

1 Economic Dimension

1.1 Corporate Governance

1.1.1 Board Structure

	Number of members
Executive directors	FY2014: 8 (FY2013:15)
Non-executive directors (excl. independent directors)	FY2014:1 (FY2013:1)
Independent directors	FY2014:3 (FY2013: 3)
Total board size	FY2014: 12 (FY2013:19)

MHI's has adopted a governance structure comprised of a Board of Corporate Statutory Auditors in accordance with the Companies Act of Japan ("The Act"). The appointment of outside directors is not mandatory under The Act, but the Company has worked since 2005 to increase the number of outside directors, streamline the total number of directors, and take additional steps for improving its governance structure.

Three outside directors serve as independent officers based on standards established by the Tokyo Stock Exchange and other listed financial instrument exchanges. The Board of Directors appointed 19 members (three outside officers) at the 88th Ordinary General Shareholders Meeting, but it worked to further streamline the Board and reduced it by three members to 16 (three outside officers) in FY2013. Plans call for further reducing the Board by four members, to 12 at the General Shareholders' Meeting on June 26, 2014.

For the 89th Ordinary General Meeting of Shareholders, see pgs. 5–15 of the Notice of the 89th Ordinary General Meeting of Shareholders (pdf below).

http://www.mhi-global.com/finance/stock/meeting/pdf/89_notice.pdf

Press Information

MHI Shifts to New Corporate Governance Structure

-- Number of Directors Trimmed to 12, Ratio of Outside Directors Raised to 25% --

<http://www.mhi-global.com/news/story/1406261810.html>

1. Notes pertaining to the full questionnaire:

Fiscal years denote the following periods:

FY2012 = For the Year Ended March 31, 2013 = Annual Report (AR) 2013, CSR Report 2013

FY2013 = For the Year Ended March 31, 2014 = Annual Report (AR) 2014, 2014 reports

FY2014 = For the Year Ended March 31, 2015 (latest (current) fiscal year)

MHI's most recent publications (Annual Report (AR) 2013 (pdf) and CSR Report 2013 (pdf)) are noted above. They include data from FY2012. For FY2013 data, the Business Report for the Summary of Financial Accounts and the Ordinary General Meeting of Shareholders includes materials already published in English on the website. MHI Report 2014 (pdf) incorporating non-financial data for FY2013 is scheduled for publication in English in September 2014. Since the deadline for submitting answers to DJSI Sustainability Assessment 2014 is later, replies cannot be published in some cases. The responses are noted from FY2013 (ended March 2014) and FY2012 (ended March 2013).

Despite assumptions that DJSI Sustainability Assessment 2014 will include projections from FY2013 (ended December 2013) data, MHI has a March fiscal year-end, meaning it may have to publish data from FY2012 as noted in responses above. HTML-referenced data is included from FY2012 (ended March 2013).

2. FY2012 (ended March 2012) Financial and Non-Financial Data

• AR2013(PDF) ⇒ http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

• CSR Report 2013 ⇒ http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

• CSR Related Data 2013 ⇒ http://www.mhi-global.com/company/csr/csrreport/pdf/related_data.pdf

However, some financial and non-financial data from FY2013 (ended March 2014) is included.

3. FY2013 (ended March 2014) Financial and Non-Financial Data

• MHI Report 2014 (pdf) ⇒ Scheduled for publication on website in September 2014

• CSR-Related Data 2014 ⇒ Scheduled for publication on website in October 2014

Some data is published on the internet in the notices of shareholder resolutions.

http://www.mhi-global.com/finance/stock/meeting/pdf/89_report.pdf

1.1.2 Non-executive Chairman/Lead Director

● Role of CEO and chairman is split and former CEO/chairman (presently in a non-executive position) is now chairman
Role of CEO and chairman is split and former CEO/chairman (presently in a non-executive position) is now chairman

● Policies

MHI, as a company with a Board of Corporate Statutory Auditors, takes into account diversity and complementary skills in the nominating process for appointments to the Board of Directors and the Board of Corporate Statutory Auditors, but it does not disclose policies for internal company directors and statutory auditors. However, with respect to outside directors and outside statutory auditors, the Reasons for Appointment are disclosed in accordance with The Act. The reasons for appointing outside directors in FY2013 (ended March 2014) can be found on pg. 63 of Annual Report (AR) 2013 (pdf file below) under Reasons for Appointment to Outside Directors.

