

Notice Concerning Continuation of Stock Remuneration System for Officers and Share Award System for Employees in Managerial Positions

At its Board of Directors meeting convened today, Mitsubishi Heavy Industries, Ltd. (MHI) voted to extend its Board Incentive Plan (BIP) Trust, a stock-based remuneration system for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) of MHI and Directors and Executive Officers (hereinafter collectively referred to as "Directors, etc.") of MHI's major group companies, as well as its Employee Stock Ownership Plan (ESOP) Trust, a stock award system for employees in core managerial positions (hereinafter collectively referred to as "Officers") at MHI and its major group companies. Both the BIP and ESOP trusts have been in place since 2015. Details concerning the additional monetary contributions to be made to these trusts, the number of Company shares to be additionally acquired and their acquisition method, etc. are presented below.

1. Outline of the two trust systems

(1) BIP Trust

The BIP Trust is a system under which points referred to as "stock award points" are awarded to Directors, etc. in accordance with their positions and performance each year. In principle, when 3 years have passed after the award of such points (except when a Director, etc. resigns prior to the end of the 3-year period, in which case the period corresponds to the actual time served), the BIP Trust delivers MHI shares and the cash equivalent to the proceeds from realization of Company shares in accordance with the number of points awarded.

Two BIP Trusts have been established, each having a different target group of beneficiaries: "BIP-I" for Directors of MHI; and "BIP-II" for MHI Executive Officers, and Directors and Executive Officers of MHI's major group companies. Directors, etc. receive their MHI shares, etc. after the specified period of time has elapsed in amounts commensurate with their business performance, etc. during the given term. In this way Directors, etc. share a conscious awareness of profit with Company shareholders from a medium- to long-term perspective, thereby incentivizing them to undertake their management duties with a clear focus on business performance and the Company's share price beyond the near term.

(2) ESOP Trust

The ESOP Trust is a system under which stock award points are awarded to employees in managerial positions in accordance with their performance each year, and MHI shares, etc. are delivered in accordance with the number of stock award points. Because employees in managerial positions are able to receive economic benefit from gains in the MHI share price, they are encouraged to undertake their business duties with conscious attention to the share price. The system also is expected to generate impact in terms of elevating their work motivation.

2. Reasons for continuing the two trust programs

- (1) The overarching aim in operating the two trust systems is to further incentivize Officers to contribute to improving the Company's medium- to long-term performance and to raising the MHI share price. For that reason, we have decided to continue the two trust systems, both of which were originally introduced in 2015.
- (2) The two trust programs consist of incentive plans targeting MHI's Officers, with Company shares acquired under these programs to be awarded to Officers in accordance with their individual positions, performance, etc.

3. Continuation of the trust periods, period after system continuation, additional contributions, etc.

In line with continuation of the two trust programs, the established trust periods of the BIP and ESOP trusts will be extended and updated as necessary, as described below. The contents of the two systems will be continued except for the contents indicated below.

- (1) Extension of trust periods and carryover of residual shares and funds in line with trust period extension
Concerning both trusts established on August 27, 2015, the trust period originally scheduled to end on August 31, 2021 will be extended for 3 years, until August 31, 2024. When Company shares (excluding any portion of shares not delivered, etc. equivalent to the balance of points allocated to an Officer) and funds (hereinafter collectively referred to as "residual shares, etc.") remain in the trust assets upon extension of the trust period, the residual shares, etc. will be carried over to the BIP and ESOP trusts after the extension.
- (2) Trust period
The trust period following continuation of the two trust systems shall be defined as the three fiscal years starting from the fiscal year ending March 31, 2022 through the fiscal year ending March 31, 2024.
- (3) Concerning the amount of money additionally contributed and the number of MHI shares, etc. additionally acquired in tandem with continuation of these trust systems, the amount of trust money additionally entrusted and the number of MHI shares additionally acquired in line with the continuation of these systems shall be as detailed below.

