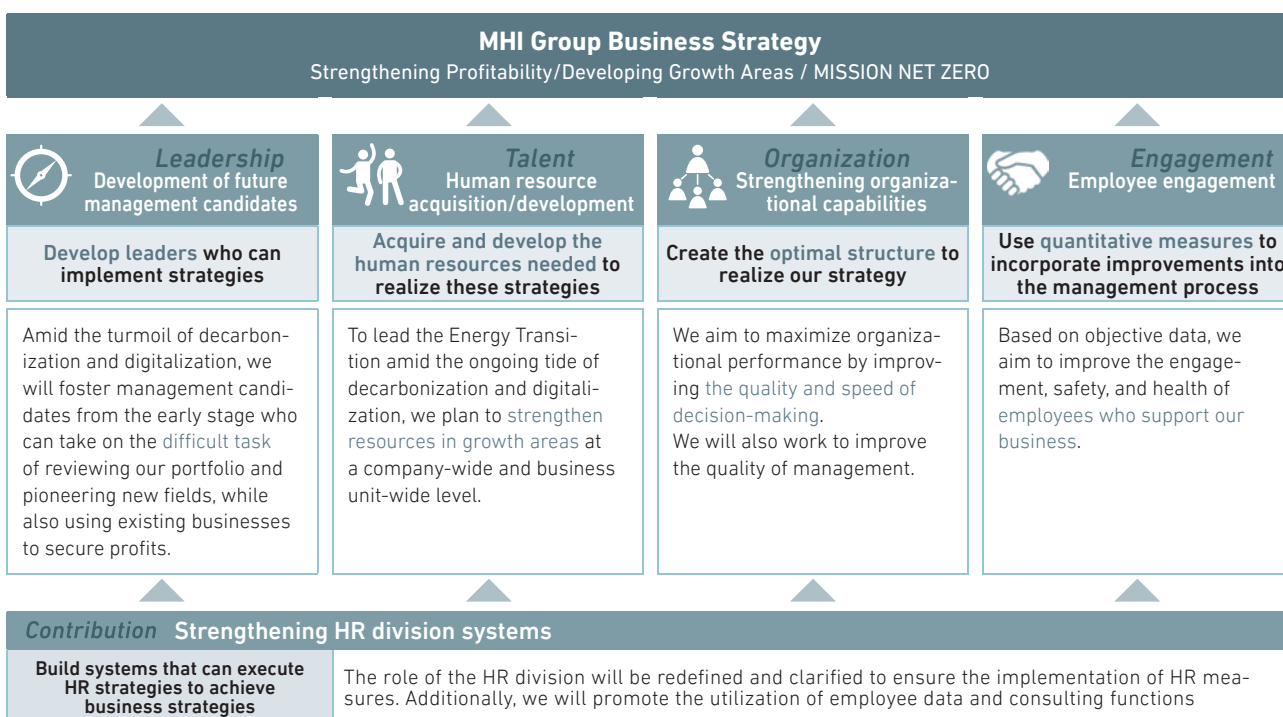


HR Strategy

In order to realize the future envisioned by MHI Group, we will manage human resources and organizations more strategically and promote the creation of an environment where each employee can work autonomously.

In its medium-term management plan, “The 2021 Medium-Term Business Plan,” MHI Group has set as its priority “strengthening profitability” along with “developing growth areas” centered on decarbonization efforts. Further, in October 2021, MHI Group announced MISSION NET ZERO, with the aim of reducing CO₂ emissions from throughout our entire value chain to Net Zero and achieving Carbon Neutrality by 2040. To carry out these important management initiatives and achieve our vision as a company, we have formulated an HR strategy focused on strengthening human resources in areas of growth. To this end, we have prioritized “development of talent pool for succession,” “talent acquisition and development,” “strengthening organizational capabilities” and “employee engagement,” and are actively implementing these measures.



