Auditor's auditing methods and results are appropriate.

The Audit and Supervisory Committee reported on the contents of the Audit Report to shareholders at the General Meeting of Shareholders, which was held on June 29, 2023, 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 2023.

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Activities of Committees System Implementation

Committee name	Chair, person responsible	Members	Purpose of establishment	Number of meetings in FY2022	Main agenda items in FY2022
Nomination and Remuneration Advisory Council	—	Chairman of the Board, President, Outside Directors (6)	Obtain the opinions and advice of independent outside directors to ensure transparency and soundness of procedures 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 management executives, and matters relating to the determination of remuneration of directors (excluding directors who are serving as Audit and Supervisory Committee members).	5	Nomination of director candidates, dismissal of directors, and other matters related to appointment and dismissal of executive management, matters related to determining remuneration of directors who are not Audit and Supervisory committee members
Outside Directors' Meetings	—	Six outside directors and representatives from the company (as necessary)	Independent outside directors strengthen oversight of business execution divisions and exchange opinions with the divisions on a wide range of matters not limited to the agenda items of the Board of Directors.	2	Exchange of opinions related to Board of Director effectiveness evaluations and dialogue with employees
Compliance Committee	GC	General Managers of Corporate Departments, and General Managers of Administration Departments of Business Domains and Segments; a total of 28 people	Promote compliance at MHI Group.	2	Annual action plan for compliance measures
Environment Committee	CTO	General Managers of Corporate Departments, and General Managers of Administration Departments of Business Domains and Segments; a total of 15 people	Clarify the Company's stance on the environment internally and externally and promote environmental activities.	1	Confirmation of progress on the Fifth MHI Group Environmental Targets and verification of the next fiscal year's initiatives
International Trade Control Committee	GC	General Managers of Corporate Departments, and General Managers of Administration Departments of Business Domains and Segments; a total of 22 people	Promote compliance with international trade control regulations at MHI Group.	2	Deliberation and approval of important policies, initiatives, and action plan related to export management
Business Risk Management Committee	GC	CFO, CSO, CTO, officer in charge of HR, General Managers of Corporate Departments, and General Managers of Administration Departments of Business Domains and Segments; a total of around 20 people	Deliberate on policy and share information related to business risk management.	4	Policies and measures for business risk
Cybersecurity Committee	CTO	CSO, GC, officer in charge of HR, domain and segment heads, Information System Officer (head of the Digital Innovation Headquarters); a total of 13 people	We will secure business continuity and maintain the efficiency of production activities against cybersecurity threats while achieving advanced cybersecurity governance at the global level.	(Newly established as of August 1, 2023)	(Newly established as of August 1, 2023)

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Basic Approach, Policy Policy

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.

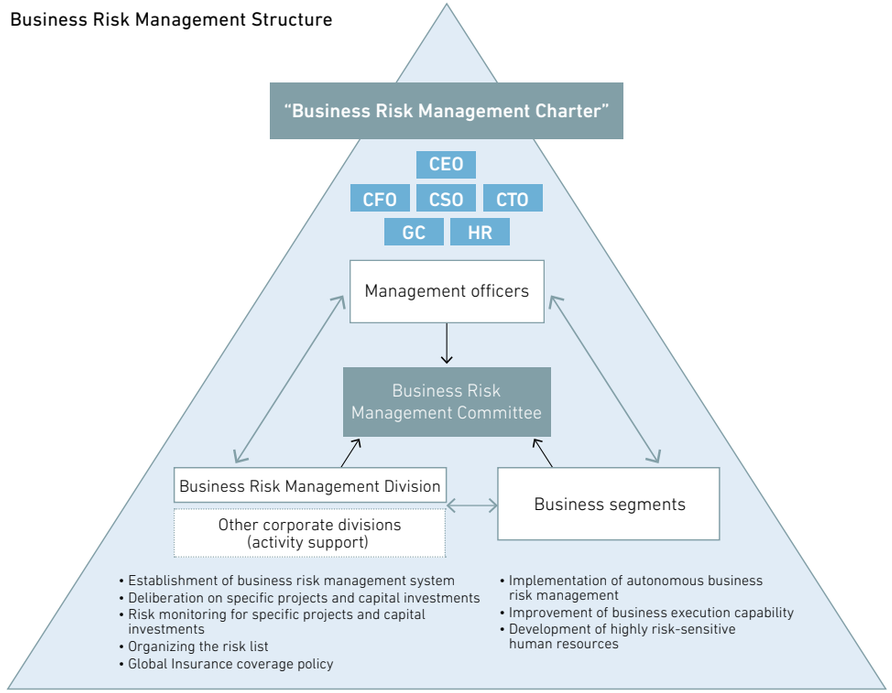
In order for MHI Group to mark sustained growth amid an ever-changing business environment, it is necessary to continue to take up challenges in new fields, new technologies, new regions, and new customers as well as to improve and strengthen operations in its existing business markets. Such challenges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

To link challenges of this kind to the next leap into the future, MHI Group, applying its past experience and lessons learned, has established the "Business Risk Management Charter" and will promote the creation of mechanisms that will ensure the effective execution of business risk management, and cultivation of a culture of responding to risks. MHI Group will also 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.

Business Risk Management Structure System

MHI Group is pursuing more organized business risk management and clarifying the roles of management, business segments, and corporate departments. In addition, with the Business Risk Management Division as the responsible department, we engage in business risk management activities bringing together management, business segments, and corporate departments.

Business Risk Management Structure



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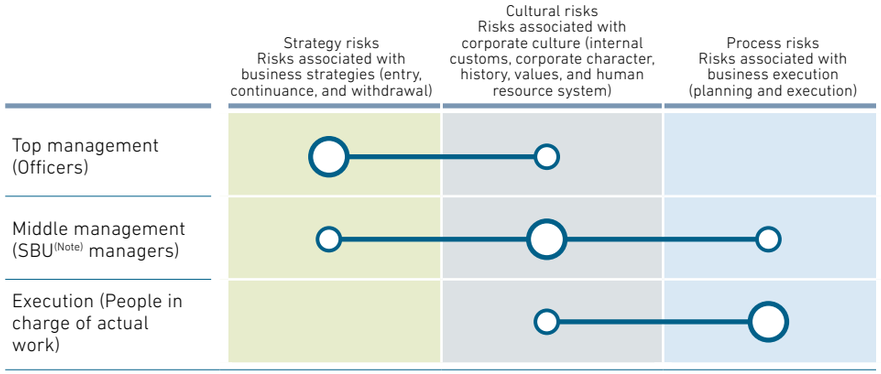
<Matrix of Business Risk Management>

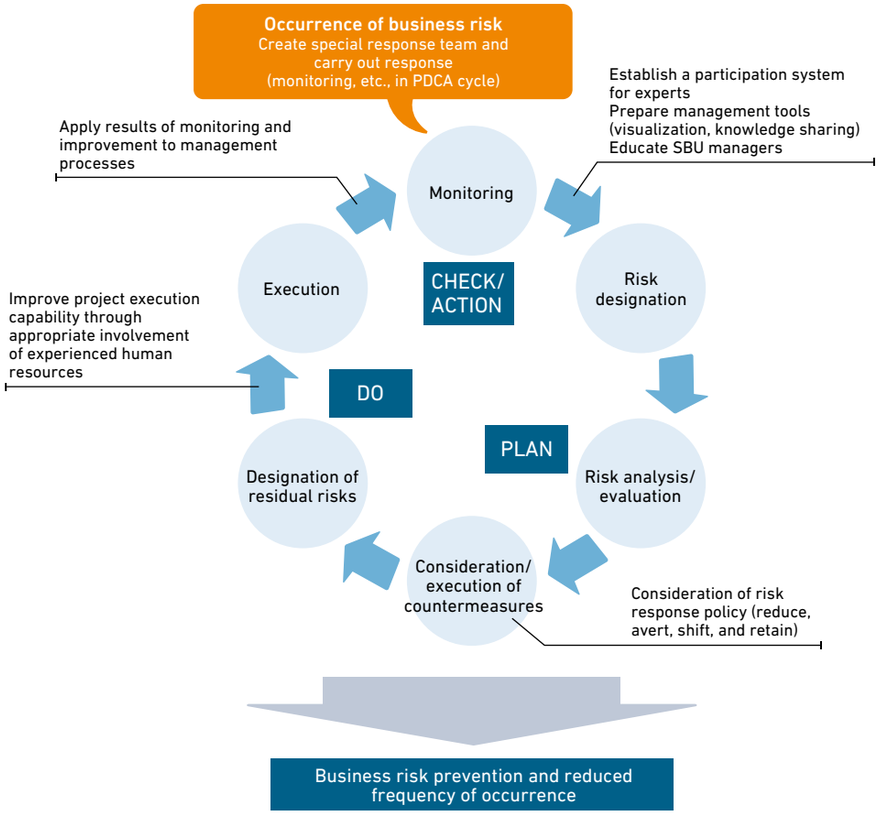
We believe that risk management is a part of governance and functions only when the elements of systems and processes, corporate culture, and human resources are in place. For our Group to succeed in the global market, we need to take bold and daring risks, but we also need to manage those risks. That 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).



