

CSR Report

Corporate Social Responsibility Report

MHI Social and Environmental Report

2009



Our Technologies, Your Tomorrow

Creed

1. We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society.
2. We base our activities on honesty, harmony, and a clear distinction between public and private life.
3. We shall strive for innovative management and technological development from an international perspective.

Reason for Instituting the Creed

In Japan there are many enterprises with their own "creeds" which simply represent their management concept.

Mitsubishi Heavy Industries, Ltd. has a creed of this type, also. It was instituted in 1970 on the basis of the policy advocated by Koyata Iwasaki, president of Mitsubishi Goshi Kaisha in the 1920s, to indicate the essential attitude of the

company, the mental attitude of employees, and the future directions of the company.

The reason for instituting the present creed is so that all of us can call to mind our one hundred years of tradition and strive for further development in the future.

Issued June 1, 1970

Editorial Policy

This is the ninth report of Mitsubishi Heavy Industries, Ltd. (MHI), including the first Environmental Report published in 2001. In this 2009 edition, we have endeavored to reflect social concerns by describing the company's defense-related and space development businesses in addition to the status of the year's activities based on the CSR Action Plan established in April 2008.

In the feature articles, we introduce representative initiatives for addressing social challenges under the three themes of our CSR Action Guidelines: "close ties with the Earth," "close ties with society," and "a bridge to the next generation."

In addition, we posted a CSR Report Digest Version (brochure) to succinctly communicate the company's activities as well as the Detailed Version (PDF) on the website to provide readers with more information on our activities.

We will continue to improve this report in response to your feedback.

Structure of CSR information disclosure

CSR Report 2009

Detailed Version

<http://www.mhi.co.jp/en/csr/index.html>



Digest

Brochure



Website (PDF)

Scope of this Report

Target organization:

The information contained in this report pertains to Mitsubishi Heavy Industries, Ltd. and its Group companies (131 in Japan and 99 overseas). Some articles, however, only include descriptions of MHI activities.

Target period:

April 1, 2008 through March 31, 2009
(includes information on some activities after March 31, 2009)

Referenced Guidelines

- Global Reporting Initiative (GRI) "Sustainability Reporting Guidelines" (2002 edition G2 and third edition G3)
- "Environmental Reporting Guidelines" (2003 edition) issued by the Japanese Ministry of the Environment

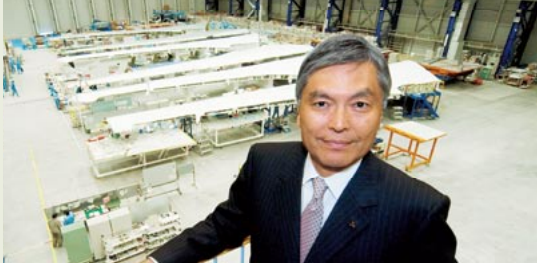
Note: A "Guideline Comparison List" will be posted on our website.

Date of Issuance

June 2009 (previous issue: June 2008)

Disclaimer

In addition to objective information on the past and present status of Mitsubishi Heavy Industries, Ltd. and its Group companies, this report also contains plans, perspectives, and forecasts based on business plans and management policies as of the date of publication. These forecasts are made using information available at the time of publication and therefore the actual status and outcome of future business activities may differ from these forecasts as a result of changes in the given variables.



Message from the President

We will continue to work to fulfill our mission as a manufacturing company for the future of people and the Earth.



Special Feature: Close ties with the Earth

We are facing the global challenge of transforming into a post-carbon (fossil fuel) society. This feature article introduces MHI's current and future energy- and environment-related products and businesses for addressing this challenge.



Special Feature: Close ties with Society

The world is demanding new transportation systems that are safe and environmentally sound. This feature article introduces MHI's new transportation system that meets this demand as well as businesses and activities that contribute to the development of local communities, including the promotion of local employment.



Special Feature: A bridge to the next Generation

Japanese school children have fewer opportunities to get involved with science. This feature article introduces the science class program undertaken by MHI in elementary and junior high schools across the country to address this problem.

CSR Report

Corporate Social Responsibility Report
MHI Social and Environmental Report 2009

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MHI will continue to fulfill its mission as a manufacturer—for the future of mankind and our planet

We will continue to make contributions to the resolution of energy and environmental problems of global scale

Today, with economic recession raging worldwide, Japan's corporate sector is taking blows of major proportion. MHI is by no means immune, and we have suffered declining orders since autumn 2008, particularly for Mass and Medium-Lot Manufactured Machinery, a segment that is easily impacted by economic fluctuations. We anticipate even further severity in our business earnings during the current FY2009.

I personally believe, however, that even though these harsh economic times may continue through the near term, in the long-range view the need will continue for products that are beneficial to the future of mankind and our planet's well-being.

Numerous problems of severe complexity stand in the way of that future, with global warming, depletion of energy resources, and shortfalls in water resources among them. At MHI, through the provision of technologies and products across a broad spectrum of business fields, we have continuously taken steps enabling us to contribute to the resolution of these issues of global scale.

Today, governments worldwide are strategically working to make the development of clean energies and protection of the environment the driving forces to revitalize their economies. Those strategies underscore that the business initiatives MHI has taken through the years have been moves in the right direction, and we believe that the role to be played by MHI will remain significant in the future as well.



Inspecting gas turbine production

MHI's greatest CSR is to contribute to society through manufacturing

Ever since its founding in 1884, MHI has continuously engaged in broad-based operations under creed that we are obligated to be an innovative partner to society. Our greatest corporate social responsibility (CSR) is to contribute through manufacturing—the provision of outstanding technologies and products—to the future of mankind and the Earth's well-being, toward realization of a future that is sustainable.

Toward resolving the problems of global warming and depletion of energy resources, for example, we undertake operations involving products such as our gas turbine combined cycle (GTCC) power plants offering enhanced efficiency in thermal power generation, nuclear power plants that produce zero CO₂ emissions during power generation, CO₂ separation and recovery equipment for emissions from thermal power generation and other plants, and power generation systems that utilize renewable energies such as wind, hydro, solar and geothermal power. Toward resolving problems involving shortages of water resources, we provide such sophisticated products as our desalination plants applying reverse osmosis (RO) technology. In these and other ways, through worldwide provision of “eco-energy products”—developed for ecological, economic and/or energy benefits—MHI is contributing to environmental preservation, economic betterment and energy security.

MHI also supports social development through its operations involving transportation systems and social infrastructure. Through development of products and technologies such as our energy-efficient aircraft and transportation systems, environmentally friendly “eco-ships,” hybrid forklifts and lithium ion batteries, we are bringing added convenience to people's lives while at the same time reducing the burden on the global environment to a minimum.

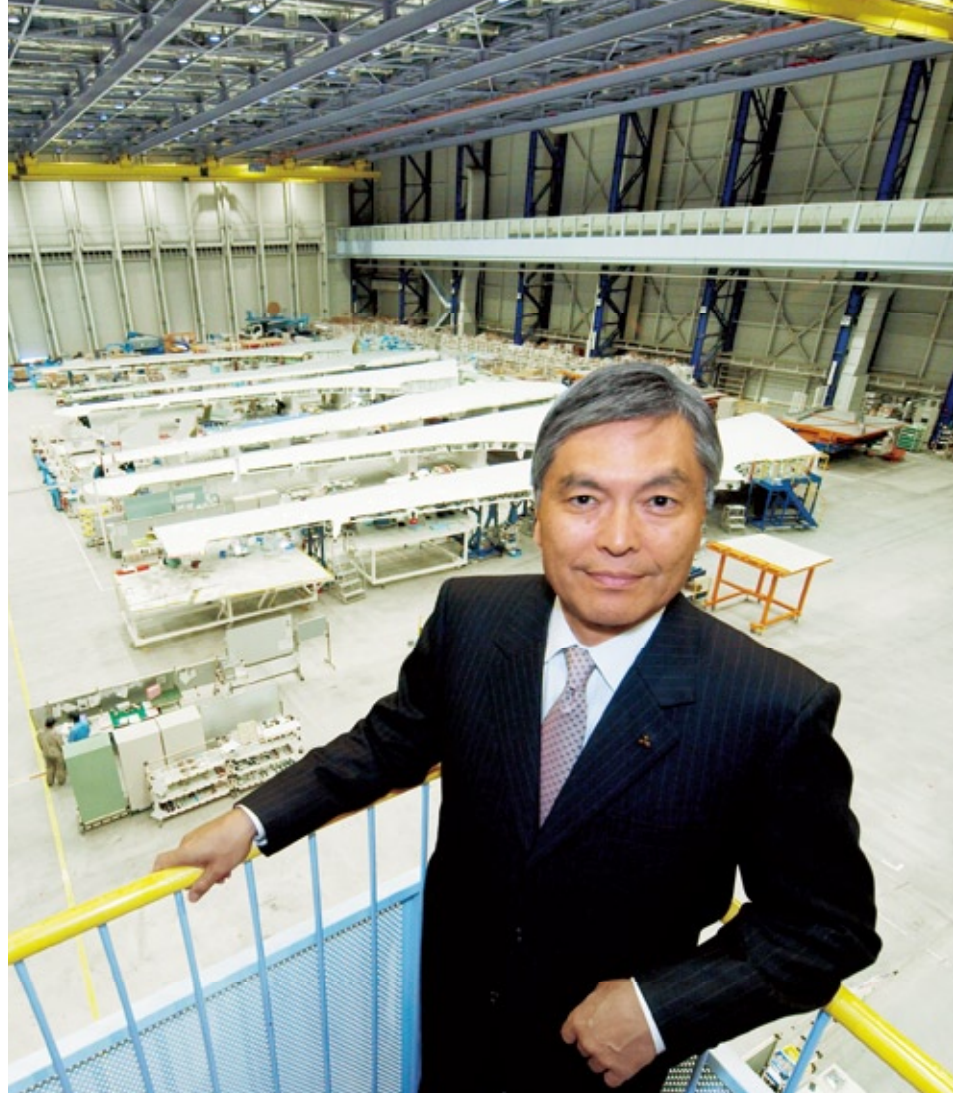
In April 2008, in a quest to enhance our comprehensive strengths in the fields of energy and the environment even further, we newly established a “Sustainability Energy & Environment Strategic Planning Dept.” having a purview that straddles across the company's various business segments. Going forward, by maximizing synergy from the technologies and expertise cultivated in each of our business areas, we will continue to pursue ever greater achievements in manufacturing that contribute to the future of mankind and the Earth.

To respond to society's trust and expectations, we are focusing ever more strongly on CSR

Because MHI makes its "livelihood" through manufacturing that contributes to the future, we are compelled to continuously enhance not only the reliability of our products and technologies, but also our own dependability as a business enterprise.

In keeping with that focus, in 2007 we set down "CSR Action Guidelines," encapsulating our corporate commitments to forging "close ties with the Earth," "close ties with society," and "a bridge to the next generation." In 2008, we then drew up our "CSR Action Plan." In accordance with these Guidelines and our new Action Plan, we believe it is vital for MHI, through the provision of superlative technologies and products plus our own corporate growth, to contribute not merely to the benefit of customers, investors and shareholders, but to continuously carry out responsibilities, fairly and in good faith, to all stakeholders—including employees, business partners and local communities—and to the global environment.

In reflection of this committed belief, we are working proactively to set in place the solid pillars on which CSR rests: strong corporate ethics, total compliance, environmental preservation, and close attention to human rights and labor issues. As illustrated by our participation in the United Nations Global Compact since 2004, we have been operating with strong emphasis on CSR. We are also committed to further elevating the CSR awareness of all employees through ongoing activities aimed at creating a corporate culture that is open and conducive to discussion. One example is the "town meetings" format we have introduced, where young employees from all business offices can discuss issues and exchange views with me directly. Above all, it is on the shoulders of employees that the company's future rests. My intent going forward is to seek to nurture the human resources to underpin MHI and its future, even if economic conditions remain severe.



At MHI's factory producing wing boxes for the next-generation Boeing 787

MHI's true worth will come into focus when the value of faithful manufacturing is recognized anew

In learning to cope with the current global economic crisis, it is my hope that the world will come to rethink its excessive focus on heady financial capitalism and rediscover the value of soberly paced, faithfully executed manufacturing.

Through the years, Japan's manufacturing industry has consistently pursued diligent research and development, operating rationalization, cost reductions and measures to protect the environment. Recognizing anew the true value of this stance embraced by the Japanese manufacturing industry, including MHI, will prove extremely effective for resolving the problems faced by mankind and our planet and achieving sustainable growth. As such, the social responsibilities MHI must carry out in the coming years are destined to become ever more weighty.

At MHI, we pledge to continue advancing our capabilities in manufacturing and, through our own growth, to continue contributing to the future of mankind and the Earth.

June 2009


Hideaki Omiya, President

Overview of the MHI Group

Company Profile

Trade Name:	Mitsubishi Heavy Industries, Ltd.
Head Office:	16-5, Konan 2-chome, Minato-ku, Tokyo
President:	Hideaki Omiya
Foundation:	July 7, 1884
Establishment:	January 11, 1950
Capital:	265.6 billion yen (as of March 31, 2009)
Employees:	33,614 (as of March 31, 2009)

CI Statement

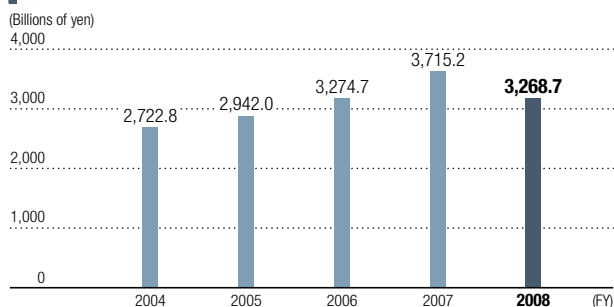
Our Technologies, Your Tomorrow

This CI statement represents our intention to “continuously provide an assured future where people can live safe, secure and enriched lives through technologies that can excite people and passion as a manufacturer for the sustainability of the earth and humankind.”

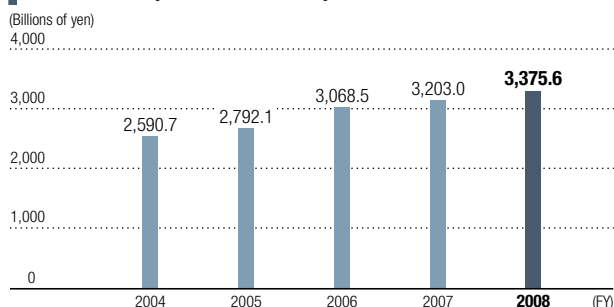
CI statement logo



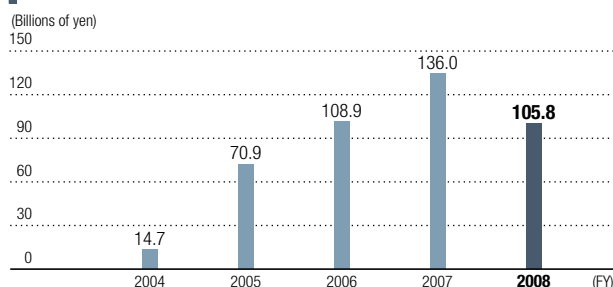
Orders received (consolidated)



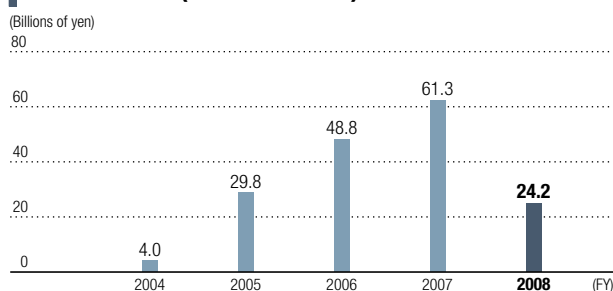
Net sales (consolidated)



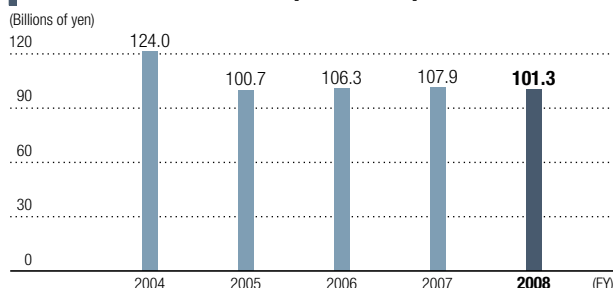
Operating income (consolidated)



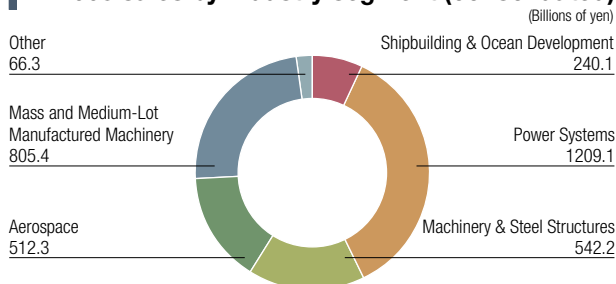
Net income (consolidated)



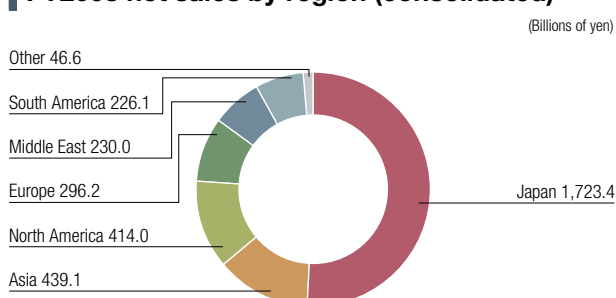
Research and development expenditures



FY2008 sales by industry segment (consolidated)



FY2008 net sales by region (consolidated)



Businesses and Products

Shipbuilding & Ocean Development

Shipbuilding & Ocean Development Headquarters

Sea vessels

- Cruise ships
- LNG carriers
- LPG carriers
- Oil carriers
- Container ships
- Pure car and truck carriers
- Ferries
- Defense ships
- Patrol vessels

Ocean development

- Submersible research vehicles
- Oceanographic research ships

Power Systems

Power Systems Headquarters

Nuclear Energy Systems Headquarters

Thermal power generation plants and other facilities

- Steam turbines
- Gas turbines
- Boilers
- Diesel engines
- Fuel cells
- Desalination plants

Renewable energy

- Wind turbine plants
- Water turbine plants
- Geothermal power plants
- Photovoltaic systems

Nuclear power plants and other facilities

- PWR nuclear power plants
- Advanced reactor plants
- Nuclear fuels
- Nuclear fuel cycle plants

Machinery & Steel Structures

Machinery & Steel Structures Headquarters

Environmental and chemical

- Petrochemical plants
- Methanol plants
- Flue gas desulfurization systems
- Flue gas CO₂ recovery plants
- Wastes treatment equipment

Material handling

- Transportation systems
- Toll collection equipment (ETC, etc.)

Basic facilities and structures, others

- Cranes for iron works and ports
- Mechanical parking systems
- Bridges
- Smokestack

General/metal machinery

- Compressor and turbine
- Iron and steel manufacturing machinery
- Rubber and tire machinery
- Accelerator
- Medical equipment

Mass and Medium-Lot Manufactured Machinery

General Machinery & Special Vehicle Headquarters

Air-Conditioning & Refrigeration Systems Headquarters

Paper & Printing Machinery Division

Machine Tool Division

Engines

- Engines for power generation
- Agricultural engines
- Industrial engines
- Marine engines

Material handling equipment

- Forklift trucks
- Heavy cargo carriers

Turbochargers

- Turbochargers

Construction machinery

- Earthmoving and grading machinery

Special vehicles

- Tanks
- Armored personnel carriers

Air-Conditioners and related products

- Air-conditioners (for residential, commercial)
- Automotive thermal systems
- Transport refrigeration units
- Centrifugal chiller

Industrial machinery

- Machine tools
- Printing machinery
- Paper converting machinery
- Plastic injection molding machine
- Food and packaging machinery

Aerospace

Aerospace Headquarters

Aircraft

- Fixed-wing aircraft
- Helicopters
- Subsystems of commercial aircraft

Aeroengines

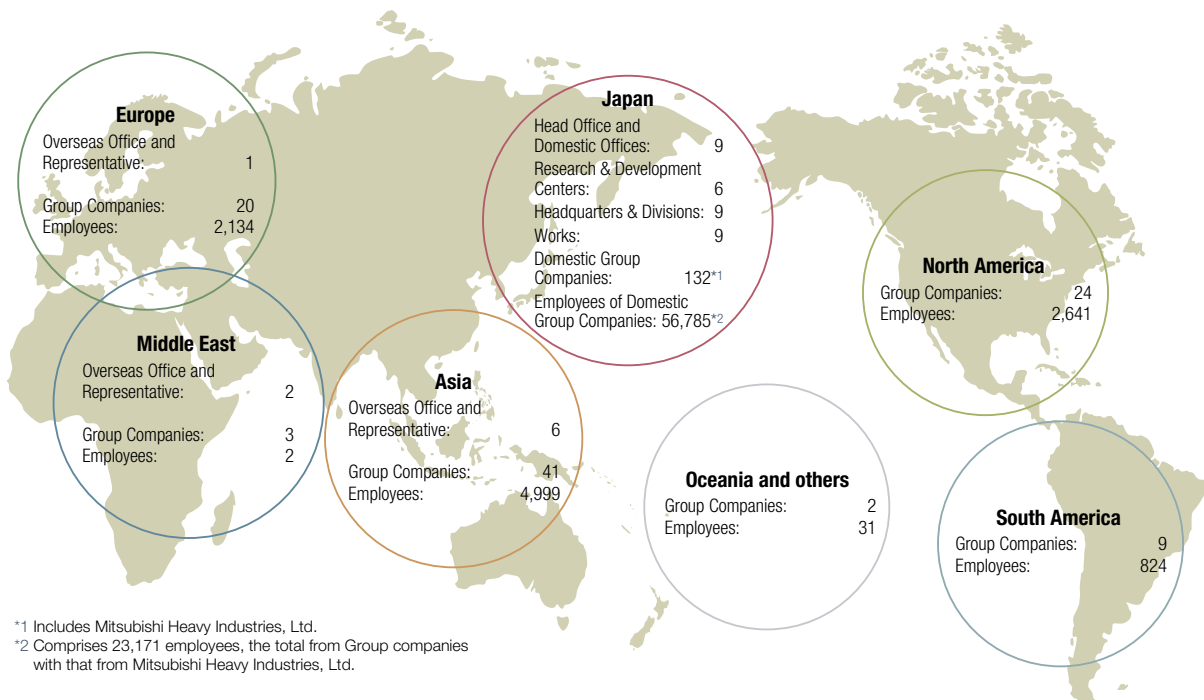
Space equipment

- H-IIA launch vehicle
- Rocket engines

Guided weapon systems

- Missiles
- Torpedoes

Operating Bases and Employees by Region Total number of employees (consolidated basis): 67,416 (as of March 31, 2009)



CSR of the MHI Group

Aiming to win the solid trust of society through the advancement of CSR

The underlying objective of the MHI Group is, as a manufacturer, to carry out CSR through production activities; and we are working to achieve that goal under our CSR Action Guidelines and CSR Action Plan.

MHI Group CSR Action Guidelines (formulated July 2007)

In order to ensure a secure future for the Earth, we will establish and maintain:

Close ties with **the Earth**

Safeguard an abundantly green Earth through environmental technologies and environmental awareness;

Close ties with **Society**

Build a relationship of trust with society through proactive participation in society and trustworthy actions;

A bridge to the **next Generation**

Contribute to the cultivation of human resources who can shoulder responsibility in the next generation through technologies that can realize dreams.

Promoting CSR (Corporate Social Responsibility) through manufacturing

As outlined in our corporate creed (see p. 1), the underlying objective of the MHI Group is to contribute to society as a manufacturing enterprise that provides products in support of the world's infrastructure as well as its ecological, economic and energy needs.

The core aims of our CSR initiatives are to minimize the environmental loads emanating from our production activities through the achievement of

zero emissions and CO₂ emission reduction activities, to generate solid earnings through products that are valuable for the sound development of society, and to allocate our earnings appropriately on an ongoing basis for the growth of all stakeholders and the MHI Group.

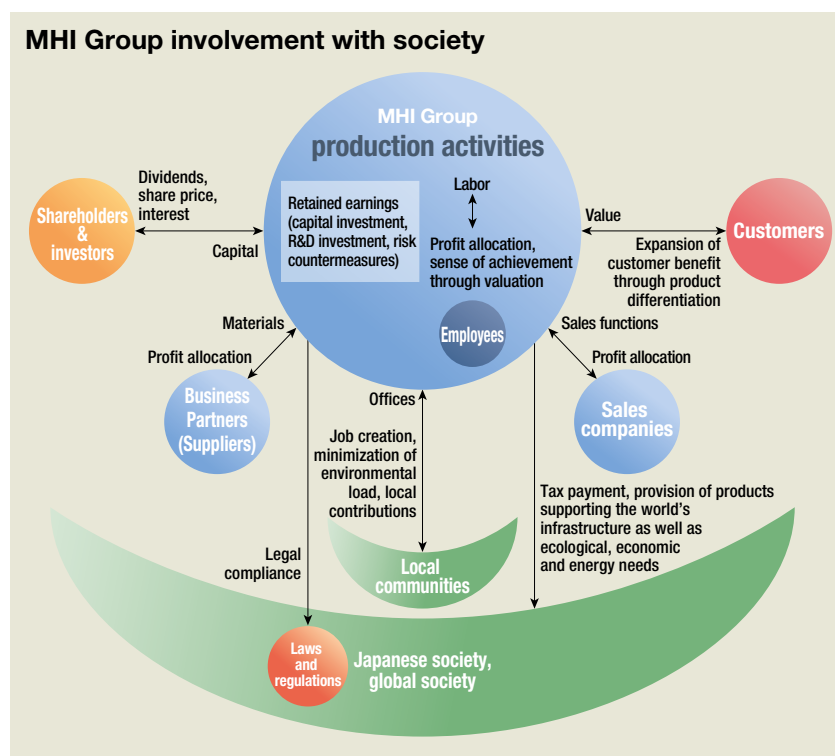
Improvement of CSR Promotion System

Based on this concept, MHI consistently strives to develop and provide products that meet the expectations of

customers and society.

Meanwhile, in order to secure the solid trust of society, a prerequisite to our production activities, we have established committees for overseeing matters such as compliance, environmental protection, and human rights and labor issues. Each year these committees propose and implement specific measures in their areas.

In addition, to increase the strategic impact and comprehensiveness of these activities, the company launched a CSR Committee chaired by the President and a CSR Promotion Department, the latter handling related office duties in October 2006. CSR Directors and CSR Practice Managers were also set up within each division, headquarters, company works and Group affiliate. In this way, a system was inaugurated capable of formulating policies, understanding and managing the status of related activities, and identifying areas needing improvement in an organized manner.



CSR Committee

Developing CSR activities in the framework of objectives based on our CSR Action Guidelines and CSR Action Plan

The second meeting of the CSR Committee held in July 2007 formulated the MHI Group CSR Action Guidelines with three basic vectors: “close ties with the Earth,” “close ties with Society,” and “a bridge to the next Generation” for the purpose of instilling CSR awareness in each employee and encouraging voluntary actions.

Subsequently, in April 2008, our CSR Action Plans (see p. 17) was formulated based on the CSR Action Guidelines to establish PDCA cycles.

Under the CSR Action Plans, CSR activities are to be carried out during the three-year period from fiscal 2008 through 2010 in the following six areas: CSR promotion (including contributions to society, CSR purchasing and information dissemination), compliance, the environment, human rights and labor, product responsibility, and risk management.

To promote greater CSR awareness group-wide, representative CSR activities were formulated at the fourth meeting of the CSR Committee held in June 2008 to be implemented throughout the Group in line with the three themes of the CSR Action Guidelines.

For “close ties with the Earth”

- Greening of company facilities (e.g., wall greening, symbolic greening of the factory)
- All-hands environmental activities with employees (e.g., recommendation of personal energy-saving declaration by Group employees, volunteer participation in Company Forest Creation program)

For “close ties with Society”

- Reinforcing community contribution activities (one event per year by each Group company at home and overseas)
- Providing support for developing countries with MHI products
- Strengthening information dissemination of MHI environmental technologies and products

For “a bridge to the next Generation”

- Sending employees to schools (e.g., science lessons at local elementary schools)
- Manufacturing class at MHI facilities (e.g., learning about manufacturing at MHI works, enhancing exhibition facilities)

40,954 employees participated in the “I declare that CO₂ be reduced 1 kg per day, per person” movement

With the goal of enhancing the environmental awareness of employees in line with the spirit of “close ties with the Earth” under the CSR Action Guidelines, we invited all Group employees to participate in the Team Minus 6% campaign: “My Challenge—Declaration for CO₂ Reduction” advocated by the Ministry of the Environment. As a result, 40,954 employees announced their participation from October 2008 through March 2009, bringing the declared total amount of CO₂ reduction to 40,311 kg.

Strengthening information disclosure of individual works to build trust with local communities

As a representative CSR activity, MHI launched a public relations campaign centered on its community-based environmental technologies and products.

MHI has a variety of technologies and products that serve the global environment. In this campaign, we release information to the local communities of respective works to promote understanding of our business as well as to provide an opportunity for building trust in these places.

In November 2008, younger employees of each works began planning newspaper ads under the theme of environment. Ads have been run in local newspapers since March 2009 while posters with the same content have

been placed in nearby train stations.

The activities were developed in Nagasaki, Shimonoseki, and the Hiroshima/Mihara area in 2008, the first year of the campaign. MHI plans to implement this effort in the Nagoya area in 2009 and in the Kansai and Kanto areas in 2010.

All Group companies involved in local cleanups to serve local communities

During the month of October 2008, 4,271 employees of MHI works and 56 Group companies participated in Hometown Cleanup Meetings hosted by the Mt. Fuji Club. MHI is a member of this organization and joined in its cleanup activities.

The activity was carried out as an initiative under the “close ties with Society” vector of the CSR Action Guidelines and as unified cleanup activities that had previously been conducted independently in individual areas. By cleaning the neighborhood, we were able to serve the local communities and at the same time raise employee awareness of the environment and community contribution.