Leadership: Development of Future Management Candidates

As the environment around businesses undergoes significant changes such as the emergence of climate change issues and increasing geopolitical risks, HR strategy is essential to develop management candidates who can plan solid management strategies to steer the entire Group. MHI Group has taken a medium- to long-term perspective as we work to develop next-generation management candidates. This initiative involves building talent pools of early-selected management candidates Groupwide who have the potential to take on management roles and providing the candidates with the opportunities to participate in

management development programs. Further, in the future, while strengthening the globalization and diversification of our executives, we will proceed with multifaceted evaluation in the selection process and the establishment of self-recommendation as ways to create growth opportunities that are available to more employees. We will continue to advance a training system that develops candidates who demonstrate high potential early on, and secure outstanding management candidates leading to stable and continuous operations on a global level.

Building Talent Pools for Management Positions

Potential candidates for management talent pools are selected on recommendations from departments in principle, but from FY2022, self-nomination is allowed for some talent pools. We aim to provide growth opportunities for as many employees as possible in order to promote the diversity of future management candidates and encourage employees to actively face challenges. For candidates in this pool, we seek to strengthen their management literacy and foster a leadership mindset by

creating individual development plans, implementing assessments, and having them participate in management leadership development programs. In addition, for some in our top management talent pool, we will encourage them to improve their management skills and add to their experience by giving them tough assignments such as multiple appointments to important management positions globally.

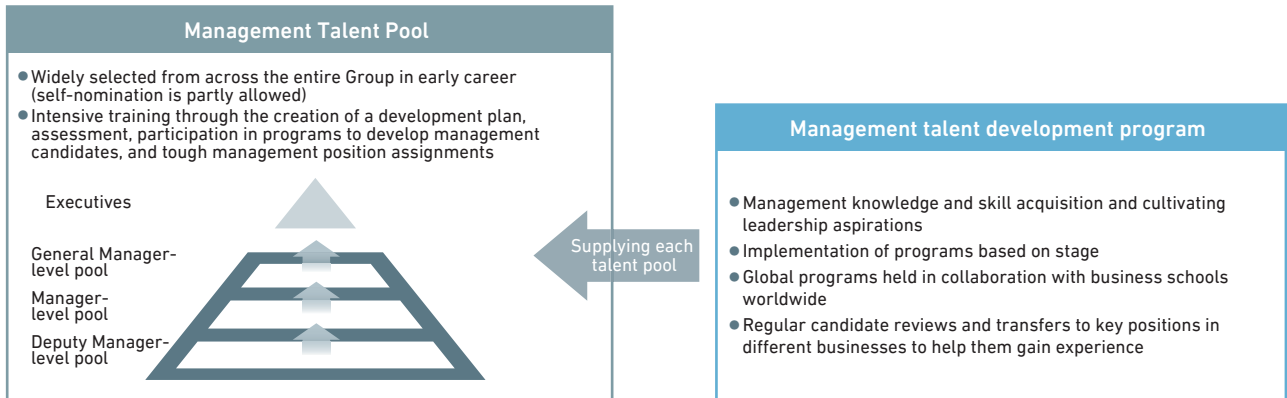
Development Programs for Management Candidates

We are implementing focused training programs for the candidates in the management talent pools. As part of this training, we are collaborating with business schools worldwide to provide off-the-job training programs aimed at cultivating management knowledge and skills and inspiring leadership ambition. In FY2022, over 200 people participated in this program nationally and internationally. Further, via regular reviews of candidates, we are working to transfer employees to important positions in other businesses so that they can gain broad work experience. With programs like this, we will develop future manage-

ment candidates who can continue to create value in any environment and improve our growth potential.



Global program for management candidates



Talent: Talent Acquisition and Development

The key to implementing business strategies is to acquire and develop human resources responsible for new areas of growth. MHI Group focuses on talent acquisition for areas of growth and talent development that expands individual employees' capabilities and maximizes the value of human capital. Particularly with regard to personnel development, we have established "Talent Development Guidelines" that consolidate the shared values of our employees and our approach to personnel development. In line with this policy, we have augmented an in-house recruitment system and improved some trainings for selected candidates to allow self-nomination. Through these initiatives, we support the growth of individual employees' capabilities and their career development.

In addition to fostering a culture of learning and creating mechanisms to ensure that employees continuously engage

in "skill-adding," we are also working to establish a cycle that allows us to assess the human capital within the Group and to continuously acquire and develop the talent necessary to drive our business. Furthermore, to enable employees to chart their own career paths, in addition to interviews about work goals and achievement levels, we are expanding our dialogue system for interviews related to career design. In order to realize our management strategy, we are implementing measures to acquire and develop human resources.