	BIP-I	BIP-II	ESOP
Additional contribution	498 million yen*	1,582 million yen*	97 million yen*
Additional number of shares to be acquired	167,300 shares*	573,300 shares*	29,000 shares*
Stock acquisition period	May 19, 2021 to May 31, 2021*		
Stock acquisition method	Acquisition through the stock market		

* subject to change

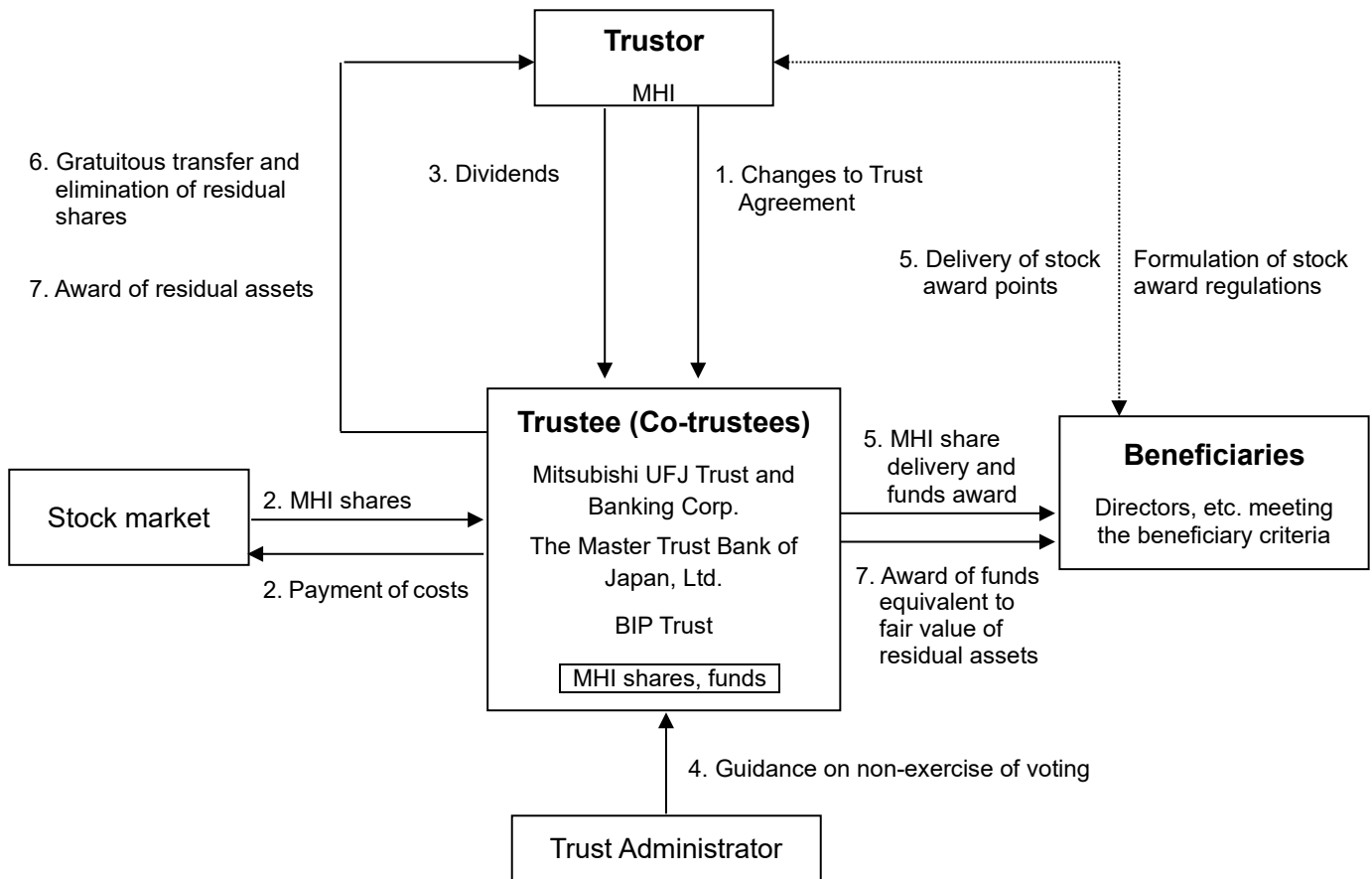
Note 1: The aggregate sum of the additional contributions indicated above plus the residual money carried over from the earlier BIP-I, BIP-II and ESOP trusts shall be applied to the funds for acquiring additional shares under these systems and covering the trust fees and expenses. The amount of additional trust funds shall, in consideration of an Officer's current remuneration amount, etc., be contributed so as to include the trust fees and expenses.