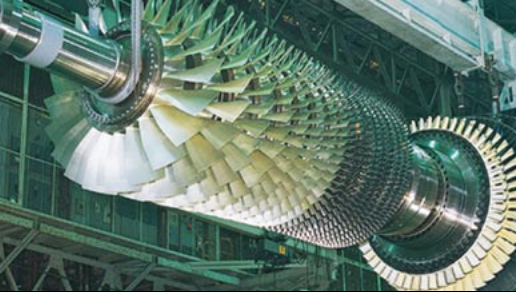


4,271 employees participated in the cleanup

Newspaper ads and train station posters of MHI works’ environmental technologies and products campaign



Hosted by: Industrial Advertising Association Japan
The 30th “2009 Japan BtoB Advertisement Prize”
Silver Prize in Poster Section



M501G-series gas turbine



Nuclear power plant



Wind turbines

Close ties with the Earth

Safeguard an abundantly green Earth through environmental technologies and environmental awareness.

The future of energy and the global environment, and the role of Mitsubishi Heavy Industries.

The World's Current Energy Conditions and Future Prospects

Today, the international community is being urged to transform into a post-carbon (fossil fuel) society in the face of twin threats: depleted energy resources and global warming caused by CO₂ emissions. Key participants at the Hokkaido Toyako Summit held in July 2008 essentially agreed to the long-term goal of halving greenhouse gas emissions worldwide by 2050, confirming how important the international community regards energy and environmental issues.

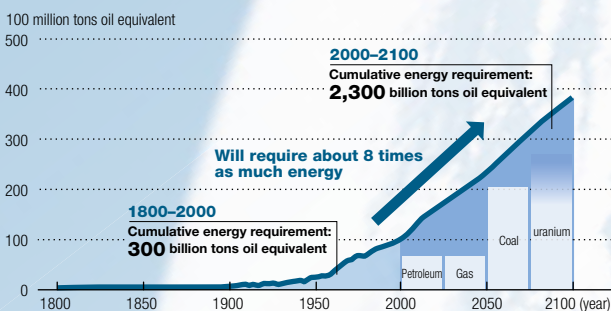
However, global energy demand continues to rise. With economic growth advancing in heavily populated nations such as China and India as well as in the highly developed countries, total worldwide energy requirements for the 90 years up to 2100 are estimated to be about eight times the amount of energy consumed during the 200 years following the Industrial Revolution. And known fossil fuel reserves can

only cover about 50% of the energy needed.

On the other front, the global warming situation is intensifying. According to an Intergovernmental Panel on Climate Change (IPCC) report, the average global temperature will rise by 1.8–4.0°C by the end of the 21st century if greenhouse gases continue to increase at the current rate. This could give rise to natural disasters due to global climate change and severely affect ecosystems, agriculture and water resources.

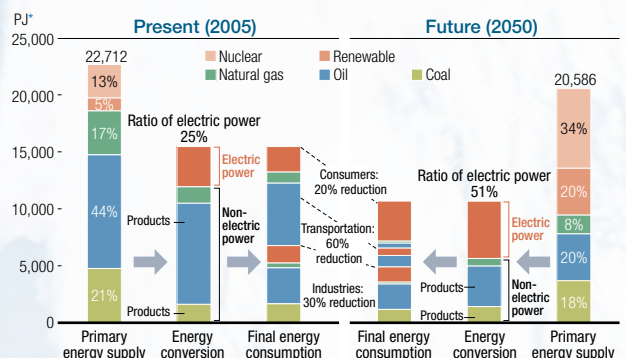
The highest priority for the future of the global community is simultaneously realizing the 3Es: Energy Security, Environmental Protection and Sustainable Economic Growth—an effort that requires international collaboration. Japan in particular, with its relatively high fossil fuel dependency among the advanced countries, faces the urgent need to promote a “best energy mix” strategy for shifting to new energy sources that emit less CO₂ while lowering its consumption of fossil fuels. In concrete terms, the country’s major challenge is to concurrently promote (1) improved

Estimated primary energy consumption worldwide



Source: Calculated by MHI based on the following: 1800–1970—*Shimane Journal of Policy Studies, No.11* “Kyoto Protocol and the Development of Coal Bed Methane in China”; 1970–2005—Annual Energy Report 2007; 2015–2050—*IEA Energy Technology Prospects* Fig. 2.37 basic scenario; 2060–2100—*World’s Long-term Energy Demand-Supply Prospect and the Role of Nuclear Power*, Japan Atomic Energy Agency (JAEA)

Japan’s energy balance transformation scenario



Source: From 2005 Handbook of Energy & Economic Statistics in Japan. Figures for 2050 were estimated by MHI.
*1 PJ (petajoule) = 1,000 trillion joules (1,000,000,000,000,000)



Mega Solar



Geothermal power plant



Eco Sky House

energy conservation and higher efficiency in conventional (fossil) energy consumption, (2) use of more nuclear power, (3) use of more natural energy sources, (4) acceleration of electrification, and (5) advancement of innovations in its power grid.

Energy and Environment Business of MHI

To address these energy and environment-related tasks, MHI has taken aggressive action across a wide range of business lines under the long-term vision of achieving the 3Es.

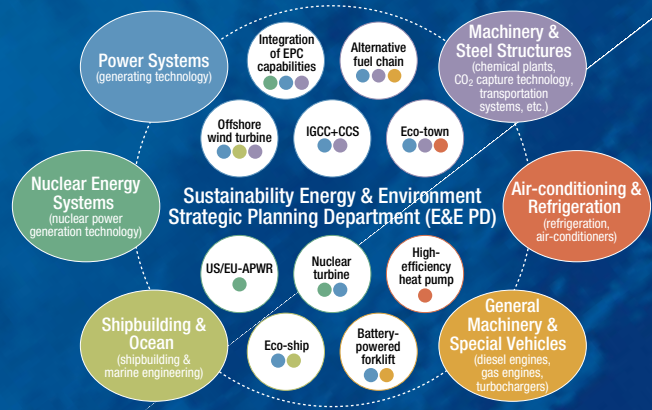
Regarding conventional (fossil) energy, MHI has achieved one of the highest power generation efficiency rates in the world using Gas Turbine Combined Cycle (GTCC), which combines gas and steam turbines. MHI is also making progress in improving the energy savings and efficiency of coal-fired thermal power plant through technological advances, including Integrated coal Gasification Combined Cycle (IGCC), a type of GTCC that uses coal. Furthermore, MHI will push ahead on demonstration operations of Carbon Capture and Storage (CCS) technology to separate and capture the CO₂ and store it beneath the ground or sea while at the same time seeking to reduce CO₂ emissions.

In Nuclear power plant, MHI has established a solid business in pressurized water reactor (PWR) power plants, from development to design, manufacture and maintenance, and provides highly safe and economically efficient products and services. The Mitsubishi Group is involved in the entire process of the reactor fuel cycle, from beginning to end. In 2007, MHI was chosen as a core company for the fastbreeder reactor (FBR) development program in Japan.

For natural energy, we are engaged in pioneering efforts for the practical use and establishment of next-generation technologies related to all sorts of renewable energy sources, including wind, solar, geothermal, hydro and biomass.

For acceleration of electrification and for power grid innovation, MHI is also involved in a broad range of projects, including heat pump technology, that support air-conditioning and hot water supply systems with excellent energy-saving performance, lithium ion batteries, which are a key compo-

Creating new businesses by generating synergies among individual businesses



nent of electric cars, and the construction of a direct current (DC) network as a next-generation infrastructure.

MHI stands alone in the world in advancing energy and environmental technologies throughout such diverse fields. Furthermore, we not only enhance technologies on each individual fields; we also pursue more dynamic technical innovation by integrating technologies across the entire energy chain.

In April 2008, the Sustainability Energy & Environment Strategic Planning Department was set up as an inter-departmental organization to lead our energy and environmental businesses. Looking ahead, the department will play a central role in our quest to become a leading enterprise in energy and the environment by developing new business solutions for a low carbon society using the synergies generated by integrating technologies across the entire range of fields in which the company has been involved. These include power plant, nuclear power plant, shipbuilding, chemical plants, air-conditioning and refrigeration, and engines, etc.

Our Action

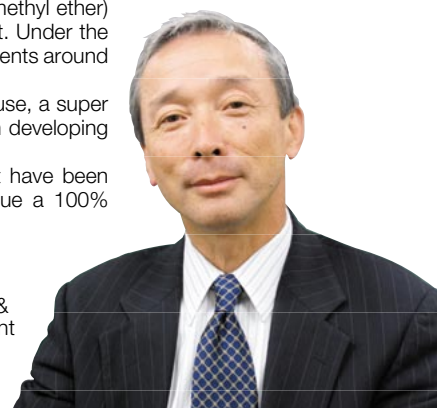
We communicate our comprehensive capabilities in energy and environmental technologies to make sustainable society a reality.

In 2008, MHI began to provide technical support for the Zero Emission Plan, an energy policy of the government of Iceland. The company will provide the nation with comprehensive solutions, including construction of the infrastructure for the demonstration of next-generation electric cars while considering the production of DME (dimethyl ether) synfuel to recycle CO₂ as well as vegetable plants that use the exhaust heat of geothermal power plant. Under the leadership of our Strategic Planning Department, MHI is now proposing similar energy policies to governments around the world.

In the private sector as well, MHI is pushing forward a large number of projects, such as Eco Sky House, a super energy-saving house project involving seven MHI Group companies including Ryoju Estate Co., Ltd., in developing homes with no energy bills.

Looking ahead, MHI will bring together these alleys of energy and environmental technologies that have been developed in individual departments, anchored by the Strategic Planning Department, and will pursue a 100% self-reliant, sustainable society in cooperation with manufacturers and IT companies around the world.

Jin Kato
General Manager of Sustainability Energy & Environment Strategic Planning Department



Improving the efficiency of thermal power plant

MHI has developed various technologies for improving the efficiency of and reducing the CO₂ emissions in thermal power generation. Integrated coal Gasification Combined Cycle (IGCC) technology for highly efficient and clean coal-fired power generation has attracted particular attention in recent years.

The use of coal has been thought to negatively impact the environment due to its exhaust characteristics during combustion. However, with confirmed recoverable reserves four times those of petroleum, coal is relatively abundant and costs less. Its consumption has therefore been rapidly increasing, primarily in China and developing countries, and it is expected to become a core energy source for thermal power plant, replacing petroleum in many countries. This prospect calls for innovative technologies to both improve the efficiency of coal-fired power and reduce its impact on the environment.

IGCC technology addresses these needs. It basically applies combined cycle technology, which integrates the best properties of gas and steam turbines. Instead of conventional coal firing, coal is gasified at first. The generated syngas is then used to drive a turbine (gas-turbine power generation)

and the high-temperature exhaust heat is recovered to create steam for driving a second turbine (steam turbine power generation). This allows power generation with higher efficiency and lower CO₂ emissions than conventional coal-fired power generation. (See figure)

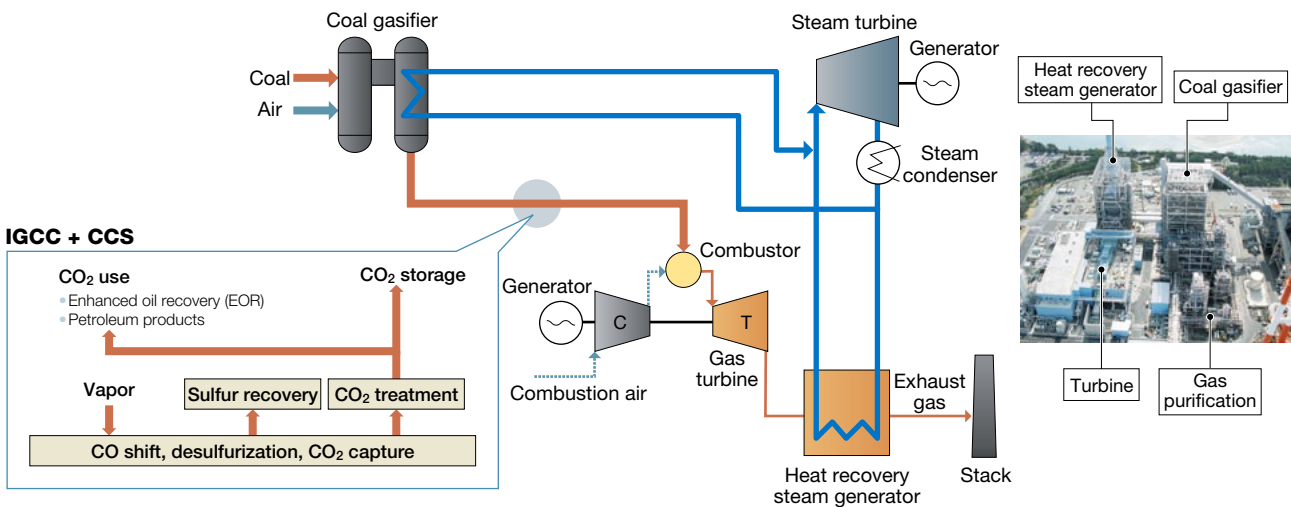
In 2007, MHI delivered a 250-MW class IGCC demonstration plant to Iwaki City, Fukushima Prefecture. The plant operated continuously for more than 2,000 hours in a long-term operation test. MHI also established a high generating efficiency of 46 to 48% and reduced CO₂ emission by about 20%, compared to conventional coal-fired power plant, by employing the world's first air-blown IGCC^{*1}. Based on these results, MHI intends to achieve commercial IGCC operation by 2015.

Furthermore, MHI is putting its efforts behind the development of CCS^{*2} technology through which CO₂ generated from the burning of fossil fuel is captured before emission and stored underground, for instance, as a more effective measure for reducing CO₂. We are also developing technologies that will combine IGCC and CCS to further accelerate CO₂ reduction and more effectively utilize coal. (See figure)

^{*1} System for generating power by gasifying coal using air. Since no energy is required to generate oxygen for gasification, the system allows higher plant efficiency compared with the conventional oxygen-blown IGCC method adopted by demonstration plants in Europe and North America.

^{*2} Carbon capture and storage.

Illustration of Air-blown Integrated coal Gasification Combined Cycle (IGCC) technology



Mitsubishi wind turbines have 30 years long experience

Wind power is leading the way as a natural energy source. Today 121 GW of wind turbines are installed across the globe, with 130 thousand units providing 1.3% of the world's electricity. At a growth rate exceeding 25%, wind power has increased threefold over the last five years. More than 40% of the new power plants introduced in Europe and the U.S. in 2008 are wind turbines. While wind power installed in Japan is as little as 1.88 GW, about 0.3% of the electricity demand. It accounts for more than 10% of such demand in Denmark and Spain, and wind power get to represents a major source of power along with thermal, hydro and nuclear.

Since developing a 40-kW wind turbine using its own technology in 1980, MHI has been producing wind turbines for about 30 years, culminating with the latest large-scale wind turbine MWT95/2.4 with a rotor diameter of 95 m and a rated output of 2,400 kW. Our history reaches further back than most European and North American makers. And our wind turbine's reliability is greatly appreciated around the world as a result of our efforts to overcome severe natural challenges unique to Japan, including typhoons, lightning storms and a mountainous terrain. In 2006, we launched mass production of wind turbines at the Yokohama Machinery Works, supplementing our existing operations at the Nagasaki Shipyard & Machinery Works.

The total output of the 3,293 wind turbines MHI has delivered to 10 countries around the world is 2.7 GW. This represents about 1.4 times the output of wind turbines introduced in Japan, and is equivalent to supplying power for about 1.60 million households while saving approximately 1.60 million tons of petroleum and reducing CO₂ emissions by over 5.0 million tons annually compared with oil-fired thermal power plant. With wind turbine demand expected to continue growing around the world, as exemplified by the Green New Deal policies of the U.S., MHI will continue to boost production to meet this need.

Wind turbines are rotary machines consisting of about 10 thousand parts that require precision work, and therefore the spreading effect is substantial. MHI will therefore strive to protect the global environment as well as expand related industries and employment.

Offshore wind are rapidly proliferating in Europe. MHI is the only one unique company which produces both wind turbines and ships & marine plant, so MHI can exercise its comprehensive capabilities for offshore wind turbine market. We have already started developing 5-MW class offshore wind turbines.



Bulgaria's first wind farm of 35 large wind turbines was constructed on the Nos Kaliakra cape on the Black Sea coast.



Offshore wind turbines



Contributing to cleaner, higher-quality photovoltaic generation

Photovoltaic generation, which harnesses the light energy of the sun, is experiencing the highest market growth rate of all renewable energies. Solar cells lie at the core of photovoltaic generation, and in 2002, MHI started producing amorphous (thin-film) solar cells with outstanding power generation characteristics at high temperatures. The company is leading the way in thin-film technology and supplies high-quality solar cells to the European market.

MHI also developed microcrystalline-Si tandem photovoltaic solar cells, an innovative generation technology, with increased generating efficiency through the absorption of a broader spectrum of sunlight including ultraviolet, visible light and infrared rays. Mass production started in 2008. The product also helps with CO₂ emission reduction efforts, as it requires less energy than mainstream crystalline solar cells during production.

Participating in new geothermal plant projects

Geothermal energy that lies deep beneath the surface of the earth has enormous potential. The geothermal energy of America, for example, is about 3,000 times its annual energy consumption. In geothermal plant, underground high-temperature vapor and water generated by geothermal energy are brought to the surface and used to generate power with steam turbines. Major advantages are: power is generated without emitting CO₂ since no fuel is burned above ground, the process is unaffected by weather, and it provides the highest operating rate of all natural energy sources at the level of thermal power plant.

MHI is a leading manufacturer of geothermal power plant, having delivered about 100 plants (approx. 3 GW) to 13 countries around the world since 1967, when it delivered a 12.5 MW geothermal generation facility to Kyushu Electric Power Co., Inc. Geothermal generation is now once again being considered as a promising domestic energy source. The Japanese government has designed aggressive support policies with expectations of generating up to 1.6 GW, three times the current level, by 2020.

As a result, the construction of geothermal power plants has intensified in Japan. MHI will also actively participate in these projects by providing the advanced technologies and expertise it has developed in geothermal generation projects



such as in Iceland, the U.S. and in other parts of the world.

Close ties with the Earth

Safeguard an abundantly green Earth through environmental technologies and environmental awareness.

The future of energy and the global environment, and the role of Mitsubishi Heavy Industries



With customers from Dubai



Dubai Metro LRT

Close ties with Society

Build a relationship of trust with society through proactive participation in society and trustworthy actions.

MHI contributes to the development of local communities through safe and environmentally friendly transportation systems.

Providing new transportation systems in step with the times

The advanced nations have recently started to shift their modes of transportation from automobiles to trains with the goal of easing congestion and reducing CO₂ emissions. Demand is rising in Asia and other emerging nations for a new transportation infrastructure that requires lower construction and operational costs than are required for railroads and that provides a mode of transportation for those who do not own automobiles. In response to this global demand, MHI develops and provides various transportation systems that contribute to the development of local communities around the globe.

The Automated People Mover (APM) is representative of these new transportation systems. An electric train with rubber tires that runs on an elevated track, the APM has been hailed as innovative in Japan. It is primarily used for transportation in large-scale facilities, such as airports, or between such locations. Demand for the system is increasing in light of several environmental benefits including its low noise and vibration as well as exhaust-free operation.

Starting with the development of MAT (Mitsubishi Rail Bus) in 1971, MHI has delivered APM urban transportation systems to many cities including the Seaside Line (Kanagawa), Yurikamome (Tokyo) and the Astram Line (Hiroshima). MHI also provides similar systems outside Japan, including Hong Kong, the U.S., Singapore, Korea and the U.A.E.

Systems that have also recently attracted attention for short-to-medium distance transportation include streetcars and Light Rail Transit (LRT). These systems have become popular in Europe because of their high transport capacity, low construction cost and low environmental impact. They are also expected to spread rapidly around the world as barrier-free, low-floor trains. MHI has delivered LRT transportation systems to cities at home and abroad.

Ensuring safety and reducing environmental impact of products, operations and construction works across entire projects

MHI is one of the few multidisciplinary engineering companies that can contract a complete transportation system project, from the design and manufacture of the entire system, including vehicles, to civil engineering; track construction; subsystem development, including signals, communication equipment and substations; and even comprehensive trial operation. On the strength of its all-inclusive capabilities, MHI was chosen to design all systems—from track, signals and communication to overall project supervision—for the Taiwan Bullet Train, Taiwan's first high-speed railway, which opened in 2007. The company was able to complete the seven-year project without accident while receiving advice from Japan's bullet-train-related companies and engineers.

MHI ensures the safety of the entire system in the design of transportation systems. These efforts include adopting signal systems, such as automatic train operation (ATO), to reduce accidents from human error, and a platform door system to prevent falls. We are also developing technologies that reduce environmental impact, including a battery-powered APM that stores electric power generated by the motor when braking for reuse as drive power.

In overseas construction work, MHI complies with local labor laws and safety and public health regulations while also deploying locally licensed specialists to manage construction site safety and prevent industrial accidents. Every new employee receives safety training, and those assigned to dangerous operations such as working in high places are thoroughly trained at a local center specifically constructed for each project before being sent to the actual site. Furthermore, internal safety management experts conduct overseas site inspection.

ASIA



©Taiwan High Speed Rail Corporation
Taiwan Bullet Train



Low-floor streetcar (Hiroshima)



Singapore Changi Airport APM

Top: Interior of Taiwan Bullet Train
Bottom: People involved in Jakarta Depok Depot

AMERICA



Washington Dulles APM, United States



With customers from Atlanta

tions such as safety audits. We strive to minimize adverse impact on the surrounding area during construction by having local specialized agencies conduct fixed-point observation and evaluation of noise, water discharge, airborne dust and other factors.

MHI will continue to provide safe transportation systems to countries around the world and contribute to the development of local communities by bringing together its core competency of integrating a broad range of technologies and expertise with its ability to manufacture vehicles and equipment.

Expectations held toward MHI



Looking to MHI to provide transportation systems that deliver even better comfort and environmental protection

Mr. Koh Ming Sue

Deputy Director
Engineering and Real Estate Development
Civil Aviation Authority of Singapore

MHI displayed a high level of professionalism in supplying and installing the People Mover System at Changi Airport, which links the transit and public zones of its three passenger terminals. Similarly, MHI delivered a light rail system, which enables a smooth connection to residences, workplaces and retail areas. In a country such as Singapore, which has a high population density and a small geographic area, public transportation plays an extremely important role in economic growth and the quality of life of its people.

MHI's environmentally-friendly train systems support the green efforts of Singapore and Changi Airport. Going forward, we look to MHI to provide more innovative transportation systems that deliver both comfort and environmental protection for us all.

Building good relationships with local community residents

MHI is committed to providing transportation infrastructures that aid local communities while also building good relationships with community residents.

For instance, we promote local employment in the Philippines (Manila), where we have been involved in LRT construction work for more than 10 years since 1997, guided by the belief that local job creation is a vital social contribution. We have also worked toward continuing employment by, for example, employing staff hired in the Philippines for projects in other countries. Maintaining employment of excellent foreign engineers ensures stability in their livelihoods while guaranteeing high-quality design for the company. This is how we establish win-win relationships.

We also regularly hold events such as barbecues, excursions and holiday celebrations for local staff, customers and partner companies to strengthen mutual understanding.

We will adhere to placing a top priority on maintaining business in the countries in which we now work, and contribute to the local economy by creating jobs and improving working conditions.



An excursion for local staff and families

Creating opportunities to experience manufacturing and embrace dreams for the future of science and technology

In Japan, children are having increasingly fewer opportunities to get involved with sciences in their schools. MHI believes that its responsibility as a manufacturing enterprise for the future of Japan in sustaining its competitive edge in technologies is to create a social environment that stimulates interest among children in science, technology and products. To this end, the company launched its science class program in October 2007.

Under this program, MHI employees visit elementary and junior high schools to raise interest in science through a curriculum that uses tools such as *wakamaru*, a communication robot developed by MHI. In April 2008, the company developed its Three-year Plan to Support Science Education at Schools to facilitate the full-scale deployment of this program as a CSR initiative.

In 2008, the plan's first year, MHI worked to extend the curriculum to incorporate the use of *wakamaru* by all our office sites and works, and held science classes at 12

Outline of the Three-year Plan to Support Science Education at Schools

- | | |
|------|--|
| 2008 | <ul style="list-style-type: none"> • Implementation of science classes for elementary schools by all works, using tools such as <i>wakamaru</i> (Understanding the needs of schools and gaining the expertise for conducting science classes) • Development of science class teaching materials at individual works (Individual works create teaching materials for science classes based on their own products and technologies) |
| 2009 | <ul style="list-style-type: none"> • Implementation of science classes for elementary schools by all works based on their respective products and technologies (Conducting science classes using the teaching materials created by respective works) • Brushing up science class teaching materials (Improving content based on the responses of children and feedback from schools) |
| 2010 | <ul style="list-style-type: none"> • Continued implementation of science classes for elementary schools based on the products and technologies of respective works (Conducting science classes after reflecting on achievements and areas in need of improvement in FY2009 classes) • Consideration toward conducting science classes for junior high schools (Considering teaching materials and presentation methods for operating science classes in junior high schools) |

elementary and junior high schools around the country. In every classroom, children shouted with joy as they watched *wakamaru* and took on fascinating tasks such as planning the creation of a robot that would help their community. MHI hopes these experiences provide opportunities for boosting student interest in science as well as encouraging them to think about their futures and their careers.

In 2009, the plan's second year, we will further develop the program with the goal of planning and conducting unique science classes utilizing products and technologies representing each works. At the same time, we will improve the teaching materials and presentation methods to incorporate the feedback and requests of past participants. MHI will continue working on these kinds of activities to foster the next generation responsible for building Japan's future.

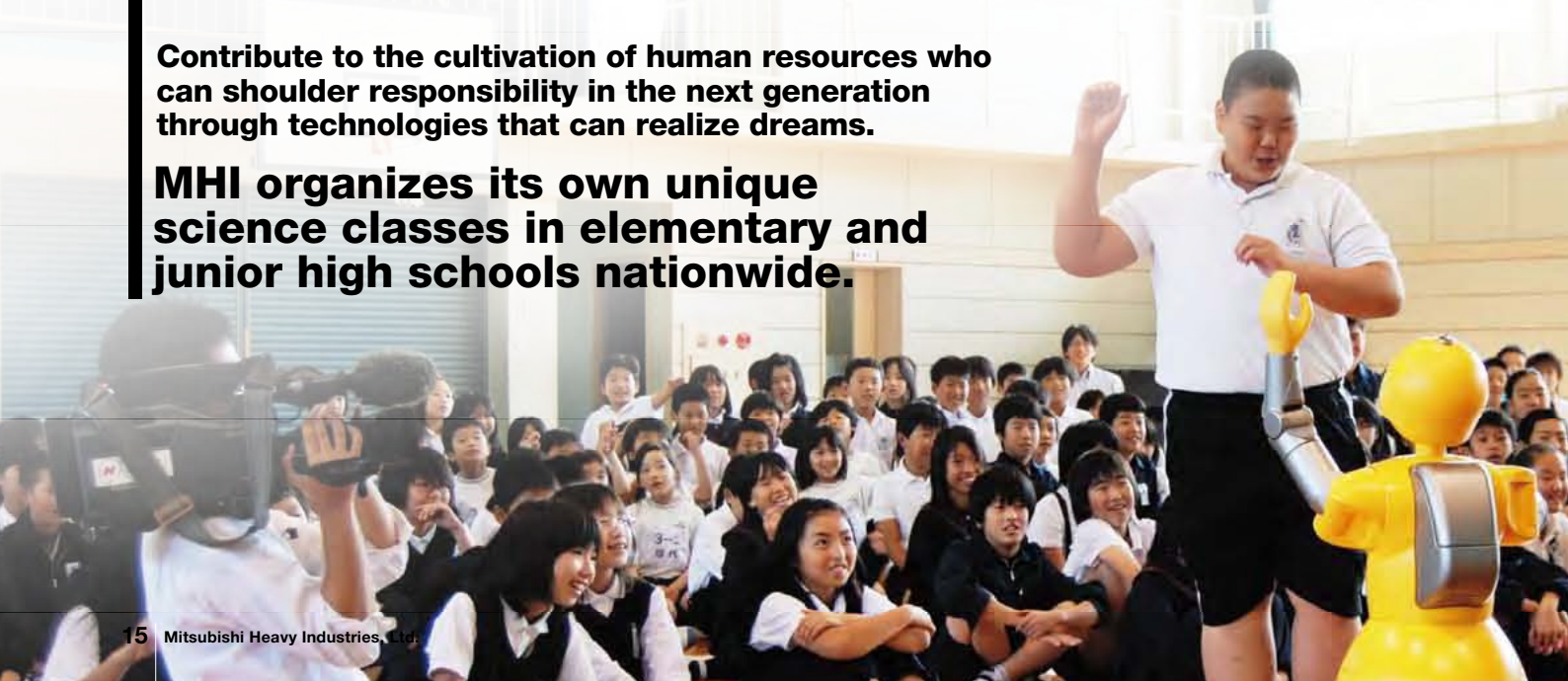
List of *wakamaru* science classes

Location	Dates held	Division, Headquarters, Works	Grade/ Number of participants
2008			
Yamaguchi	Shimonoseki Enoura Elementary School	October 24	Shimonoseki Shipyard & Machinery Works 5th graders: 72 6th graders: 55
Kanagawa	Yokohama Honmoku-minami Elementary School	November 4	Yokohama Machinery Works 3rd graders: 55
Shizuoka	Shizuoka Johoku Elementary School	November 5	Head Office 5th graders: 128
Hiroshima	Hiroshima Minamikanon Elementary School	November 12	Hiroshima Machinery Works 5th graders: 125 6th graders: 135
Hyogo	Kobe Seiryodai Junior High School	November 20	Kobe Shipyard & Machinery Works 2nd year junior high students: 170
Aichi	Nagoya Higashitsukiji Elementary School	December 12	Nagoya Aerospace Systems Works 4th graders: 140
Kanagawa	Yokohama Namiki-chuo Elementary School	December 19	Yokohama Machinery Works 6th graders: 70
2009			
Aichi	Kiyosu Toei Elementary School	January 23	Air-Conditioning & Refrigeration Systems Headquarters 5th graders: 60 6th graders: 45
Hyogo	Takasago Yoneda Elementary School	January 27	Takasago Machinery Works 6th graders: 80 6th graders: 80
Hiroshima	Mihara Koizumi Elementary School	January 28	Paper & Printing Machinery Division/ Plant and Transportation Systems Engineering & Construction Center 1st to 6th graders: 121
Tokyo	Setagaya Fukasawa Elementary School	February 17	Head Office 6th graders: 99
Kanagawa	Odawara Kawahigashi Town Center	March 14	General Machinery & Special Vehicle Headquarters 3rd to 6th graders: 99 Their guardians: 91

A bridge to the next Generation

Contribute to the cultivation of human resources who can shoulder responsibility in the next generation through technologies that can realize dreams.