(Note) SBU: Strategic Business Unit (business unit in the strategic business assessment system)

<Business Risk Management Process>

The chart below (Business Risk Management Process) outlines specific business risk management activities. In addition to improving systems and processes to prevent business risks, reduce the frequency with which such risks manifest themselves, and consider and implement measures, 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 for SBU manager candidates.



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Basic Policy on Business Continuity Policy

As a company that bears heavy responsibility for creating and maintaining the functions of social infrastructure, we carry out initiatives for business continuity based on the following basic policy so as to continue business even when facing an unanticipated situation like a large-scale natural disaster, or to restore it as quickly as possible once business is discontinued.

1. Highest priority on ensuring people's safety
We will put highest priority on ensuring the lives and safety of customers, employees (and their families), and business partners, etc.

2. Ensuring the safety of local communities
We will work to prevent secondary disasters such as the outflow of pollutants, abide by rules for minimizing the impact on industry and society, and exist in harmony with local communities.

3. Quick restoration of business
We will quickly launch businesses contributing to restore social infrastructure and to maintain defense functions in order to work to minimize the negative business impact from services shutting down and reputational risk.

Regarding pandemics of new influenza strains and new infectious diseases (hereinafter, "new flu strains, etc."), we established the New Flu Strains, Etc. Response Guidelines and address such situations based on the three basic policies at right.

1. **We put highest priority on maintaining and securing the lives and safety of employees and their families.**
2. **We work to prevent the spread of infections when infected by new flu strains, etc.**
3. **We continue to carry out business activities to the extent possible.**

Preparations for Business Continuity (domestic example) Initiatives

■ Initiative for large-scale natural disasters

For large-scale natural disasters like earthquakes and typhoons, business continuity plans (BCP) are formulated by assuming high risk events that could occur in the region for each business site. In fiscal 2022, response guidelines in the BCP were revised based on the status of the latest organizational systems.

At the MHI head office, response guidelines have been created in preparation for an earthquake occurring immediately under Tokyo. We have also built a system that a backup response headquarters would be established in the Kansai region to allow for initial response and activities for business continuity to be carried out in the situation that an earthquake with a seismic intensity of just under six, which is the level that would trigger the BCP, occurs.

At our various sites, in order to prepare for unexpected contingencies, response guidelines in the BCP has been created in two phases, "initial response / infrastructure restoration" and "early resumption of business," so as to handle emergency events appropriately.

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Results of drills simulating an earthquake immediately under Tokyo

Fiscal 2021
- Drill involving communication equipment in which an earthquake occurs at night on the weekend and a response headquarters is set up remotely
- Drill to set up a backup response headquarters in the Kansai region while simulating the suspension of head office functions

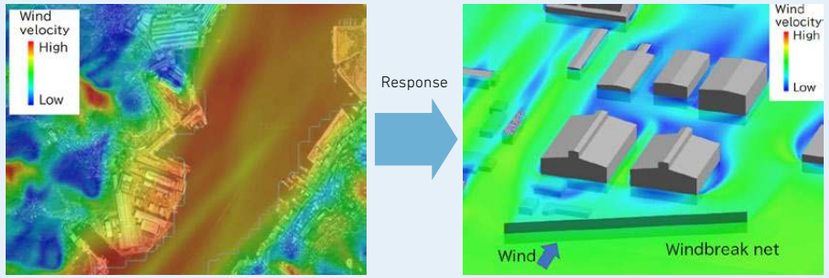
Fiscal 2022
- Drill involving communication equipment in which an earthquake occurs at night on the weekend and a response headquarters is set up remotely
- Drill to set up a backup response headquarters in the Kansai region while simulating the suspension of head office functions
- Drill on setting up a response headquarters at the head office based on an earthquake occurring during the day

Pick Up Use of disaster prevention simulation technology to factory BCP

With climate-related disasters being exacerbated by climate change caused by global warming, social infrastructure built during Japan's period of high economic growth is continuing to age, so it is important to analyze infrastructure disaster risks and to make plans for repairs and replacements. MHI Group has proprietary disaster simulation technology for various disasters, ranging from flooding, tsunami, earthquakes, typhoons, fires and leakage explosions, and it can be utilized to analyze risks caused by climate change and then for planning disaster response measures for the purpose of increasing infrastructure resilience (resilience and restorative capability).

In fiscal 2022, this disaster simulation technology was applied to seven domestic factories in order to assess where at the factory the impact would be if a large-scale typhoon, torrential rains, or a tsunami should occur, which led to revise the BCP in each factory. In fiscal 2023, we also plan to apply this disaster simulation technology to three factories in Japan and to intend to expand to further factories going forward.

Disaster simulation example: Typhoon



Wind velocity map
(Strong impact in bay-shaped areas and valleys)

Response examples
(Building wind pressure reduced by 30% using windscreens)

■ Pandemic

For the response to the COVID-19 pandemic since fiscal 2019, according to the New Flu Strains, Etc. Response Guidelines, we established a COVID-19 response headquarters chaired by the president in order to work to both prevent infections and promote business activities (ended as of May 7, 2023).

■ Fiscal 2023 Initiatives

In fiscal 2023 and beyond we have been engaging in business continuity management to increase our resilience to unforeseen contingences that have the potential to disrupt business, including large-scale natural disasters, pandemics and cyberattacks.

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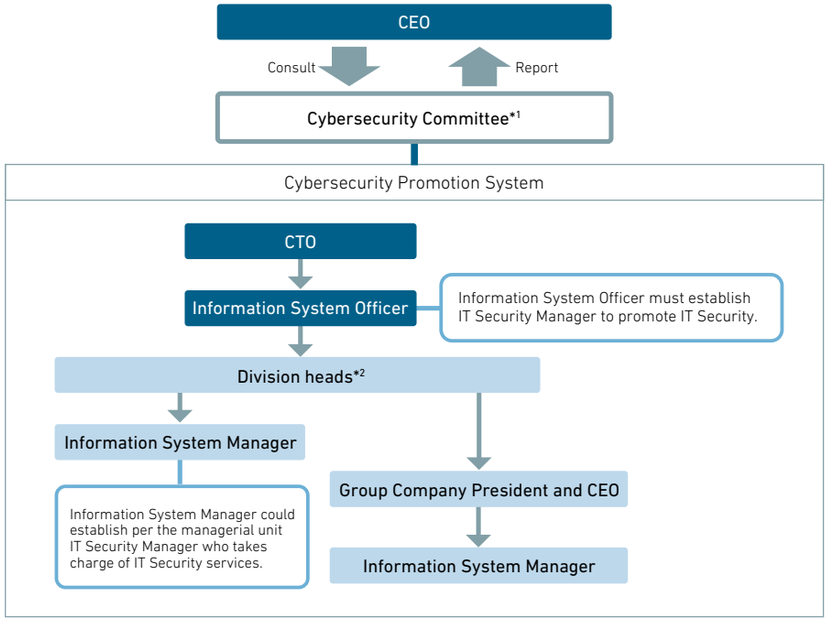
Efforts toward Cybersecurity Policy Initiatives

Providing a large number of critical infrastructures to society, MHI Group has established a cybersecurity basic policy and strategy to protect business information (including intellectual property, technical information, sales information, personal information, etc.) and maintain secure operation. Recognizing cybersecurity as a critical risk, MHI Group regularly monitors it as part of materiality initiatives. Our President and CEO supervises the cybersecurity strategy, and our CTO reports the results of discussion in the Cybersecurity Committee in a timely manner to the Executive Committee and Board of Directors.