Note 2: The aggregate sum of additionally acquired shares as indicated above plus the residual shares carried over from the earlier BIP-I, BIP-II and ESOP trusts shall be the number of Company shares expected to be delivered to the Officer during the trust period under these systems. The number of additionally acquired shares shall be contributed making reference to the current share price level and current makeup of Directors, etc.

Note 3: The upper limit of funds contributed by MHI to the BIP-I Trust has been approved at the 94th Annual General Meeting of Shareholders held on June 27, 2019 to be 2.4 billion yen per period. The aggregate sum of the value of the residual shares entrusted before the extension and the additional contributed trust funds shall be subject to said upper limit.

Note 4: The number of additionally acquired shares shall be subject to change according to the share price at the time the shares are acquired.

Attachment 1: BIP Trust Structure



1. Based on consent to changes in the Trust Agreement, MHI hereby extends the trust period of the BIP-I Trust, whose beneficiaries are MHI Directors meeting the beneficiary criteria, by making an additional monetary contribution within the scope approved at the 94th Annual General Meeting of Shareholders held on June 27, 2019. In addition, the Company makes an additional contribution of the aggregate of funds to be used as remuneration of its Executive Officers and funds contributed by its major group companies (within the scope approved for this trust by vote at the General Meetings of Shareholders of the major group companies), and extends the trust period of BIP-II, whose beneficiaries are Executive Officers of MHI and Directors and Executive Officers of its major group companies who meet the beneficiary criteria.
2. Under the two BIP Trust systems, MHI shares shall, under the instruction of the Trust Administrator, be acquired from the stock market using the residual funds in the trust assets at the time changes are effected to the Trust Agreement as well as funds additionally contributed as indicated in ① above. The number of shares acquired by the BIP trusts shall be within the scope approved at the General Meeting of Shareholders noted in ①. MHI shares in the BIP-II Trust shall be managed separately in accordance with the contributions made by MHI and its major group companies.

3. Surplus funds from MHI shares held in the two BIP trusts shall be allocated as with other shares, i.e. applied to cover expenses, etc. necessary for operation of the two trusts.
4. Voting rights pertaining to MHI shares in the BIP trusts shall not be exercised throughout the duration of the trust period.
5. During the trust period, Directors, etc. shall receive stock award points in accordance with the regulations of MHI and its major group companies. Also, in principle, 3 years after share award points have been awarded (except when a Director, etc. resigns prior to the expiration of said period, in which case the period corresponds to the actual time served), Directors, etc. shall receive MHI shares equivalent to the proportion of their awarded stock award points. Regarding MHI shares equivalent to any remaining stock award points, the Directors, etc. shall receive the cash equivalent to their fair value, in accordance with the Trust Agreement.
6. In the event that any shares remain at the end of the trust period and the BIP trusts are not continued further, said residual shares shall be gratuitously transferred from the BIP trusts to MHI and will be retired.
7. When the BIP trusts are terminated, assets remaining after distribution to beneficiaries shall revert to MHI within the scope of the reserve fund for trust expenses remaining after deductions to cover share acquisition costs.