MHI organizes its own unique science classes in elementary and junior high schools nationwide.





Shimonoseki Enoura Elementary School

Children were fascinated with *wakamaru*, which they were seeing for the first time. His greetings and gymnastics drew cheers.



Hiroshima Minamikanon Elementary School

Out-of-the-box ideas about the future of robots came up one after the other. Children were able to learn about advanced technology while having fun.



Mihara Koizumi Elementary School

We tried to make the lesson enjoyable by, for example, comparing the functions of humans and robots.



Yokohama Namiki-chuo Elementary School

Children were able to develop their own dreams, with some saying, "I'm going to build a robot when I grow up."



Nagoya Higashisukiji Elementary School

Children were learning while at the same time being surprised and intrigued by the functions and mechanism of *wakamaru*.



Setagaya Fukasawa Elementary School

We received a lot of comments including: "I think manufacturing is fun" and "I learned that relationships between people are important in manufacturing."

Expectations held toward MHI



I hope MHI will expand the class subjects further to introduce its environmental efforts and concerns as well as other areas, while also providing lessons that schools and teachers cannot offer on their own.

Mr. Eiji Akiyama

Shimonoseki Enoura Elementary School

By talking to the robot and touching it, the children not only became interested in how it works but also imagined other robots that could help future society. Experience with real things leads to discovering the excitement of science and can be the starting point for realizing dreams. I wish MHI would further expand the class subjects to introduce its environmental efforts and concerns, as well as other areas in addition to robots, while providing lessons that schools and teachers cannot offer on their own.

Expectations held toward MHI



I would like MHI to further communicate the difficulties, pleasures and challenges of manufacturing to children.

Mr. Masaaki Kawashima

Setagaya Fukasawa Elementary School

In this class, children became aware that many people are involved in manufacturing. Some children in higher grades were thinking about what they should do now to prepare for their futures. Beyond inspiring interest in science, stories about the efforts and difficulties associated with development were also valuable moral lessons. I would like to see MHI continue communicating such experiences as joy, difficulty, and challenge in manufacturing.

Getting an early start on the next plan

Work has already begun toward achieving the FY2009 goal of conducting science classes with the products and technologies of respective works. The first class, on rockets, was conducted by the Nagoya Guidance & Propulsion Systems Works at an elementary school in Komaki City in November 2008.

The class was designed to inspire dreams about rocket technology and space development through a deeper understanding of the aerospace industry. A rocket engine designer from the company served as lecturer and spoke about the mechanical construction and performance of rockets. Children were intrigued and listened attentively throughout the lesson, which included a liquid nitrogen experiment and a quiz.



Introducing the mechanical construction and performance of rockets



CSR Action Plans

Medium-term targets and action plans for fiscal 2008 to 2010

MHI developed medium-term CSR targets for a three-year period (fiscal 2008 to 2010) as well as action plans for each fiscal year to expand CSR management across the entire Group. The CSR Committee, chaired by the President, reviews the progress of activities every half term to promote strategic and comprehensive CSR initiatives across the Group.

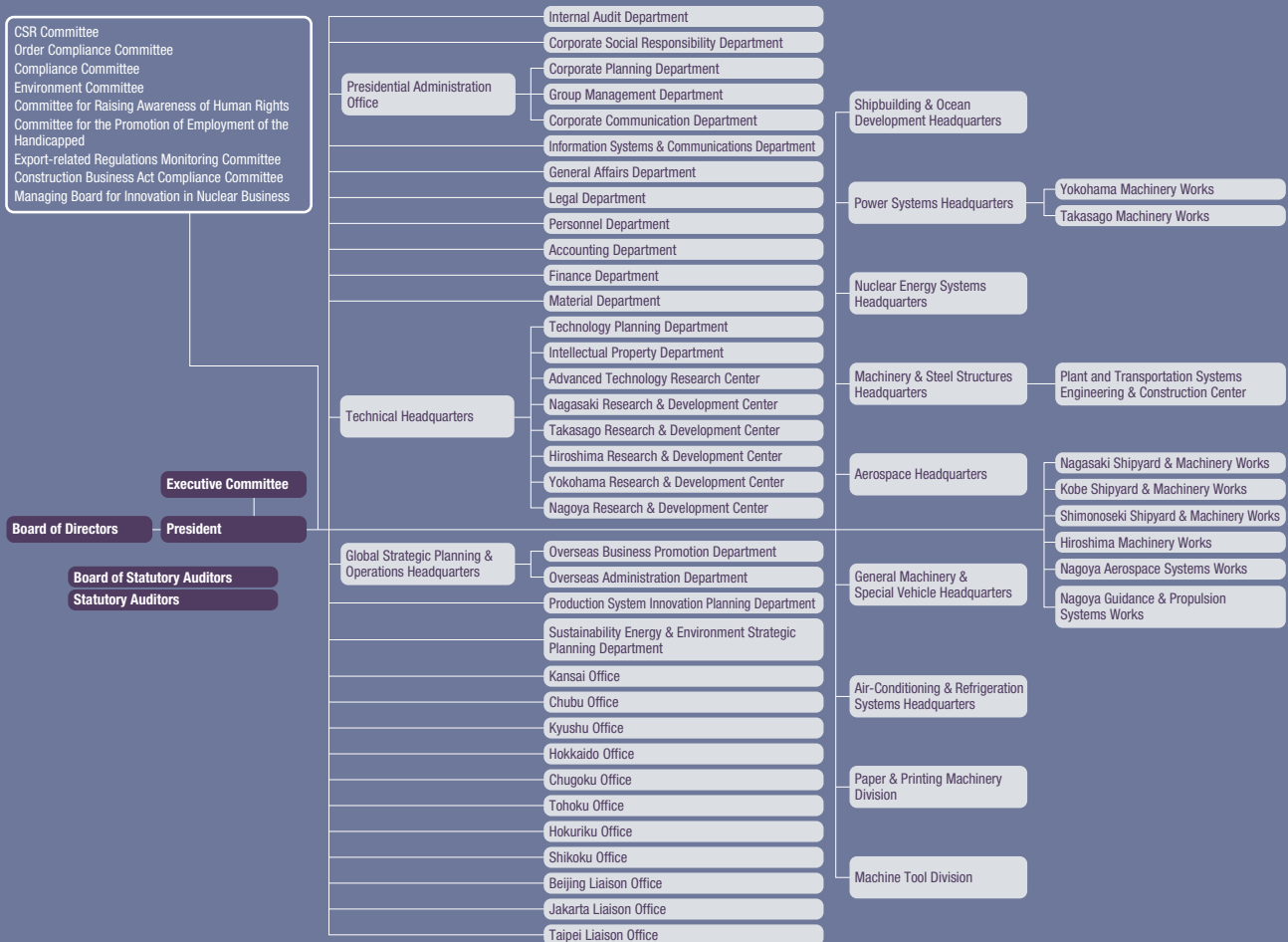
Area	Priority item (responsibility)	Medium-term targets (FY2008–2010)
CSR Promotion	Broadened CSR awareness (CSR Committee / CSR Department)	<ol style="list-style-type: none"> 1. Broadened CSR awareness across the Group and promote self-directed activities of individual departments 2. Selection and implementation of unified activity themes for the entire Group (representative CSR activities) based on the CSR Action Guidelines
	Socially beneficial activities (General Affairs Department / CSR Department)	<ol style="list-style-type: none"> 1. Energizing activities in line with the social contribution policy of the entire company (community contribution and nurturing the next generation) and instilling a sense of unity across the Group 2. Raising the level of all activities by exchanging information among departments and energizing activities of Group companies 3. Building a structure to support participation of employees in social contribution activities
	Strengthening information dissemination (Corporate Communication Department) <ol style="list-style-type: none"> 1. Enhancement of brand value concerning the environment 2. Enhancement of company image 3. Promotion of IR activities 4. Improvement of the Mitsubishi Minatomirai Industrial Museum 	<ol style="list-style-type: none"> 1. Gain wider recognition and improve evaluation of the company's environmental protection efforts 2. Promote PR to improve the company image 3. Increase the number of shareholders who hold the company's stocks longer (fan) 4. Attract 140,000 visitors a year
	CSR procurement (Material Department)	<ol style="list-style-type: none"> 1. Penetration of CSR Procurement Guidelines and strengthened PDCA cycle 2. Response to REACH Regulation and others 3. Deepened activities for further reducing energy use in transportation
Compliance	Thorough compliance (Compliance Committee)	<ol style="list-style-type: none"> 1. Establishment of promotion system across the Group and unified activity content 2. Implementation of compliance training that is well-developed in terms of both awareness and knowledge
	Order compliance (Order Compliance Committee)	Maintaining zero violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (continued order compliance activities)
	Compliance with the Construction Business Act (Construction Business Act Compliance Committee)	<ol style="list-style-type: none"> 1. Improvement of on-site compliance level 2. Establishment of the system for compliance 3. Support of the Group companies in compliance
	Compliance with export-related regulations (Export-related Regulations Monitoring Committee)	<ol style="list-style-type: none"> 1. Enhancing sure export management at individual departments and training experts in export management 2. Further strengthening effective export management by Group companies
Environment	Reduced CO₂ emissions (Environment Committee)	<p>Ensuring achievement of the voluntary reduction target for CO₂ emissions</p> <ol style="list-style-type: none"> 1. Visualization of energy usage and implementation of energy conservation by eliminating waste 2. Obtaining necessary emission credits and systematically introducing energy-saving equipment 3. Installation of additional photovoltaic facilities to bring cumulative total across the company to more than 2,000kW
	Group environmental management (Environment Committee)	<ol style="list-style-type: none"> 1. Completing introduction of environmental ISO in Group companies in Japan 2. Deployment of environmental management activities by the entire MHI Group acting as one 3. Implementation of regular audits of Group companies and round-table conferences
Human rights and labor	Raising awareness of human rights (Committee for Raising Awareness of Human Rights)	Broaden understanding and awareness regarding human right issues across the company and implement initiatives to prevent sexual and power harassment
	Promote employment of the handicapped (Committee for Promoting the Employment of the Handicapped)	Maintenance and expansion of employment level exceeding legal mandate, and promotion of systematic employment by individual departments
	Creating a better workplace (Personnel Department) <ol style="list-style-type: none"> 1. Enriched education 2. Strengthening mental health 3. Utilization of retired employees 4. Nurturing the next generation 	<ol style="list-style-type: none"> 1. Further enhance the environment for carefully nurturing valuable human resources 2. Implementation of effective measures, starting from the prevention of mental health disorders to supporting employees in returning to work 3. Further increasing the rehiring rate (more than 60%) 4. Maintaining Kurumin (next generation nurturing support) certification mark
Product responsibility	Ensuring quality and safety of nuclear business (Managing Board for Innovation in Nuclear Business)	<ol style="list-style-type: none"> 1. Establishment of an integrated QMS (Quality Management System) across the headquarters and works and construction of an autonomous framework 2. Further improvement of plant reliability 3. Nurturing a climate that does not allow compliance violations and earning the public trust through ongoing dissemination of information
	Product safety (Legal Department / Production System Innovation Planning Department)	<ol style="list-style-type: none"> 1. Utilization, spread and deployment of accomplishments related to product safety activities (including improved instruction manual models) 2. Further reinforcement of product safety system
Risk management	Risk assessment and management (Internal Audit Department)	<ol style="list-style-type: none"> 1. Further strengthening the PDCA cycle for autonomous risk management at the company as well as domestic and overseas Group companies 2. Regular implementation of risk assessment 3. Thoroughly implementing company-wide horizontal deployment of advanced cases using database

	Achievements of FY2008	Action plans for FY2009
	<ol style="list-style-type: none"> 1. Distributed CSR report (digest version) to all employees of domestic Group companies (87 thousand copies) 2. Held President's Town Meeting at 14 locations and "CSR training sessions" at 15 locations 3. Implemented representative CSR activities in line with the CSR Action Guidelines almost as planned 	<ol style="list-style-type: none"> 1. Distribute CSR report to all employees of domestic Group companies 2. Multilevel dialogues, broadened CSR awareness through CSR training program and expanded implementation in Group companies 3. Continue to carry out representative CSR activities across the Group
	<ol style="list-style-type: none"> 1. Activities were carried out in line with the social contribution policy <ol style="list-style-type: none"> (1) Community contribution activities: matching gift, donation of photovoltaic equipments, etc. (2) Nurturing the next generation: inaugural MHI Charity Opera (for audience of 230), acceptance of interns, summer schools for families, etc. 2. Socially beneficial activities of Group companies Furusato Seiso Undokai (local clean-up effort) hosted by Mt. Fuji Club (total of 4,271 employees of MHI Group participated in the activity), etc. 	<ol style="list-style-type: none"> 1. Develop the foundation for community contribution and the next generation nurturing activities 2. Accelerate the activities by starting programs in the Group companies and sharing information through house journals, Group company meetings, etc.
	<ol style="list-style-type: none"> 1. Conducted benchmark analysis of other companies 2. Ran corporate ads in newspapers and published periodicals (MHI Graph); ran CSR ads in Nagasaki, Shimonoseki and Hiroshima areas (newspapers and train station ads) 3. Hosted plant tours for individual shareholders (Shimonoseki Shipyard & Machinery Works / Machine Tool Division); Held briefings for individual investors (Fukuoka Stock Exchange) and for stock advisors (Nikko Cordial Securities Inc.) 4. Reopened Trial Square (3D_CAD WORKS STUDIO and Future Factory) as a part of the innovation of the Industrial Museum Number of visitors in FY2008 was 148 thousand (accomplished 106%) 	<ol style="list-style-type: none"> 1. Grasp trends of top-ranking companies 2. Continue to run ads that nurture the company image concerning energy and environment 3. Examine responses from questionnaires for individual shareholders and realize their requests 4. Continue innovation of the Industrial Museum; develop long-term planning of the next industrial museum
	<ol style="list-style-type: none"> 1. Conducted competitor trend surveys and internal study meetings 2. Held internal study meetings on REACH Regulation 3. Reduced energy use in transportation (98 in unit energy consumption indexed against 2006 as 100) 	<ol style="list-style-type: none"> 1. Develop CSR Procurement Guidelines and start activities for penetration of the guidelines inside and outside the company 2. Establish a policy in response to REACH Regulation and start activities for penetration of the policies inside and outside the company 3. Reduce energy use in transportation (97 in unit energy consumption indexed against 2006 as 100)
	<ol style="list-style-type: none"> 1. Checked the status of holding Departmental Compliance Committees and Compliance Liaison Conferences and reinstructed to hold them appropriately 2. Continued aggregation of the compliance cases that require improvement and feedback to trainings and others 3. Continued implementation of compliance training; newly established "training provided to mid-career employees six months after joining the company" and its spread across the entire company 	<ol style="list-style-type: none"> 1. Accumulate the compliance cases that require improvement and reflect them on effective education/measures 2. Raise the level of compliance awareness by enhancing the compliance promotion training materials for the segment having relatively weak awareness 3. Consider unifying the education level of the entire Group including Group companies in foreign countries
	Carried out monitoring, education and training of all Group companies that participate in bidding on public sector projects	Continue monitoring and further educating to prevent fading of compliance awareness concerning the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade
	<ol style="list-style-type: none"> 1. Implemented on-site checking 2. Opened an e-learning course (3,653 participants) and held technical workshops 3. Carried out internal audits in Group companies 	<ol style="list-style-type: none"> 1. Continue on-site checking 2. Promote educational programs (e-learning, technical workshops) 3. Support Group companies in compliance (workshops on the Construction Business Act)
	<ol style="list-style-type: none"> 1. Started development and operation of e-learning content for employee education (about 7,800 participants in cumulative total) 2. Carried out audits by primary supervising department 	<ol style="list-style-type: none"> 1. Continue implementation of employee education (e-learning) 2. Continue audits by primary supervising department
	<ol style="list-style-type: none"> 1. Promoted introduction of energy-saving equipment 2. Purchased and managed emission credits (already signed on the purchase of required amount) 3. Introduced additional 800kW photovoltaic facilities (Nagasaki Shipyard & Machinery Works and Isahaya Plant) making the cumulative total 1,890kW 	<ol style="list-style-type: none"> 1. Continue to promote introduction of energy-saving equipment; introduce a monitoring system 2. Check the record of the signed emission credits 3. Introduce additional 200kW photovoltaic facility
	<ol style="list-style-type: none"> 1. Five Group companies completed their initial acquisition of ISO certification 2. Completed setting common targets for Group companies 3. Held an environmental conference with 16 companies that have acquired certification independently; held a liaison conference with 25 Group companies that have acquired the same 	<ol style="list-style-type: none"> 1. More than eight Group companies complete their initial acquisition of ISO certification 2. Deploy and follow up on the common targets for Group companies 3. Continue to hold environmental conference (of 14 companies)
	The committee and the respective committees of each works held annual meetings	Continue to hold annual meetings of the committee and the respective committees of each works
	Achieved the employment level of 1.96% exceeding the legal mandate of 1.8%	Continue aggressive recruitment activities (monthly review of activity status) and enlightenment activities toward achieving employment level of 2%
	<ol style="list-style-type: none"> 1. Restructured (improved) company-wide training system and convened annual meeting of managers in charge of training 2. Started "rehabilitation working program" to effectively support employees returning to work 3. Accomplished the rehiring rate of 66%, exceeding the 60% medium-term target 4. Implemented a support program for nurturing the next generation in balance with actual working responsibilities 	<ol style="list-style-type: none"> 1. Implement education based on the new system 2. Carry out internal audits of the occupational health and safety management system 3. Accomplish the rehiring rate exceeding the medium-term target of 60% 4. Work to promote understanding of the content of the program for nurturing the next generation in balance with actual working responsibilities
	<ol style="list-style-type: none"> 1. Established a quality assurance plan with overseas businesses in mind 2. Shared maintenance information through PWR Business Liaison Conference 3. Further strengthened the monitoring functions 4. Communicated information on improvement activities through the website 	<ol style="list-style-type: none"> 1. Practice and deepen the Nuclear QMS 2. Assess the utilization level of maintenance information 3. Enhance ethics education for engineers 4. Proactively work on information disclosure
	<ol style="list-style-type: none"> 1. Carried out risk assessment, improvement of instruction manuals / guarantee certificates 2. Carried out surveys of responses by other companies to inform construction of a product safety system 	<ol style="list-style-type: none"> 1. Continue risk assessment, improvement of instruction manuals / guarantee certificates, and others 2. Strengthen product safety education
	<ol style="list-style-type: none"> 1. Followed up on risk reduction activities using risk measure description sheet at individual departments and domestic and overseas Group companies 2. Developed a risk management database 	<ol style="list-style-type: none"> 1. Continue effective risk management in coordination with internal audits and risk reduction activities for major risks 2. Pursue horizontal deployment of advanced cases using the risk management database

Responsibilities and Actions of MHI Management

In the course of providing products that support social and economic infrastructures on a global scale, MHI makes every effort to fulfill its social responsibility as a corporation by strengthening and enhancing its corporate governance, internal controls and CSR efforts while acting in full compliance with prevailing laws, rules and social norms in addition to promoting fair and sound management.

Organization Chart (as of April 1, 2009)



Corporate Governance

In its quest to continuously develop its business operations and fulfill its social responsibilities, MHI is reforming its management structure while promoting fair and sound management rooted in complete legal compliance.

Current Status of Corporate Governance and Internal Controls

Strengthening the oversight functions of the Board of Directors through such measures as appointing outside directors

The Board of Directors makes important key management decisions and oversees the execution of business operations, while the Board of Statutory Auditors monitors the executive actions of directors and other matters.

In June 2005, MHI increased the number of outside directors, streamlined the Board of Directors, shortened the term of office, and introduced an Executive Officer System. An additional outside director was subsequently appointed in June 2007. MHI is strengthening management oversight and auditing functions by appointing outside officers; currently, 3 of the company's 19 directors and 3 of its 5 statutory auditors are from outside MHI.

MHI has also established an Executive Committee to serve as a forum for discussing important matters related to business execution. This allows for

a more cohesive approach in terms of discussions as part of the operational execution framework centered on the President, and consequently leads to more effective management decisions and business execution.

The Board of Statutory Auditors monitors executive actions of directors. In accordance with auditing policy and the allocation of duties determined by the Board of Statutory Auditors, statutory auditors attend meetings of the Board of Directors, the Executive Committee and other key meetings related to business planning, enabling them to accurately assess and monitor the status of management execution in a timely manner. Statutory auditors also audit the execution of director duties by conducting spot checks and verifying compliance with relevant laws and regulations, and by monitoring the status and operation of internal control systems. MHI strives to maintain conditions under which statutory auditors can efficiently execute their duties; the Statutory Auditor's Office has been set up with its own dedicated staff to support and facilitate the work carried out by the statutory auditors.

Statutory auditors and accounting auditors periodically exchange information and opinions and cooperate closely

in other ways, including the participation of statutory auditors in accounting audits.

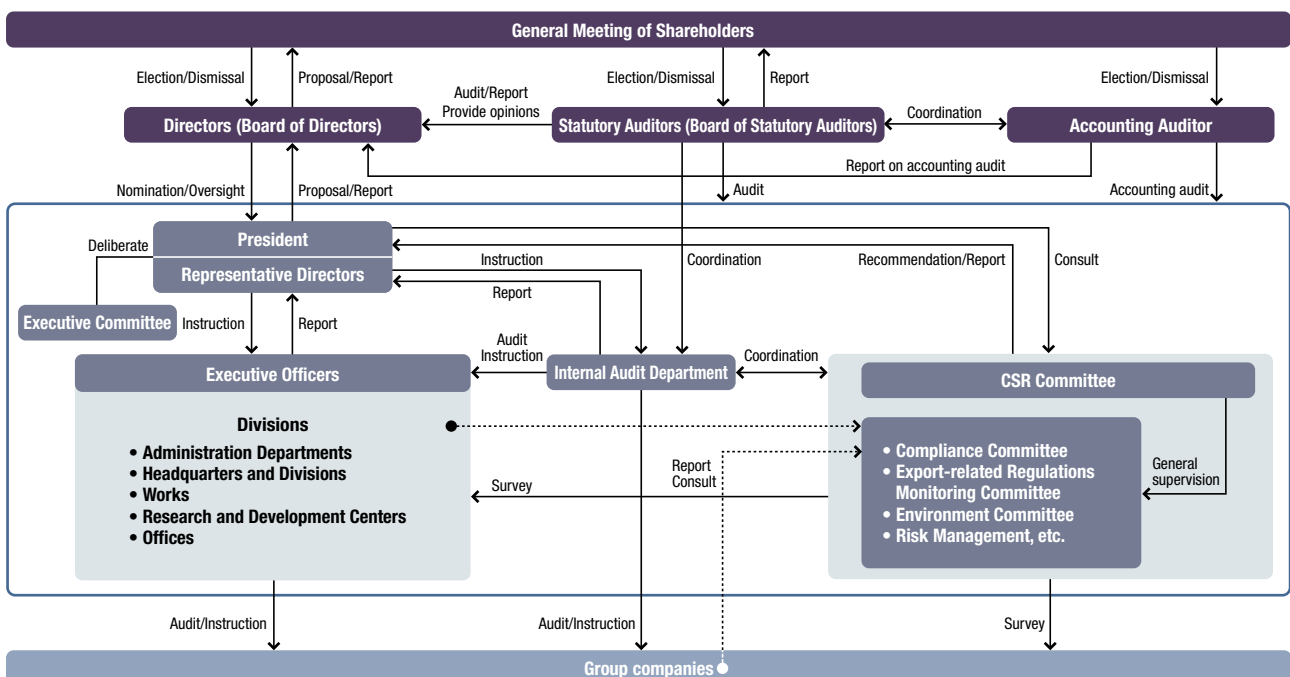
Promoting development and operational assessment of the internal control system

In May 2006, the Board of Directors approved a basic policy for internal control systems. Under this policy, the company has been steadily promoting thorough compliance, reinforcing risk management, and improving the effectiveness of internal audits.

Under the Japanese Financial Instruments and Exchange Act, an internal control reporting system, sometimes referred to as J-SOX, came into effect in April 2008. Prior to this, the Board of Directors revised the basic policy in March to articulate its response.

In April 2008 we set up a group inside the internal audit department of our headquarters to be responsible for all J-SOX-related operations inside the MHI Group, concurrently setting up similar groups or offices throughout all of our manufacturing works to evaluate the design and operation of our internal control system.

Corporate Governance Structure (including internal control system) (as of April 1, 2009)



New Organizations and Measures Concerning Business and Management Inclusively

Strengthening “Monodzukuri” (production system for value creation) capability through the process innovation across the company

“Monodzukuri capability” is the origin of the competitiveness in the manufacturing industry. Securing and strengthening this capability has emerged as a critical management issue in the face of today’s increasingly severe business climate.

In light of this situation, the Production System Innovation Planning Department (established directly under the President in April 2006) has consistently pursued the process innovation of the value chain from marketing, design, production to service, in cooperation with the Production System Innovation Planning organization at individual works headed by their promotion leaders.

In cooperation with related bodies including the Presidential Administration Office, the Information Systems & Communications Department, the Personnel Department, the Material Department and the Technical Headquarters, the Production System Innovation Planning Department also conducts the Managers’ Conference, which consists of the designated managers of Quality Assurance, Design and Production departments at individual works. The mission of this conference is to get the solutions to the common issues that are difficult for individual works to handle alone, such as the development and enhancement of human resources, the transfer of expertise and skills over the generations, and the innovation of facilities and manufacturing process across the company.

These activities has successfully been enhancing the Monodzukuri foundation as the manufacturing company, for example, the development of a training system for engineers and technicians, the renovation of degraded production facilities or the establishment of the inter-works communication environment for problem solving.

Focus and Progress in Fiscal 2008

In fiscal 2008, for the purpose of the evaluation of the activities since 2006 and to run the PDCA(Plan, Do, Check, Action) management cycle, MHI established the numeric index representing the production system innovation activity which also links to the business plan and made the visualizing to claim for the product reliability.

For the strengthening and acceleration of the global business deployment and the extension and acceleration of management process innovation, the

“modular design* project”, promoted as the starting point for the process innovation across the entire value chain has reached a stage of producing the fruits, such as lead time reduction.

In fiscal 2008, MHI launched the Supply Chain Management Innovation project and initiated to develop a common procurement infrastructure for leading the procurement strategy planning across the company, including the establishment of common commodity group code and adding the code data analysis function to the existing procurement system.

Going forward, MHI will further strengthen its product competitiveness by accelerating the production system innovation by the execution of the supply chain management innovation from the procurement to the production in order to produce the common infrastructure, in addition to the efforts of the activities of the expansion of global procurement through design standardization and the process innovation across the entire value chain.

* **Modular design:** Design concept for reducing the variety of component parts while at the same time supporting extensive product variations.

Establishment and development of the Sustainability Energy & Environment Strategic Planning Department

Amid growing concern over energy and environmental issues worldwide, the company established its Sustainability Energy & Environment Strategic Planning Department on April 1, 2008, to quickly develop an infrastructure for applying the company’s comprehensive strengths in energy and environmental technologies and to position the company as a leader in energy and environmental fields by aggressively communicating its business strategies and comprehensive technical capabilities outside of the company.

The Sustainability Energy & Environment Strategic Planning Department will reinforce existing businesses through the integration of individual product businesses (technologies) by coordinating activities of the related departments in the company; create new businesses; develop basic strategies for the company’s energy and environmental businesses including M&A; create new road maps for product development; issue recommendations to government and industry in accordance with the government’s greenhouse gas emission reduction frameworks, including “Cool Earth 50” and “Cool Earth—Innovative Energy Technology Program” and; conduct a survey of policy and market trends in Japan and around the world.

In fiscal 2008, the department mainly worked on the seven areas of business development described below.

The department will continue to advance these initiatives in fiscal 2009 as well.

- (1) Development of Integrated coal Gasification Combined Cycle (IGCC) power plant and Carbon Capture and Storage (CCS) technology;
- (2) Program for effectively utilizing coal in Australia;
- (3) Development of offshore wind turbines, which are gaining popularity in Europe and in other regions;
- (4) Promotion of zero emission program in Iceland;
- (5) Proposal of energy-saving infrastructure projects including compressors for pipelines and heat pumps in Ukraine;
- (6) Proposal of eco-model cities including use of electric busses; and
- (7) Development of energy-saving homes (Eco Sky Houses)

Change in the operation structure of the Power Systems Business

To promote further business growth around the globe, MHI placed the Yokohama Machinery Works and the Takasago Machinery Works directly under the Power Systems Headquarters in December 2008 and modified the operation structure of its power systems business (see p. 19).

The restructuring of business operations is designed to simultaneously carry out vertical strengthening, for reinforcing business operations related to individual products, and horizontal strengthening, for reinforcing the business strategy and corporate functions of the Power Systems Headquarters.

For vertical strengthening, MHI introduced a system of product business units to bolster products such as gas turbines, the plant business and the renewable energy business, including wind turbines and solar cells, while clearly defining the persons responsible for respective product businesses.

For horizontal strengthening, MHI set up a new unit to be responsible for strategy, planning and related functions at the Power Systems Headquarters, and established an integrated operational structure to enhance strategy development while also reinforcing corporate functions, including management resource allocation and compliance, by horizontally integrating the capabilities of its works and Group companies.

MHI intends to augment the global competitiveness of the Power Systems Headquarters through these vertical and horizontal strengthening efforts.

Promotion of CSR

The CSR Committee chaired by the President plays a central role at MHI in reviewing and following up on the progress of CSR activities as well as in developing CSR policies toward becoming a company that maintains public trust with CSR at the center of management. In 2008, MHI assessed the progress of the CSR Action Plan and carried out efforts to run PDCA cycles.

CSR Committee Plays a Central Role in Promoting Company-wide Activities

CSR Directors and Managers are assigned to each organization to regularly review the status of activities

In October 2006, the company set up the CSR Committee, chaired by the President, and the CSR Department, which reports directly to the President, in order to strengthen management on CSR and to promote strategic and comprehensive CSR activities. The CSR Department concentrates on (1) promoting CSR across Group companies and (2) monitoring the progress of CSR measures carried out by the related committees and groups of managing members.

In terms of (1), the company assigned a CSR Director and a CSR Practice Manager in each of its headquarters, divisions, works and spin-off Group companies. Since June 2007, we have expanded this structure to include Group companies in Japan and overseas.

In terms of (2), the CSR Liaison Conference is held approximately once every two months to receive regular reports on the status of activities carried out by individual committees and groups of managing members, and to review issues and progress.