IT Security Management System



*1 Established August 8, 2023 (For details, refer to Corporate Governance – Activities of Committees)
*2 Division Head: The Head of domain, and the Head of segment. The Head of Digital Innovation HQ for the corporate division.

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Based on the policy and strategy, a cybersecurity program has been implemented under the control of the CTO to minimize the risks of cyber incidents. Cybersecurity governance, incident response, and education and training are maintained and performed under this program. At the same time, MHI Group is contributing to establish a global cybersecurity framework.

<Cybersecurity Governance>

MHI Group has defined its internal cybersecurity standard according to the NIST-CSF*3 providing a defense-in-depth mechanism as well as threat detection and prevention by tracking and remedying cybersecurity risks utilizing multiple external intelligence services and other resources. Emergency responses are taken without hesitation when signs of a security risk are found.

To maintain and improve our cybersecurity, MHI keeps abreast of the latest cybersecurity intelligence through such measures as vulnerability testing and collection/analysis of threat information. Meanwhile, MHI seeks to raise security awareness of employees by providing education and training, and also performs periodic self-assessments and internal audits. Furthermore, we are revising standards based on MHI Group's compliance and issues by referring to the state of formulation and revision of guidelines by governments and organizations such as the Cybersecurity Management Guidelines*4. For the industrial control system of our products and services, MHI Group has built a framework that controls cybersecurity risk and will work with business partners to upgrade the cybersecurity capabilities and capacity of our products and services on a regular basis. By driving development of next-generation cybersecurity solutions, MHI will help to build a safe, secure society.

*3 National Institute of Standards and Technology Cybersecurity Framework
*4 Published by the Ministry of Economy, Trade and Industry of Japan in December 2016.

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<Response to Cybersecurity-Related Incidents>

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

<Cybersecurity Education>

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

<Contributing to the Establishment of a Global Cybersecurity Framework>

Through participation in the Study Group for Industrial Cybersecurity*1, the Charter of Trust*2, promotion of the Declaration of Cyber Security Management 2.0 (announced in October 2022), and other cybersecurity initiatives, MHI Group is contributing to the establishment of a global cybersecurity framework.

*1 An initiative by the Ministry of Economy, Trade and Industry to examine industrial cybersecurity measures. MHI joined this initiative in December 2017.
*2 An initiative by private corporations to build trust in cybersecurity. MHI participated in this initiative in April 2019.

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Basic Approach Policy

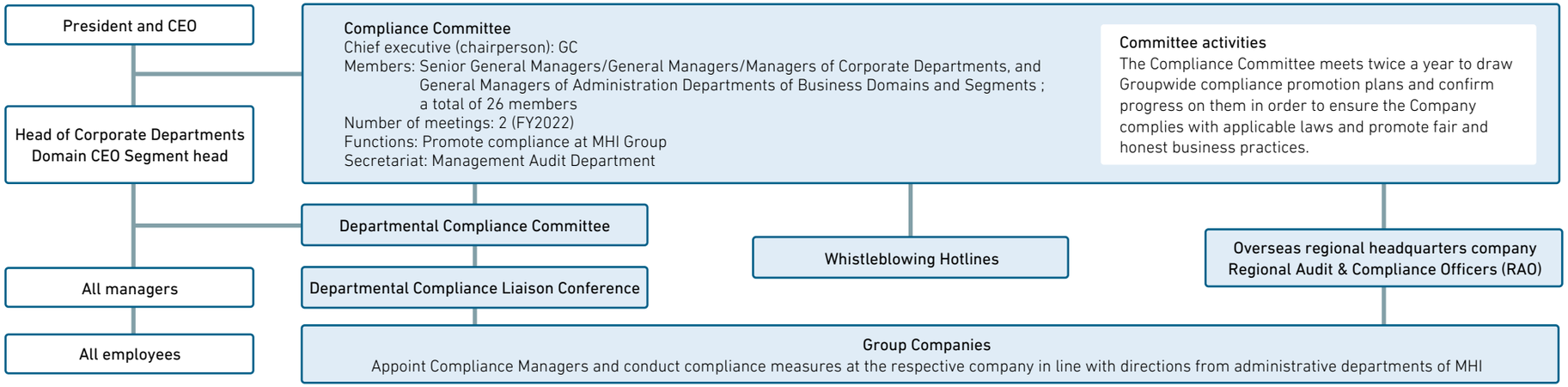
As a global company, MHI Group employs tens of thousands of individuals from different backgrounds, nationalities, and cultures. This diversity of talent and perspectives is one of our greatest assets. With recognizing the diverse backgrounds of our employees, it is important to work together and to promote our business under a common corporate culture. To this end, we expanded the MHI Compliance Guidelines established in 2021 to formulate the MHI Group Global Code of Conduct in May 2015. This code prescribes Groupwide norms for MHI Group employees to help them determine which action to take.

Moreover, in September 2017, we formulated our 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.

MHI Group Global Code Conduct
https://www.mhi.com/jp/company/aboutmhi/policy/conduct.html

Promotion System System

■ **Compliance Promotion System** (as of April 1, 2023)



■ **Role of the Board of Directors**

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.

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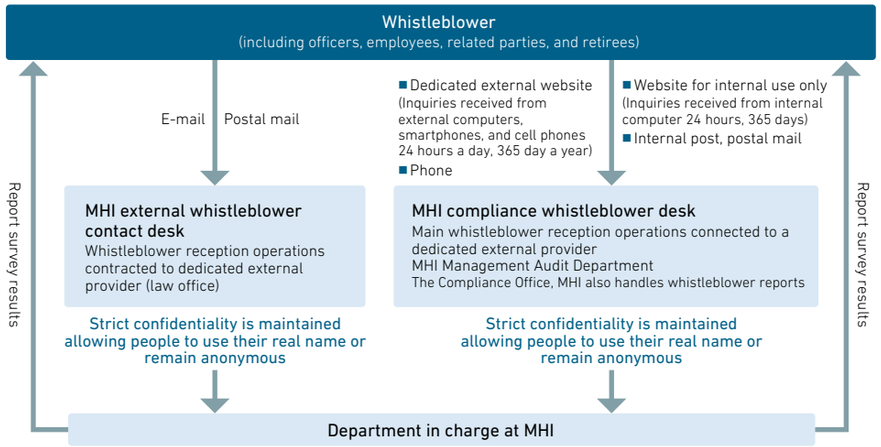
■ Whistle-blowing system

We have a 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.

Whistleblowing system mechanism



■ Employee awareness-raising system

MHI Group has established a system to raise compliance awareness in each and every employee and carries out various initiatives to this end.

• Compliance training
Since 2003 we have held discussion-based training every year at the workplace level, themed on compliance cases that could arise on-site. 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.

• 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. Compliance ▶ P.117

■ Response to unjust demands made by anti-social forces

MHI Group, in its Global Code of Conduct, clearly states that it will respond resolutely to anti-social forces (organized crime groups, mafia organizations, terrorists, drug syndicates and other organizations, groups or individuals engaged in unlawful activities or who cause damage to the corporate image of the Group) and that it will not respond to unjust demands made by them. It is our basic policy to cut off all relationships with anti-social forces. Our head office has a management office that deals with anti-social forces, and through coordination with related departments, the police, lawyers and other external specialized organizations, the Company addresses incidents involving anti-social forces at the organizational level.