Key word: Skill-adding

When developing personnel, we give preference to the Group's unique concept known as "skill-adding." Skill-adding is defined as, "acquiring new skills (for example, digital skills) in order to respond to changes in the business environment, in addition to the skills an employee has acquired and cultivated for many years." Moving forward, we are establishing a process to identify the skills that each employee needs and fill any gaps by adding skills. To support this "skill-adding," we will provide a wide range of learning opportunities while also fostering a corporate culture that encourages employees to seize new learning opportunities.

MHI Group Talent Development Guidelines

The MHI Group Mission states:
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.
To achieve this, MHI Group will support the skill growth and career development of each Group employee, and provide an environment enabling everyone to learn and grow.

Values Cherished by MHI Group

We share three values for the achievement of the MHI Group Mission, and each person in the Group acts upon these.

Autonomy

- Each person is aware of their role, engages in their work in the first person, thinks for themselves and finishes the job with the responsibility of a professional.
- We proactively establish issues, and think through and act to resolve them.

Collaboration

- We collaborate with each other with a forward-looking view, and contribute to society through further development of the technology we have cultivated over our long history.
- We respect and assist each other to produce results as a team.

Challenge

- We seek the essence of issues without being constrained by precedent, and continue to embrace challenges to the end without giving up.
- We approach our surroundings to create chances and continue to grow.

Approach to Human Resource Development

The growth of each member of the Group is positioned as the source of sustained development of MHI Group, and we are engaged in systematic and sustained human resource development from a medium- to long-term perspective.

We identify growth issues through dialogue, set goals, and provide support for growth and career development through experience and feedback in day-to-day operations (on-the-job training) and training and self-improvement (off-the-job training) to supplement this.

Utilize growth opportunities, learn by themselves and actively embrace challenges to realize their own growth.

Role of the Company

Clarify the desired human resources, and actively provide opportunities for growth to employees who aspire for their own growth.

Role of Employees

Position human resource development as one of the most important operations, have discussions with each employee, set goals, and develop subordinates by providing opportunities for on-the-job training and off-the-job training and feedback. Also unceasingly make own efforts, humbly aspiring to grow.

Strengthening Recruitment

In order to ensure the steady implementation of our management strategy, MHI Group is working to strengthen recruitment. In Japan, we are working to improve the Group's image in the job market by developing strategic corporate branding through public activities and the diversification of our online presence in order to reach a broader audience of recruits.

When recruiting new graduates, we use internships to promote understanding of MHI and the Group's business and technical capabilities. For example, in our engineering internships, university and graduate students can choose the one that best suits their needs from more than 300

themes covering MHI Group's wide-range of business areas. In FY2022, approximately 99.5% of participants rated this project as "satisfactory" or "very satisfactory." In addition, online workshops for non-technical students that offer opportunities to experience our sales operations and conduct self-analysis have been favorably received by participants.

We are working to deepen contact with students by creating a system that allows those who wish to join MHI Group to interview with relevant employees based on their interests.

Group Recruitment System

We have introduced an in-house recruitment system as a way to diversify growth opportunities and support autonomous career development. This is a system that enables employees to transfer of their own will while selections by the recruiting division are needed. More than 600 employees (as of August 2023) have utilized this system

to be transferred and are now embracing the challenges of their new positions. In this way, we are making strides in preparing a system that allows competent employees with diverse knowledge, experiences, and backgrounds to innovate and actively interact with others across region, job type and products.

Promoting DX Education

MHI Group has set "transform society through AI and digitalization" as one of its Material Issues, and we are working with customers to co-create new value chains that utilize solutions that "smart connect" to complex mechanical systems and digital technology. As MHI Group promotes digital innovation (DI), we are also actively developing digital talent.

In promoting digital human resource development, we are putting in place a unified standard for digital human resource models, tasks and skills that comply with every standard and guideline. We are developing training programs according to these standards and an accurate understanding of our human resource needs. In terms of the execution of training, at our training center, which is dedicated to technical education, we hold more than 500

courses a year and plan 240 types of training in-house, including courses on using AI/IoT in business.