Evaluating the progress of the CSR Action Plan and running PDCA cycles

In fiscal 2008, we began running PDCA cycles, including follow-up and evaluation of progress and achievements, and the consideration of next plans for each of the six themes—CSR promotion including social contribution, CSR procurement and information dispatch; compliance; environment, human rights/labor; product responsibility; and risk management—of the CSR Action Plans established in April 2008 (see p. 17).

As in the previous year, CSR training for broadening CSR awareness across the company was held at all MHI works and 15 sites, including two Group companies, with 1,037 participants in total.

At one CSR training session, Executive Vice President Yasuda, who is in charge of CSR promotion, delivered a key note address entitled, “Making Mitsubishi Heavy Industries a group that is trusted by society.” Sessions were then held covering the basics of CSR provided by the Caux Round Table, an incorporated non-profit. In addition, analysis to identify the challenges facing current CSR activities was undertaken, the results of which will be used to guide the future activities of each department.

Town Meetings were also held at individual works in fiscal 2008. These meet-

ings provided opportunities for speaking directly with younger employees who are expected to serve as the driving force behind the company’s transformation (see p. 23). MHI also launched PR activities to publicize the environmental technologies and products of each works to the local communities toward strengthening relationships of trust (see p. 8).

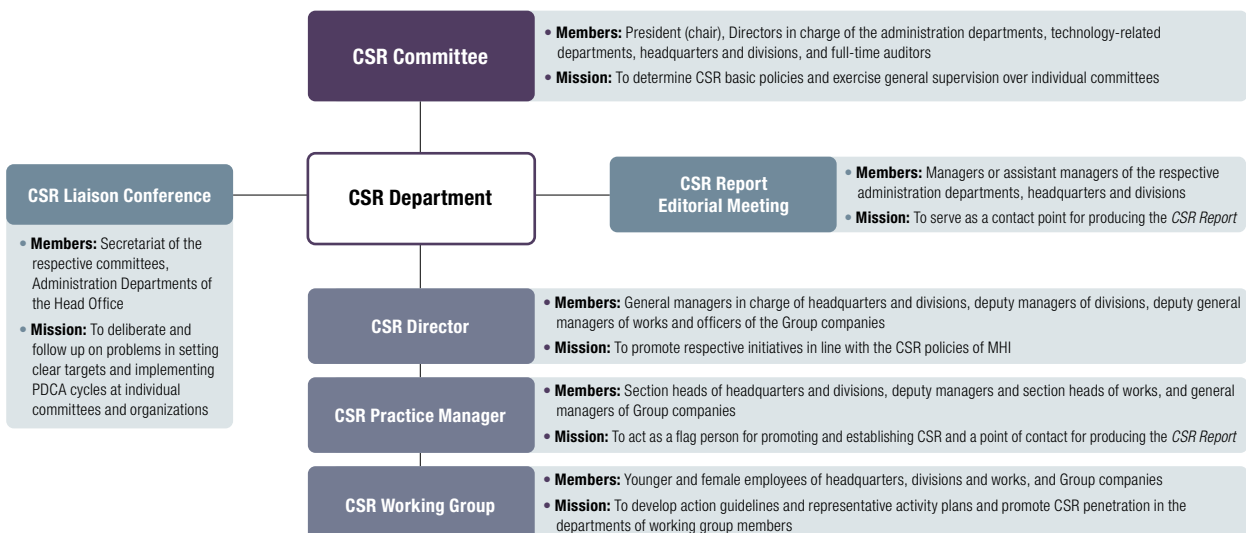
MHI distributed a condensed edition of *CSR Report 2008* to 87,000 employees of Group companies in Japan (including temporary employees) to increase understanding and penetration of CSR and the CSR Action Guidelines. The 2009 report will also be distributed to all employees.

Looking ahead, MHI will broaden these activities to encompass individual works and enhance the level of presentation while strengthening the dissemination of this information inside and outside the company.



Group discussion at CSR training

CSR Promotion Structure



Activities of Major Related Committees

CSR Committee

Developed representative CSR Action Plan based on the CSR Action Guidelines

The fourth session of the CSR Committee, held in June 2008, reviewed the activities of the related committees and formulated an action plan of representative CSR activities (specific initiatives for the MHI Group based on the MHI Action Guidelines “close ties with the Earth,” “close ties with society,” and “a bridge to the next generation” include greening of company facilities, reinforcing dissemination of information on the company’s environmental technologies and products, and science classes).

The fifth session of the CSR Committee, held in December of the same year, reviewed the status of implementation and considered overseas initiatives, including the provision of MHI products to developing countries. This was done toward building up company-wide activities in response to global social challenges as priorities for future social contribution programs.

Compliance Committee

Deliberation and follow-up of issues related to compliance promotion

The Compliance Committee was established in May 2001 to ensure compliance with laws and social norms and to promote fair and honest business activities. It is chaired by the Director in charge of compliance and consists of related general managers of the Head Office, the general managers of the various headquarters and divisions, deputy general managers in charge of managerial matters, branch managers and deputy general managers in charge of managerial affairs of the works.

In fiscal 2008, the committee established a structure for the company-wide collection and analysis of information on situations requiring improved compliance and began operating in October 2008. Results of data collection and analysis are reported at committee sessions.

In addition, the committee is reviewing the operational status of the Special Contact Point and the implementation status of compliance promotion trainings (see p. 27).

Environment Committee

Reviewing the entire company’s approach to achieving CO₂ reduction targets

The Environment Committee was established in 1996 as an inter-departmental organization to promote environmental activities from a broader perspective. Each year, the committee plans and proposes environmental actions to be carried out across the company and sets the direction for the year. It also promotes and follows up on the annual environmental protection plans for each headquarters, division and works.

In fiscal 2008, the committee carried out activities for accomplishing the major mid- and long-term environmental targets: (1) waste reduction, (2) control of chemical substances, and (3) energy conservation. Of these activities, special focus was placed on deliberating matters such as accelerating CO₂ reduction actions and reinforcing the implementation plan to accomplish the emission reduction targets. The committee again set the direction for company-wide activities to accelerate the CO₂ reduction actions including budgetary steps (see p. 35).

T O P I C S

Rolling out Town Meetings at works nationwide to open direct communication between the President and employees

Town meetings began in fiscal 2006, encouraged by the enthusiasm of Chairman Tsukuda (then-President) for speaking directly with younger employees who are expected to serve as the driving force for transforming the company. In fiscal 2008, President Omiya continued this initiative and with the same enthusiasm at all works.

During Town Meetings the President visits individual works and engages in dialogue with employees at the assistant manager level or those in charge of specific tasks, with the goal of creating a climate of openness and unifying the energies of the entire company.

In 2008, the third year of this initiative, 14 meetings were held with a total participation of 690 employees. At the Town Meetings, the President introduces himself, defines CSR, reports on the current status and future of the com-

pany and lays out his expectations for employees. A Q&A session is then held, followed by the President’s visits to the workplace and a get-together. The Q&A sessions included a lively interchange on corporate activities, including overall management, manufacturing, the organizational climate, global development and business process improvement.

Participants have provided a wealth of feedback, including such statements as, “I could sense the enthusiasm of the President,” “I feel more motivated in my work than before,” and “I felt a sense of unity with the President.”

Given the proven effectiveness of Town Meetings as a communication tool between top management and employees, MHI will continue this initiative while devising ways to create an atmosphere that encourages employees to voice themselves.



President visiting a workplace after a Town Meeting

Committee for Raising Awareness of Human Rights

Raising awareness of human rights

MHI set up the Committee for Raising Awareness of Human Rights in 1992 to promote the establishment of a sound workplace in which every employee correctly understands the issue and respects the human rights of others. Chaired by the Director in charge of personnel and with the membership of general managers in charge of personnel of each works, the committee is working on raising awareness of human rights, sharing information about human rights issues and promoting human rights training.

In fiscal 2008, the committee implemented a training program for raising awareness among new recruits, newly appointed managers and supervisors. In terms of preventing sexual harassment, the committee has improved the system by setting up a contact point for consultation and complaints in each works and workplace. In addition, the committee revised the company's booklet on preventing sexual harassment, distributed the revised version throughout the company and required the inclusion of this issue in compliance promotion training.

Committee for the Promotion of Employment of the Handicapped

Proactively expanding job opportunities for the handicapped

This committee was established in 1992 based on the philosophy of the Law for Employment Promotion, etc. of the disabled. Chaired by the Director in charge of personnel and with the membership of general managers in charge of personnel at each works, the committee's duties include formulating basic policies related to employment of the handicapped, drawing up and implementing related plans, raising awareness for promoting employment of the handicapped, sharing information, and contacting and coordinating with related administrative agencies and organizations.

In fiscal 2008, the company proactively advanced recruitment by using its website, "mano a mano," in Spanish or "hand to hand," which was created to support the employment of the handicapped,



"mano a mano" website for handicapped people

while partnering with local job-placement offices and skill-building schools for the handicapped. As a result, the rate of employment of the handicapped as of April 1, 2009 is 1.96%, which exceeds the statutory employment rate of 1.80%.

Export-related Regulations Monitoring Committee

Reinforcing in-house controls and providing educational tools company-wide

This committee was set up in 1987 to reinforce export controls, a topic of grave importance to a company like MHI with a high export ratio. One committee member is appointed from each department to be in charge of related matters and committee members convenes every month to review the export requests. The members also share information on the status of each department, draw up and implement in-house education programs, and provide their respective departments with instruction and supervision as needed.

In fiscal 2007, the committee further reinforced in-house controls by introducing a system to check for necessary export permissions from the Ministry of Economy, Trade and Industry and to ensure the completion of necessary in-house procedures for goods carried by employees on overseas business trips and for technologies offered abroad. In addition, the committee provides an e-learning program allowing employees to gain basic knowledge of export-related laws and regulations at any time. More than 7,800 employees have used the program.



e-learning program on export-related laws and regulations

Construction Business Act Compliance Committee

Opening of e-learning for Construction Business Act to further strengthen compliance

Launched in 2003 to review internal systems and institutions, education and instruction, and supervision to ensure compliance with the Construction Business Act, this committee has been disseminating information on the Construction Business Act while monitoring engineer qualifications, supporting their development and promoting compliance at construction works.

In fiscal 2008, e-learning for the

Construction Business Act opened with 3,653 participants, including employees from Group companies. In addition, external lecturers conducted six seminars at major works as working-level professional training to promote education for increasing compliance with the Construction Business Act. The committee also discussed and formulated rules for securing and training engineers while carrying out various activities, including support for compliance at construction sites and the provision of consultation and information concerning the act to raise the level of legal compliance.

Order Compliance Committee

Reinforcing fair and sound corporate activities through monitoring

To concretely demonstrate our serious intent to prevent recurrences of past violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the company established this committee in August 2005 as a specialized body for monitoring the activities of individual departments to ensure order compliance and provide guidance for improvement. The committee established guidelines for order compliance and discusses and determines various actions for ensuring transparency in public bidding procedures. It also confirms the effective implementation of these measures through dedicated monitoring.

The committee conducts monitoring throughout the company as well as in Group companies that participate in bidding on public sector projects. Going forward, the MHI Group will continue to ensure full compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

Managing Board for Innovation in Nuclear Business

Continuing internal reforms to ensure the safety and security of nuclear power

In fiscal 2008, the following activities were implemented at the Nuclear Energy Systems Headquarters, Kobe Shipyard & Machinery Works and Takasago Machinery Works (see p. 42).

- Quality management activities, including the inspection and improvement of business processes to ensure the reliability of operations and prevent nonconformity
- Proposals for preventive maintenance of power companies in response to the aging of nuclear power plants
- Continuing compliance training to further raise the awareness of those involved in the nuclear power business

Compliance

To instill awareness of compliance in each employee of the Group, the company established a promotion structure encompassing the entire company and all divisions while continuing to advance projects for sharing compliance-related policies and information with Group companies.

Building a Promotion Structure Encompassing the Entire Company

One representative from each company, works and department appointed to oversee promotion

The company set up a Compliance Committee in May 2001 to promote fair and sincere business activities in compliance with laws and social norms. The committee is chaired by the director in charge of compliance, and its members are general managers of the related departments, business managers of headquarters and divisions, deputy managers of divisions

in charge of managerial matters, branch managers, and deputy general managers in charge of managerial matters of works. The committee meets twice annually to discuss activities such as drawing up company-wide compliance promotion plans and monitoring progress.

The committee has noted that in fiscal 2008, data indicates a consistent distribution of compliance activities and an increase in compliance awareness among employees. Appropriate responses were made for matters requiring improvement.

In April 2006, Departmental Compliance Committees were established in all departments of the company. These committees are chaired by members of the Compliance Committee, and compli-

ance measures are implemented for each respective department. At the same time, Compliance Liaison Conferences were set up for regularly exchanging compliance information with Group companies.

Individual departments are required to ensure their own compliance through these committees and conferences and are expected to carry out compliance activities on their own accord as part of their responsibility.

Toward Thorough Compliance

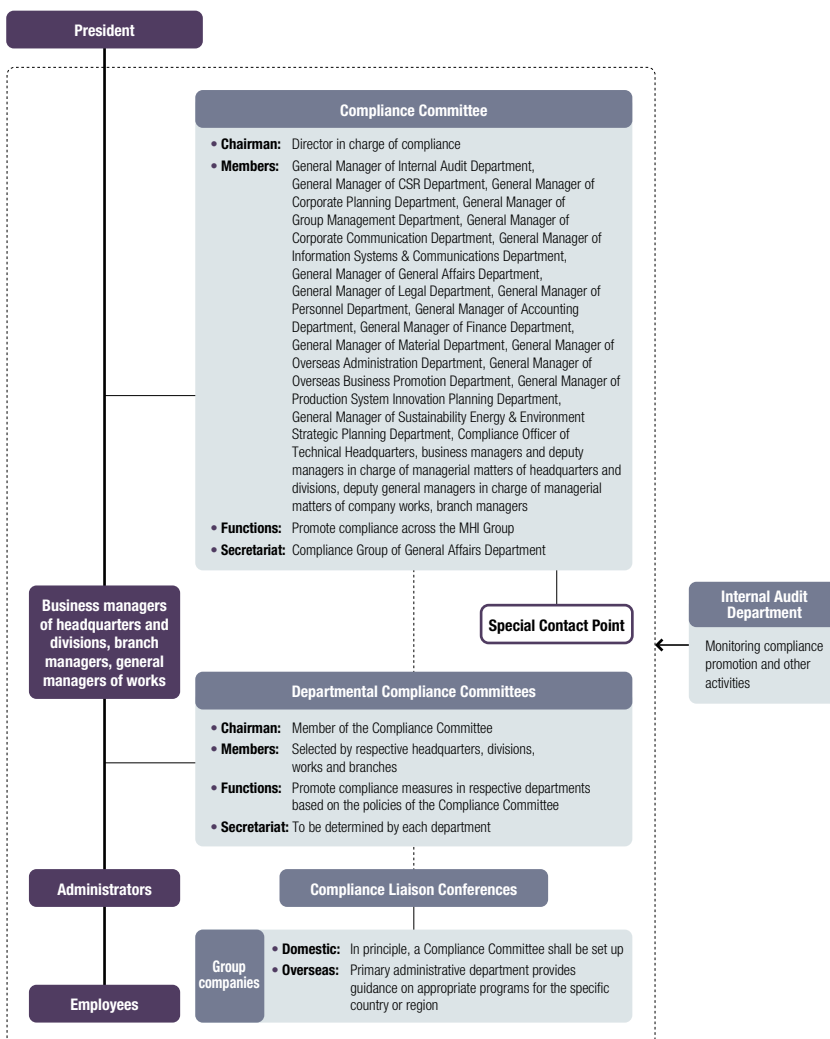
Redistributing the MHI Compliance Guidelines to all employees

In September 2001 the company established the MHI Compliance Guidelines, which stipulate the company's basic policy on compliance. The guidelines have been summarized in a pocket-sized card format and distributed to all employees so that they can carry them at all times.

With the appointment of the new President in April 2008, MHI completely revised the President's Message for the Compliance Guidelines. The new version was distributed to all employees as an action in line with its call for employees to act with resolve and to show the President's recognition of the importance of compliance. These guidelines establish specific rules of conduct for full compliance across the company and explicitly stipulate that the company shall execute fair and sincere business activities.

In May 2007, MHI distributed a booklet entitled, *Compliance Guidelines*, which provides for employees easy-to-understand explanations of its guidelines. The company regulations and literature

Compliance Promotion Structure



Compliance Guidelines

included in the Compliance Guidelines are posted on the intranet to make them accessible by everyone at MHI.

The MHI Compliance Guidelines and Compliance Guidelines describe how to report to the special contact point for the purpose of familiarizing employees with this Hot Line (see p. 27), which functions as a means by which those who have witnessed an illegal action can report it or obtain consultation.

Formulating and publicizing company guidelines for preventing bribery involving foreign civil servants

In accordance with the Unfair Competition Prevention Law and applicable laws and regulations in other countries, MHI has adopted the basic policy of never attempting to bribe a civil servant of a foreign country to obtain unfair advantage. The MHI Compliance Guidelines also prohibit improper business dealings that run counter to the spirit of compliance.

In conjunction with these aims, the company established a Guideline for the Prevention of Bribery Involving Foreign

Civil Servants in April 2005. This guideline explains the content of the Unfair Competition Prevention Law and the company's basic stance.

In addition, an English version of the guideline, as well as the Guidelines to Prevent Bribery of Foreign Public Officials released by the Ministry of Economy, Trade and Industry, and other documents have been posted on the intranet so that all those involved in the company will be able to act appropriately in the course of conducting business overseas.

Preventing the Recurrence of Violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade

Tightening guidelines to ensure order compliance

From 2005 through 2006, the company was subject to investigation by Japan's Fair Trade Commission on suspicion of violating the Act on Prohibition of Private Monopolization and Maintenance of

Fair Trade in relation to orders for bridge construction and raw sewage treatment facilities. The company has been taking action, including the establishment of the Order Compliance Committee in August 2005, to prevent the recurrence of these situations and to ensure full compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

In fiscal 2008, the company increased transparency of its business operations through appropriate measures, including tightening its code of conduct regarding order compliance. Key measures are summarized below.

(1) Reinforcement of our oversight and monitoring system

The Order Compliance Committee is chaired by the director in charge and advised by three external experts. Starting in January 2008, persons in charge of compliance in the department that oversees group companies joined the committee to ensure the horizontal coordination of order compliance activities and to reinforce oversight of Group companies.

(2) Expanded range of companies subject to special monitoring for public-sector order compliance

The company conducts special monitoring for public-sector order compliance to verify the proper implementation of efforts to ensure order compliance.

In fiscal 2007, special monitoring was carried out across the company as well as in 24 Group companies that regularly bid on public sector projects. In fiscal 2008, the monitoring was expanded to all Group companies that bid on public sector projects as well as several sites of Group companies having a nationwide operational presence. Results confirmed that order compliance activities were properly carried out in these companies.

MHI Compliance Guidelines

I. Business activities

We will conduct sensible company activities in compliance with laws and in an appropriate manner, and contribute to society by providing safe, high-quality products and services.

1. We will endeavor to provide safe, high-quality products and services.
2. In conducting business activities, we will pursue fair and free intercorporate competition in compliance with the Antimonopoly Act, the Act against Delays in the Payment of Subcontract Proceeds, etc. to Subcontractors, the Construction Business Act, and other relevant regulations.
3. Regarding gift-giving and entertainment with civil officers and suppliers, we will not violate laws or deviate from socially accepted practices.
4. We will implement appropriate accounting and tax accounting in accordance with relevant laws, accounting standards, and internal regulations.
5. In relation to overseas business, we will follow laws related to import and export and local laws.

II. Relationship between the company and society

We will try to preserve the environment and live in harmony with society as a good corporate citizen.

1. We will follow environment-related laws and try to preserve the environment.
2. We will disclose information related to management in an appropriate and timely manner.
3. We will not make political donations exceeding the amounts stipulated in our internal regulations.
4. We will respond firmly to antisocial forces.

III. Relationship between the company and employees

The company will secure a safe, healthy work environment, and company members will make clear distinctions between public and private, comply with laws and internal rules, and execute their duties faithfully.

1. The company will follow labor-related laws and try to secure a safe, healthy work environment.
2. Company members will follow internal regulations such as labor regulations.
3. Company members will not engage in discriminative behavior or sexual harassment.
4. Company members will handle company secrets appropriately, and will not disclose them without prior consent.
5. Company members will not conduct unfair transactions in stock (insider trading).

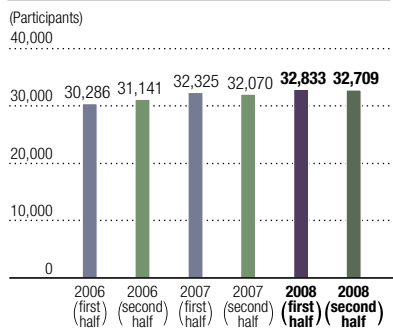
Compliance Education and Awareness Raising

Training in a discussion format for all employees

A successful compliance program depends on raising employee awareness. To this end, the company has been conducting compliance promotion training in a discussion format for all employees at their respective worksites since 2003. In fiscal 2008, more than 30,000 employees, over 90% of the entire workforce, participated in this training.

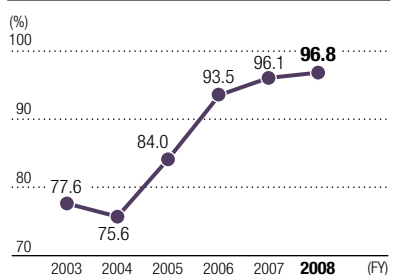
During the training, participants discussed what they would do and what would be the right thing to do in response to difficult cost or delivery requests. These discussions are expected to raise participant awareness so that correct compliance judgment can be made to avoid violations under any condition.

Number of participants at compliance promotion trainings



* Number of participants over the past three years (FY)

Participation rates for compliance promotion trainings



* Trainings have been held twice a year (first and second halves) since 2005. Figures represent the average participation rates for the first and second halves.

Conducting Annual Compliance Awareness Survey

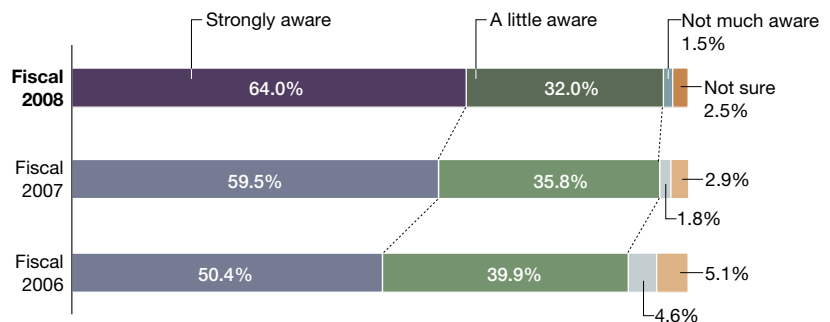
The Compliance Committee has conducted annual surveys on compliance awareness since fiscal 2004 to determine the extent to which various initiatives have changed the awareness of compliance among the company's employees and influenced their everyday behavior.

In fiscal 2008, a questionnaire was sent to 10,075 employees (a random sample of approximately 30% of all employees) of whom 8,245 (81.8%) responded. About 96% of respondents answered that they were aware of compliance, enabling us to confirm that the awareness of compliance has been steadily increasing.

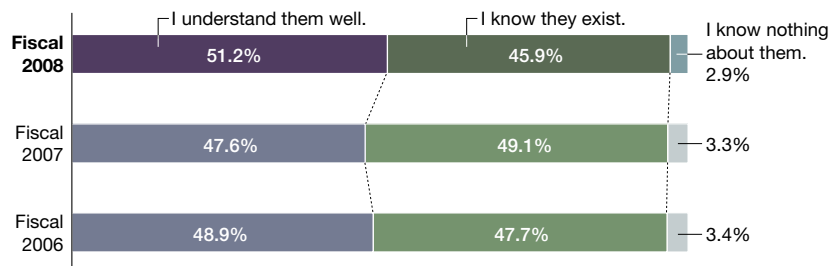
Furthermore, all indicators have improved over the previous year for "level of compliance awareness," "violation potential," "recognition of the MHI Compliance Guidelines," and "workplace environment regarding compliance." We believe this indicates positive results from our compliance promotion efforts.

Results of Compliance Awareness Survey

Q How much are you aware of compliance?



Q Are you familiar with MHI's Compliance Guidelines?



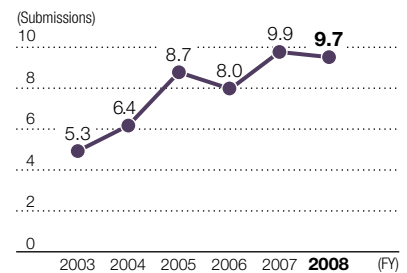
Operation of the contact point for reporting and consultation

In June 2001, MHI established the Hot Line as a special contact point in the Compliance Committee for reporting and consultation, providing the company with a means of detecting and correcting at an early stage any illegal or inappropriate activity.

After receiving about 100 letters annually over recent years, we believe the Hot Line fulfills its function. The Compliance Committee quickly investigates each report and effectively addresses the issues.

The company fully protects those who submit letters to ensure they are not treated unfavorably as a result of having disclosed information.

Submissions to the Special Contact Point (monthly average)



Thoroughly Protecting Personal Information

In conjunction with the enforcement of the Act on the Protection of Personal Information in April 2005, MHI announced its own Privacy Policy and formulated Personal Information Protection Rules and the Personal Information Management Manual. In addition, the company compiled key points related to our business into a digest and distributed it to all employees. Training related to the protection of personal information is also administered within the framework of compliance promotion training programs by employee level as well as in general training for all employees.

A personal information database registration system has been developed as a means for consolidating the handling of personal data by registering all data owned by respective divisions.

Enhanced Awareness of the Management of Confidential Information and Thoroughly Implementing Appropriate Controls

MHI has taken a number of steps over the years to raise employee awareness of how to manage confidential information. These include the establishment of in-house rules for managing confidential data, documents, and other information; setting down standards on information security management and other information systems; and preparing and distributing a manual on the management of confidential information as well as an MHI guide on how to prevent leakage of confidential information.

Nevertheless, in August 2005, the computer of an employee at a company that collaborates with MHI was infected by a virus resulting in the leakage of data related to inspections of power-generating turbines, including water turbines. Subsequently, in August 2006 it was discovered that data on nuclear power plant inspections had leaked from a PC privately owned by an MHI employee under similar circumstances. Some power companies responded by suspending MHI

from new business for a period of several months.

In light of these information leaks, the company reinforced its prohibition against using privately owned PCs for business and installing software that is not required for company operations.

In regard to Group companies at home and overseas, MHI provides instruction in the development of information security management rules, information management training and internal audits to ensure the effective management of information across the entire Group.

Organizational and training approaches to prevent the leakage of confidential information

MHI takes various measures to prevent the leakage of confidential information, including: (1) stronger controls related to taking or accessing confidential information outside the company (such as the encrypting of external memory devices and e-mail and clarifying procedures); (2) exchanges of memoranda on preventing information leakage with service agents; (3) repeated efforts to achieve widespread recognition of specific procedures and rules relating to the management of confidential information and information security through e-learning and training programs by employee level. The implementation status of these measures is confirmed by internal auditing and other means.

Privacy Policy

Mitsubishi Heavy Industries, Ltd. (hereinafter "MHI") recognizes that all personal information managed and used in its business activities must be handled and protected with the utmost care. Therefore, MHI will follow the basic policy stated below.


1. MHI will not acquire any personal information through false or other improper means.
2. MHI will use personal information only to the extent and for the purposes specified, which will be announced or noticed to the persons to whom the information pertains.
3. MHI will endeavor to keep such personal information accurate and up-to-date.
4. MHI will take necessary and appropriate measures to maintain the security of such personal information.
5. MHI will furnish its employees and contractors handling such personal information with the necessary and appropriate guidance and supervision.
6. MHI will not provide personal information to any third party without the consent of the person involved.
7. If MHI receives an inquiry from a person about the use or content of personal information related to that person, it will provide a reasonable response.
8. If MHI receives any complaints regarding the handling of personal information, it will resolve such complaints in a prompt and appropriate manner.
9. MHI will establish rules and management systems for proper handling and protection of personal information and will thoroughly adhere to them.
10. MHI will engage in a strong effort to further enhance personal information protection systems by regularly reviewing and updating all rules and procedures regarding the handling of personal information, including this policy.
11. MHI will comply with all applicable Japanese laws and regulations regarding the handling of personal information.

MHI Shall Reject All Contact with Organizations Involved in Activities in Violation of the Law or Accepted Standards of Responsible Social Behavior

The order and safety of civil society continue to be threatened by antisocial forces. In this context, the company has clearly stipulated its stance in the MHI Compliance Guidelines in the statement, "The company will respond firmly to any forces working counter to the interests of society."

In terms of specific responses, for situations involving undue claims made to the company, MHI has established a policy to respond as an organization in cooperation with the departments involved.