In addition, regarding information related to anti-social forces, MHI obtains relevant information from the police and auxiliary organizations to prepare for unexpected situations, and coordinates with outside specialists, including the police and lawyers, in order to cut off relations with anti-social forces.

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Compliance Results

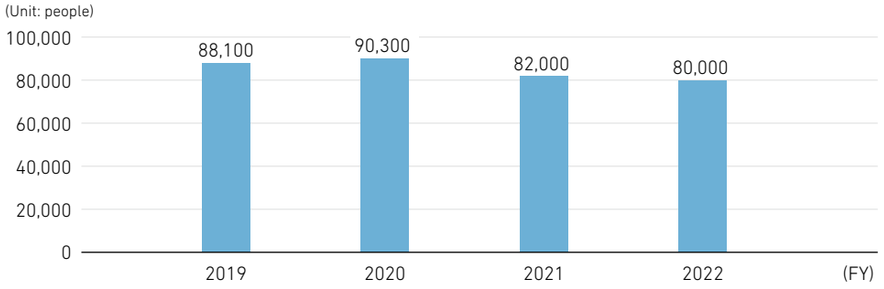
■ Compliance training

E-learning training is held every year on the MHI Group Global Code of Conduct, a set of norms shared throughout MHI Group, to work to raise awareness of the code in each Group employee throughout the world.

■ Reporting on breaches

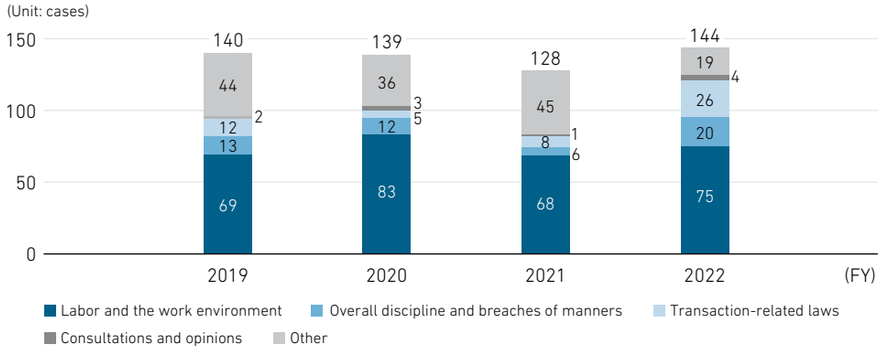
There were 36 compliance violations among the compliance whistleblowing reports, including on corruption (such as bribery), in fiscal 2022. Among them, we took corrective action on 66 cases. There was no significant breach last year, with no related fines or penalties as a result.

Number of people taking compliance training



* Coverage: MHI Group

Number of whistle-blowing reports



* Coverage: MHI Group

Pick Up

Number of people taking e-learning on compliance promotion

FY2022 Approx. 80,000

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Compliance Anti-corruption

Anti-corruption Policy 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.

Scope of policy application	MHI Group (Reference) MHI Group Global Code of Conduct https://www.mhi.com/jp/company/aboutmhi/policy/conduct.html
Relationship with politics	In the MHI Group Global Code of Conduct we prohibit employees from providing or offering company money or other resources for political activities without prior approval from the Legal Department. In addition, the advance approval of the Legal Department is required when engaging in activities that could be recognized as lobbying activities.

System for Preventing Corruption System

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

Total Donations and Contributions Results

Total Donations and Contributions	Amount Recipient
Political contributions: ¥33 million	Donate to: The People's Political Association

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Compliance Anti-corruption

Employee Training Initiatives

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 4,700 employees took the course in 2022 for a cumulative total of around 27,000 participants. In fiscal 2022, we conducted an e-learning course on preventing bribery for all employees capable of accessing the Company's e-learning courses, and a total of around 19,100 employees took the course.

In addition, in 2022, group training on bribery prevention was held at three sites in Japan with around 100 employees attending. Thus far approximately 1,900 employees in total have taken this training.

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Anti-trust Policy Policy

MHI has worked to prevent the violation of anti-trust laws through messages from top management and through the use of rules and manuals such as the Code of Conduct Pertaining to Communication/Contact with Competitors. In May 2015, we published the MHI Group Global Code of Conduct and thoroughly ensured that all executive officers and employees throughout MHI Group are aware that anti-competitive conduct is strictly forbidden.

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

Employee Training Initiatives

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

In addition, since fiscal 2015 we have conducted training to make every employee in the MHI Group worldwide aware of the MHI Group Global Code of Conduct, which includes compliance with competition laws. Since fiscal 2014, MHI and its Group companies worldwide have steadily conducted e-learning education to comply with anti-trust laws, mainly for manager-level employees. Approximately 1,400 employees took these e-learning courses in fiscal 2021, and approximately 21,550 employees in total have taken these courses so far. In 2021, group training on compliance with anti-trust laws was held at three sites in Japan including online, approximately 100 employees took this training, and approximately 1,850 employees in total have taken this training so far. We also provide group training on bidding on government projects for the employees of divisions and Group companies working on public procurements.

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Export Control Policy Policy

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

MHI Group also strives to conduct thorough monitoring by performing assessments and transaction screenings, including confirmation of the country or region of destination, use, and customer when exporting commodities or providing technologies overseas and acquiring the necessary export licenses and permissions prior to export. Through the MHI Group Global Code of Conduct, established in May 2015, we have conducted awareness training of export control to all MHI Group executives and employees. Furthermore, through the Global Policy on Export-Related Laws and Regulations Compliance, released in October 2017, we have set fundamental standards and rules in connection with the proper implementation of Export Controls that each Group company is expected to follow.

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

Employee Training Initiatives

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 with approximately 100 people taking these courses in fiscal 2022, and a total of approximately 56,000 people taking them on cumulative basis. We have also introduced e-learning focused on classifications checks since fiscal 2017, approximately 200 people took this course in fiscal 2022, and a total of approximately 9,000 people have taken the course so far. Since fiscal 2019, we have conducted e-learning training on the export control of technology at MHI and Group companies in Japan, in which approximately 28,400 employees participated in fiscal 2022, and approximately 82,800 employees in total have participated so far. Since fiscal 2016, we have been conducting e-learning on export control for people at overseas Group companies at the management level, approximately 4,500 people took these classes in fiscal 2022, and approximately 15,700 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.

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Compliance Tax Transparency

Tax-law Compliance Policy 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 efforts 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.

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Talent Attraction and Retention

Occupational Safety and Health

Product Safety/Innovation

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* To heighten the reliability of data, we have received assurance from an independent third party. The data most recently assured is noted with a ✓.