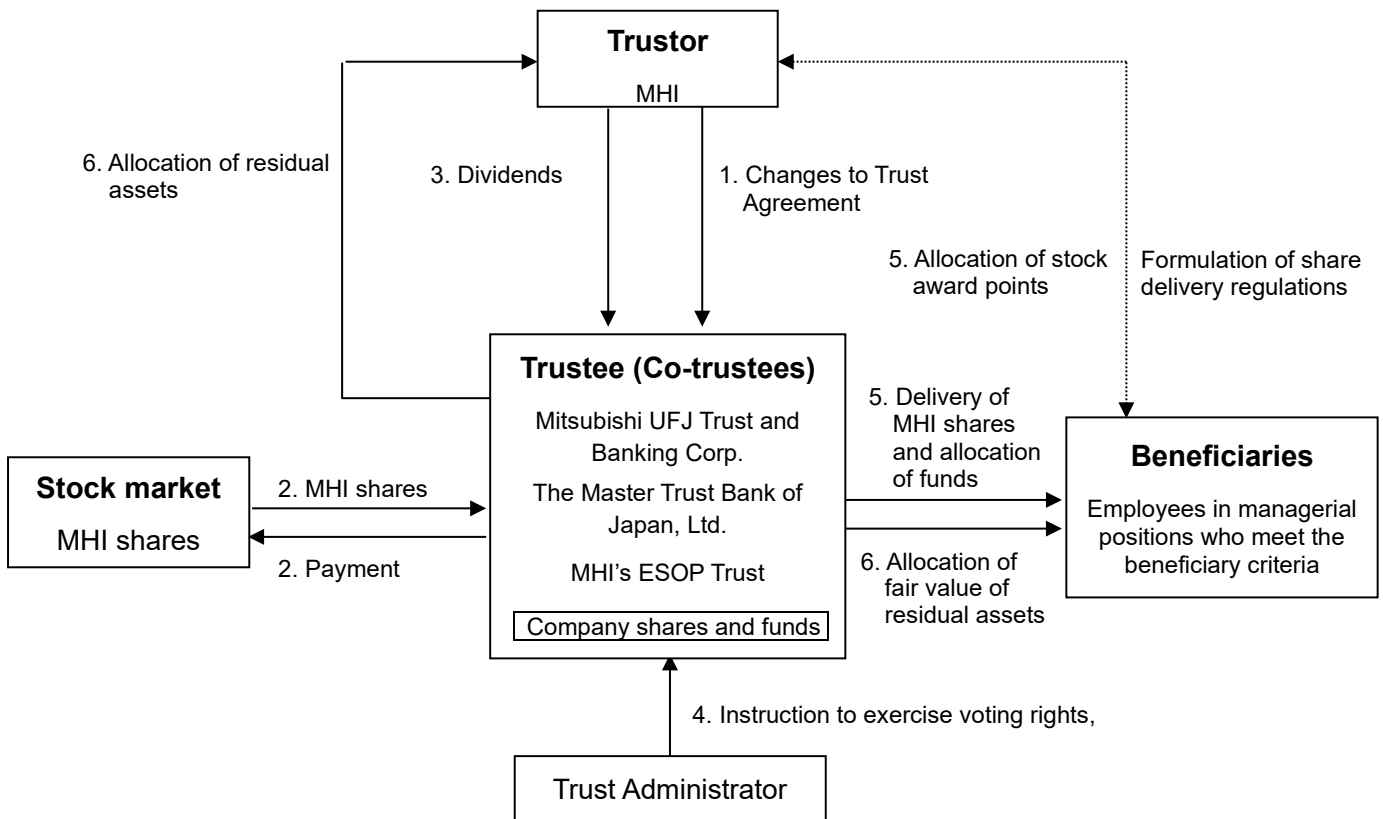
Reference: Details of the BIP Trust Agreement