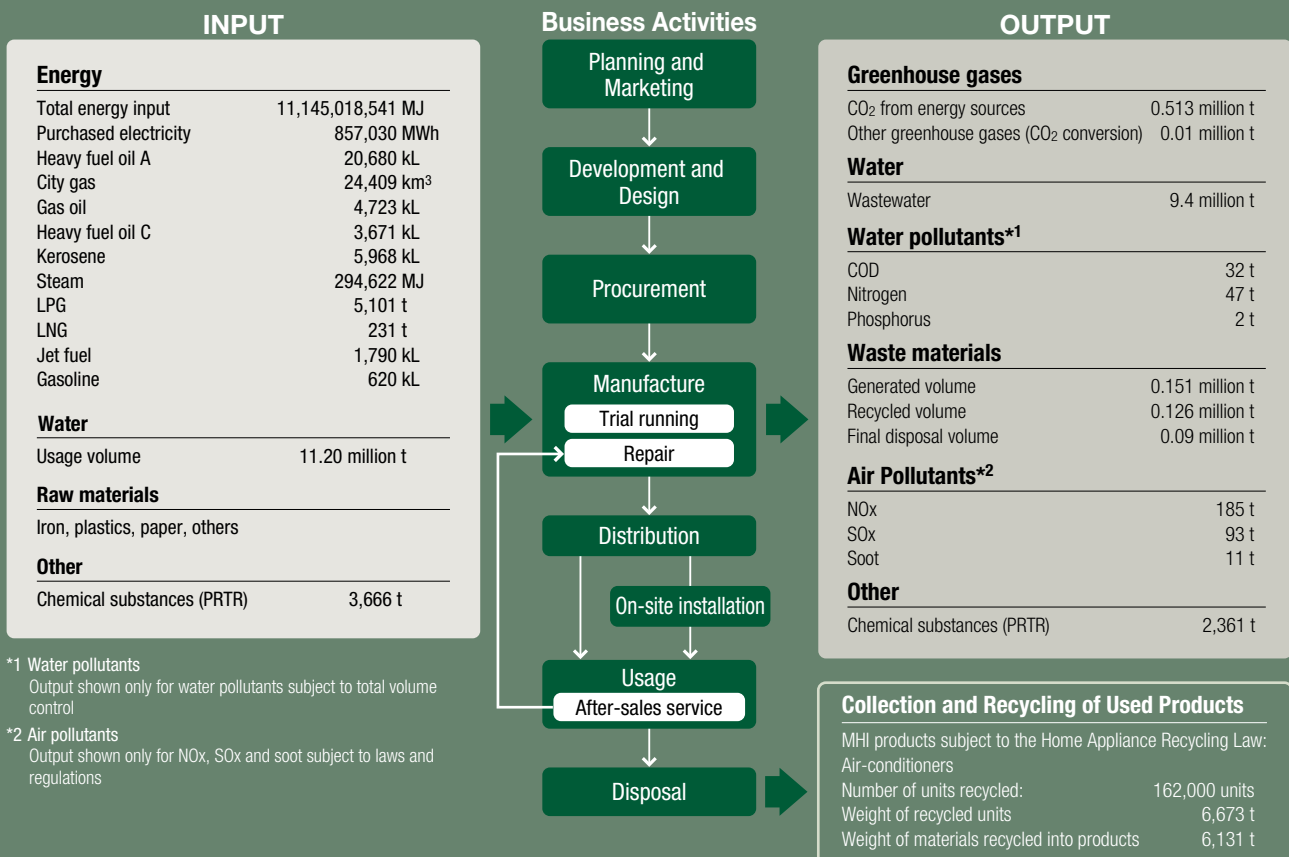
In addition, the company has publicized the ideal mindset and essential concepts for responding to undue claims through compliance promotion training and other actions.

 Privacy Policy can be found at:
<http://www.mhi.co.jp/en/privacy.html>

Responsibilities and Actions of MHI

Commitment to the Global Environment

MHI is working to alleviate the increasing environmental burdens across the globe by providing environmentally friendly products and technologies in diverse fields as well as by deploying environmental preservation activities throughout the product lifecycle, from development and design to procurement of raw materials, production, on-site installation and final disposal.



Environmental Management

In line with its environmental policy formulated in 1996, MHI established an Environment Committee and an environmental management structure based on the PDCA Cycle (Plan, Do, Check, Act) to advance environmental preservation activities in concert with all departments and Group companies.

Establishment of an Environmental Management Structure across the Group

Reinforcing the environmental management structure company-wide and at individual works

In 1996, the company set up the Environment Committee chaired by the director in charge of environment to plan annual environmental actions for the entire company.

Two entities have been set up for efficiently implementing the decisions of the Environment Committee throughout the company: the Environment Liaison Conference, which gathers those responsible for environmental activities in their respective works twice a year; and the Energy Conservation Liaison Conference, which determines actions for conserving energy and reducing CO₂ emissions. In addition, Environment Committees have been set up in all headquarters, divisions

and works to both carry out the company's environmental policies and also undertake environmental management activities corresponding to the specific features of each works.

An annual promotion plan that defines specific control items and response methods is developed to prevent pollution and to ensure thorough compliance with environment-related regulations, including the Act Concerning the Rational Use of Energy, the Air Pollution Control Law and the Law Concerning the Promotion of Measures to Cope with Global Warming. The progress of implementation is monitored by the Environment Committee two times each year.

Mid- and long-term environmental targets set and shared by all Group companies

In order to establish a groupwide environmental management structure, MHI encourages each Group company to construct an environmental management

system by independently obtaining environmental ISO certifications and incorporating them into certification at works (see p. 32).

In April 2008, the company established MHI mid- and long-term environmental targets to further strengthen unified environmental management across the entire Group. Special focus is on reducing CO₂ emission by an average of 3% from 2008 to 2012 compared to fiscal 2007; promoting zero emission*¹; and acquiring, maintaining and renewing certifications such as ISO environmental management.

In fiscal 2008, we explained the mid- and long-term environmental targets at the meeting of the presidents of Group companies and at the Environmental Meetings to incorporate the targets into individual companies.

*1 For MHI, zero emission is defined as limiting landfill waste to less than 2% of total waste.

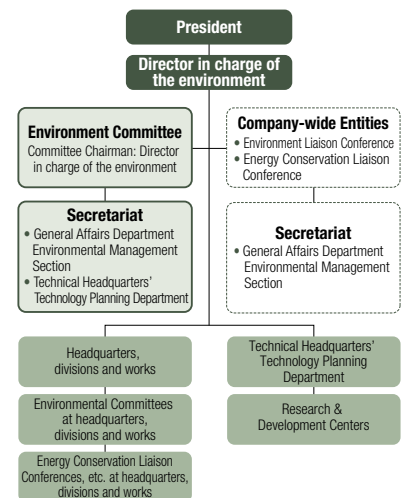
Basic Policy on Environmental Matters (Established 1996)

As clearly laid out in provision 1 of its creed—"We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society."—MHI believes its primary purpose is to contribute to society through its R&D, manufacturing and other business activities. Accordingly, in the performance of its business activities the company shall embrace the awareness that it is an integral member of society and, in all aspects of its business activities, it will strive to reduce burden on the environment and shall devote its comprehensive technological capabilities to the development of technologies and products that will protect the environment, as its way of contributing to the development of a sustainable society.

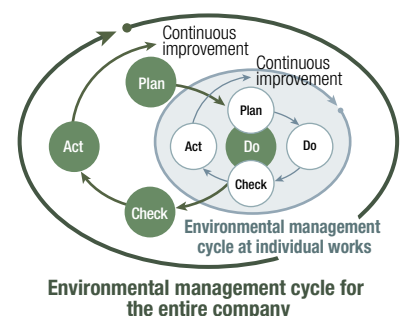
Action Guidelines (Established 1996)

1. Accord high priority to environmental protection within company operations, and take steps company-wide to protect and enhance the environment.
2. Clarify roles and responsibilities regarding environmental protection by developing an organized structure to deal with environmental protection matters, defining environment-related procedures, etc.
3. 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, waste reduction, reuse and recycling.
4. Strive to develop and provide advanced, highly reliable, wholly proprietary technologies and products that will contribute to solving environmental and energy problems.
5. 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.
6. In the performance of business activities overseas and exportation of products, pay full attention to impact on the local natural and social environments and strive to protect those environments; also, become actively involved in technological cooperation overseas in matters of environmental protection.
7. Take steps to raise environmental awareness among all employees through environmental education, etc., undertake activities to provide environment-related information to the public, and proactively make environment-enhancing contributions to society.

Environmental Management Structure



PDCA cycle of environmental management



Initiating Environmental Meetings with Group companies

Environmental Meetings are held to unify environmental management across the entire MHI Group with the primary goal of ensuring the compliance of Group companies and preventing environmental pollution. The meetings identify problems, support exploration of improvements and exchange information related to the environment.

Group companies scheduled to participate in these meetings include 28 companies that have independently obtained ISO certification for environmental management. Meetings were held at 12 of the 26 Group companies in 2007 and at the remaining 16 in 2008.

In fiscal 2009, the meetings are scheduled at 14 Group companies that have obtained EcoAction 21, K-EMS, or Kamakura EcoAction 21.

Establishing a Management System Based on its Own Standards

Establishing two unique standards that are compliant with ISO and EcoAction 21

MHI created two environmental standards of its own to promote the introduction of environmental management systems across the Group and reduce costs: M-EMS and M-EMS EcoAction. Both are based on ISO 14001 and EcoAction 21, a set of guidelines developed in Japan. The company is assisting its Group companies in constructing systems and obtaining certification through such actions as developing manuals, providing on-site guidance and introducing consultants.

As a result, 101 out of MHI's 131 domestic consolidated Group companies now have in place environmental man-

agement systems as of March 31, 2009.

Implementing environmental education by position to encourage environmental activities on a routine basis

MHI developed environmental education curricula, including e-learning, to be implemented by each works to raise employee awareness of environmental issues.

In addition to a semiannual internal environmental auditor training course, the company also conducts special training for employees who paint or handle hazardous materials. The goal of the program is to instruct employees on the potential environmental impact of their tasks, the proper methods for daily management, a method for monitoring and measurement, and the appropriate actions for dealing with emergency situations.

Controlling and Improving Response to Potential Environmental Impact Risks

Clarifying the risks at each works and addressing them through daily management

The company has prepared an ISO-based manual for each works, encompassing such issues as risk identification methods, daily management procedures and contingency plans. The purpose of the manual is to identify latent environmental risks and improve our ability to prevent them.

Each works also regularly carries out emergency response drills to confirm the effectiveness of response procedures for various emergencies, such as oil spills and earthquakes, in conjunction with Environment Month or other disaster drills. The company's in-house crisis

management information system is also prepared to quickly convey information to the President in the event of any crisis in any plant.

In fiscal 2008, several incidents, including the survey results of a fluorocarbon leak at MHI works, were reported to the President.

Remediation of contaminated soil and groundwater

MHI is also taking important steps to detect and eliminate any contamination present in the soil or groundwater at the company's works.

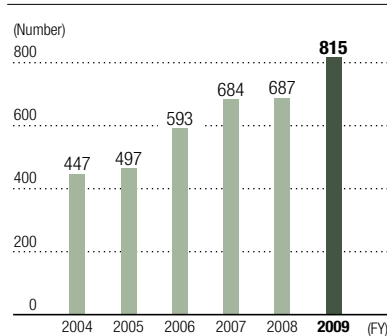
In fiscal 2008, soil testing was carried out at company sites where there were opportunities to sell or modify land. Tests revealed soil contamination from lead, arsenic and fluorine at the former Koike company housing of the Nagoya Aerospace Systems Works (Nakamura-ku, Nagoya) in December and soil contamination from lead at the Takasago Machinery Works (Takasago, Hyogo Prefecture) in March.

Test results were promptly reported to local government authorities, disclosed to the surrounding communities and publicly released. Although there was no adverse impact on the surrounding environment, the company took action by excavating and removing the contaminated soil.

Green purchase and procurement

MHI established its internal green purchasing policy in March 2002 and systematically promotes the purchase of raw materials, parts and products that reduce environmental burdens. While the policy only currently applies to the company, it will be expanded to Group companies in the future.

Registered ISO Internal Auditors
(as of April 1, 2009)



Sites with VOCs*1 exceeding legal limits, and remediation status

Site	Location	Soil and groundwater contamination	Soil contamination	Redemption status	Redemption method*2
Air-Conditioning & Refrigeration Systems Headquarters, Biwajima Plant	Nishi-Biwajima-cho, Kiyosu-city, Aichi	○		Purification under way	A
Former Industrial Machinery Division	Nagoya, Aichi	○		Purification under way	A,C,D
Nagoya Aerospace Systems Works, Oye Plant	Nagoya, Aichi	○		Monitoring	
Nagoya Guidance & Propulsion Systems Works	Komaki, Aichi	○		Purification under way	A
Kobe Shipyard & Machinery Works, Main Plant	Kobe, Hyogo		○		
Hiroshima Machinery Works, Kannon Plant	Hiroshima		○	Monitoring	
Takasago Machinery Works	Takasago, Hyogo		○		

*1 Tetrachloroethylene, trichloroethylene, 1,1,1-trichloroethylene, cis-1,2-dichloroethylene, 1,1-dichloroethylene, dichloro-methane, benzene

*2 Major remediation methods include: (A) groundwater pumping, (B) soil gas absorption, (C) iron powder mixing and (D) bioremediation

Environmental Management Systems Adopted at MHI and Its Subsidiaries

As of September 1, 2009

ISO 14001 certification at MHI works and research & development centers

	Location or company name	Date of issue (or registration)
MHI sites	Yokohama Machinery Works	Oct. 31, 1997
	Nagasaki Shipyard & Machinery Works	May 22, 1998
	Takasago Machinery Works	Jun. 26, 1998
	Air-Conditioning & Refrigeration Systems Headquarters	Nov. 20, 1998
	General Machinery & Special Vehicle Headquarters	May 21, 1999
	Paper & Printing Machinery Division	Sep. 3, 1999
	Plant and Transportation Systems Engineering & Construction Center (Mihara)	Sep. 3, 1999
	Hiroshima Machinery Works	Sep. 30, 1999
	Shimonoseki Shipyard & Machinery Works	Nov. 24, 1999
	Nagoya Guidance & Propulsion Systems Works	Dec. 18, 1999
	Kobe Shipyard & Machinery Works	Feb. 18, 2000
	Iwatsuka Area (formerly Industrial Machinery Division)	Mar. 17, 2000
Machine Tool Division	Dec. 28, 2000	
Plant and Transportation Systems Engineering & Construction Center (Yokohama)	Jun. 29, 2001	
Nagoya Aerospace Systems Works	Oct. 1, 2003	
Head Office	Apr. 6, 2006	
Research & development centers	Nagasaki Research & Development Center	Aug. 21, 2006
	Advanced Technology Research Center	Nov. 9, 2006
	Yokohama Research & Development Center	Nov. 9, 2006
	Hiroshima Research & Development Center (Hiroshima)	Aug. 2, 2007
	Hiroshima Research & Development Center (Mihara)	Dec. 5, 2006
	Nagoya Research & Development Center	Dec. 26, 2006
	Takasago Research & Development Center	Mar. 9, 2007

ISO 14001 certification at MHI Group companies

	Location or company name	Date of issue (or registration)
Domestic Group companies	MHI Solution Technologies Co., Ltd.	Aug. 28, 1998
	Mitsubishi Agricultural Machinery Co., Ltd.	Jul. 24, 2001
	Nagoya Ryoju Estate Co., Ltd.	Mar. 14, 2002
	Nishinon Ryoju Estate Co., Ltd.	Jul. 12, 2002
	Chubu Jukan Operation Co., Ltd., Head Office	Jan. 13, 2004
	Mitsubishi Heavy Industries Environment Engineering Co., Ltd., Urban Environmental Business Headquarters	Apr. 12, 2004
	Ryoju Co., Ltd., Printing Division, Tokyo Plant (including Head Office)	Apr. 23, 2004
	Ryoju Co., Ltd., Printing Division, Chubu Plant	Jul. 22, 2004
	Ryoju Co., Ltd., Mihara Branch	Aug. 3, 2004
	Mihara Ryoju Machinery Works Co., Ltd.	Feb. 16, 2005
	Ryowa Engineering Co., Ltd.	Feb. 17, 2005
	Shimonoseki Ryoju Estate Co., Ltd.	Mar. 14, 2005
	Ryoju Estate Co., Ltd.	Mar. 17, 2005
	Mitsubishi Heavy Industries Food & Packaging Machinery Co., Ltd.	Mar. 17, 2005
	Seibu Jukan Operation Co., Ltd.	Mar. 22, 2005
	Kusakabe Co., Ltd.	Mar. 24, 2005
	Tamachi Building Co., Ltd.	Mar. 25, 2005
	Higashi Chugoku Ryoju Estate Co., Ltd.	Mar. 29, 2005
	Hiroshima Ryoju Estate Co., Ltd.	Apr. 9, 2005
	Mitsubishi Heavy Industries Environment Engineering Co., Ltd., Head Office	Apr. 7, 2005
	Ryoju Cold Chain Co., Ltd.	Apr. 22, 2005
	Mitsubishi Heavy Industries Precision Casting Co., Ltd.	May 11, 2005
	Tokiwa Machinery Works Ltd.	May 18, 2005
	Jukan Operation Co., Ltd., Head Office	Aug. 1, 2005
	MHI Aerospace Logitem Co., Ltd.	Jan. 5, 2007
Mitsubishi Heavy Industries Air-Conditioning & Thermal Systems Corporation, System Production Department	Sep. 14, 2007	
Mitsubishi Heavy Industries Environment Engineering Co., Ltd., Environmental Plant Headquarters	Dec. 31, 2007	
Mitsubishi Heavy Industries Printing & Paper Converting Machinery Sales Co., Ltd.	Jun. 26, 2008	
Mitsubishi Heavy Industries-Haier (Qingdao) Air-Conditioners Co., Ltd.	Dec. 14, 1998	
MHI Equipment Europe B.V.	Nov. 9, 2001	
Mitsubishi Caterpillar Forklift Europe B.V.	Jul. 25, 2002	
Mitsubishi Heavy Industries Climate Control Inc.	Jun. 12, 2003	
Mitsubishi Power Systems, Inc., Orlando Service Center	Feb. 18, 2004	
MHI Automotive Climate Control (Shanghai) Co., Ltd.	Jul. 11, 2005	
CBC Industrias Pesadas S.A.	Dec. 1, 2005	
Mitsubishi Heavy Industries Korea Ltd.	Dec. 17, 2005	
Mitsubishi Heavy Industries Mahajak Air Conditioners Co., Ltd.	Dec. 21, 2005	
Mitsubishi Heavy Industries-Jinling Air-Conditioners Co., Ltd.	Jan. 24, 2006	
MHI Machine Tool (Hong Kong) Ltd.	Mar. 30, 2006	
Mitsubishi Heavy Industries, (Hong Kong) Ltd.	Apr. 5, 2006	
MLP Hong Kong Ltd.	May 25, 2006	
Mitsubishi Heavy Industries, (Shanghai) Co., Ltd.	Jul. 5, 2006	
MHI-Pornchai Machinery Co., Ltd.	Jul. 17, 2006	
Mitsubishi Heavy Industries India Private Ltd.	Dec. 7, 2006	
Mitsubishi Heavy Industries Singapore Private Ltd.	Jan. 21, 2007	
Mitsubishi Heavy Industries America, Inc. Headquarters	Oct. 15, 2007	
Mitsubishi Heavy Industries America, Inc. Tire Machinery Division	Oct. 15, 2007	
Mitsubishi Caterpillar Forklift America Inc.	Dec. 6, 2007	
Mitsubishi Heavy Industries (Thailand) Ltd.	Dec. 31, 2007	

EcoAction 21 certification at MHI Group companies

	Location or company name	Date of issue (or registration)
Domestic Group companies	Daiya Building Service Co., Ltd.	Apr. 21, 2005
	Nuclear Development Co., Ltd.	May 30, 2005
	Ryonichi Engineering Co., Ltd.	Oct. 31, 2005
	Kyuusyu Jukan Operation Co., Ltd. Head office	Jun. 11, 2008

K-EMS certification at MHI Group companies

	Location or company name	Date of issue (or registration)
Domestic Group companies	Seiry Engineering Co., Ltd.	Dec. 24, 2004
	Kinki Ryoju Estate Co., Ltd.	Feb. 23, 2005
	Shinryo High Technologies, Ltd.	Feb. 23, 2005
	MHI Nuclear Engineering Co., Ltd.	Mar. 24, 2005
	Nuclear Power Training Center, Ltd.	Mar. 24, 2005
	MHI General Services Co., Ltd.	Mar. 24, 2005
	Ryoju Co., Ltd., Kobe Branch	Mar. 24, 2005
	Techno Data Engineering Co., Ltd.	Feb. 27, 2006
	Energis Co., Ltd.	Mar. 23, 2006

Kamakura EcoAction 21 certification at MHI Group companies

	Location or company name	Date of issue (or registration)
Domestic Group company	Shonan Monorail Co., Ltd.	Apr. 4, 2007

MHI Group companies adopting M-EMS (based on ISO 14001)

	Location or company name	Date of issue (or registration)
Domestic Group companies	Kensa Kenkyusho Inspection Co., Ltd.	Apr. 25, 2005
	Ryoju Co., Ltd., Shinagawa Branch	Apr. 26, 2005
	Mitsubishi Heavy Industries Air-Conditioning & Refrigeration Systems Corporation	May 13, 2005
	Mitsubishi Heavy Industries Engines Systems Co., Ltd.	Jul. 12, 2005
	Aomori Daiya Co., Ltd.	Jul. 12, 2008
Overseas Group companies	Kagoshima Daiya Co., Ltd.	Jul. 12, 2008
	Mitsubishi Engine North America, Inc	Jan. 19, 2007
	MHI Injection Molding Machinery, Inc.	Jan. 19, 2007
	MLP U.S.A., Inc.	Jan. 19, 2007

MHI Group companies M-EMS EcoAction (based on EcoAction 21)

	Location or company name	Date of issue (or registration)
Domestic Group companies	Mihara Ryoju Engineering Co., Ltd.	Apr. 20, 2005
	Ryoju Co., Ltd., Sagami Branch	Apr. 25, 2005
	Shunjusha Ltd.	Apr. 26, 2005
	MHI Sagami High-tech, Ltd.	May 9, 2005
	Ryosen Engineers Co., Ltd.	May 10, 2005
	MHI Turbo-Techno Co.	May 11, 2005
	Hiroshima Dia System Co., Ltd.	May 11, 2005
	Mitsubishi Heavy Industries Transportation Equipment Engineering & Service Co., Ltd.	May 12, 2005
	MHI Marine Engineering, Ltd.	May 16, 2005
	Churyo Engineering Co., Ltd.	May 16, 2005
	Ryoju Co., Ltd., Minatomirai Branch	May 16, 2005
	MHI Aerospace Systems Corp.	Jul. 12, 2005
	MDS Corporation	Jul. 22, 2005
	Mayryoko Foodservice Co., Ltd.	Mar. 25, 2009
	Ryosei Service Co., Ltd.	Jun. 10, 2009

Group companies incorporated into ISO 14001 certification at MHI works or Head Office

	Location or company name	Date of issue (or registration)	MHI division or works
Domestic Group companies	Mitsubishi Heavy Industries Plastic Technology Co., Ltd.	Apr. 1, 2000	Iwatsuka Area (formerly, Industrial Machinery Division)
	Mihara Ryoju Engineering Co., Ltd, Information Systems & Electric Device Department	Oct. 8, 2004	Paper & Printing Machinery Division
	Ryoju Co., Ltd., Nagoya Branch	Oct. 22, 2004	Nagoya Aerospace Systems Work
	MHI Aerospace Production Technologies, Ltd.	Oct. 22, 2004	Nagoya Aerospace Systems Work
	Diamond Air Service Incorporation	Oct. 22, 2004	Nagoya Aerospace Systems Work
	Ryoju Co., Ltd., Shimonoseki Branch	Nov. 22, 2004	Shimonoseki Shipyard & Machinery Works
	Kanmon Dock Service, Ltd.	Nov. 22, 2004	Shimonoseki Shipyard & Machinery Works
	Shimonoseki Ryo-Jyu Engineering Co., Ltd.	Nov. 22, 2004	Shimonoseki Shipyard & Machinery Works
	Ryoju Co., Ltd., Nagoya Nishi Branch	Jan. 6, 2005	Iwatsuka Area (formerly, Industrial Machinery Division)
	Mitsubishi Heavy Industries Industrial Machinery Co., Ltd.	Jan. 6, 2005	Iwatsuka Area (formerly, Industrial Machinery Division)
	MHI Machine Tool Engineering Co., Ltd.	Feb. 25, 2005	Machine Tool Division
	Ryoju Co., Ltd., Kyoto Branch	Feb. 25, 2005	Machine Tool Division
	MHI Aero Engine Service Co., Ltd.	Apr. 11, 2005	Nagoya Guidance & Propulsion Systems Works
	MHI Logitech Company Limited	Apr. 11, 2005	Nagoya Guidance & Propulsion Systems Works
	MHI Diesel Service Co., Ltd.	May 12, 2005	Kobe Shipyard & Machinery Works
	Nuclear Plant Service Engineering Co., Ltd.	May 12, 2005	Kobe Shipyard & Machinery Works
	Sinryo Technical Service Engineering Co., Ltd.	May 12, 2005	Kobe Shipyard & Machinery Works
	Sanshin-Tec. Ltd.	May 12, 2005	Kobe Shipyard & Machinery Works
	Mitsubishi Heavy Industries Tunneling Machinery & Geotechnology Co., Ltd.	May 12, 2005	Kobe Shipyard & Machinery Works
	Mitsubishi Heavy Industries Parking Co., Ltd.	May 14, 2005	Yokohama Machinery Works
	Ryoju Co., Ltd., Yokohama Branch	May 14, 2005	Yokohama Machinery Works
	Ryoju Estate Co., Ltd., Yokohama Branch	May 14, 2005	Yokohama Machinery Works
	MHI Energy & Service Co., Ltd.	May 14, 2005	Yokohama Machinery Works
	Koryo Inspection & Service Co., Ltd.	May 14, 2005	Takasago Machinery Works
	Mitsubishi Heavy Industries Plant Construction Co., Ltd., Power Systems Service Headquarters	May 14, 2005	Takasago Machinery Works
	Koryo Engineering Co., Ltd.	May 14, 2005	Takasago Machinery Works
	Ryoju Co., Ltd., Takasago Branch	May 14, 2005	Takasago Machinery Works
	Nuclear Plant Service Engineering Co., Ltd., Takasago Division	May 14, 2005	Takasago Machinery Works
	MEC Engineering Service Co., Ltd.	Jun. 23, 2005	Hiroshima Machinery Works
	Hiroshima Ryoju Engineering Co., Ltd.	Jun. 23, 2005	Hiroshima Machinery Works
	Mitsubishi Heavy Industries Plant Construction Co., Ltd.	Jun. 23, 2005	Hiroshima Machinery Works
	Mitsubishi-Hitachi Metals Machinery, Inc.	Jun. 23, 2005	Hiroshima Machinery Works
	Ryoju Co., Ltd., Hiroshima Branch	Jun. 23, 2005	Hiroshima Machinery Works
	Sagami Logistics & Service Co., Ltd.	Sep. 13, 2005	General Machinery & Special Vehicle Headquarters
	Choryo Sempaku Kouji Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Ryoju Co., Ltd., Nagasaki Branch	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Choryo Inspection Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	MHI Oceanics Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Kowa Kogyo Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Choryo Control Systems Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Choryo Designing Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	MHI Maritech, Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Choryo Software Co., Ltd.	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Chiyoda Lease Company Limited	Sep. 22, 2005	Nagasaki Shipyard & Machinery Works
	Mitsubishi Heavy Industries Machine Tool Sales Co., Ltd.	Jan. 13, 2006	Machine Tool Division
	Ryoju Estate Co., Ltd., Department of Facilities Management Service	Apr. 6, 2006	Head Office
	Tamachi Bldg. Co., Ltd., Shinagawa Building Management Center	Apr. 6, 2006	Head Office
	MHI Personnel Staff, Ltd.	Apr. 6, 2006	Head Office
	MHI Tourist, Ltd.	Apr. 6, 2006	Head Office
	MHI Accounting Service, Ltd.	Apr. 6, 2006	Head Office
MHI Finance Co., Ltd.	Apr. 6, 2006	Head Office	
Dia Food Service Co., Ltd.	Apr. 6, 2006	Head Office	
Daiya PR Co., Ltd.	Apr. 6, 2006	Head Office	
Diamond Air Service Incorporation, Tokyo Office	Apr. 6, 2006	Head Office	
E-Techno, Ltd.	May 12, 2006	Kobe Shipyard & Machinery Works	
Choryo Engineering Co., Ltd.	Aug. 21, 2006	Nagasaki Shipyard & Machinery Works	
Foods Ryowa Co., Ltd.	Nov. 27, 2006	Shimonoseki Shipyard & Machinery Works	
Mitsubishi Heavy Industries Bridge & Steel Structures Engineering Co., Ltd.	Aug. 2, 2007	Hiroshima Machinery Works	
MHI Solution Technologies Co., Ltd. Takasago Branch	Apr. 9, 2008	Takasago Machinery Works	
Shinryo System Corp.	May 1, 2008	Kobe Shipyard & Machinery Works	

Targets and Progress

MHI led the way among the first shipbuilders and heavy-equipment manufacturers to establish its medium- to long-term environmental activity goals in 2002. The entire organization is pursuing environmental activities to accomplish the target. Progress through fiscal 2008 is summarized below. Underlined data was also reviewed in fiscal 2008 in response to social concern.