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Environmental Management

■ Environmental Targets

<Progress on The Fifth Environmental Targets>

	2019		2020		2021		2022	
	Result	Vs. FY2014	Result	Vs. FY2014	Result	Vs. FY2014	Result	Vs. FY2014
KPI (1) Reduction in CO_2 emissions/Amount of sales	15.1	22.2% Reduction	13.2	32.8% Reduction	12.3	37.8% Reduction	10.5*1	44.4% Reduction
KPI (2) Reduction in water usage/Amount of sales	0.184	11.4% Reduction	0.183	11.4% Reduction	0.16	22.8% Reduction	0.143*2	30.9% Reduction
KPI (3) Reduction in waste generation/Amount of sales	1.82	16.1% Reduction	1.91	11.9% Reduction	1.71	21.1% Reduction	1.53*3	29.4% Reduction

Coverage: *1 MHI and 163 domestic and overseas Group companies
*2 MHI and 143 domestic and overseas Group companies
*3 MHI and 116 domestic and overseas Group companies

Climate Change

■ GHG Emissions

<Direct GHG emissions (Scope 1)>

	Unit	2020	2021	2022	2023
GHG Emissions*1	kt-CO_2	151	172	137	132
(Third-party Assurance)*2	kt-CO_2	102	118	82 ✓	*4
Other indirect GHG emissions*3	kt-CO_2				
CH_4	kt-CO_2	0.062	0.073	0.180	
N_2O	kt-CO_2	1.32	0.261	0.086	
HFCs	kt-CO_2	0.637	0.219	0.621	
PFCs	kt-CO_2	0	0	0	
SFCs	kt-CO_2	0.291	0.574	0.403	
NF_3	kt-CO_2	0	0	0	

*1 Coverage: MHI and domestic and overseas Group companies (156 companies in FY2020, 158 companies in FY2021, 163 companies in FY2022 and 156 companies in FY2023 [accounting for 98% of net sales])
*2 Coverage: MHI and domestic Group companies (14 companies in FY2019, 15 companies in FY2020, 12 companies in FY2021, and 11 companies in FY2022)
*3 Coverage: MHI
*4 Under review to obtain assurance from an independent third party

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<Indirect GHG emissions (Scope 2)>

	Unit	2020	2021	2022	2023
Location-based*1, 3	kt-CO_2	495	419	429	430
(Third-party Assurance)*2, 3		—	—	247 ✓	*5
Market-based*1, 4	kt-CO_2	399	382	378	402
(Third-party Assurance)*2, 4		247	225	224 ✓	*5

*1 Coverage: MHI and domestic and overseas Group companies (156 companies in FY2020, 158 companies in FY2021, 165 companies in FY2022 and 156 companies in FY2023 [accounting for 98% of net sales])
*2 Coverage: MHI and domestic Group companies (14 companies in FY2019, 15 companies in FY2020, 12 companies in FY2021, 11 companies in FY2022)
*3 For Japan, the national average of emission factors by electric power company (Ministry of the Environment, Ministry of Economy, Trade and Industry) is applied. For others, International Energy Agency (IEA) IEA Emission Factors average coefficients by country are applied.
*4 For Japan, adjusted emission factors by electric power company (Ministry of the Environment, Ministry of Economy, Trade and Industry) are applied. For others, IEA Emission Factors of the International Energy Agency (IEA) are applied when it is difficult to obtain emission factors provided by electricity suppliers.
*5 Under review to obtain assurance from an independent third party

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<Other indirect GHG emissions (Scope 3)>

Category	Unit	2020	2021	2022	2023
1. Purchased goods and services*1	kt-CO_2	4,935	4,819	4,907	7,371
2. Capital goods*2		390	385	477	650
3. Fuel- and energy-related activities (not included in Scopes 1 or 2)*2		71	68	70	70
4. Upstream transportation and distribution*1		11	13	17	14
5. Waste generated in operations		19*5	17*5	14*5✓	18*7
6. Business travel*2		10	10	10	10
7. Employee commuting*2		37	36	35	36
8. Upstream leased assets <Included in Scopes 1 and 2>	—	—	—	—	—
9. Downstream transportation and distribution*3	—	N/A	N/A	N/A	N/A
10. Processing of sold products*3	—	N/A	N/A	N/A	N/A
11. Use of sold products*6	kt-CO_2	715,000	1,573,000	1,245,000	859,000
12. End-of-life treatment of sold products*3	—	N/A	N/A	N/A	N/A
13. Downstream leased assets*4	—	N/A	N/A	N/A	N/A
14. Franchises*4	—	N/A	N/A	N/A	N/A
15. Investments*3	—	N/A	N/A	N/A	N/A
Totals in the aggregate scope	kt-CO_2	720,474	1,578,348	1,250,530	867,169

* Figures may fluctuate due to revision of the scope and method of calculation
*1 Coverage: MHI and certain domestic Group companies
*2 Coverage: MHI and domestic and overseas Group companies
*3 Excluded from calculation due to lack of reference data
*4 Excluded from calculation due to being outside company business
*5 Coverage: MHI and domestic Group companies (11 companies in FY2020, 9 companies in FY2021, and 8 companies in FY2022)
*6 Coverage: MHI and domestic and overseas Group companies. Emissions throughout the life cycle
*7 Under review to obtain assurance from an independent third party

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■ Energy Consumption

<Energy consumption>

	Unit	2020	2021	2022	2023
Total energy consumption	GWh	1,718	1,783	1,746	1,723
Renewable energy consumption	GWh	116	99	109	128
Proportion of renewable energy consumption to total energy consumption	%	6.7	5.5	6.3	7.4

Coverage: MHI and domestic and overseas Group companies (156 companies in FY2020, 158 companies in FY2021, 163 companies in FY2022, and 156 companies in FY2023 [accounting for 98% of net sales])

<Electricity purchased>

	Unit	2019	2020	2021	2022
Electricity purchased	GWh	1,120	982	954	976

Coverage: MHI and domestic and overseas Group companies (157 companies in FY2019, 156 companies in FY2020, 158 companies in FY2021, and 163 companies in FY2022 [accounting for 98% of net sales])

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Energy Use

<Energy use results>

	Unit	2019	2020	2021	2022
Purchased electricity*1	GWh	699	598	539	568 ✓
Heavy fuel oil A	ML	3	3	4	3 ✓
Heavy fuel oil B/C	kL	20	0	0	0 ✓
Gasoline	ML	0.3	0.2	0.3	0.2 ✓
Gas oil/Diesel oil	ML	3	4	2	2 ✓
Kerosene	ML	4	2	2	0.5 ✓
Jet fuel	ML	0.7	0.7	0.8	1 ✓
Steam coal	kt	0.1	0	0	0.002 ✓
City gas	MNm^3	36	29	38	24 ✓
LPG	kt	4	4	3	2 ✓
LNG	kt	0.1	0.7	1	1 ✓
Natural gas (excluding LNG)	$k(m^3)$	0	0	0.9	0.7 ✓
Petroleum hydrocarbon gas	$k(m^3)$	0.1	0.1	1.5	3.3 ✓
Hot water	GJ	21	20	21	21 ✓
Cold water	TJ	7	6	12	12 ✓
Steam	TJ	4	4	7	6 ✓

Coverage: MHI and domestic Group companies (14 companies in FY2019, 15 companies in FY2020, 12 companies in FY2021, and 11 companies in FY2022)
*1 Including renewable energy

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Water Risk

Water Usage

<Water resource input>

	Unit	2020	2021	2022	2023
Water intake*1	ten thousand m³	961	684	677	650
(Third-party Assurance)*2		557	506	476 ✓	*7
Breakdown of water intake	ten thousand m³				
Tap water		430	274	276	268
(Third-party Assurance)*2		161	146	139 ✓	*7
Industrial water		250	233	231	224
(Third-party Assurance)*2		229	215	193 ✓	*7
Groundwater		279	175	169	157
(Third-party Assurance)*2		167	145	144 ✓	*7
Rivers, lakes, etc.		2	2	1	1
Reused water usage*3	ten thousand m³	18	16	18	14
Ratio of reused water usage*3	%	6	2.4	4	3.5

<Water Discharge>

	Unit	2020	2021	2022	2023
Water Discharge*4	ten thousand m³	825	477	356	358
Breakdown of water discharge	ten thousand m³				
Sewerage, etc.		653	313	191	192
Public waters (rivers, lakes)*5		173	164	165	166

<Water Usage>

	Unit	2020	2021	2022	2023
Water Usage*1, 6	ten thousand m³	788	521	512	484

*1 Coverage: MHI and domestic and overseas Group companies (139 companies in FY2020, 144 companies in FY2021, 143 companies in FY2022, and 141 companies in FY2023 [accounting for 95% of net sales])
*2 Coverage: MHI and domestic Group companies (14 companies in FY2020, 11 companies in FY2021, and 10 companies in FY2022)
*3 Coverage: MHI
*4 Coverage: MHI and domestic and overseas Group companies (61 companies in FY2020, 79 companies in FY2021, 83 companies in FY2022, and 70 companies in FY2023)
*5 Amount of wastewater purified in-house and returned to rivers, lakes, etc.
*6 Water usage = Water intake (tap water + industrial water + groundwater + rivers, lakes, etc.) - Wastewater purified in-house and returned to rivers, lakes and marshes
*7 Under review to obtain assurance from an independent third party