MHI, as a company with a Board of Corporate Statutory Auditors, does not disclose its nominating policies for appointments to the Board of Directors and the Board of Statutory Auditors. However, directors are appointed after careful consideration of the criteria above. One of the outside directors is an independent female appointee.

MHI, a company with a Board of Corporate Statutory Auditors, values knowledge of the company's management, its products, and its industry and other matters as important requirements in the nominating process for appointments to the Board of Directors and the Board of Statutory Auditors. Accordingly, some directors are selected from inside the company based on their experience as MHI employees, given the important responsibilities involved in operating product-based businesses. Outside nominees are invited to join these boards in consideration of many factors, including their experience as managers outside the company; their abundant knowledge as researchers or government officials in corporate governance, company management, fiscal policy and other matters; and the valuable opinions they can convey to Company management. They are considered for appointment without regard to nationality or gender. Here, diversity and complementary skills are an important criteria in the process for appointing directors, but specific policies in the nomination process are not disclosed inside or outside the Company.

For outside directors, appointments are based on disclosure requirements for outside directors and outside statutory auditors established by Japan's Financial Services Agency and the Tokyo Stock Exchange. The reasons for appointment are noted on the governance page of the annual report (AR). For FY2013 (ended March 2014), they are disclosed in AR 2013 (ended March 2013). Please see the pdf file (pg. 63) below.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

AR 2014 (ended March 2014) will disclose the reasons for appointing outside directors and outside auditors in FY2014 (ended March 2015). It is scheduled to be uploaded to the website in September 2014.

1.1.3 Responsibilities and Committees

MHI's has adopted a governance structure comprised of a Board of Corporate Statutory Auditors in accordance with The Act. Committees are not established under company rules, but the Board of Directors and the Board of Statutory Auditors require them. The Board of Statutory Auditors is comprised of three or more members, the majority of whom are required to be outside statutory auditors. Of MHI's five corporate statutory auditors, the majority (3) are outside independent statutory auditors which satisfies the Tokyo Stock Exchange's criteria for independent directors.

MHI has established committees comprised of personnel with specific expertise, with skills and experience in analysis and appraisal, and with research capabilities when necessary. They have the supplementary skills that are required of committees in Europe and the US. Leading committees include the CSR Committee, the Export Laws & Regulations Compliance Committee, the Environmental Committee, the Risk Management & Compliance Committee, and the Executive Committee.

Annual Report 2013 has charts showing the Company's governance structure and the responsibilities of the Board of Corporate Statutory Auditors as of June 2013. Please see pgs. 61-62 of the pdf below.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

MHI issues timely governance reports in accordance with rules for companies listed on the Tokyo Stock Exchange.

1.1.4 Corporate Governance Policy

Formal corporate governance statement:

MHI's Fundamental Policy on Governance is described in Annual Report 2013 (ended March 2013). Please see the pdf file (pgs. 61–62) below.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

Please see this URL as well:

<http://www.mhi-global.com/company/csr/csrreport/management/governance01.html>

Annual Report 2014 (ended March 2013), the latest edition, is scheduled to be uploaded onto the web in October 2014.

"Status of 2012 Medium-Term Business Plan" issued on May 29, 2014 includes "Strategy 5," "Continue innovation in corporate governance and business execution." See pg. 14 of the pdf file below.

http://www.mhi-global.com/finance/library/plan/pdf/h26_05keikaku.pdf

- Description of policies for complying with current laws and regulations

Compliance measures are officially outlined in "I Company Activities" and "III Company Relations" in the MHI Compliance Guidelines of CSR Report 2013 (ended March 2013).

Please see CSR Report 2013 (ended March 2013), pg. 58 below.

http://www.mhi.co.jp/en/csr/csrreport/pdf/csrreport2013_all.pdf

- Compensation structure and performance evaluations for members of Board of Directors (and Board of Statutory Auditors), the Supervisory Committee, CEO, and senior management (executive directors)

Remuneration for the Board of Directors and decisions on how to calculate remuneration are determined by the Board of Directors. Remuneration for directors, excluding outside directors, is comprised of basic compensation, performance-linked compensation, and stock options (stock-compensation) that reflect performance in terms of value for shareholders. For outside directors, objective opinions are gleaned from outsiders, and basic compensation is rewarded from this perspective. Compensation levels taking into account factors such as peer status are deemed appropriate.