Targets and progress in FY2008

○ = Target achieved or progressing on schedule △ = More effort required X = Target not yet achieved

Item	Medium or long-term goals	Progress through FY2008	Evaluation
Reduced waste generation and emissions	By FY2010, reduce total generated waste to 170,000 tons (greater than 20% reduction from FY1992 level); to be achieved by conserving resources and reducing the purchase of materials	Total emissions: 151,000 tons 30.1% reduction from FY1992 level	○
Reduced landfill waste disposal	By FY2010, achieve zero landfill waste disposal at all works through reuse and recycling	Zero emissions achieved by the Hiroshima Machinery Works (October), Nagasaki Shipyard & Machinery Works (February 2009) and Kobe Shipyard & Machinery Works (April 2009): Number of works meeting goal increased to 12 (1 works remaining)	○
Elimination of equipment using PCBs and detoxification treatment	<ul style="list-style-type: none"> By FY2010, completely eliminate lighting ballasts and high-voltage equipment using PCBs Request Japan Environmental Safety Corporation (JESCO) to render the used transformers, condensers and oils harmless now stored or being used in MHI, toward completing the task by FY2011 (excluding ballasts, smaller equipment and equipment that uses low-concentration PCB) 	Replacement progressing as scheduled; for equipment using high concentrations of PCBs, the Machine Tool Division began outsourcing detoxification treatment and disposal to JESCO	○
Reduced emissions of organochlorides	Zero atmospheric emissions of dichloromethane, trichloroethylene and tetrachloroethylene by FY2010; to be achieved through total management and reduced release of organochlorides	Atmospheric discharge: 35.8 tons 86.3% reduction from FY1996 level	△
Reduced VOC emissions	More than 30% reduction of atmospheric emission of VOC with focus on xylene, toluene and ethylbenzene (reduced by 704 tons from 2,268 tons in FY2000 to 1,564 tons in 2010)	Total emission of xylene, toluene and ethylbenzene: 2,253 tons Reduced by 0.7% from the FY2000 level	△
Reduced CO ₂ emissions from business activities	6% reduction of the average CO ₂ emission amount for the five years from FY2008 to 2012 (from FY1990 level); to be achieved through reduction efforts at all production plants	CO ₂ emissions: 513,000 tons 8.7% above FY1990 level	△
	By FY2010, introduce solar power systems capable of generating a total of 2,000 kW	Completed introduction of additional 800 kW to Nagasaki Shipyard & Machinery Works (1,890 kW in cumulative total)	○
	More than 13% reduction of the average CO ₂ emission amount for the five years from FY2008 to 2012 (from FY2005 level); to be achieved through reduction efforts at offices and operations divisions (Head Office, domestic offices and research & development centers)	Head Office (Shinagawa and Yokohama) reduced by 12.4%* from FY2005 level * According to reported data to the Tokyo Metropolitan Government and the Bureaus of Economy, Trade and Industry	△
Reduced energy usage and CO ₂ emissions from product transportation	More than 4% reduction of energy consumption in transportation in FY2010 (from FY2006 level) by promoting efforts to reduce transportation energy (unit energy consumption of FY2006: 50.7 → 48.7 by FY2010)	Transportation energy consumption: (continuing from FY2007) Exceeded the legal target of more than 1% reduction per year; also in FY2008	○
Reduced fluorocarbon usage	By FY2010, completely replace potentially ozone-depleting HCFCs with 100% ozone-safe HFCs, etc.	Emissions in FY2008: 24.6 tons Efforts under way toward complete elimination in FY2010	△
Consolidated environmental management system	Ongoing ISO14001 renewal by domestic works, Head Office, branch offices and research & development centers	Ongoing renewal of ISO 14001 by 15 domestic works (including research & development centers), Head Office and branch offices	○
Utilization of environmental management information system	Promoting effective use of environmental management information systems and disclosure of information	Tabulation of environmental performance data, environmental accounting, and so forth was conducted using the database system leading to the information disclosed in this report	○
Promotion of consolidated environmental accounting	Promoting collection of environmental accounting data through use of environmental management information system and disclosing information through CSR Report		○
Ongoing issuance of Group CSR Report (Social and Environmental)	Ongoing issuance of CSR Report (Social and Environmental Report) that includes Group company information	Issuance of CSR Report (Social and Environmental Report) in June 2008. Includes some information from Group companies.	△
Promotion of green purchasing	Promoting the purchase of environmentally friendly products based on the company's own green purchasing guidelines	Green purchasing rate: 94%	△
Development and provision of environmentally friendly technologies and products	<ul style="list-style-type: none"> Efforts to develop and provide innovative technologies and products that help society reduce environmental degradation through "Basic Guideline on Production of Environmentally Friendly Products" (established in 2005) Special efforts to develop and provide innovative technologies and products that address global warming and create a low-carbon society 	Efforts made to develop and provide products that address global warming; including a wide variety of high-efficiency power generating facilities, photovoltaic installations, wind power generation systems and CO ₂ recovery systems	○

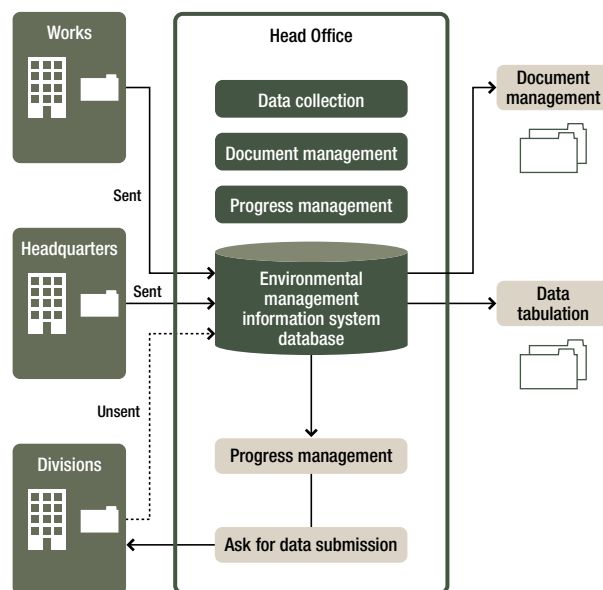
T O P I C S

Developed an environmental management information system for tabulating and viewing environmental performance data

To speed up information gathering and more efficiently collect performance data on environmental management, MHI installed a database server in the Head Office and developed a system that enables entering and viewing data anywhere in the company. Operation began in April 2008.

To develop this system, MHI established a project structure with the participation of members of works so the system would incorporate the needs of individual works as well as the Head Office. Starting with identifying data that should be collected and tabulated, we examined basic requirements, including compliance checks within the system. In addition, individual works can use this system in their own internal procedures toward securing data precision.

Information on regulatory values is organized into files with unique keys for determining individual values and confirming results through the system. Based on this preparation, we began collecting data, including energy usage and waste output, in April 2008. The results are incorporated into this report.



Environmental Accounting

MHI quantitatively monitors investments and costs for protecting the environment as part of the performance reviews of the company's business activities and also calculates the relative benefits of these efforts. The company refers to the Environmental Accounting Guidelines published by the Ministry of the Environment.

Cost of Environmental Protection

Overall, environmentally oriented investments and costs increased in fiscal 2008 from the previous year, due to updating our wastewater treatment system and increased R&D outlays.

Economic advantages valued at 4.0 billion yen were gained during the year, largely from income acquired through recycling and cost reductions achieved through energy savings.

Environmental Protection Costs and Economic Benefit (Non-consolidated)

(Millions of yen)

Cost category	Activities in FY2008	Investment		Cost		Economic benefit		Description	Environmental protection benefit
		2007	2008	2007	2008	2007	2008		
1. Production activities		1,667	4,656	4,570	5,841	3,858	3,932		
(1) Pollution control	Maintenance and operation of wastewater and flue-gas treatment systems	846	2,157	2,155	3,587	0	1	Reduction in wastewater treatment costs	Reduced emissions of air and water pollutants
(2) Global environmental protection	Energy savings	615	2,278	257	188	131	134	Cost reduction from energy savings	Reduced energy input
(3) Recycling	Reduced waste generation, recycling	206	221	2,158	2,067	3,727	3,797	Income derived from recycling, cost reduction from reduced waste generation	
2. Upstream and downstream costs	Recycling of household electrical appliances and container packaging	2	0	32	39	—	60		
3. Management activities	Development of environmental management systems, ISO Office, publication of <i>MHI Social & Environmental Report</i>	154	86	1,111	1,345	—	—		
4. R&D	Development of environmentally friendly products	1,204	822	6,390	7,359	—	13		Development of diverse environmentally friendly products
5. Public and social activities	Support of environmental protection initiatives, greening activities	7	16	281	249	—	—		
6. Environmental remediation	Soil remediation measures	401	662	186	516	—	—		Prevention of oil and chemical spills
	Total	3,435	6,242	12,570	15,350	3,858	4,005		

* Total capital investments in FY2008: 147.5 billion yen. Portion related to the environment: 6.2 billion yen (4.2%).

* Total R&D outlays in FY2008: 84.6 billion yen. Portion related to the environment: 8.2 billion yen (9.7%).

Countermeasures against Global Warming

Having already implemented significant measures to cut CO₂ emissions at numerous plants, including the adoption of cogeneration systems and equipment enabling outstanding energy savings and superlative operating efficiency, MHI is working on reducing CO₂ emissions from its production facilities to ensure achievement of the 6% reduction that is Japan's target under the Kyoto Protocol.

Promoting Measures to Conserve Energy and Reduce CO₂ Emissions

Reviewing reduction targets at individual divisions, headquarters and works

MHI's CO₂ reduction target is set at an average of 6% against 1990 levels for the five years from fiscal 2008 to 2012, as defined for the first commitment period of the Kyoto Protocol.

The company's CO₂ emissions, however, rose to a record high 549 thousand tons in fiscal 2007. To address this situation, MHI reviewed its CO₂ reduction plan at all divisions, headquarters and works in fiscal 2008 in addition to ensuring implementation of the reduction measures formulated in fiscal 2007 and before. To accelerate implementation, another plan to execute essential actions with the budget of the entire company was adopted by the Executive Committee in addition to the activities of individual divisions, headquarters and works.

Further improvement required to meet target

In fiscal 2008, MHI's CO₂ emissions resulting from energy use were 513,000 tons, 8.7% above the level of 1990, the baseline year. This was substantially higher than the ultimate target of a 6% reduction, and therefore further improvement was required.

However, emissions themselves were reduced by 36 thousand tons from 549 thousand tons in fiscal 2007 as a result of CO₂ reduction measures and decreased operation of mass and medium-lot manufacturing plants affected by the global recession starting in fall 2008.

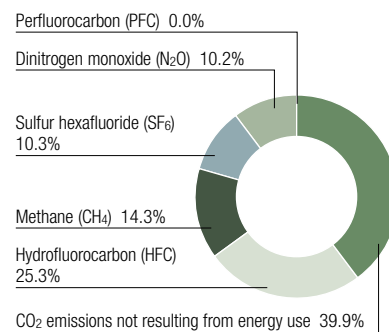
Compilation of greenhouse gas emissions (excluding CO₂ emissions from energy use)

MHI has been compiling data on greenhouse gas emissions (excluding CO₂ emissions from energy use) since fiscal 2006 under the system enforced in fiscal

2006 for calculating, reporting and publishing emissions of greenhouse gases so that enterprises can better grasp their greenhouse gas emissions and take appropriate measures.

The actual emission record of fiscal 2008 was 13,000 tons (CO₂ equivalent).

Breakdown of greenhouse gas emissions (excluding CO₂ emissions from energy use)



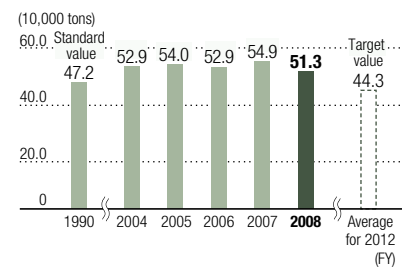
Purchase of emission credits and procedures

MHI determined the total emission credits to be purchased over the five years from 2008 to 2012 mainly through JI (Joint Implementation)*¹ and CDM (Clean Development Mechanism)*² of the Kyoto Mechanism. This is to offset the increased emissions up to 2012 based on the policy of using emission credits to compensate for increases and shortfalls due to such factors as construction of a new plant. Purchased emission credits will be included in Japan's greenhouse gas reduction plan, as they are transferred without compensation from the company's own dedicated management account to the redemptive account of the government. MHI applied for its own dedicated management account and was granted approval in October 2007.

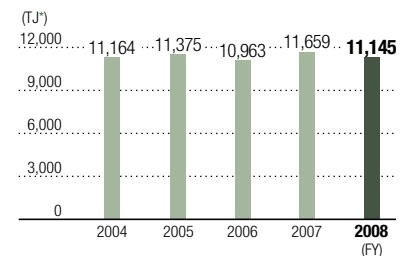
*¹ System in which a company invests in greenhouse gas reduction projects in advanced countries and applies the reduced emissions to achieve its own goals.

*² System in which a company invests in greenhouse gas reduction projects in developing countries and applies the reduced emissions to achieve its own goals.

Change in CO₂ emissions

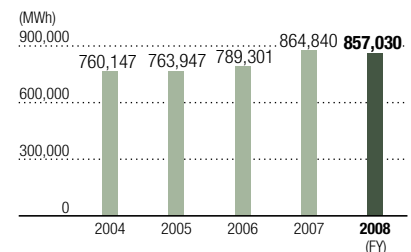


Change in gross energy input



* TJ (tera joule) = 1 trillion joules (1,000,000,000,000 J)

Change in electricity purchases



Purchase of Green Power

MHI has contracted with Japan Natural Energy Co., Ltd. (JNE) to purchase 1 M kWh of wind-generated power from JNE each year for a period of 15 years starting April 2002.

MHI uses this clean power at its Head Office and at the Mitsubishi Minatomirai Industrial Museum.



Green power certificate

Measures to Curb Energy Use in Transport

Transportation energy consumption reduced by about 5%

MHI launched a project team three years ago to determine the status of energy use in transport and explore ways to reduce it. In fiscal 2007, we reduced energy consumption in transport by about 5% from the previous year. The Act Concerning the Rational Use of Energy requires shippers to reduce energy consumption in transport by an annual average of more than 1% over the medium to long term. MHI's performance exceeded this requirement.

This was a result of a modal shift in which trucking was replaced by railway transport as well as the promotion of "milk runs" in which shipments scheduled

at around the same time are consolidated into a single truck.

Individual works' efforts to improve loading efficiency are reported and information exchanged at the company-wide project meetings, which have been held regularly since fiscal 2007.

In the future, the company will further reduce transportation energy consumption through improving loading ratio by mixed loading of small-lot cargos on trucks and reviewing routes and frequency of transportation in cooperation with truckers and receivers.

Total traffic volume and CO₂ emissions in fiscal 2007

Total traffic volume	191,578 thousand ton-km
Total energy consumption	357,181 GJ (calorie)
CO₂ emissions	24,500 t-CO ₂

Energy-saving activities in offices

In June 2005, MHI joined the national Team Minus 6% campaign promoted by the Japanese Ministry of Environment. Now, in addition to "Cool Biz" in summer (office air-conditioning systems set to 28°C, employees do not need to wear ties) and "Warm Biz" in winter (office air conditioning systems set to 20°C, employees are encouraged to bring an extra layer of clothing), the company has implemented diverse energy-saving activities, such as rationalizing the operation of elevators and introducing high-efficiency lighting.



T O P I C S

Reducing CO₂ emissions through energy-saving factory lighting
General Machinery & Special Vehicle Headquarters

General Machinery & Special Vehicle Headquarters has been working to save energy in the ceiling lights of its first and second plants since June 2008 under the ESCO program*. More specifically, the headquarters is replacing the ballasts of about ten thousand fluorescent tubes across the factory with highly efficient inverter models. At present, about two thirds of the ballasts have been replaced toward completion in October 2009. This action alone will save 2,208 MWh and 836 tons of CO₂ a year, about 1.8% of total plant emissions.

* ESCO program: Offers of comprehensive energy conservation services with a guarantee of positive impact and receives a part of the energy conservation benefit as payment.



Plant lighting at the General Machinery & Special Vehicle Headquarters

Solar cell panel produced by MHI installed at works nationwide

Progress is continuing in our plan to install solar cell panels at our works. In fiscal 2008, MHI formulated and pursued a plan to install 800-kW panels on the roof of the microcrystalline-Si tandem-type photovoltaic solar cell second plant of the Nagasaki Shipyard & Machinery Works Isahaya Plant. Installation was completed in April 2009, expanding the company's cumulative introduction of solar power to 1,890 kW. In fiscal 2009, MHI plans to introduce an additional 200 kW to accomplish the CSR action plan's medium-term target of over 2,000 kW.

In addition, MHI introduced a unified power generation monitoring system for real-time search and review of generated output and CO₂ emission reduction associated with the photovoltaic units installed at the individual works through personal computers at the company's departments in charge.



Solar cell panel installed at the microcrystalline-Si tandem-type photovoltaic solar cell second plant of the Nagasaki Shipyard & Machinery Works Isahaya Plant

Resource Conservation and Waste Management

MHI is taking the initiative to achieve zero emissions*1 at all company facilities by 2010. The company vigorously sorts all recyclables, identifies new recycling contractors and encourages the sharing of information on recycling operators, while at the same time holding company-wide meetings on how to achieve zero emissions.

*1 For MHI, zero emissions is defined as limiting landfill waste to less than 2% of total waste.

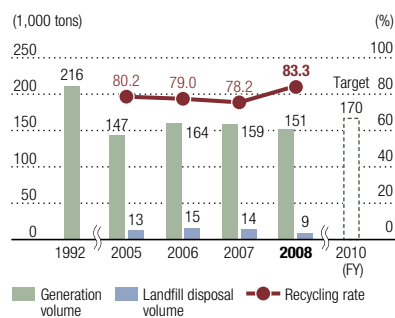
Curbing Waste Generation, Release and Disposal

MHI previously set a target for reducing the volume of the company's waste to less than 170,000 tons by 2010 and implemented initiatives toward that goal to reduce waste output and promote recycling within the various works. As a result, the target was achieved in fiscal 2008 with a waste output of 151,000 tons.

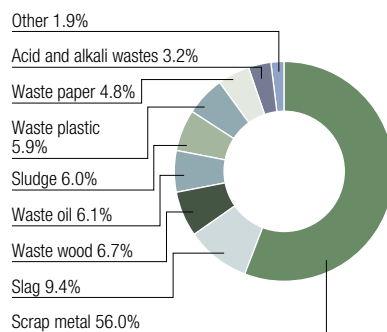
In terms of its target to achieve zero waste emissions at all 13 MHI works by 2010, the Hiroshima Machinery Works accomplished this target in October 2008, followed by the Nagasaki Shipyard & Machinery Works in February 2009 and the Kobe Shipyard & Machinery Works in April 2009, joining the nine works*2 that had already accomplished the goal and bringing the total to 12.

*2 Yokohama Machinery Works, Takasago Machinery Works, General Machinery & Special Vehicle Headquarters, Nagoya Guidance & Propulsion Systems Works, Air-Conditioning & Refrigeration Systems Headquarters, Iwatsuka Area, Machine Tool Division, Paper & Printing Machinery Division (including Plant and Transportation Systems Engineering & Construction Center (Mihara) and Shimonoseki Shipyard & Machinery Works

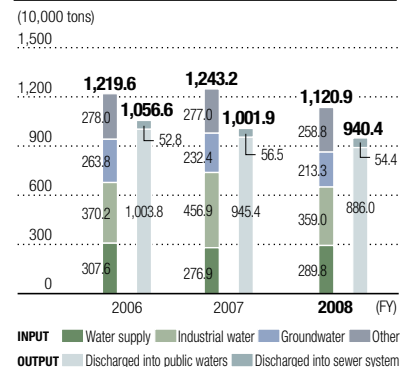
Waste generation/landfill disposal volumes and recycling rate



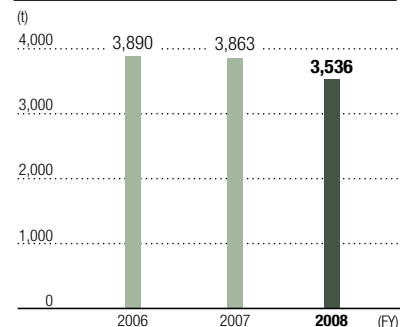
Waste generation by material



Water usage and discharge



Paper usage



TOPICS

Two works achieved zero emissions

Hiroshima Machinery Works

The Hiroshima Machinery Works had been preparing for zero emissions over several years by analyzing the volumes and types of wastes generated.

The selection of recyclers and negotiation of prices at first proceeded smoothly. The selected recycler, however, declined to participate in the project in response to a revision of the waste acceptance standard, and the works had to start over in its search for a new recycler just before announcing its zero emissions activity. Fortunately, the works was able to find a recycler through the efforts of those involved. And from the concerted actions of Group companies, every employee worked with a greater awareness toward reducing waste and thoroughly sorting waste at nearby sites. The works consequently achieved zero emissions in



Staff members in charge of zero emission promotion at the Hiroshima Machinery Works

October 2008. Going forward, we will fulfill our corporate social responsibility through commitment toward realizing a recycling society and addressing environmental problems.

Nagasaki Shipyard & Machinery Works

The Nagasaki Shipyard & Machinery Works has been working since 1992 to reduce the volume of waste and increase recycling to extend the life of a company-owned landfill. The works took advantage of acquiring ISO 14001 in 1998 to step up its efforts to more finely sort waste and locate new recyclers in order to reinforce the recycling and transformation of waste into valuable resources. As a result, the works overcome the challenge of recycling the last remaining incombustible waste and achieved the company's zero emission standards. Looking ahead, we will further reduce waste generation and treatment expenses while maintaining zero emissions.



Staff members of the Environment & Energy Section, Nagasaki Shipyard & Machinery Works

Management of Chemical Substances

MHI takes every possible action to manage the chemical substances required for its production processes in ways that guarantee safe usage and storage. All works effectively use MSDS to ensure complete safety for both customers and company employees. Efforts are also being taken to curb the use and emissions of organochlorides by developing alternative manufacturing processes and switching to alternative substances.

Curbing the Use and Emissions of Chemical Substances through Proper Management and Use of Alternatives

Thorough management of chemical substances contained in products

As an outgrowth of environmental laws and regulations enacted in Europe—including RoHS^{*1}, ELV^{*2} and REACH^{*3}—there is a growing call across the globe today for the corporate sector to properly manage chemical substances contained in products as a social responsibility. This management requires manufacturers to engage in green procurement, that is, purchasing materials and parts from suppliers who are able to verify that the products do not contain specified chemical substances.

The Air-Conditioning & Refrigeration Systems Headquarters created a guideline for managing chemical substances contained in air-conditioners that are included on the current RoHS list, and the company is preparing its response to the RoHS Directive in collaboration with MHI suppliers.

MHI continues to pursue green procurement, strengthening the management of chemical substances contained in its products, and working more closely with suppliers.

*1 RoHS

Directive: Prohibits the import into Europe of electrical and electronic products containing any of six specified hazardous substances such as cadmium, hexavalent chromium and lead.

*2 ELV

Prohibits the use of lead, mercury, cadmium and hexavalent chromium in order to reduce automobile waste as well as the environmental burden caused by end-of-life vehicles.

*3 REACH

European legislation for regulating chemical substances in the market through the three stages of registration, evaluation and authorization.

Reducing organochlorides

Despite the steady progress achieved toward zero atmospheric emissions of tetrachloroethylene, trichloroethylene and dichloromethane, the company had only reduced emissions by 86.3% as of the end of fiscal 2008.

This shortfall was due to increased use of dichloromethane, a removal agent, along with higher production volumes.

In fiscal 2008, we finished evaluating the stripping characteristics of non-di-

chloromethane removal agents planned to replace dichloromethane agents and now expect to complete conversion within fiscal 2009.

Emissions of substances subject to PRTR

In fiscal 2008, MHI released a total of 2,361 tons of substances subject to PRTR^{*4} compliance.

Roughly 95% of these emissions consisted of xylene, toluene and ethylbenzene, which are primarily used in painting and cleaning applications. Although the company is working to reduce these emissions, the task is proving to be a significant challenge, particularly for xylene, which is used for painting ships and its use is typically specified by shipowners. This preference, along with the increasing volume of shipbuilding, is making it difficult to reduce the use of this substance.

*4 PRTR (Pollutant Release and Transfer Register)

The PRTR system requires publication of the sources and emission volume of toxic chemical substances and the amounts of such substances removed from manufacturing plants.

Setting targets for reducing and controlling VOCs (Volatile Organic Compounds)

With the goal of reducing environmental burdens associated with chemical sub-

stances, MHI has incorporated voluntary reduction targets for three organochlorides into its mid-and-long-term plan.

In fiscal 2008, to further advance its activities for lessening environmental impact, the company set a new voluntary target for reducing atmospheric emissions of VOC in 2010 by 30% from the 2000 level, focusing on xylene, toluene and ethylbenzene, which are emitted in large volumes.

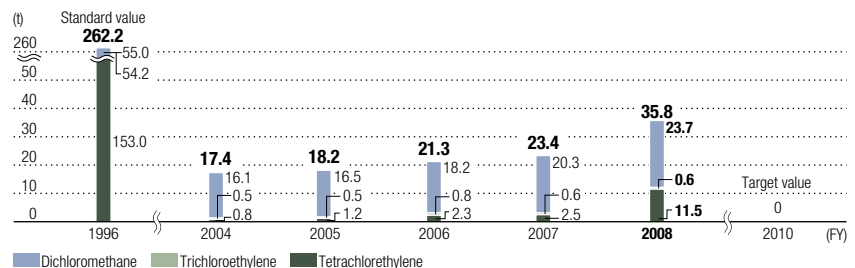
In fiscal 2008, MHI held a VOC Reduction Promotion Sectional meeting to explore specific reduction plans while sharing information among its works.

Plan for disposal of equipment using PCBs

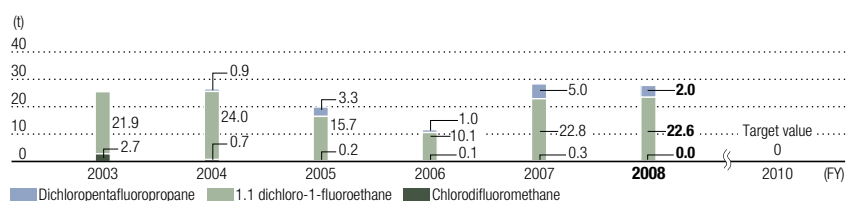
As of March 2006, MHI had already registered the disposal of equipment that uses PCBs (polychlorinated biphenyls), either currently in use or stored at its domestic works, with the Japan Environmental Safety Corporation (JESCO), a special entity wholly funded by the Japanese government. The company also signed a consigning contract for disposal in January 2007.

Today the company is systematically replacing equipment using PCBs to completely eliminate their use by 2010.

Atmospheric emissions of organochlorides



Change in HCFC* emissions



* HCFCs (Hydrochloro-fluorocarbons):

The Montreal Protocol that regulates ozone-depleting substances stipulates that the production of these substances must cease by 2020.

Easing the environmental burden through business operations and products

Pure car and truck carriers

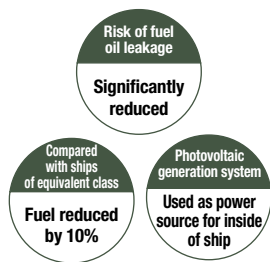
MHI delivered an eco-ship with an environmentally sound design that reduces fuel consumption and prevents marine contamination

In December 2008, MHI delivered the Auriga Leader pure car and truck carrier, an eco-ship representing the culmination of various environmental efforts, to NYK Line. This 200-meter long vessel can carry about 6,400 passenger cars and was designed to reduce fuel consumption and protect the environment.

To improve energy efficiency, the carrier adopted an aerodynamic hull shape and stator fin patented by MHI. By also adopting Mitsubishi's UE diesel engine, which was independently developed by the company, we were able to reduce fuel usage by about 10% compared with conventional carriers of this class. To prevent marine contamination, MHI significantly reduced the risk of fuel leakage in the event of collision or stranding by devising a specially designed fuel tank structure. In addition, a photovoltaic generation system was installed in a joint project with NYK Line and Nippon Oil Corporation. Generated electricity is used as a power source on the ship.



Auriga Leader sets out on her maiden voyage



H-IIA launch vehicle

Successfully launching IBUKI, the world's first satellite to observe greenhouse gases across the entire Earth from outer space

On January 23, 2009, MHI and the Japan Aerospace Exploration Agency (JAXA) successfully launched H-IIA launch vehicle No. 15 carrying IBUKI, the Greenhouse Gases Observing Satellite (GOSAT), from the Tanegashima Space Center.

IBUKI, a project jointly developed with JAXA, the National Institute for Environmental Studies, and the Japanese Ministry of the Environment, is the world's first satellite to observe greenhouse gases across the entire Earth from outer space. MHI handles the launching of H-IIA launch vehicle commissioned by JAXA and prepared a standard H-IIA launch vehicle that has two solid rocket boosters. It also completed its major mission of placing IBUKI into a sun-synchronous, sub-recurrent orbit.

Observation data transmitted from IBUKI will provide valuable information for addressing global warming across the planet.



Joining IBUKI and a small sub-satellite with the satellite separation unit



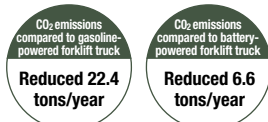
H-IIA launch vehicle No. 15

Forklift trucks

Developing hybrid or general-purpose fuel-cell-powered forklift trucks that significantly reduce CO₂ toward an early introduction into the market

MHI is developing powerful forklift trucks with excellent environmental performance. One model, a hybrid forklift truck that combines diesel engine and motor, is targeted for market launch in fiscal 2009. This forklift truck uses either an engine or motor depending on specific operation and stores the energy generated during operation in a battery for reuse, thereby achieving low-fuel consumption and reducing the emissions of CO₂ and other harmful substances, including NO_x (nitrogen oxides) and particulate matter (PM), or black smoke, at the same time.

In addition, MHI jointly developed a general-purpose fuel-cell forklift truck with Nippon Yusokai Co., Ltd. and JFE Container Co., Ltd., and began prototype operations toward market launch in 2010. This forklift truck adopts the world's first cassette-type supply unit, developed by JFE Container, to provide hydrogen to the fuel cell, and therefore does not require infrastructures such as hydrogen refueling facilities. MHI's responsibility in this project is to establish risk reduction to deliver an economic vehicle system suitable for mounting a general-purpose fuel cell power module supplier. The fuel-cell forklift truck is expected to reduce per-unit CO₂ emissions by about 22.4 tons or 6.6 tons compared with gasoline-powered or battery-powered forklift trucks, respectively.



Fuel-cell-powered forklift truck

Centrifugal chillers

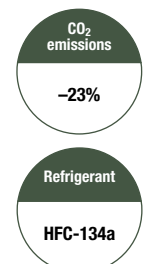
Delivered centrifugal chillers that use a chlorine-free and zero ozone depletion potential (ODP) refrigerant to a cooling plant at a new center in Singapore, significantly reducing CO₂

Electric centrifugal chillers are used in the air conditioning systems of large buildings and plants. In May 2008, MHI launched its Eco-Turbo ETI series, which offers the highest level energy-saving performance of any small-capacity centrifugal chiller. The units feature mounted inverters and are capable of reducing CO₂ emissions by 100.4 tons annually, compared with conventional models, while significantly saving energy.

In September 2008, MHI, in collaboration with Mitsubishi Corporation, received an order for nine centrifugal chillers that accomplish the world's highest refrigeration efficiency for a large-scale regional cooling plant at a new center in Singapore located in the city's Marina Bay area. The chillers will be delivered within fiscal 2009. They use HFC-134a refrigerant with zero ozone depletion potential and can reduce CO₂ emission by about 23% compared with conventional models of ten years ago.



Centrifugal chiller AART series



Injection molding machine

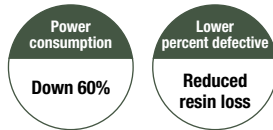
Developing the world's first electrically driven, rotary platen, co-injection molding machine for lighter car bodies and saving energy in plants

In response to rising demand for environmental protection, automotive manufacturers are striving to reduce the weight of auto bodies while developing hybrid and electric cars. One effective approach—replacing plate glass with resin—is somewhat problematic since it requires separately molding the transparent window and a strong frame before assembling them.

In October 2008, Mitsubishi Heavy Industries Plastic Technology Co., Ltd. developed an electrically driven, rotary platen, co-injection molding machine that solves this problem. This is the world's first electric-powered co-injection molding machine that can perform integral molding for two kinds of resin with different properties. It can substantially boost productivity for manufacturing large resin components and reduce the weight of automobile components. Its defect rate is also lower than conventional hydraulic machines, and its independently developed direct-drive servo motor reduces noise and dust from the belt. In addition, the reuse of energy generated during deceleration of the servo motor helps save plant electricity and energy.