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Waste/Pollution

■ Waste Generation

<Waste generation*1>

	Unit	2020	2021	2022	2023
Waste generation*2	thousand t	137	144	133	129
(Third-party Assurance)		37*4	30 *5	26 ✓*5	*7
Recycling amount*2		106	112	101	101
Total disposal amount*2, 3		—	32	32	28
Landfill waste disposal amount*2		11	9	10	9

<Hazardous waste generation>

	Unit	2020	2021	2022	2023
Waste generation*2	thousand t	9	11	11	10
(Third-party Assurance)*6		—	6	7 ✓	*7
Recycling amount*2		—	4	5	5
Total disposal amount*2, 3		—	7	6	5

*1 Including valuables
*2 Coverage: MHI and domestic and overseas Group companies (119 companies in FY2020 and FY2021, 116 companies in FY2022, and 116 companies in FY2023 [accounting for 91% of net sales])
*3 Total disposal amount = waste generation (total) minus recycling amount
*4 Coverage: MHI and domestic Group companies (15 companies in FY2020). Excluding valuables, including hazardous waste
*5 Coverage: MHI and domestic Group companies (12 companies in FY2021 and 11 companies in FY2022). Excluding valuables and hazardous waste
*6 Coverage: MHI and domestic Group companies (12 companies in FY2021 and 11 companies in FY2022). Hazardous waste as defined by Japanese law related to waste
*7 Under review to obtain assurance from an independent third party

■ Volatile Organic Compound (VOC) Emissions

<Volatile organic compound (VOC) emissions>

	Unit	2020	2021	2022	2023
Emissions (total)	t	741	558	585	597
Toluene		312	237	227	242
Xylene		274	217	229	237
Ethylbenzene		155	104	129	118

Coverage: MHI and domestic Group companies (25 companies in FY2020, 27 companies in FY2021, 25 companies in FY2022, and 24 companies in FY2023 [accounting for 89% of net sales])

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Human Rights

Freedom of Association and Job Security

		Unit	2020	2021	2022	2023
Employees covered by collective bargaining agreements	Employee ratio	%	91*1	92.6*2	93.3*3	90.1*4
Number of labor union-management consultations*5		Times	42	47	24	28

Coverage: *1 MHI and seven domestic Group companies (accounting for 43.3%of all consolidated employees)
*2 MHI and seven major domestic Group companies (accounting for 43.3%of all consolidated employees)
*3 MHI and 15 domestic Group companies (accounting for 46.0% of all consolidated employees)
*4 MHI and 22 domestic Group companies (accounting for 48.5% of all consolidated employees)
*5 MHI

		Unit	2020	2021	2022	2023
Layoffs	Number of employees laid off		0	0	0	0
	Number of labor union-management consultations	Times	0	0	0	0

Coverage: MHI

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Diversity, Equity, and Inclusion

Data Related to Diversity and Equal Opportunity

			Unit	2020	2021	2022	2023
Number of employees	Consolidated total			79,974	77,991	76,859	77,697
	Non-consolidated total			14,553	22,755	21,634	22,538
	Number of males			13,076	20,571	19,637	20,461
	Percentage of males		%	89.9	90.4	90.8	90.8
	Number of females			1477	2184	1997	2,027
	Percentage of females		%	10.1	9.6	9.2	9.2
Average length of service and age of employees	Average length of service		year	18.2	18.5	18.8	19.0
	Average age		age	40.8	41.6	42.1	42.4
	Average length of service for men		year	18.3	18.6	19.0	19.1
	Average length of service for women		year	17.9	17.8	17.8	17.9
Executive*1	Total			61	51	51	48
	Number of males			58	49	49	45
	Percentage of males		%	95.1	96.1	96.1	93.7
	Number of females			3	2	2	3
	Percentage of females		%	4.9	3.9	3.9	6.3
Manager*2	Total			3,396	5,498	5,455	5,766
	Number of males			3,273	5,336	5,298	5,608
	Percentage of males		%	96.4	97.1	97.1	97.3
	Number of females			123	162	157	158
	Percentage of females		%	3.6	2.9	2.9	2.7
Differently abled people employment rate	Hiring rate		%	2.24	2.34	2.45	2.55
Number of employees rehired over retirement age (60 years)	Total			608	695	682	875
Percentage of contract or temporary employees	Ratio		%	9.7	8.3	8.9	9.3
Wage equality*2, 3	Managers (base salary only)	Male	—	1.02	1.05	1.05	1.06
		Female		1	1	1	1
	Managers (base salary + bonuses and other incentives)	Male	—	1.01	1.03	1.03	1.03
		Female		1	1	1	1
	Non-managers	Male	—	1.03	1.05	1.05	1.04
		Female		1	1	1	1

Coverage: MHI
*1 Including executive officers
*2 Managers are defined as section managers and above
*3 The lowest of the average wages for men and women in each tier is 1.00, and the difference is displayed as an index

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Data Related to Diversity and Equal Opportunity

		Unit	2020	2021	2022	2023
Ratio of Females in Each Position	All employees	%	—	13.4	13.8	13.5
	Non-managers		—	15.3	16.1	15.9
	Managers*1		—	4.7 (4.5)	4.6 (4.5)	4.5 (4.4)
	General managers*1		—	3.4 (3.7)	3.4 (3.6)	3.3 (3.5)
	Executives*2		—	4.5	4.2	4.3
	Profit center managers*1,3		—	4.4 (4.1)	4.2 (4.0)	3.9 (3.7)

Coverage: MHI Group (accounting for 89.8% of consolidated employees in FY2021, 91.3% in FY2022 and 90.0% in FY2023)
*1 Aggregate figures including higher positions in parentheses
*2 Including executive officers
*3 Profit center is defined as a non-corporate organization

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Human Resources Development

Chief Engineer and Master Technician

		2019	2020	2021	2022
Number of newly certified Chief Engineer and Master Technician	Chief Engineer	3	3	4	6
	Master Technician	2	3	3	4

Coverage: MHI

Training Hours and Training Costs

		Unit	2020	2021	2022	2023
Training hours	Total training hours	Hours	317,769	703,521	766,933	972,284
	Training hours per employee	Hours/ Employees	13.1	13.6	16.0	20.6
Training costs	Total costs	Thousands of yen	477,354	1,326,638	1,881,621	1,778,634
	Training costs per employee	Yen/ Employees	19,633	25,708	39,228	37,681
Scope of calculation (MHI and domestic Group companies)	Number of eligible employees		24,313	51,605	47,966	47,203
	Employee coverage ratio	%	30.4	66.2	62.4	60.8

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Talent Attraction and Retention

		Unit	2020	2021	2022	2023
Employee performance appraisal*1	Management by objectives	%	61.4	62.9	62.9	62.7
	Multidimensional performance appraisal		38.6	37.1	37.1	37.3
New hired*1	Total		346	361	478	737
	Male		306	316	437	641
	Percentage of males	%	88.4	87.5	91.4	87
	Female		40	45	41	96
	Percentage of females	%	11.6	12.5	8.6	13
Number of mid-career hires*1	All employees		47	54	123	196
	Male		44	42	112	168
	Percentage of males	%	93.6	77.8	91.1	85.7
	Female		3	12	11	28
	Percentage of females	%	6.4	22.2	8.9	14.3
Percentage of open positions filled through internal recruitment*1	Total	%	98.9	98.8	97.8	98.0
	Male		—	—	98.6	98.0
	Female		—	—	97.7	98.0
Total turnover rate*2	Total	%	3	4.1	5.6	4.6
	Male		2.8	3.8	5.5	4.6
	Female		4.8	7	6.1	4.9
Voluntary turnover rate*2	Total	%	1.0	1.8	1.6	1.4
	Male		0.8	1.5	1.5	1.3
	Female		2.5	4.4	2.9	2.5
Length of service*1	Total	year	18.2	18.5	18.8	19.0
	Male		18.3	18.6	19.0	19.1
	Female		17.9	17.8	17.8	17.9