In addition, we have introduced external educational programs. We have prepared about 2000 courses at various levels (such as introductory, basics, and praxis), and after releasing these courses, we have ensured that all employees, whether technical or administrative, can take them.

Moreover, in order to strongly promote DI, we must improve digital literacy (increasing people's basic digital knowledge and using the power of digital to transform their work or organizations) throughout the Group. Because we believe this is important, we are proceeding with digital literacy education for all 75,000 people in MHI Group.

In addition to promoting the aforementioned DX education, we are adding human resource development education programs suited to the latest business needs.

Human Resource development and learning portal (MHI University)

We are developing MHI University as an information platform that supports employees. From this platform employees can obtain information at any time about a variety of topics such as skills related to the Group's products and businesses—including design, production quality, and

In this way, by working to develop digital human resources across the Group, we will accelerate the promotion of DI Groupwide, leading to business growth and value creation.

digital—as well as management, leadership, and communication skills. The information has high searchability and integrates with external online learning platforms, making it effective in promoting skill-adding.

Promotion of Diversity and Inclusion

MHI Group consists of tens of thousands of employees with diverse work experiences, nationalities, and cultures, making a corporate culture where everyone is respected an essential condition for the measures mentioned so far. We believe that the diversity of our employees is an important foundation for allowing the Group to contribute to solving social issues through its business activities and find growth while continuing to innovate.

Against this backdrop, we have set as a companywide goal to “project new value through participation of diverse human resources” as part of Material Issues. We continue to provide guidance and training to achieve one of our KPIs to “increase the ratio of female executives to 30% and double the ratio of women in management positions by 2030 (in comparison to FY2021).” HR and business departments will work together in an organized manner to obtain this goal. Furthermore, to enable all employees to continue their careers, we are expanding various employee support systems with consideration of such factors as childcare and caregiving. We are working to build a workplace environment and organization culture that allows employees to balance work and family life.

Additionally, we are continuously providing education regarding respect for diversity to Group employees in or-

der to maintain a high level of awareness about the topic. In FY2022, approximately 75,000 MHI Group employees, including global employees, participated in e-learning on “Respect for Human Rights in MHI Group.”

Furthermore, we are working hard to employ individuals throughout Japan who have accessibility needs by actively expanding occupations and creating workplace environments where people with disabilities can comfortably play an active role. We will continue to work to establish and expand environments where individuals with disabilities can be more actively involved and demonstrate their respective capabilities.



Some of the original merchandise representing the Company's rugby team, the MHI Sagamihara Dynaboars, is made by employees with disabilities.



Organization: Enhancing Organizational Strength

It goes without saying that each individual employee is important in making the Group implement its business strategies. However, in order to actualize this strategy, it is equally important to achieve an optimal organizational structure, improve the quality and speed of decision-mak-

ing, and maximize organizational performance. With the goals of elevating the sophistication of our organization and processes and improving management quality, the Group is also focused on training line managers.

Clarifying the expected capabilities and behaviors of line managers

We have clarified expected capabilities and behaviors in line with our "Talent Development Guidelines," which outline "autonomy," "collaboration," and "challenge" as themes. We have broken down these expectations into concrete actions and disseminated them throughout MHI Group. Examples are: showing vision, being responsible for committing to fostering an organizational culture, and taking appropriate risks when making decisions. Not only does this make it possible for each manager to re-examine their own actions in detail, but also by creating

a system that allows for 360-degree feedback, it helps them focus on their own deficiencies more objectively, providing opportunities for autonomous growth for managers or employees who aspire to be managers. In the future, through rank-specific education and OJT, we will try to raise the strength of organizational management by strengthening our training programs to ensure they acquire these capabilities and behavior traits, while also linking them to requirements necessary for promotion to manager.

Engagement: Employee Engagement

For MHI Group to respond quickly to changes in the business environment, it is not enough for each individual employee to be good at doing something that they are told or expected to do. They must also be good at thinking about what should be done in a given situation and, being

convinced that their work is significant, work with a high degree of engagement. Along with promoting diversity, improving engagement is one of the Group's Material Issues and the most important initiatives in the HR domain.