3000emR, large-size electrically driven, rotary platen, co-injection molding machine



Sewage sludge carbonization facility

Significantly reducing nitrous oxide, which has a global warming effect 310 times higher than that of CO₂, with the world's first commercial plant for production of sewage sludge carbonized fuel for coal firing power plant.

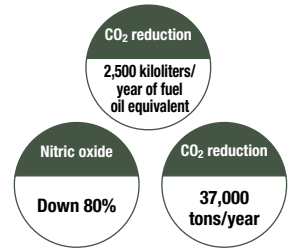
The sewage sludge carbonization facility delivered by Mitsubishi Heavy Industries Environment Engineering Co., Ltd. to Bio Fuel Co., Inc. and the Bureau of Sewage, Tokyo Metropolitan Government is the world's first commercial plant for carbonizing sewage sludge to partially replace coal for coal-fired power plants.

Operation of the facility began in November 2007. The global warming effect of nitrous oxide (N₂O) emitted through sewage sludge thermal treatment is about 310 times higher than that of CO₂, making its reduction a key aim in combating global warming. The facility carbonizes 300 wet tons of sewage sludge while reducing N₂O emissions by about 80% compared with conventional incinerators.

In addition, it reduces CO₂ by 2,500 kiloliters (fuel oil equivalent) annually by using the carbonized sewage sludge as an alternative fuel for coal. Total annual CO₂ reduction resulting from the introduction of the facility is 37,000 tons, equivalent to the CO₂ absorbed by a forest 1.7 times larger than the area surrounded by the Tokyo Loop Line.



Sewage sludge carbonization facility for the Tobu Sludge Plant of the Tokyo Metropolitan Government



CO₂ reduction with MHI product usage (FY2008)

Sector	CO ₂ reduction (thousand tons)	Basis of calculation	Remarks
Power plant	103,100	Estimates based on MHI's actual delivery record in 2008, compared with 1990. Estimate for nuclear power is based on actual output generated in FY2008 by plants built by MHI.	Thermal plants (combined, conventional and biomass), nuclear plants, photovoltaic, wind turbine and geothermal power generation, etc.
Transportation	1,600	Estimates based on MHI's actual delivery record in 2008, compared with 1990.	Vessels, transportation systems, etc.
Mass and medium-lot manufactured machinery	1,800	Estimates based on MHI's actual delivery record in 2008, compared with 1990.	Air-conditioners, centrifugal chillers, gas engines, forklift trucks, etc.

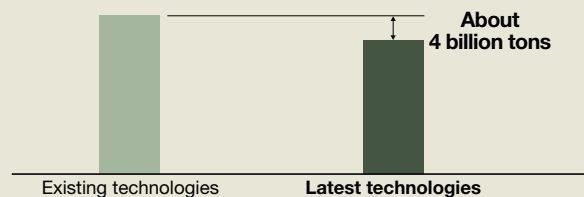
MHI is working to create a low-carbon society across a broad spectrum of fields, including: large-scale power generation technologies such as thermal power plants and nuclear power plants, renewable energy including that from wind turbines and photovoltaic, vessels and transportation systems for improving the efficiency of the transportation sector, and heat pumps and forklift trucks that assist energy management on the demand side.

CO₂ reduction from the 1990 level through the use of the company's products in 2008 came to about 0.1 billion tons.

The power generation sector, which accounts for nearly 30% of CO₂ emissions, has the potential for reducing emissions by about 4 billion tons, assuming Japan's latest

technologies at the top international level would be deployed across the world.

Going forward, MHI will continue to conduct business by maximizing its collective strengths to further reduce the global environmental load.



Responsibilities and Actions of MHI

Commitment to People and Society

MHI maintains relationships with diverse populations in various regions and communities in the course of developing and manufacturing products and technologies that are essential for social infrastructures and industry as well as the day-to-day lives of people across the world. To fulfill its corporate responsibility as a social and public entity, MHI has been pursuing its business operations with due consideration for its diverse stakeholders.



Commitment to Our Customers

MHI clearly laid out in its creed: “We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society.” The company continuously strives to ensure safety and improve the quality of its products from the customer’s perspective, and seeks to contribute to the development of society by providing products and services that meet expectations.

Enhancing Product Safety

Product safety project

At MHI, the entire company is reinforcing and broadening activities to guarantee product safety.

The product safety project is one effort that started in fiscal 2005, with the Legal Department and the Technical Headquarters Production System Innovation Planning Office (currently the Production System Innovation Planning Division) serving as the secretariat.

In this project, the company’s products are grouped into three categories—mass and medium-lot manufactured products, build-to-order components, and build-to-order plants. Individual works conduct training activities based on these categories to improve product safety, including risk assessment and improving instruction manuals.

MHI also shares information useful for conducting product safety activities, such as trends related to revised laws.

Ongoing efforts to ensure safety at nuclear power plants

On August 2004, a break occurred in the secondary piping of Unit 3 in the Mihama power station of Kansai Electric Power

Co., Inc., MHI set up the Managing Board for Innovation in Nuclear Business, chaired by the President, in December 2004. The company is striving to implement continuous internal reforms to prevent accidents and ensure safety at nuclear power plants.

Even as individual works thoroughly inspect and continuously strive to improve design, manufacturing, and procurement processes, they are also working in concert with the Nuclear Energy Systems Headquarters to restructure the quality management system and take action. A system is also in place whereby information is shared with power companies and the most appropriate proposals on safety management are made. Progress is reported to the Managing Board for Innovation in Nuclear Business.

At the board’s meeting held in fiscal 2008, members adopted a policy for ex-



Managing Board for Innovation in Nuclear Business

amining the maintenance and management of manufacturing instructions and for reinforcing activities related to the internal sharing of information on lessons learned from the accident to solidify inspections of work processes.

Qualification for NEI membership in “U.S. nuclear plant designers” category

Mitsubishi Nuclear Energy Systems, Inc., an MHI subsidiary in the U.S., qualified for membership in the Nuclear Energy Institute of the U.S. (NEI) in NEI’s “nuclear plant designer” category in February 2009.

NEI is a representative organization of the U.S. nuclear power industry, which encompasses a wide variety of nuclear energy-related companies and institutions, including power companies, plant designers, equipment manufacturers, engineering firms and universities. More than 320 organizations and companies from 17 countries are members.

Mitsubishi Nuclear Energy Systems became the first wholly-owned subsidiary of a Japanese company to qualify for NEI membership in this category. Encouraged by this recognition, the MHI Group will strive to further reinforce the stable supply of nuclear energy in the U.S.

MHI contributes to space development for humankind and for the Earth

Development and manufacture of the Japanese Experiment Module “Kibo”

MHI contributes to Japan’s space development program. The company’s contributions include handling the launch service for Japan’s key launch vehicle H-IIA and participating in the development and manufacture of the Japanese Experiment Module “Kibo,” a component of the International Space Station (ISS) that is being assembled in a joint international project involving space agencies from 15 countries.

Kibo, which means “hope” in Japanese, was launched aboard the space shuttle Endeavor in March 2008 and has been attached to the ISS and activated. In March 2009, the space shuttle Discovery lifted off with Koichi Wakata, the first Japanese astronaut to take part in a long-term space mission at the ISS. During his stay of over four months on board Kibo, Wakata will use the micro gravity atmosphere to conduct experiments with medicines, cells and material, and conduct observations of the Earth. MHI manufactured the Experiment Logistics Module-Pressurized Section (ELM-PS) and the Pressurized Module (PM) as well as the Cell Biology Experiment Facility (CBEF) within the PM, in which

life science experiments are conducted on Japan’s first manned space facility. Astronauts are able to carry out activities over an extended period of time. The company has contributed its comprehensive technological capabilities and taken on the challenge of this 20-year development project.

MHI is also currently developing the H-II Transfer Vehicle (HTV), which will re-supply the ISS with food supplies, clothing and experiment-related equipment, as well as the H-II B launch vehicle that will launch the HTV. A test flight of the rocket is scheduled for September 2009.



Japanese Experiment Module “Kibo” for the International Space Station (ISS)

Enhancing Customer Satisfaction (CS)

Pursuing products and services that meet customer expectations

The first provision of the MHI creed is: "We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society." 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.

Based on this approach, each headquarters and division is striving to improve CS in accordance with their respective business operations. MHI implements basic CS and marketing training as well as other programs with the belief that improving employee awareness is essential for establishing a customer-oriented corporate culture.

MHI will continue to listen to feedback from customers and the market and will work to provide products and services that satisfy customers.



Basic CS training

New sheet-fed offset press creates operator-friendly work environment and wins Good Design Gold Award

The DIAMOND V3000, a new sheet-fed offset press designed for operational ease, was the 2008 recipient of the Good Design Gold Award organized by the Japan Industrial Design Promotion Organization. The award recognized the productivity improvements realized by the press as well as MHI's outstanding exterior product design, which has led to the creation of a user-friendly working environment.

The DIAMOND V3000 is equipped with LED strips at each press section to visually inform the operator of press status. The exterior of the press is fabricated using a new material that creates the soft geometric appearance, intricately blending both functionality and design. The award confirms that these features represent the pathway to the future for all commercial printing presses.

MHI will continue to actively develop and manufacture innovative presses that integrate productivity, design and safety at the top performance level.



DIAMOND V3000 sheet-fed offset press

Promoting Nuclear Power PA* Activities

In an effort to familiarize the public with nuclear power plants and deepen its understanding about the need for and safety of nuclear power, MHI has promoted PA activities since 1988, such as receiving visitors in our works that manufacture nuclear power equipment and publishing the magazine, *Atom Power*.

As a part of MHI's nuclear power PA activities, the Kobe Shipyard & Machinery Works, which manufactures key equipment for nuclear power plants, received approximately 3,000 visitors in fiscal 2008, bringing the total number of visitors over the past 10 years to more than 40,000.

The Kobe Shipyard & Machinery Works offers tours at the manufacturing site for enormous structures that weigh hundreds of tons and are made with a combination of the world's largest machine tools. The initiative has attracted positive feedback from customers, who say they have gained a deeper understanding of MHI's manufacturing technologies.

MHI will continue to conduct PA activities, such as disseminating information and hosting plant tours, to promote greater understanding of nuclear power.



Atom Power nuclear power publicity magazine

* Nuclear Power PA (Public Acceptance) activities
Activities conducted to encourage a clearer understanding of nuclear power

Defense-related business helps guarantee safety and peace of mind in Japan

Truly meeting the nation's needs

As a top manufacturer for Japan's defense industry, MHI develops, produces and supports a vast array of equipment for the Japan Ministry of Defence, including jet fighters, helicopters, missiles, defense ships and tanks. MHI believes its most important objective is to fully leverage state-of-the-art technologies to provide the defense equipment needed by the nation in a timely manner and to meet the country's needs for guaranteeing safety and peace of mind, as well as to assist in reinforcing the foundation of defense production and technology.

MHI's basic stance for its defense-related business is that the company should contribute its technological capabilities in times of national need. Now, however, amid a rapidly changing environment, the company could not truly meet the national need without looking further ahead than usual into the future needs of the Ministry of Defense. Companies responsible for

providing state-of-the-art technologies should also propose solutions for new situations together with the Ministry of Defense on behalf of the nation. MHI uses its modeling and simulation* equipment and methods, and prepares proposals for the operation and systems related to new equipment.

MHI also believes that it contributes to society by applying state-of-the-art technologies developed for the defense industry to the public sphere.

* Simulations that use numerical models to acquire decision-making data

Ratio of Ministry of Defense sales to total sales

FY	Ratio (%)	Amount (100 million yen)
2007	10.6	3,396
2008	11.0	3,714



F-2 jet fighter



Aegis destroyer Ashigara

Commitment to Our Shareholders and Investors

MHI works to forge relationships of trust with shareholders and investors by increasing the soundness and transparency of its management, accurately and promptly disclosing information, and expanding opportunities to communicate with shareholders and investors.

Expanding Opportunities and Communication Platforms

Actively disseminating information through media, events and websites

MHI actively distributes information to individual investors. The company participates in events held by securities firms for individual investors in addition to cooperating in interviews for books published for this audience.

In January 2004, the company opened a section on its website entitled, "For Individual Investors," to provide easy-to-understand explanations of its business and performance.



URL "For Individual Investors"
<http://www.mhi.co.jp/finance/ir/index.html>
 (in Japanese)

Business and planning briefings

In response to demand from investors and analysts for greater details on the overall status and plans of individual businesses, MHI holds semiannual performance briefings as well as quarterly meetings with securities firm analysts and institutional investors in an effort to timely disclose information.

In fiscal 2008, the company held several briefings in a condensed time-frame, including an explanation of the "2008 Medium-Term Business Plan (2008-2010)" in April and briefings on the promotional activities conducted at nine headquarters and divisions from May through June. Presentation materials used at these meetings can be viewed on the "Investor Relations" section of the corporate website.

Plant tours and questionnaires for shareholders

The company has been conducting semi-annual plant tours since March 2005 to deepen shareholder understanding of its business activities.

In September of fiscal 2008, the eighth tour was held at the Shimonoseki Shipyard & Machinery Works. Visitors observed the welding factory and the slip on which vessels are built and repaired during a tour focusing on the shipbuilding process. They also participated in an onboard tour of the cruise ship Voyager, which was built at the Shimonoseki Shipyard & Machinery Works. In March, the Machine Tool Division conducted a plant tour in which visitors were invited to view the manufacturing sites of large-size machine tools, gear-cutting machines, motor vehicle parts and precision cutting tools.

In December, the company distributed a questionnaire to 349,657 shareholders and received 49,148 (14.1%) responses. With due consideration to the many requests for improving the content of the issue for shareholders and participation in plant tours, MHI will look into upgrading the information it provides and the content of plant tours using feedback from participants.



Plant tours at the Shimonoseki Shipyard & Machinery Works (top) and the Machine Tool Division (bottom)

Recent Dividend Disbursements

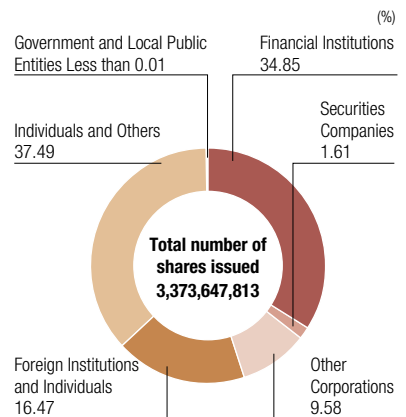
Dividend disbursements over the past five years

Fiscal year	Dividend per share
2004	4 yen
2005	4 yen
2006	6 yen
2007	6 yen
2008	6 yen

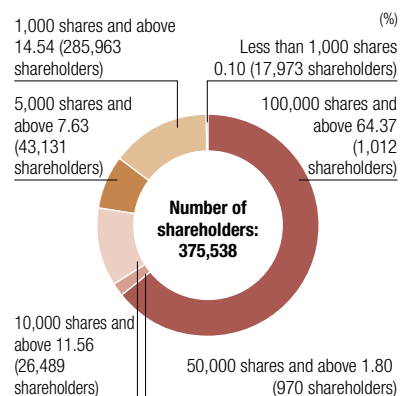
For fiscal 2008, a 3 yen per share year-end dividend was distributed.

In addition to the previously distributed interim dividend of 3 yen per share, total dividends for the year were 6 yen per share.

Classified by Type of Shareholder



Classified by Number of Holdings



Commitment to Our Business Partners (Suppliers)

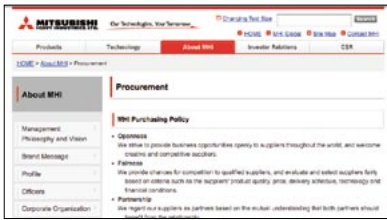
As a corporation that strives to be a premier innovator, MHI views its suppliers as key partners who provide the company with materials and services for producing products and who share the same desire for mutual prosperity. To remain competitive in a rapidly changing business environment, the company will work with its business partners to effect improvements throughout the entire value chain.

Ensuring Fair Dealing

Announcing MHI's Purchasing Policy that promises fair and equal dealing

MHI's dealings with suppliers are based on an open, fair and equitable evaluation and selection of new suppliers, trusting relationships that encourage mutual growth, and compliance with applicable rules, regulations and social norms.

The company drew up its basic Purchasing Policy in July 2002 and posted it on the corporate website to inform all those within and outside the company. Application guidelines for new suppliers and contact information for material procurement are also available on the website.



URL MHI's Purchasing Policy on the corporate website
<http://www.mhi.co.jp/en/company/procurement/index.html>

Assuring the fair selection of suppliers based on technology, quality, price and other factors

In principle, under company regulations, sections placing orders select their own suppliers and determine business terms and conditions.

Supplier selection is based on a comprehensive assessment of each candidate's strengths in technology development, supply capability, reliable product quality, price and delivery schedule to ensure fair and equal treatment.

In fiscal 2008, the company commenced dealings with 185 new suppliers, who were selected on the basis of these rules.

Procedures for a new transaction

Access MHI website and proceed as follows:
About MHI > Procurement > Registration

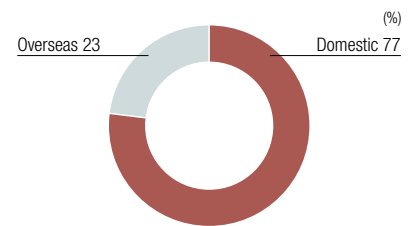
Agree to the personal information protection policy and click the button

Enter required information, including sales products and point of contact

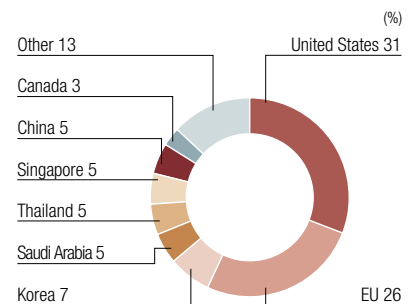
Interested department notifies the point of contact to start specific business negotiations

Business is initiated once selection criteria have been fulfilled

Ratio of domestic/overseas business partners



Breakdown of major overseas business partners



Thorough compliance with laws related to procurement activities

In its procurement activities, MHI prohibits any acts that violate laws, including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Construction Business Act.

To prevent unfair transactions such as false orders, the company has also separated procurement functions into divisions that use the procured goods, order the goods, and receive the goods to provide a system of checks and balances. This allows multiple employees to confirm that the details of an order and the procured goods correspond at the ordering stage and the inspection stage (upon receiving the goods). The results of reviews are recorded in MHI's system and books, and details are confirmed through internal audits.

MHI Purchasing Policy

1. Openness

We strive to openly provide business opportunities to suppliers throughout the world, and welcome creative and competitive suppliers.

2. Fairness

We provide competitive opportunities to qualified suppliers, and evaluate and select suppliers fairly based on criteria such as the suppliers' product quality, price, delivery schedule, technology and financial conditions.

3. Partnership

We regard our suppliers as partners based on the mutual understanding that both parties should benefit from the relationship.

4. Compliance

We comply with rules, regulations and social norms based on our compliance management policy, and all information submitted to MHI will be kept and used properly.

Maintaining appropriate relationships with key partners

To ensure that MHI employees and business partners maintain appropriate relationships, MHI prohibits employees from receiving gifts or business entertainment offers that exceed ethical norms.

The company also requires business partners to understand and cooperate with this stance. To this end, a contact point has been set up to receive reports from key partners on any MHI employee who demands excessive treatment.

New contract provisions to block transactions with antisocial forces

Based on the policy stipulated in the MHI Compliance Guidelines—"The company will respond firmly to antisocial forces"—our procurement departments also block dealings with any antisocial group.

In the event any transaction with such a group is initiated, it is important to terminate the contract as soon as the antisocial nature of the group becomes known. To this end, MHI has added a new provision to its basic contract stipulating that the company may terminate a contract that has already been concluded.

This provision was added to basic contracts related to the outsourcing of component procurement and processing in fiscal 2008 and is scheduled to be added to basic contracts related to construction and subcontracting within the MHI premises in fiscal 2009.

Compliance training for employees engaged in procurement activities

The company holds training sessions on compliance issues for employees engaged in procurement activities and offers an e-learning program on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

In fiscal 2008, two compliance education sessions were held, in July and November, with the participation of 68 employees and 44 employees, respectively. In July, a session was conducted at the Nagoya Aerospace Systems Works with the participation of mid-career hires from the procurement divisions. The one-day program reviewed issues related to materials procurement work and explained the essence of the civil code, the commercial code, the Stamp Tax Law, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and the Construction Business Act.

In November, a training session was held at the Mitsubishijuko Yokohama Building for younger employees from the

procurement divisions. With the goal of raising compliance awareness, briefings were given on issues related to materials procurement work and details of related laws, and a discussion was held for participants to exchange opinions based on case studies over a two-day session. The level of understanding was evaluated at the completion of the training sessions. Review material was distributed to strengthen participant understanding of items for which the questionnaire indicated insufficient comprehension.

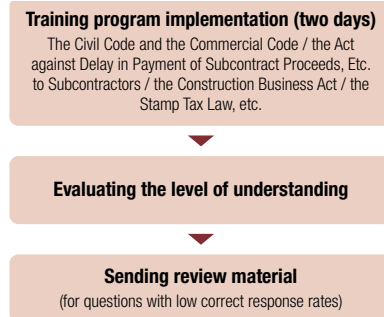
In fiscal 2008, a total of 1,174 MHI employees and 290 employees from 60 MHI Group companies (in which MHI holds a majority share) participated in an e-learning program on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

MHI believes in the importance of ongoing compliance training programs on procurement to prevent improper orders. Looking ahead, the company will seek to more accurately grasp training needs and enrich the content of training programs.



Compliance training

Flow of compliance training



Record of compliance training

	Compliance training	e-learning
FY2003	39 participants (one session)	—
FY2004	53 participants (two sessions)	—
FY2005	50 participants (two sessions)	694 participants
FY2006	34 participants (one session)	4,692 participants
FY2007	37 participants (one session)	3,466 participants
FY2008	112 participants (two sessions)	1,464 participants

Toward Implementing CSR Procurement

Examining future efforts for CSR procurement

CSR procurement activities carried out by the Material Department since last year comprise a significant part of the entire company's CSR Action Plan to be achieved by 2010.

In fiscal 2008, designated members of the Material Department at the Head Office examined such areas as the framework of the company's guidelines and the fields in which CSR procurement should be promoted. They again confirmed that the basic provisions of the MHI Purchasing Policy regarding procurement—openness, fairness, partnership, and compliance—are the foundations of CSR procurement.

Based on this confirmation, the company will establish CSR Procurement Guidelines in fiscal 2009 that encompass the principal items of MHI's activities through which it will fully explain and actively disclose information to key partners.

MHI plans to build sound, cooperative relationships with its partners and gain their understanding and trust by clearly declaring the company's thinking and stance toward CSR.

MHI views the penetration of its efforts in CSR activities throughout the supply chain as a key aspect of corporate social responsibility.

Toward even stronger collaborative ties with business partners

The company invited 230 partner companies to the first Mitsubishi Heavy Industries—Business Partners Conference, which was held in December 2008. The President, the General Manager of Technical Headquarters, and the General Manager of the Material Department candidly presented MHI's current situation and goals as well as the actions for achieving those goals. With this conference as a starting point, MHI plans a variety of activities for listening to business partner opinions, desires and proposals, and leading them in reforming work processes and reducing costs at MHI.

The company will continue to strengthen its collaborative ties with business partners and aim for win-win relationships.

Commitment to Our Employees

Believing that human resources are the company's most important asset and that their growth leads to the development of the entire company, MHI is actively working to utilize and cultivate diverse human resources and build a better working environment.

Utilizing and Cultivating Diverse Human Resources

Active recruitment and utilization of mid-career, overseas and female workers

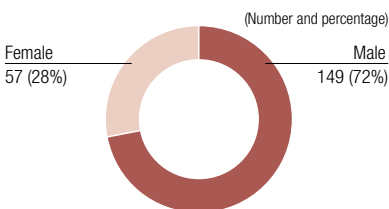
In the course of excelling at manufacturing large-scale system products that involve lengthy timeframes, including power generation plants, aerospace equipment and marine vessels, MHI's basic policy for recruiting and developing human resources had been to hire new graduates and provide ample in-house training.

Recently, however, survival in an increasingly competitive market has required the ability to utilize diverse human resources. MHI is therefore actively promoting the hiring of mid-career workers. (In fiscal 2008, approximately 900 mid-career workers were hired in addition to about 1,800 new graduates.)

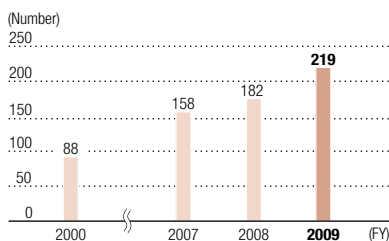
The company treats new graduates and mid-career workers equally. Mid-career workers play an active role in their respective fields as members of the company, making full use of the skills they have cultivated.

MHI is also actively working to hire personnel to deploy overseas for the global development of its business. The company is hiring overseas students and foreign students through aggressive recruitment efforts and hired about 40 new graduates in fiscal 2008.

Number of new white-collar recruits with a college degree



Growth in the number of female managers



In addition, MHI is actively hiring and utilizing female workers. The numbers of new female workers and managers have been increasing each year. Recently, approximately one-quarter of new white-collar recruits with bachelors degrees have been women.

Promotion of rehiring seniors across the Group

The company implements a rehiring system throughout the Group that, in principle, embraces all employees who wish to take advantage of the opportunity for re-employment up to the age of 65 in both full- and part-time positions.

As of April 1, 2009, MHI (excluding Group companies) has rehired more than 1,000 employees. These workers are assigned important roles for transferring their skills and expertise as experienced professionals. MHI is vigorously promoting their participation in the workplace.

Change in the number of rehired employees

(excluding those from Group companies)			(Number)
2007/10	2008/4	2008/10	2009/4
685	934	1,127	1,365

Expanded job opportunities for the handicapped

Since 1992, MHI has been pursuing efforts to expand job opportunities for handicapped individuals and create a suitable working environment for all workers by establishing a Committee for Promotion of Employment of the Handicapped (see p. 24). These employees actively participate in many of the company's workplaces.

In fiscal 2008, the company further intensified its efforts to expand employment of the handicapped by utilizing its website for recruiting handicapped individuals and partnering with local job-placement offices. As a result, the rate of employment of the handicapped as of April 1, 2009 was 1.96%, exceeding the statutory employment rate of 1.80%.

Skills upgrading and self-fulfillment through training

MHI has established an array of training programs, starting from practical human resource development based on on-the-

job training (OJT) for new employees to programs targeting individual levels or functions for current employees. And to cultivate truly internationally minded human resources capable of supporting the company's global businesses, MHI has been enhancing the content of overseas training and study abroad programs since fiscal 2008. Over the past several years, the content of educational programs has been organized and deployed throughout the entire company so that newly hired mid-career workers can fully demonstrate their expertise as quickly as possible.

Initiatives for skills transfer

The company has been deploying hands-on training programs to transfer the skills and know-how of expert technicians to junior and mid-career employees in each works with practical, systematic training over a prescribed period of time.



Hands-on training

For capacity building and realizing the potential of women

MHI conducts ongoing efforts to create an environment that supports female employees in making full use of their abilities. As part of these efforts, the company conducts career development seminars specifically for female employees every year. Participants offer business improvement suggestions to their supervisors after the completion of each seminar.



Career improvement seminar

Mutual understanding and motivation through dialogue

Through regular dialogues between employees and their supervisors, MHI ensures the effective sharing of business targets and a common awareness of is-

sues, communicates the roles and tasks individual employees are expected to fulfill and listens to requests and business improvement suggestions from employees. As a result, an interactive communication environment has been established that contributes to the creation of a workplace in which employees can work vigorously, free from anxiety, and with a sense of mutual trust and pride, thereby enhancing employee motivation and promoting the enhancement of an individual's capabilities.

For those working in white-collar positions, MHI adopts an MBO (Management by Objectives) system with annual performance targets and progress evaluations twice a year. Blue collar employees and their respective supervisors hold discussions once a year to maintain a common understanding.

360° research: A program for middle managers

This program, which targets managers, involves supervisors, colleagues and subordinates in assessing the manager's performance. Results are relayed back to the managers by their supervisors. By communicating feedback and evaluations of daily behavior from others, MHI assists middle managers in developing their strengths while at the same time identifying areas for improvement, thereby encouraging further growth and self-development.

Building a Better Working Environment

Supporting a proper balance between work and family life

To create an environment that helps employees effectively balance their work and family life, MHI offers child- and family-care leaves that exceed legal requirements, and the company has worked to improve systems for developing the next generations and supporting a healthy work-life balance. The company also maintains a rich array of unique systems. The Career Return Plan, for example, offers opportunities for employees who have left after marriage or childbirth to re-join the company and continue their previous career. In fiscal 2008, more than 80 employees registered for this plan and seven individuals rejoined the company as full-time employees. The company also provides special grants of 5,000 yen per month to working employees who place their child in daycare until the end of the fiscal year in which the child reaches three years of age.

In May 2007, the company obtained the Kurumin Mark (see the back cov-

er) certification based on the Next Generation Nurturing Support Measures Promotion Law and has since continued to actively support care for the next generation.

Number of employees who took child-care leave (Number)

FY	2004	2005	2006	2007	2008
Male	1	1	3	6	4
Female	100	88	99	106	100
Total	101	89	102	112	104

Efforts for raising awareness of human rights in individual workplaces

Since setting up the Committee for Raising Awareness of Human Rights (see p. 24) in 1992, MHI has promoted human rights education and training every year. In fiscal 2008, approximately 1,500 new recruits and 1,600 newly appointed managers and supervisors participated in the training program.

To prevent sexual harassment, MHI internally distributes pamphlets and spotlights related content in compliance promotion training programs in addition to maintaining a contact point for consultation at each workplace.

Creating safe and healthy workplaces centered on a basic policy for employee safety and health

MHI embraces a basic policy for employee safety and health founded on the following three commitments: (1) Always hold fast to the conviction that life is precious, and carry out safety-first measures appropriate to each position and location; (2) Devote every effort to safety in creating outstanding products that contribute to the development of society; (3) Maintain awareness that sound health is the basis upon which all else depends, and ensure that all employees have a comfortable work environment enabling them to be sound in body. In line with these principles, the company is implementing an occupational health and safety management system (Plan-Do-Check-Act—a cyclical mechanism for promoting planned and ongoing management) throughout the organization to create safe and healthy workplaces.

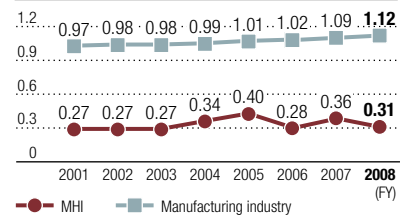
Measures to prevent work-related accidents and injuries

Based on the occupational health and safety management system, each works carries out risk assessments and takes action based on the results to eliminate factors that can lead to accident or injury.