MHI hires the Board of Corporate Officers in accordance with The Act and employs statutory auditors. Remuneration and other compensation and policies for calculating remunerations are determined by statutory auditors.

Remuneration for statutory auditors, excluding outside statutory auditors, is performance-linked, reflecting basic compensation and performance.

For outside statutory auditors, objective opinions are gleaned from outsiders, and basic compensation is rewarded from this perspective.

Compensation levels taking into account factors such as peer status are deemed appropriate.

- Description of independence for Board of Directors (and Board of Statutory Auditors)/Supervisory Committee

All outside directors and outside statutory auditors act independently of Company management because there are no common interests between these parties and the Company in terms of human, capital, or business relationships; and officers and employees, whether in positions currently or in the past with MHI or other companies, have not had human or capital relationships or large-scale business relationships with each other that comprised the Company's independence.

- Disclosure of Attendance of Board of Director (and Board of Statutory Auditors)/Supervisory Committee status

MHI, which has adapted a Board of Corporate Statutory Auditors in accordance with The Act, has a Board of Directors and a Board of Statutory Auditors. In FY2013 (ended March 2014), the Board of Directors met 18 times and the Board of Statutory Auditors met 15 times.

Attendance rates for the three independent outside directors at Board of Directors meetings in FY2013 (ended March 2014) was as follows.

- 1) Yorihiro Kojima: 12 out of 18 times (66.7%)
- 2) Christina Ahmadjian: 18 out of 18 times (100%)
- 3) Hiroki Tsuda: 13 out of 13 times (100%)

Attendance rates for the three independent outside statutory auditors at Board of Directors meetings were:

- 1) Nobuo Kuroyanagi: 14 out of 18 times (77.8%)
- 2) Haruya Uehara: 17 out of 18 times (94.4%)
- 3) Shinichiro Ito: 11 out of 13 times (84.6%)

Attendance rates for the three independent outside statutory auditors at Board of Statutory Auditors meetings were:

- 1) Nobuo Kuroyanagi: 14 out of 15 times (93.3%)
- 2) Haruya Uehara: 15 out of 15 times (100%)
- 3) Shinichiro Ito: 10 out of 10 times (100%)

For details, please see the pdf file below (pg. 31).

http://www.mhi-global.com/finance/stock/meeting/pdf/89_report.pdf

- Disclosure of Biographies of Board of Directors (and Board of Statutory Auditors)/ Supervisory Committee members

Biographies and other data at the start of FY2013 (ended March 2014) are shown on pgs. 69–70 of Annual Report 2013.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

Biographies are as follows as of April 1, 2014 (html data has been updated to reflect the latest developments).

<http://www.mhi-global.com/company/aboutmhi/officers/index.html>

- Authority in assisting Directors (and Board of Statutory Auditors), Supervisory Committee members

Auditors receive reports periodically from the internal oversight department on compliance, risk management and other activities. A full-time staff (7) in the auditing office assists auditors in their work and supports their activities.

1.1.5 Gender Diversity

The one female member is Christina Ahmadjian, an independent outside director who was appointed by MHI in June 2012. Having completed a teaching assignment at the Columbia Business School, Columbia University, Ms. Ahmadjian is now Professor, Graduate School of Commerce and Management, at Hitotsubashi University in Japan. She is an expert in corporate governance research.

1.1.6 Board Effectiveness

	Indicators/measures
Number of meetings attended in percentage last business / fiscal year	<ul style="list-style-type: none"> ● Average board meeting attendance: Please see the comments below. ----- % of meetings of board of directors/supervisory board. Please see the comments below.
Number of other mandates of the board of directors / supervisory board members.	<ul style="list-style-type: none"> ● Number of directors with 4 or less other mandates: ----- the number of people : 4
Election of board members	<ul style="list-style-type: none"> ● Board members are elected and re-elected on an annual basis ● Board members are elected individually (as opposed to elected by slate)

Comment

■ Attendance rates at Board of Directors and Board of Corporate Statutory Auditors meetings
MHI, which has adapted a Board of Corporate Statutory auditors in accordance with The Act, has a Board of Directors and a Board of Statutory auditors. In FY2013 (ended March 2014), the Board of Directors met 18 times and the Board of Statutory auditors met 15 times.
Resolutions of the Board of Directors under Article 26 of MHI's Articles of Incorporation shall be adopted at its meetings at which a majority in the number of directors who can vote on the resolution shall be present, by a majority of the Directors so present. Resolutions of the Board of Corporate Auditors under Article 38 shall be adopted by a majority of the total number of Corporate Auditors entitled to vote. Both the Board of Directors and the Board of Corporate Auditors effectively meet and pass resolutions at any time.