		BIP-I	BIP-II
①	Target groups	MHI Directors	MHI Executive Directors; Directors and Executive Officers of major MHI group companies
②	Trust type	Monetary trust other than a specified independently operated monetary trust (third-party beneficiary trust)	
③	Purpose of trust	Provide incentives to the target groups cited in ①	
④	Trustor	Mitsubishi Heavy Industries, Ltd.	
⑤	Trustee	Mitsubishi UFJ Trust and Banking Corp. (Co-trustee: The Master Trust Bank of Japan, Ltd.)	
⑥	Beneficiaries	Members of the target groups cited in ① who meet the beneficiary criteria	
⑦	Trust Administrator	Third party with no financial relations with MHI	

⑧	Trust indenture date	August 27, 2015 (slated to be changed on May 18, 2021)	
⑨	Trust period	August 27, 2015 to August 31, 2021 (slated to be extended to August 31, 2024 through changes to the Trust Agreement effective May 18, 2021)	
⑩	Class of shares acquired	Common shares of MHI	
⑪	Additional trust amount	498 million yen* (including trust fees and expenses)	1,582 million yen* (including trust fees and expenses)
⑫	Share acquisition method	Acquisition through stock market	
⑬	Share acquisition period	May 19, 2021* to May 31, 2021*	
⑭	Exercise of voting rights on shares in trust	Not to be exercised, in order to maintain management neutrality	

* subject to change

Attachment 2: ESOP Trust Structure



6/8

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1. Based on consent to changes in the Trust Agreement, MHI is extending the trust period of the ESOP Trust, whose beneficiaries are employees in managerial positions who meet the beneficiary criteria, by making an additional monetary contribution.
2. Under instruction by the Trust Administrator, the ESOP Trust will acquire MHI shares from the stock market using funds remaining in the trust assets at the time of the changes effected to the Trust Agreement and the additional contribution of funds cited in ① above.
3. Allocation of the surplus against MHI shares in the ESOP Trust will be allocated, as with other MHI shares, to cover expenses, etc. necessary for this system.
4. Throughout the trust period, the Trust Administrator will issue instructions on the exercise of voting and other rights as a shareholder, and the ESOP Trust will accordingly exercise rights as a shareholder.
5. During the trust period, employees in managerial positions shall, in accordance with the share delivery regulations of MHI and its major group companies, receive awards of stock award points, after which they shall receive awards of MHI shares equivalent to the proportion of their stock award points. Any MHI shares equivalent to remaining stock award points shall, in accordance with the terms of the Trust Agreement, be converted to their fair value within the trust.
6. Upon termination of the ESOP Trust, residual assets after allocations have been made to the beneficiaries shall revert to MHI within the scope of the reserve fund for trust expenses remaining after deductions from the trust funds to cover share acquisition costs.

Reference: Details of ESOP Trust Agreement

①	Target group	Employees in core managerial positions at MHI and its major group companies
②	Trust type	Monetary trust other than a specified independently operated monetary trust (third-party beneficiary trust)
③	Purpose of trust	Provide incentives to the target group cited in ①
④	Trustor	Mitsubishi Heavy Industries, Ltd.
⑤	Trustee	Mitsubishi UFJ Trust and Banking Corp. (Co-trustee: The Master Trust Bank of Japan, Ltd.)

⑥	Beneficiaries	Members of the target group cited in ① who meet the beneficiary criteria
⑦	Trust Administrator	Third party with no financial relations with MHI
⑧	Trust indenture date	August 27, 2015 (slated to be changed on May 18, 2021)
⑨	Trust period	August 27, 2015 to August 31, 2021 (slated to be extended to August 31, 2024 through changes to the Trust Agreement effective May 18, 2021)
⑩	Class of shares acquired	Common shares of MHI
⑪	Additional trust amount	97 million yen* (including trust fees and expenses)
⑫	Share acquisition method	Acquisition through the stock market
⑬	Share acquisition period	May 19, 2021* to May 31, 2021*
⑭	Exercise of voting rights on shares in trust	The trustee shall exercise voting rights pertaining to MHI shares in accordance with instructions of the Trust Administrator reflecting the state of voting rights exercised by candidate beneficiaries.

* *subject to change*