*1 Coverage: MHI
*2 Coverage: MHI for FY2020 and FY2021, MHI and domestic Group companies for FY2022 and FY2023 (6 companies in FY2022; 22 companies in FY2023 (accounting for 48.5% of consolidated employees))

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Employee Engagement

		Unit	2020*1	2021	2022*2	2023	Goal
Awareness survey (Group)	Percentage of highly engaged employees	%	56	—	57	—	Higher than world average by 2030*3
	(valid response rate)		88	—	75	—	

*1 Coverage: MHI and 123 domestic and overseas Group companies (accounting for 75% of consolidated employees)
*2 Coverage: MHI and 170 domestic and overseas Group companies (accounting for 88% of consolidated employees)
*3 World average: 68% (as of FY2022 survey)

Data on Workstyles and Support for Work-life Balance

			Unit	2020	2021	2022	2023
Use of work-life balance support system	Number of employees taking Childcare leave*1	Male		188	245	268	261
		Female		88	92	94	70
	Percentage of employees taking Childcare leave	Male*2	%	18.3	24.2	30.0	33.9
		Female*3		93.3	98.9	96.9	94.5
	Number of employees using Short-time work for Childcare	Male		245	348	417	604
		Female		269	559	531	538
	Number of employees using Child-planning (infertility treatment) leave			1	2	5	3
	Number of employees using Family care leave			6	11	9	19
	Number of employees using Short-time work for family care			19	30	38	58
	Rate of return to work after Childcare leave		%	99.8	98.9	99.6	100
	Rate of retention after Childcare leave			97.5	96.9	96.0	*5
Achievements regarding workstyles	Annual leave uptake rate		%	74.5	73.7	77.0	81.5
	Number of employees working from home*4			6,501	12,186	12,655	11,723

Coverage: MHI
*1 Number of employees on childcare leave
*2 Employees on childcare leave, employees giving birth
*3 Employees on childcare leave, employees completing pre- and post-natal absence from work now able to take childcare leave
*4 Employees using Short-time work for childcare or Short-time work for family care and pregnant employees until July 2019; all employees from August 2019.
*5 Results are currently being compiled.

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Occupational Safety and Health

■ Data on Occupational Safety and Health

			Unit	2020*1	2021*2	2022*2	2023*3
Goals for reducing industrial accidents	Working hours (employees + contractors)	Total working hours	Hours	200,930,240	194,327,660	175,730,576	168,934,525 ✓
	Number of fatal accidents/ serious accidents	Goal	Number of cases	0	0	0	0
		Result		2	0	1	0
	Number of work-related fatalities	Employees		0	0	0	0 ✓
		Contractors		2	0	1	0 ✓
	Number of industrial accidents	Employees	Number of cases	25	32	28	33 ✓
		Contractors		45	34	25	23 ✓
	Lost-time industrial accidents frequency rate*3 (employees + contractors)	Goal	—	—	0.26	0.33	0.35
		Result	—	0.35	0.34	0.30	0.33 ✓
		Manufacturing industry average	—	—	1.31	1.25	1.29
		Employees	—	0.22	0.26	0.23	0.28 ✓
		Contractors	—	0.50	0.47	0.48	0.46 ✓

*1 Coverage: MHI and 56 Group companies (accounting for 77.4% of consolidated employees)
*2 Coverage: MHI and 56 Group companies (accounting for 77.5% of consolidated employees)
*3 Coverage: MHI and 51 Group companies (accounting for 71.1% of consolidated employees)
*4 Lost-time industrial accidents frequency rate is the number of casualties due to occupational accidents per 1 million cumulative actual working hours, and represents the frequency of accidents. Number of casualties due to work-related accidents resulting in absence of one day or more ÷ total number of actual working hours x 1,000,000

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Indicators and Results for Health Management Promotion

		Goal	Unit	2019	2020	2021	2022
Health management promotion	Regular medical examination rate*1	100	%	—	99.5	99.2	99.5
	Comprehensive medical examination rate*1	over 50%	%	—	35.0	57.2	59.4
	Smoking rate*1	Less than 23%	%	—	23.7	22.6	22.0
	Rate of follow-up attendance at medical institution after regular medical examination*1	Compared to the previous year +10 Points	%	—	46.6	48.0	50.6
	Blood glucose improvement program participation rate*2	15	%	—	12.0	9.0	6.9
Medical examination data*3	Proper weight maintenance rate*1	BMI between18.5 and less than 25	%	—	63.4	66.1	65.9
	Blood pressure risk rate*1	Systolic blood pressure of 180mm Hg or higher, or diastolic blood pressure of 110 mm Hg or higher	%	—	0.4	0.2	0.4
	Poor diabetes management rate*1	HbA1c of 8.0 or higher	%	—	0.9	0.5	0.8
	Stress check examination rate*4	—	%	—	97.3	96.0	92.1
Injury and sickness leave, occupational illness rate*4	Rate of injury and sickness leave (cases)	—	—	3.74	3.98	4.61	8.57
	Rate of injury and sickness leave (days)	—	—	0.82	0.8	0.82	0.91
	Occupational illness frequency rate	—	—	—	17.36	20.09	35.8 ✓

*1 MHI and Group company employees whose health is managed by MHI Health Management Department
*2 Employees insured by the MHI health-insurance union
*3 Excerpt from data submitted to Ministry of Economy, Trade and Industry Health Management Survey
*4 Coverage: MHI

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Product Safety

Safety Control of Radiation

			Unit	2019	2020	2021	2022
MHI Nuclear Development Corporation	Radioactive waste (solid waste)	Storage capacity	200L drum	3,293	3,293	3,293	3,293
		Volume of radioactive waste stored		2,539	2,555	2,610	2,689
		Volume of radioactive waste generation		33	16	55	79
	Radiation exposure of employees with radiation-related jobs (average)*1		mSv/year	0.15	0.02	0.07	0.04
Mitsubishi Nuclear Fuel Co., Ltd.	Radioactive waste (solid waste)	Storage capacity	200L drum	17,053	17,053	17,053	17,053
		Volume of radioactive waste stored		13,403	14,747	16,108	16,102
		Volume of radioactive waste generation		2,337	1,344	1,361	−6*2
	Radiation exposure of employees with radiation-related jobs (average)*1		mSv/year	0	0.01	0.01	0.02

*1 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.
*2 Result when the volume of radioactive waste reduced exceeds the volume generated

Innovation

	Unit	2019	2020	2021	2022
R&D expenditure	Billion Yen	146.8	125.7	113.6	127.4
	% of sales	3.6	3.4	2.9	3.0
Employees in R&D positions (round numbers)		1,350	1,460	1,460	1,460

Coverage: MHI Group

		Unit	2019	2020	2021	2022
Number of patents held		Number of cases	24,683	25,968	25,654	25,771
(by region)	Japan		14,665	15,081	14,368	14,432
	United States		4,154	4,494	4,658	4,829
	Europe		2,869	3,193	3,259	3,189
	China		2,995	3,200	3,369	3,321

Coverage: MHI Group

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Supply Chain Management

	Unit	2020	2021	2022	2023
Number of business partners provided with sustainability and CSR education (total number of participants)	Companies	701	1,332	1,682	2,521