Attendance rates for the three independent outside directors at Board of Directors meetings in FY2013 (ended March 2014) were as follows.

- 1) Yorihiro Kojima: 12 out of 18 times (66.7%)
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- 1) Nobuo Kuroyanagi: 14 out of 15 times (93.3%)
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- 3) Shinichiro Ito: 10 out of 10 times (100%)

For details, please see the pdf file below (pg. 31).
http://www.mhi-global.com/finance/stock/meeting/pdf/89_report.pdf

■ Election of directors and auditors
MHI's has a Board of Corporate Statutory Auditors in accordance with The Act and elects its directors and auditors. Directors are elected every years, and auditors are elected every four years.

1.1.7 Audit Conflict of Interest

● Currency unit: million

	Amount:	Comment:
Audit fees	358	Audit Attestation Duty-Based Compensation (in millions of yen) FY2013(ended March 2014). See reference documents below.
Audit-related fees		
Non-audit related fees (excluding tax services)	24	Audit Attestation Duty-Based Compensation (in millions of yen) FY2013 (ended March 2014). See reference documents below.
Tax services <input type="checkbox"/> Tax services approved by board.		
Other fees paid		

Comments

Compensation for certified public accounts and other personnel is disclosed in securities reports and other documentation submitted to the Financial Services Agency. The content is published in the annual report. Please see Auditing Public Accountant Compensation (pg. 64) of Annual Report 2013.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

For now, totals are available in the Attachment to the Notice of the General Meeting of Shareholders. Please see Accounting Auditors on pg. 34 below.

http://www.mhi-global.com/finance/stock/meeting/pdf/89_report.pdf

1.1.8 Transparency of Senior Management Remuneration

● On an individual level for each board member and CEO, please indicate weblink:

See Annual Report 2013, Director and Statutory Auditor Compensation, pg. 64 below.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

In Japan, executive compensation of ¥100 million or more must be disclosed separately and is only disclosed in financial statements (in Japanese only). In FY2012 (ended March 2013), since four directors received compensation exceeding 100 million yen, the data was disclosed separately in accordance with laws and regulations. See the securities report below (pg. 66, in Japanese only).

http://www.mhi.co.jp/finance/library/financial/pdf/2012/h24_04_all.pdf

Executive compensation in FY2013 (ended March 2014) is disclosed in Amount of Compensation and other Payments to Directors and Statutory Auditors below on pg. 33

http://www.mhi-global.com/finance/stock/meeting/pdf/89_report.pdf

● On an aggregated level for non-executive directors AND on aggregated level for executive directors, please indicate weblink:

Please refer to the comments above.

● We publicly disclose the percentage of total fixed pay and total performance based variable compensation. Please indicate weblink:

See Annual Report 2013, Director and Statutory Auditor Compensation, pg. 64 below.

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

Executive compensation in FY2013 (ended March 2014) is disclosed in Amount of Compensation and other Payments to Directors and Statutory Auditors on pg. 33 below.

http://www.mhi-global.com/finance/stock/meeting/pdf/89_report.pdf

Comments

MHI discloses total compensation and other rewards to directors by their classification, total compensation by type, and the number of directors receiving compensation in its securities reports. In the event of corrections or amendments, corrections are properly disclosed based on the Financial Instruments and Exchange Act of Japan and other domestic Japanese laws.

1.1.9 Disclosure of Median Compensation of All Employees & CEO Compensation

MHI discloses executive compensation of 100 million yen or more separately in securities reports. As a result, CEO compensation is disclosed. Disclosure of median annual compensation of the CEO and all employees, ratios and other data are recognized as subjects for additional study.

1.2 Risk & Crisis Management

1.2.1 Responsibility Risk & Crisis Management (incl. Water and Climate)

●Name: Takashi Funato Position: the Chief Administrative Officer/Chief Risk Officer (CAO/CRO)
Reporting system: CRO (a director) attends meetings of the Board of Directors and provides reports.
Responsibility: Establishment of risk management framework, monitoring of major risk items, leadership of company when serious cases arise
Comments

MHI has consolidated and restructured its nine business headquarters into a new business structure comprised of four business domains. These include the Energy & Environment, Commercial Aviation & Transportation Systems, and Integrated Defense & Space Systems domains established in October 2013 and the Machinery, Equipment & Systems domain established in April 2014. The domain structure aims to expand operations in global markets and increase profitability through quick decision-making by domain chiefs (domain CEOs), who have been granted broad authority over management of their domains. For this reason, the four domain chiefs are also responsible for risk management in their domains.