Improving Engagement

In order to implement necessary measures for improving engagement in a timely fashion, we established a database regarding Japanese and international employee engagement and defined the six initiatives in each role of HR, executives, and managers, so that the three parties

are able to work together to improve engagement. Further, domain CEOs, segment heads, and chief officers are obligated to report on initiatives to improve engagement in each organization to the Board of Directors.

Main Participants and Roles in Initiatives to Improve Engagement

■ Improve engagement from the side of policies and systems, provide support to departments



Policies and HR systems have a major impact on employee engagement. HR will examine policies and systems with a focus on increasing employee engagement. In addition, as experts in the field of organizational development and management, HR supports initiatives by executives and managers from a wide range of perspectives.

■ Demonstrate leadership and take responsibility for engagement across the organization



Strong commitment from executives is vital to improve engagement. As the head of each organization and the managers of MHI Group, management is responsible for engagement and must demonstrate leadership to improve it.

■ Be responsible for the engagement of each individual subordinate



Managers have the most direct influence on the way individual employees work. As managers, we will regularly reassess how we should manage and how we should work as a team, so that each individual employee can approach their work with a high level of engagement.

6 Initiatives to Improve Engagement in 3 Areas

■ Improve systems, mechanisms, and infrastructure



HR will take the lead in improving infrastructure in areas such as HR policies and systems related to work styles.

■ Support employees' autonomous career design



We will re-examine our processes and operations to ensure that individual employees can design their own careers and have their performance appropriately evaluated.

■ Imbue the business vision and strategy



In order to connect individual work with our business strategies, we will break them down for executives, managers and employees.

■ Promoting diversity



Our goal is to create a company that where diverse personnel and people with a wide range of ideas can work freely.

■ Continue to re-examine business processes in order to make them more effective



We are working to improve material factors that impede productivity such as lack of resources and lack of delegation.

■ Build a corporate structure where it is easy to work



We are working to improve intangible factors that impede productivity such as lack of psychological safety and poor communication.

Conducting Engagement Surveys

MHI Group has introduced a survey platform that works with its in-house global human resources database, making it possible to conduct engagement surveys quickly. As a way of measuring employee engagement or the factors involved in it, we not only regularly conduct MHI Group Employee Survey for all Group companies, we also conduct the Workplace Pulse Survey within Japan. These surveys enable MHI to address workplace-level issues that cannot be addressed in fine detail through uniform

companywide surveys and initiatives, thereby improving employee engagement. The unique feature of the Group's pulse survey is that they focus on workplace-level issues and aim to improve the workplace environment through active dialogue between managers and employees. We have also created guidelines for action plans to follow up on the pulse survey, which have helped strengthen workplace communication.

Occupational Safety and Employee Health

A workplace environment where employees do not have anxiety about their safety or health is a prerequisite for improving employee engagement. MHI Group's basic policy on occupational health and safety is "At MHI Group, safety is the number one priority. We will do everything in our power to protect lives." We have established the MHI Group Health and Safety Policies reflecting the code of conduct for employees to realize this policy and aim to realize environments in which work can be conducted in safety and with peace of mind in business sites spanning the entire world.

In order to confront past work-related injuries and workplace accidents and pledge to prevent them from happening again, we have established multiple facilities, including the Safety Transmission Center at Nagasaki Shipyard and Machinery Works. At the same time, we will create an environment in which all employees have Stop

Work Authority (SWA: the authority, regardless of position or affiliation, to stop work and correct a situation when machinery or behavior is unsafe). By creating an environment where all employees can exercise this authority, we continue to make efforts to foster a "safety culture," a work culture that prioritizes safety.

In relation to employee health, with the President's health declaration—that "we will engage in health management that highlights the importance of ensure that employees feel mentally and physically healthy and that their work is rewarding"—as our basis, we have collaborated with the MHI Health Insurance Association to develop the "FY2020-2022 MHI Action 5 Good Health!!" plan. We have established concrete KPIs and are developing Group-wide activities to achieve them. In recognition of this work, MHI was also recognized as a "2023 Outstanding Health and Productivity Management Corporation." By promoting health management, we continue to work toward developing personnel capable of contributing to a society that is healthy and full of vitality.



Nagasaki Shipyard & Machinery Works: Safety Transmission Center Accident Case Studies Zone