Social Contribution Activity

■ Social Contribution Activity KPI Items

			Unit	2019	2020	2021	2022
Focus area (1) Fostering the next generation	Number of children participating in MHI science lessons (total attendance) *1			69,779	892*2	7,171*2	8,966 ✓*2
Focus area (2) Local community contribution	Number of occasions when MHI provided community support following a natural disaster or similar event*1			6	3	4	3 ✓
	Value of donations and support*1		Millions of yen	20	10	5	5 ✓
Focus area (3) Environmental protection	Support for Tanegashima loggerhead turtle protection survey activities	Employee volunteer applications (participants)		32 (24)	—*3	—*3	— ✓*3
		Number of surveys carried out		8	7	8	8 ✓
		Number of individual mother turtles identified during egg-laying		35	15	28	27 ✓
		Number of individual baby turtles identified during hatching		—*4	—	—	— ✓

*1 Coverage: MHI Group
*2 In FY2020, FY2021, and FY2022, the science lesson program was held on a reduced scale due to COVID-19.
*3 In FY2020, FY2021, and FY2022, the recruitment and participation of employee volunteers was discontinued due to COVID-19 and employees instead supported the survey activity of the staff of a local non-profit organization.
*4 No survey was conducted during FY2019 hatching season due mainly to bad weather. In FY2020, FY2021, and FY2022, the survey was cancelled as researchers judged that survey data would be difficult to collect due to the reduced number of eggs and other issues.

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Social Contribution Activity

		Unit	2019	2020	2021	2022
Social contribution activity cost input		Millions of yen	1,328	1,205	1,060	1,172
(by area)	Academic research		101	131	105	101
	Education		710	591	554	608
	Local communities		105	71	53	169
	Health, medicine and sport		84	53	61	65
	Other		328	359	287	229

Coverage: MHI Group

		Unit	2019	2020	2021	2022
Type of contribution		Millions of yen	1,327	1,205	1,060	1,172
(by type)	Cash donations		355	585	548	588
	Contributions of time		240	68	48	88
	Donations in kind		25	53	18	3
	Overheads		707	499	446	493

Coverage: MHI Group

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Compliance

Compliance

	Unit	2019	2020	2021	2022
Number of people taking compliance training (Approx.)	People	88,100	90,300	82,000	80,000

Coverage: MHI Group

		Unit	2019	2020	2021	2022
Number of whistle-blowing reports		Cases	140	139	128	144
(by type)	Labor and the work environment		69	83	68	75
	Overall discipline and breaches of manners		13	12	6	20
	Transaction-related laws		12	5	8	26
	Consultations and opinions		2	3	1	4
	Other		44	36	45	19

Coverage: MHI Group

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Assurance Report on Materiality Disclosures

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LR Independent Assurance Statement

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

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

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

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

- Verifying conformance with AA1000 ACCOUNTABILITY PRINCIPLES 2018

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

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

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

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

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

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

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

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

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

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

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

Dated: 2 March 2021

Signed

AA1000
Licensed Report
000-11 / V3-14C5A

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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Environmental Data Independent Assurance Report

INDEPENDENT ASSURANCE STATEMENT

To: Mitsubishi Heavy Industries, Ltd.

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

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

The following environmental performance data included within SUSTAINABILITY DATA BOOK 2023 (the 'DATA BOOK') for the period of April 1, 2022 through March 31, 2023
1) Greenhouse gas emissions (Scope 1 and Scope 2): CO_2 emissions from energy use
2) Energy use
3) Water usage by source
4) Waste generation
5) Hazardous waste generation
6) Greenhouse gas emissions (Scope 3 Category 5)

The reporting boundaries are as follows.
1) 2) 4) 5) : MHI and MHI Group's 11 companies within Japan (12 companies in total)
Note: The scope of 'hazardous waste' was defined by MHI.
3) : MHI and MHI Group's 10 companies within Japan (11 companies in total)
6) : The boundaries defined by MHI

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

Limitations and Exclusions
Excluded from the scope of our work is any verification of information relating to:
- Activities outside the defined verification period;
- Any other information within the DATA BOOK, which is not listed as the 'Selected Information'.

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

Responsibilities
This preparation and presentation of the Selected Information in the DATA BOOK are the sole responsibility of the management of MHI.
Bureau Veritas was not involved in the drafting of the DATA BOOK or of the Reporting Criteria. Our responsibilities were to:
- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of MHI.

Ref: BVJ_ 20415599

Assessment Standard
We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board.
For the greenhouse gas emissions data, we undertook verification in accordance with the requirements of ISO14064-3 (2019): Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

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

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.
Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Verified greenhouse gas emissions
We performed our verification work on greenhouse gas emissions data in accordance with the requirements of ISO14064-3(2019).
Verified data in greenhouse gas assertion made by MHI are as follows.

Ref: BVJ_ 20415599

	Greenhouse gas emissions [t-CO_2e]	Boundary
Scope 1	82,004	CO_2 emissions from energy use through business operations of MHI and MHI Group's 11 companies within Japan (12 companies in total) for the period of April 1, 2022 through March 31, 2023
Scope 2 (location-based)	247,284	
Scope 2 (market-based)	223,840	
Scope 3 (Category 5)	14,455	Emissions of category 5 within the boundaries defined by MHI for the period of April 1, 2022 through March 31, 2023

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

Statement of Independence, Integrity and Competence
Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.
Bureau Veritas operates Quality Management System which complies with the requirements of globally recognized quality management standard, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd.
Yokohama, Japan
May 31, 2024

Ref: BVJ_ 20415599

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Third-party Assurance

Social Data Independent Assurance Report

LRQA

LRQA Independent Assurance Statement

Relating to Mitsubishi Heavy Industries, Ltd.'s Social data within its SUSTAINABILITY DATABOOK 2024 for the fiscal year 2023

This Assurance Statement has been prepared for Mitsubishi Heavy Industries, Ltd. in accordance with our contract.

Terms of Engagement
LRQA was commissioned by Mitsubishi Heavy Industries, Ltd. (hereby "the Company") to provide independent assurance on its social data within its SUSTAINABILITY DATABOOK 2024 ("the report") for the fiscal year 2023, that is 2023/04/01 - 2024/03/31, against the assurance criteria below to a limited level of assurance and professional judgement of the verifier using "ISAE3000(Revised)".

Our assurance engagement covered Mitsubishi Heavy Industries, Ltd.'s and its consolidated subsidiaries' operations and activities in Japan[1] and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies for the selected datasets:
- Evaluating the accuracy and reliability of data for only the selected indicators listed below:
  - Occupational fatalities of employees
  - Occupational fatalities of contractors
  - Lost-worktime injuries frequency rate of employees
  - Lost-worktime injuries frequency rate of contractors
  - Number of lost-worktime injuries of employees
  - Number of lost-worktime injuries of contractors
  - Total working hours of employees and contractors

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

LRQA's responsibility is only to the Company. LRQA 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.

LRQA's Opinion
Based on LRQA'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 of the criteria listed above
- Disclosed accurate and reliable social data and information

The opinion expressed is formed on the basis of a limited level of assurance[2] and at the materiality of the professional judgement of the verifier.

[1] The boundary consists of 50 entities in Japan and the Company.

[2] 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 lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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LRQA

LRQA's Approach
LRQA's assurance engagements are carried out in accordance with ISAE3000(revised). The following tasks 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 misstatements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification;
- Interviewing with those key people responsible for compiling the data and drafting the report;
- Sampling datasets and traced activity data back to aggregated levels; and
- Verifying the historical data and records for the fiscal year 2023.

Observations
Further observation made during the assurance engagement, is:
Company is expected to continuously improve their data management systems and maintain the accuracy and comprehensiveness of their data.

LRQA's Standards, Competence and Independence
LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part1: 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.

LRQA 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.

The verification is the only work undertaken by LRQA for the Company and as such does not compromise our independence or impartiality.

Signed Dated: 05/07/2024

Shotaro Kawabata

Shotaro Kawabata
LRQA Lead Verifier
On behalf of LRQA Limited
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LRQA reference: YKA4005601

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Mitsubishi Heavy Industries, Ltd.

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