However, in light of the growing and diversifying risks and other developments accompanying these changes, MHI introduced a chief officer system in April 2014 as a way of strengthening its executive structure amid the transformation to domains. Along with the CEO (president and representative director) and the domain CEOs (domain chiefs), a permanent CFO (chief financial officer), CRO (chief risk officer), and CTO (chief technology officer) were appointed. The chief officers work together with their counterparts outside of the organizational framework and take responsibility for measures undertaken from a company-wide perspective.

See the following press release for information on the domain structure:

<http://www.mhi-global.com/news/story/1307311698.html>

The organizational structure of the domain system is available at this url:

<http://www.mhi-global.com/company/aboutmhi/domain/index.html>

See the following press release for information on the chief officer structure:

<http://www.mhi-global.com/news/story/1403131782.html>

The organizational structure of the chief officer system is that this url:

<http://www.mhi-global.com/company/aboutmhi/organization.html>

1.2.2 Analysis of Risks

●We use other tools as risk analysis tools – for financial and business risks – please describe:

In its medium-term 2012 Business Plan, MHI has oriented portfolio management toward maximizing corporate value using limited resources and introduced a "strategic business evaluation" system. Product businesses been consolidated into 64 strategic business units (SBUs), and a system has been introduced for full-scale evaluations of each unit using uniform management indexes. This enables each of the 64 units to organize its own operations and financial profile, which can be assessed financially based on quantitative business risk assessments and coefficients. For strategic business evaluations, a map with two axes -- financial-profitability and business life stages -- are used.

For analytical diagrams, see Annual Report 2012 (pg. 17).

http://www.mhi-global.com/finance/library/annual/pdf/annual_2012.pdf

For progress in strategic business evaluations, see MHI RREPORT 2014 (pgs. 18).

http://www.mhi-global.com/finance/library/annual/pdf/report_2014.pdf

For diagrams of SWOT analysis by business, see MHI RREPORT 2014 (pgs. 27, 31, 35, 39).

http://www.mhi-global.com/finance/library/annual/pdf/report_2014.pdf

1.2.3 Risks Correlation

●We perform a correlation analysis
are included in risk correlation analysis.

Business risk based on MHI's business plans is shown in Status of 2012 Medium-Term Business Plan, May 9, 2014.

① Improve and reinforce corporate infrastructure (pg. 19)

② Reinforce management of increasingly large and more diverse risks (pg. 20)

⇒ http://www.mhi-global.com/finance/library/plan/pdf/h26_05keikaku.pdf

For eliminated significant risk in business units and other operations, see MHI REPORT 2014, pg. 50.

⇒ http://www.mhi-global.com/finance/library/annual/pdf/report_2014.pdf

Business and Other Risks are shown in Japanese Securities filings (pg. 21-23, in Japanese only).

⇒ http://www.mhi.co.jp/finance/library/financial/pdf/2013/h25_04_all.pdf

1.2.4 Sensitivity Analysis and Stress Testing

●We produce comprehensive scenarios on other factors (in addition to financial risks; such as strategic business risks, market/business environment risks, operational risks, and compliance risks).

Comprehensive scenarios based on business plans are shown in Status of 2012 Medium-Term Business Plan, May 9, 2014.

⇒ http://www.mhi-global.com/finance/library/plan/pdf/h26_05keikaku.pdf

1.2.5 Risk Response Strategy

- Risks reduced/transferred (risk exposure is reduced/transferred to others or consequences are reduced):

Comment

MHI eliminates risks that have a major impact on its operations and risks that urgently need addressing through countermeasures for strengthening risk controls on a company-wide basis. Concrete measures are shown in Business and Other Risks in the url below. Risks are classified as Risks Capable of Reducing/Diverting based on countermeasures aimed at controlling risks and reducing their impact.

⇒ <https://www.mhi.co.jp/finance/management/risk/index.html> (in Japanese only)

For risk management, see the url below.