On another level, MHI is also working to create a safe workplace by actively im-

proving and refurbishing or replacing obsolete facilities.

Industrial accident frequency rate*



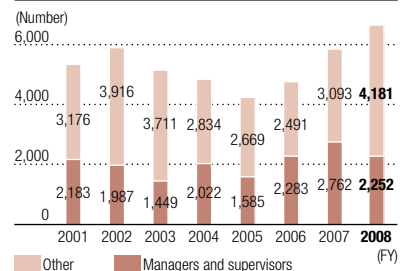
* Industrial accident frequency rate: number of deaths or injuries sustained through industrial mishaps per million hours on the job. It is calculated as follows: number of deaths or injuries sustained on the job that require one or more days of leave / aggregate number of hours worked × 1,000,000.

Maintaining and improving physical and mental health

To proactively support employees in maintaining their physical and mental well-being, MHI has established health management departments at each works. These departments offer health checkups and diagnostic screenings, and provide guidance based on the results of tests, including consultation and treatment by specialized physicians and support for employees on leave to return to the workplace. This enables employees to maintain their top physical and mental condition.

The company also sponsors various events and provides training to promote sound health and prevent illness.

Number of participants in mental health training



Communication between management and labor

MHI believes that communication between management and employees is crucial for carrying out the company's business activities. In line with this thinking, the company's intranet, corporate newsletter and other resources are fully utilized to disseminate management information and messages from top management to all employees as quickly as possible.

In addition, various labor-management consultations provide forums for management to both convey management policies and strategies as well as to hear the views of the union to be integrated into management practices.

Contributions to Society

MHI undertakes many socially beneficial activities focused on local communities and the development of future generations. As a company whose business operations encircle the globe, MHI is committed to pursuing diverse social contribution activities in the future.

Fulfilling our Policy on Socially Beneficial Activities

Formulating a policy to practice social contribution suitable for MHI

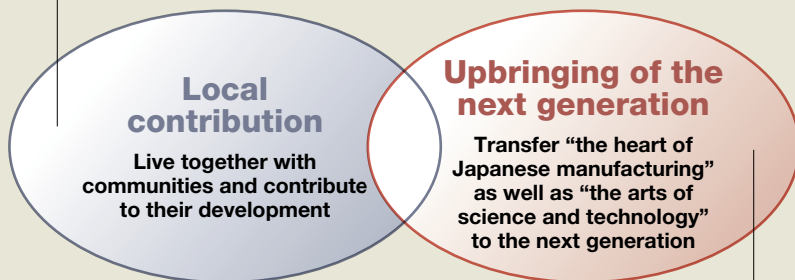
MHI used the opportunity of publishing the *Social and Environmental Report* in

2004 to formulate its approach to social contribution.

Subsequently, in 2007, the company reviewed external feedback and formulated its social contribution policy focusing on the type of activities society expected from the company. This policy was announced both internally and externally in May 2007.

MHI policy for social contribution

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



MHI has developed and produced more than 700 kinds of products in its long history, cultivating "the heart of Japanese manufacturing" and "the arts of science and technology." To pass its knowledge and skills onto succeeding generations, MHI has a tradition of organizing educational activities such as science classes with experiments for children.

Expenditures on Socially Beneficial Activities

MHI endorses the goals of the "One Percent Club," a program initiated by Nippon Keidanren (Japan Business Federation) in which participating members pledge to use at least 1% of their ordinary profits or disposable incomes to fund activities for the public benefit. MHI has been a member since the Club's founding in 1990, and reports its expenditures for such purposes every year.

Change in expenditures on socially beneficial activities (Millions of yen)

	FY2005	FY2006	FY2007
Academic research	148	223	138
Education	682	630	665
Community activities	97	126	155
Sports	106	121	118
Other	241	770	276
Total	1,274	1,870	1,352
Percentage of ordinary profit	3.93%	3.25%	1.98%

* Figures include cash donations, payments in kind, activities by employees, free use of company facilities, etc., converted into monetary equivalents; activities privately performed by employees are not included.

* Figures for FY2008 are now being prepared.

Recovery Assistance to Areas Hit by Natural Disasters

MHI has long embraced a humanitarian perspective and offered assistance and support across the world in the aftermath of large-scale natural disasters.

We recently donated relief funds to help people recover from the serious damage following the earthquake in the central Italian region of Abruzzo, which occurred in April 2009.

Major support activities over the past five years (Millions of yen)

Year	Disaster	Scale of support	Type of support
2009	L'Aquila Earthquake in Italy	2.54	Cash donation
2008	China Sichuan Earthquake	210	Cash donation
	Cyclone in Southern Burma	3	Cash donation
	Extraordinarily heavy snow in Southern China	1.5	Cash donation
	Iwate-Miyagi Nairiku Earthquake	2	Cash donation
2007	Niigata Chuetsu-oki Earthquake	10	Cash donation
	Noto Hanto Earthquake	1	Cash donation
2006	Mid Java Earthquake, Indonesia	10	Donations of gasoline generators and cash
	Northern Pakistan Earthquake	5	Cash donation
2005	Hurricane in the southern U.S.	30	Donations of light towers and cash
	Typhoon in China's Liaoning Province	0.44	Cash donation
2004	Sumatra earthquake and tsunami	27.78	Cash donation
	Niigata Chuetsu Earthquake	10	Cash donation
	Torrential rains in Niigata Prefecture	1	Cash donation
	Torrential rains in Fukui Prefecture	1	Cash donation
	Southern Iran Earthquake	8	Donations of gasoline generators and cash

Contribution to Communities

■ Donation of Photovoltaic Systems to Chidorigafuchi

MHI donated solar power generation equipment to Chiyoda City in Tokyo for use in Chidorigafuchi Park. The generator supplies power for the park's boat lake and for lighting up the night view of cherry blossoms at the annual Chiyoda Sakura Festival.



■ Mitsubishi Shinsen Factory Tours

The Kobe Shipyard & Machinery Works co-sponsored the Mitsubishi Shinsen Factory Tour with the Kobe Port Promotion Association. The general public was invited to view the harbor facilities at the Port of Kobe and container carriers still in the shipbuilding process in this tour, which offered first-hand contact with MHI's state-of-the-art technologies.



■ Mitsubishi Heavy Industries Charity Concert

The Takasago Machinery Works has been holding charity concerts every year since 2003. All proceeds of the concert are donated to Takasago City to promote welfare and culture. In 2008, proceeds amounted to 1.84 million yen.



■ Donation of the Proceeds of Bazaars / Summer Festival Fund-raising

The Nagoya Guidance & Propulsion System Works held a summer festival on its premises with the participation of approximately 6,300 local residents. Cash and bazaar income collected at the summer festival were donated to the Komaki City Council of Social Welfare.



■ Sponsoring the Kanazawa Ward Women's Softball Tournament

The Yokohama Machinery Works held a women's softball competition on its Kanazawa Plant premises. The 19th holding of these games, which started in 1990, welcomed about 190 mothers organized into eight teams to a well-fought tournament.



■ Matching Gift Program

Money collected by employees was matched by the company and donated to charitable causes. In fiscal 2008, eating utensils manufactured with MHI's shape memory technology for use by those in special care were donated to welfare facilities in Tokyo, Yokohama and Osaka.



T O P I C S

Sponsoring the 1st MHI Elementary School Soccer Competition

In the aim of contributing to the community and the sound growth of children, on whom future generations depend, the Power Systems Headquarters held the 1st MHI Elementary School Students' Football Championship at the Ajinomoto Stadium (home stadium of the J-League teams F.C. Tokyo and Tokyo Verdy). The three representative teams that had won regional tournaments in the districts in which MHI has power systems works—78FC-Nishishiba in Yokohama, Hyogo-FC in Takasago, and NKMD-United in Nagasaki—came together for a heated competition to win the finals. The children were full of enthusiasm as they ran across the field, demonstrating the skills they have acquired through daily practice.

In the end, Hyogo-FC won two matches in the round-robin tournament to take first place. Soccer juggling performances and futsal games livened up the audience between games. The Power Systems Headquarters plans to hold subsequent championships in the future.



The passionate play of elementary school footballers is second to none



The three teams that earned their way to the final through fierce regional tournaments

Development of Future Generations

Supporting Internships

MHI's works across the nation support internships that enable students to concretely consider their career paths and ascertain their abilities through vocational experiences. In fiscal 2008, the company accepted a total of 330 students.



Hands-on Manufacturing for Parents and Children

The Air-Conditioning & Refrigeration Systems Headquarters participated in Aichi Technology Plaza 2008 held in Nagoya City. Its birdcage creation booth and Dragonfly racing airplane creation booth were visited by 326 groups of parents and children, who gained a hands-on experience of innovation.



Children's Practical Study Association

The Nagasaki Shipyard & Machinery Works and the Nagasaki Research & Development Center held a children's hands-on study program in hope of providing a memorable summer for participants. Elementary school children were given the opportunity to learn about wind power and enjoyed making their own windmills out of PET bottles.



Charity Opera

The head office sent invitations to foster homes, livelihood support facilities for fatherless families, and an elementary school neighboring the head office, all in the Tokyo area, to attend an opera performance of *Gauche the Cellist*, which was enjoyed by an audience of about 280. With admission fees collected from employees, the company bought eating utensils specially made for people in care and donated them to welfare facilities.



Summer School for Parents and Children

The Machine Tool Division held a parent-child summer school. Participants enjoyed making and completing a fishing pond game in a toy-making session centered on the theme, "cogwheel."



Endowment of Chair at a University in Vietnam

MHI has endowed a chair on power-generating plants, environmental conservation equipment engineering, and control engineering at the Hanoi University of Technology in Vietnam. The company hopes to foster human resources and enhance technology capabilities to contribute to the country's economic development.



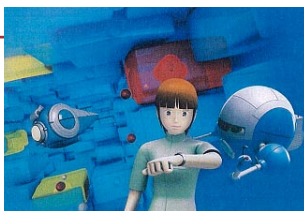
TOPICS

The hands-on corner was renovated and newly opened at the Mitsubishi Minatomirai Industrial Museum

MHI founded the Mitsubishi Minatomirai Industrial Museum in June 1994 with the hope it would become a place in which young people, who will be responsible for the future, might aspire to great dreams through first-hand contact with science and technology. The museum introduces state-of-the-art technologies in various fields, including space, the ocean and environment/energy through the display of real machines and hands-on exhibits. In fiscal 2008, a record 148,000 people visited the museum, bringing the overall total of visitors to more than 1.4 million.

In January 2009, the museum's hands-on corner was renovated into Trial Square, offering visitors a taste of manufacturing through the design, fabrication and operation of various types of vehicles. Two large exhibits were

3D CG animation film
"The Nanotech
Medical Team:
Dr. Mirai & Robots!"



newly created: 3D_CAD WORKS STUDIO_Pro., which offers a genuine experience of designing and operating ships and aircraft, and Future Factory, a simulation of fabricating a steam locomotive or car using special devices and 3D glasses. The exhibits have already gained popularity with a growing base of repeat customers.

"The Nanotech Medical Team: Dr. Mirai & Robots!" an original 3D CG animation film shown at the museum's 3D theater from September 2007 to December 2008, won a grand prize award in the children's category at the World Media Festival 2008, an international film fair held in Hamburg, Germany. Although the 3D theater has since been renovated into Future Factory, this 3D CG animation will continue to be shown at special events in the future.



3D_CAD WORKS STUDIO_Pro.



Future Factory

 Mitsubishi Minatomirai Industrial Museum
<http://www.mhi.co.jp/en/museum/>

Socially Beneficial Activities by Group Companies

MHI Group companies also engage in various activities in line with the characteristics of their respective businesses and the local communities they serve. Here are just a few examples.

Mitsubishi Heavy Industries Bridge & Steel Structures Engineering Co., Ltd.

Bridge inspection for earthquakes

Recognizing the vital role bridges play as lifelines in regions affected by seismic disasters, Mitsubishi Heavy Industries Bridge & Steel Structures Engineering conducts free inspections of bridges built by the company.

On the very days following the Iwate-Miyagi Nairiku Earthquake in June 2008 and the Iwate Prefecture Northern Coast Earthquake in July 2008, inspection teams arrived on-site to examine ten



Safety inspection of bridges

components at risk of serious damage and reported their findings to highway authorities.

These services were widely recognized, including coverage in newspapers.

Mitsubishi Heavy Industries Bridge & Steel Structures Engineering Co., Ltd. / Choryo Inspection Co., Ltd. / Kensa Kenkyusho Inspection Co., Ltd. / Koryo Inspection & Service Co., Ltd.

Support for the education of local engineers

Each of these Group companies cooperates in various ways to cultivate local engineers.

Mitsubishi Heavy Industries Bridge & Steel Structures Engineering dispatches two expert engineers from Hiroshima



A Group company employee giving a lecture for acquiring certification

ers to engineering colleges, where they offer practical training and technical demonstrations. Choryo Inspection conducts technical training sessions for small- and medium-sized manufacturing companies in Nagasaki Prefecture to support employees seeking to acquire national certification for non-destructive inspection. Kensa Kenkyusho Inspection and Koryo Inspection & Service also send employees to lecture at classes for non-destructive inspection certification and to provide technical guidance in practical training programs.

Tamachi Building Co., Ltd. / MHI Marine Engineering, Ltd. / Jukan Operation Co., Ltd. / Shunjusha Ltd. / Mitsubishi Heavy Industries Environment Engineering Co., Ltd. / Ryoju Estate Co., Ltd. / Daiya Building Service Co., Ltd.

Joint participation in organized blood donations with tenant companies

Tamachi Building, which leases and manages buildings occupied by Group companies, organized and participated with six tenant Group companies in a Cooperative Group Blood Donation drive and in the Stop Walking While Smoking! Campaign sponsored by Tokyo's Minato Ward.

In January 2009, 84 employees from seven Group companies including Tamachi Building participated in the blood donation initiative in a van provided by the Japanese Red Cross Society. In March 2009, 53 employees from the seven Group companies distributed tissue packs featuring better smoking manners and participated in other activities related to the Stop Walking While Smoking! Campaign.



A Group company employee donating blood

Mitsubishi Power Systems (Thailand) Ltd.

Visit to a coal-fired power plant with environmental countermeasures

While gas turbines constitute 75% of the power generation plants in Thailand, plans are underway to construct coal-fired and nuclear plants in light of the need to diversify fuel sources. Since

coal-fired power generation is not generally associated with the image of clean fuel, MPS-T organized a tour in September 2008 to provide a first-hand view of the actual operation of a coal-fired power generation plant.

The approximately 20 tour participants learned that a coal-fired power generation plant can be environmentally friendly if it incorporates the right features.



Tour of a coal-fired power generation plant

Mitsubishi Caterpillar Forklift Asia Pte. Ltd.

Sponsorship of local soccer training clubs

MCFS co-sponsored the Heartful Soccer classes held by the Urawa Red Diamonds at Japanese schools and local elementary and junior high schools in Singapore.

The Urawa Reds conducts these classes throughout Asia every year to enliven the spirit of children through football. Over the past five years, 150,000 children have participated in these events, in which current and former team players act as coaches. Resident Japanese employees and others carried out promotional activities and prepared giveaways for the Singapore session.



Children who participated in Heartful Soccer

Mitsubishi Nuclear Energy Systems, Inc.

Donations to an art event to rescue children from poverty

MNES donated about US\$10,000 dollars to an arts event that will be held in May 2009 by Vogel Alcove, a local organization of Dallas, Texas, that provides poverty relief to children.

Prominent singers and musicians have performed in the annual event since first being held in 1992. The proceeds are used to provide care for underprivileged children.

Progress Toward a Sustainable Society

MHI's Activities (● Society ■ Environment)	Year	Major Events in Japan and Abroad (● Society ■ Environment)	
		Japan	World
		1967 ■ Institution of Basic Law for Environmental Pollution Control.	
	1970	1971 ■ Establishment of Environment Agency.	1948 ● Universal Declaration of Human Rights.
1970 ■ Completion of Japan's first PWR power plant.			1972 ■ United Nations Conference on the Human Environment convenes in Stockholm.
1973 ■ Inauguration of Environment Management Department.			■ Adoption of Statement for Human Environmental Quality.
1977 ● Development of "Basic Guidelines for Safety & Health Management."			■ Establishment of United Nations Environment Programme (UNEP).
1978 ■ Creation of Environmental Manager Conferences.			1976 ● OECD Guidelines for Multinational Enterprises issued.
1980 ● Establishment of Committee on Promotion of Training in the Dowa Issue.	1980	1985 ● Enactment of Equal Employment Opportunity Law.	1981 ● Convention on the Elimination of All Forms of Discrimination against Women went into effect.
1987 ● Establishment of Export-related Regulations Monitoring Committee.		1988 ■ Enactment of Ozone Layer Protection Law.	● International Year of Disabled Persons.
1989 ■ Launch of In-house Conference on CO ₂ Measures and In-house Conference on CFC Measures.	1990	1991 ■ Establishment of Keidanren Global Environmental Charter.	1987 ■ Adoption of Montreal Protocol on Substances that Deplete the Ozone Layer.
		● Establishment of Keidanren Charter of Corporate Behavior.	1990 ● Institution of Americans with Disabilities Act.
		● Enactment of Child Care Leave Law.	1992 ■ United Nations Conference on Environment and Development (Earth Summit) convenes in Rio de Janeiro; adoption of Rio Declaration on Environment and Development and Agenda 21.
1992 ● Committee on Promotion of Training in the Dowa Issue renamed Committee for Raising Awareness of Human Rights.		1992 ■ Ministry of International Trade and Industry requests Voluntary Plan on the Environment.	1994 ● Caux Round Table draws up Principles for Business.
● Establishment of Committee for the Promotion of Employment of the Handicapped.		1993 ■ Enactment of Basic Environmental Law.	1995 ■ 1st Conference of the Parties to the United Nations Convention on Climate Change (COP1) convened in Berlin.
1993 ■ Formulation of voluntary plan entitled, "Our Approach to Environmental Problems."		1995 ● Child Care Leave Law revamped into Child Care and Family Care Leave Law.	1996 ■ ISO 14001 is instituted.
1996 ■ Formulation of Environmental Policies and establishment of Environment Committee.		1996 ● Revision of Keidanren Charter of Corporate Behavior.	■ 2nd Conference of the Parties to the United Nations Framework Convention on Climate Change (COP2) convened in Geneva.
1997 ■ Acquisition of ISO 14001 certification by Yokohama Machinery Works, a first for Japan's heavy industry manufacturers.		1997 ■ Formulation of Keidanren Voluntary Action Plan on the Environment.	1997 ■ 3rd Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3) convened in Kyoto.
■ Launch of R410A-compatible air-conditioners. (R410A: new type of environment-friendly refrigerant)		1998 ■ Enactment of Law Concerning the Promotion of Measures to Cope with Global Warming.	1998 ■ 4th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP4) convened in Buenos Aires.
1998 ■ Development of system that thermally decomposes PCBs contained in industrial effluents.		● Enactment of Law to Promote Specified Nonprofit Activities.	1999 ■ 5th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP5) convened in Bonn.
1999 ■ Delivery of combined-cycle power plant incorporating the M701G gas turbine, featuring the world's highest efficiency rating.	2000	1999 ■ Enactment of Pollutant Release and Transfer Register (PRTT) Law.	2000 ■ 6th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP6) convened in The Hague.
		2000 ■ Enactment of The Basic Law for Establishing a Recycling-based Society.	● United Nations Global Compact is instituted.
2000 ■ ISO 14001 certification acquired by all production bases (13 works).		■ Revision of Law for the Promotion of Recycled Resources Utilization.	● Issuance of GRI Sustainability Reporting Guidelines Version 1.
		■ Enactment of Construction Material Recycling Law, Food Recycling Law and Law on Promoting Green Purchasing.	2001 ■ 7th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP7) convened in Marrakech.
2001 ■ Acquisition of ISO 14001 certification by Engineering Department.		2001 ■ Establishment of Ministry of the Environment.	● ISO Council launches feasibility study on establishing international CSR standards.
● Establishment of Compliance Committee.		■ Enactment of Law Concerning Special Measures against PCB Waste.	2002 ■ World Summit for Sustainable Development convened in Johannesburg.
		■ Enactment of Fluorocarbons Recovery and Destruction Law.	■ 8th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP8) convened in New Delhi.
2002 ■ Establishment of medium- to long-term environmental activity goals.	2002	2002 ■ Ratification of Kyoto Protocol.	● GRI Sustainability Reporting Guidelines Version 2 released.
		■ Enactment of Soil Contamination Countermeasures Law.	2003 ■ First study meeting held to discuss treaty on safety of radioactive waste management.
		■ Revision of Act Concerning the Rational Use of Energy.	■ 9th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP9) convened in Milan.
2003 ● Establishment of Construction Business Act Compliance Committee.		● Nippon Keidanren revamps Keidanren Charter of Corporate Behavior into Corporate Behavior Charter.	2004 ● Tenth item (on corruption prevention) added to United Nations Global Compact.
2004 ● Joined United Nations Global Compact initiative.		● First meeting of CSR Standardization Committee held by Ministry of Economy, Trade and Industry.	■ 10th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP10) convened in Buenos Aires.
● Establishment of Managing Board for Innovation in Nuclear Business.		2003 ■ Trial project for trading of greenhouse gas emissions implemented by Ministry of the Environment.	2005 ■ Kyoto Protocol goes into force.
2005 ● Introduction of Executive Officer system.		■ Emissions standards for diesel vehicles tightened.	■ 11th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP11) and the 1st Meeting of the Parties to the Kyoto Protocol (COP/MOP1) convened in Montreal.
● Establishment of Internal Audit Department.		■ Revision of Waste Management and Public Cleansing Law.	2006 ● GRI Sustainability Reporting Guidelines Version 3 released.
● Establishment of CSR Center.		● Japan Committee for Economic Development releases 15th Corporate White Paper, entitled, "Evolution of Market and Social Responsibility-Minded Business Management."	■ 12th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP12) convened in Nairobi.
● Establishment of Order Compliance Committee.		2005 ● Enactment of Act on the Protection of Personal Information.	■ EU announced target of reducing CO ₂ emissions by 20% compared to 1990 levels by 2020.
2006 ■ Acquisition of ISO 14001 certification by Head Office (including branch offices).		2006 ● Enactment of New Company Law.	2007 ■ Fourth Assessment Report released by the United Nations Intergovernmental Panel on Climate Change (IPCC).
● Establishment of CSR Committee.		● New National Energy Strategy formulated.	2009 ● The Green New Deal advocated by the U.S. is embraced by countries across the globe.
● Establishment of CSR Department.		2007 ■ 21st Century Environmental Nation Strategy formulated.	
2007 ● Establishment of CSR Action Guidelines.		● Enactment of the revised Consumer Products Safety Law.	
2008 ● Development of CSR Action Plan.		2008 ● Application of internal control report system based on the Financial Instruments and Exchange Act (J-SOX) started.	
		● Holding of the G8 Hokkaido Toyako Summit.	

Third-Party Opinions

Masayasu Kitagawa

Professor, The Okuma School of Public Management, Waseda University



Although we should heed the Club of Rome's warning of the limits to growth, recent advances in science and technology have allowed us to view the environment as a complement to growth rather than a limit.

In reviewing this MHI report, right from the opening commitment to "Continuing to fulfill our mission as a manufacturing company," I can sense the strong forward thinking in the concept that the environment leads to economic development and enables the realization of an ecological market economy. Or in other words, resources and the environment complement our growth; MHI's mission is to pursue this concept.

For example, conventional environmental reports have focused solely on the environment with the aspect of passive compliance at the forefront. This CSR report expands the content to encompass overall social responsibility and describes a leading enterprise that is actively creating a sustainable society by providing explicit, concrete figures and explaining the efforts of both the company and the entire group as well as specific measures for building external ties, enhancing the operational framework, and so forth.

Ease of reading has also been significantly improved, but not to the extent that anyone picking up this report for the first time would get drawn into it and continue reading.

Regarding readability, the CSR Action Guidelines, for instance, consisting of "close ties with the Earth," "close ties with society," and "a bridge to the next generation," are all presented in an easy-to-understand manner. The special feature, "a bridge to the next generation," is especially convincing in describing the significance and nation-wide deployment of MHI science classes, including a very accessible description with comments from school teachers. On the other hand, as I continued to review other parts of the report, I came upon technical content that I had to reread several times to understand. Physical or scientific explanation for the meanings of "ties" and "bridge" is important, but pictures of representative CSR activities or comments from the field might be easier for the general public to understand and could attract more attention. I would therefore like for you to further improve overall readability.

In the future, I expect MHI to expand its CSR efforts not only through its products, including technical innovation, but also through the activities of individual employees in their local communities outside of their careers.

Mariko Kawaguchi

General Manager, Management Strategy Research Department, CMA Daiwa Institute of Research Ltd. Part-time instructor, Aoyama Gakuin University



Again this year, the report illustrates the solid corporate culture of MHI. An example is the efforts against global warming. This culture is reflected in seeking to prevent global warming through its business with a range of technologies and products, from megatechnologies including high-efficiency thermal power and nuclear power to renewable energies such as wind and solar power as well as geothermal generation, a source of great potential for Japan. It also leaves a good impression that MHI responds to social needs with sophisticated technologies, including a variety of new transportation systems. Similarly, my comments last year (about the approach to the defense business and dialogue with local communities in the overseas infrastructure business) were properly taken into account, communicating a sincere corporate stance.

However, attitudes premised on the existing social framework tend to lack flexibility for dealing with change in an age when the framework itself is changing. Such attitudes do not incorporate the idea of sensing changes in social needs and thereby changing the framework itself. For example, in the company's approach to the defense business I noted an explanation of how it was meeting the needs of the Ministry of Defense and the nation. Are these needs identical to needs of stakeholders and society at large? CSR also implies a process of fulfilling and/or responding to needs of the wider society beyond customers. I would like MHI to nurture greater flexibility and develop a means of sensing and grasping the wider society and trends affecting it.

MHI's creed proclaiming "Contribution to society through manufacturing" is wonderful. However, I believe that the philosophy of manufacturing today, during a time in which we have attained affluence and face a limited planet, should be significantly different from the founding age, when people were poorer but the Earth seemed infinite. I would expect that a company with the world's leading environmental technologies and products would present a philosophy and vision as well as a long-term strategy for a new approach to manufacturing in an era of sustainability. MHI might then be able to evolve from a company with advanced environmental technology to a leading global enterprise in the areas of environment and energy. First, I would expect the announcement of mid- and long-range goals for your own long-term CO₂ reduction and a roadmap for accomplishing these goals using your own technologies. In addition, I would like to request new strategies for addressing world poverty through your business.

My requests may seem demanding, but I expect leadership from a company that leads the nation with technologies and products and strives to respond to feedback.

Acting on Valuable Opinions



Katsuhiko Yasuda

Director, Executive Vice President in charge of CSR

MHI has been making advances in the manufacturing field with the belief that our greatest social responsibility is to ensure a secure future for people and the Earth by providing excellent technologies and products. Professor Kitagawa appreciated the company's mission while indicating it would be better to make the report easier to read for the general public and expecting us to encourage each of our employees to participate in community contribution efforts. CSR awareness is gradually spreading throughout our workforce, and interaction with local communities has taken wing through, for example, voluntary participation in cleanup projects, thereby increasing opportunities for receiving feedback from society. We will incorporate this feedback in future activities to further

strengthen relationships of trust with society.

Ms. Kawaguchi, while appreciating the sincerity of our stance, asked us to more closely monitor major changes in the times and indicated we should present a vision and a long-term strategy for a new approach to manufacturing. We will strive to do so in order to set mid- and long-term goals that not only meet customer needs but also incorporate a global perspective as one of the few enterprises that can provide worldwide solutions to global warming, the most pressing environmental issue facing the planet.

We are encouraged by these valuable comments and intend to develop into a strong and agile global player and leading world enterprise.



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Phone: 81-95-828-4121 (General Affairs Dept.)
Fax: 81-95-828-4034

Kobe Shipyard & Machinery Works

1-1-1, Wadasaki-cho, Hyogo-ku, Kobe
Postal Code: 652-8585
Phone: 81-78-672-2220 (General Affairs Dept.)
Fax: 81-78-672-2245

Shimonoseki Shipyard & Machinery Works

6-16-1, Hikoshima Enoura-cho, Shimonoseki
Postal Code: 750-8505
Phone: 81-83-266-5978 (General Affairs & Labor Section)
Fax: 81-83-266-8274

Yokohama Machinery Works

1-8-1, Sachiura, Kanazawa-ku, Yokohama
Postal Code: 236-8515
Phone: 81-45-775-1201 (General Affairs Dept.)
Fax: 81-45-775-1208

Hiroshima Machinery Works

4-6-22, Kan-on-shin-machi, Nishi-ku, Hiroshima
Postal Code: 733-8553
Phone: 81-82-291-2112 (General Affairs Dept.)
Fax: 81-82-294-0260

Takasago Machinery Works

2-1-1, Arai-cho Shinhama, Takasago
Postal Code: 676-8686
Phone: 81-79-445-6125 (General Affairs Dept.)
Fax: 81-79-445-6900

Nagoya Aerospace Systems Works

10, Oye-cho, Minato-ku, Nagoya
Postal Code: 455-8515
Phone: 81-52-611-2121 (General Affairs Dept.)
Fax: 81-52-611-9360

Nagoya Guidance & Propulsion Systems Works

1200, O-aza Higashi-tanaka, Komaki
Postal Code: 485-8561
Phone: 81-568-79-2113 (General Affairs Dept.)
Fax: 81-568-78-2552

Plant and Transportation Systems Engineering & Construction Center

Mihara
1-1-1, Itozaki-Minami, Mihara, Hiroshima
Postal Code: 729-0393
Phone: 81-848-67-2072 (General Affairs & Labor Section)
Fax: 81-848-67-2816

Yokohama

Mitsubishi Juko Yokohama Bldg., 3-3-1, Minatomirai, Nishi-ku, Yokohama
Postal Code: 220-8401
Phone: 81-45-200-9066 (General Affairs & Labor Section)
Fax: 81-45-200-9932

Mitsubishi Minatomirai Industrial Museum

Mitsubishi Juko Yokohama Bldg., 3-3-1, Minatomirai, Nishi-ku, Yokohama
Postal Code: 220-8401
Phone: 81-45-200-7351
Fax: 81-45-200-9902
URL <http://www.mhi.co.jp/en/museum/>