⇒ <http://www.mhi-global.com/company/csr/csrreport/management/governance03.html>

1.2.6 Crisis Preparedness

MHI maintains and uses manuals for overseeing and improving environmental risk management based on ISO 14001 criteria. See pg. 87 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

1.3 Codes of Conduct/Compliance/Corruption&Bribery

1.3.1 Codes of Conduct: Focus

- ☑ Corruption and bribery

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg. 71, Improving Compliance Principles/Guidelines, Establishing rules and standards for further reinforcing anti-bribery laws

- ☑ Discrimination

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg.65, Human Rights Committee: Promoting workplaces where human rights are respected and differently-abled people are actively employed

Pg.71, Improving Compliance Principle/Guidelines

<http://www.mhi-global.com/company/csr/management/compliance/index.html>

Compliance Principles and Guidelines

→ III-3 Eliminating discriminatory practices and sexual harassment

- ☑ Confidentiality

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg. 75, Secure Safeguarding of Proprietary Information

→ Using the manual and database to thoroughly protect personal information

Constantly enforcing measures to protect confidential information

<http://www.mhi-global.com/company/csr/management/compliance/index.html>

Compliance Principles and Guidelines

→ III- 4 Proper controls over trade secrets, prohibiting disclosure without approval

- ☑ Monopolies/anti-competitive behavior

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg. 67, Order Compliance Committee: Implementing measures to ensure legal compliance in sales activities

Pg., 70 Ensuring transparency and legality when receiving orders

<http://www.mhi-global.com/company/csr/management/compliance/index.html>

Compliance Principles and Guidelines

→ I - 2 In business activities, freely pursue competitive practices between companies in compliance

with antitrust laws, and comply with all subcontracting, construction, and other laws and regulations

I - 3 In gift-giving, entertainment and other practices pertaining to public officials and business partners,

do not violate laws and regulations or depart from the scope of conventional wisdom

- ☑ Money laundering and insider trading

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg. 71 Compliance Principles and Guidelines

<http://www.mhi-global.com/company/csr/management/compliance/index.html>

Compliance Principles and Guidelines

→ III- 5 Do not use unfair stock trading practices (insider trading)

- ☑ Environment, health and safety

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg. 71 Compliance guidelines, development of guidelines

<http://www.mhi-global.com/company/csr/management/compliance/index.html>

Compliance Principles and Guidelines

→ II - 1 Comply with environmental laws and regulations, working to protect the environment

- ☑ Whistle-blowing

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Pg.68 Building Systems to Promote Compliance Covering The Group

Pg.69 Operating Consulting and Information Hotlines for Employees and Business Partners

1.3.2 Codes of Conduct: Systems/ Procedures

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

P.71 「Improving Compliance Principles/Guidelines」

- Responsibilities, accountabilities and reporting lines are systemically defined in all divisions and group companies

Dedicated help desks, and ombudsman

Compliance linked to employee remuneration

Employee performance appraisal systems integrates compliance/codes of conduct

Disciplinary actions in case of breach

Compliance system is certified/audited/verified by third party

Statutory Auditor's Office

MHI has a supervisory board. The company has a Board of Corporate Auditors under the Company Act Of Japan, which is comprised of five members. Most (3) are outside auditors. The board audits materials to ensure that company engages in proper and legal businesses practices.

Comment

The Code Of Conduct is clarified under the Compliance Guidelines. Guidelines are printed on cards and distributed to all employees (including contract employees) for ensuring awareness, and Compliance Promotional Training is held twice annually so that employees are thoroughly grounded in compliance practices.

CSR Report 2013 pg. 74

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

1.3.3 Corruption&Bribery: Scope of Policy

- ■ Bribes in any form (including kickbacks) on any portion of contract payments or soft dollar practices

■ Direct or indirect political contributions

■ Political contributions publicly disclosed.

Japan's Ministry of International Affairs and Communications periodically publishes official reports.

■ Charitable contributions and sponsorship

■ Charitable contributions and sponsorship publicly disclosed.

See Annual Report 2013, pg. 57

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

Comments

MHI, as a company engaged in global commerce, is fully committed to promoting fair trade under the auspices of the Unfair Competition Prevention Act for preventing illegal payoffs to foreign public officials and other illegal activities, and to basic policies that comply with bribery and anti-corruption laws in each company where it operates. Anti-bribery Rules and Anti-bribery Procedural Guidelines based on these principles were created in February 2012 in order to respond to the enactment of the British Bribery Act 2010 of July 2011 and to strengthen regulations in various countries.

In FY2012, MHI worked diligently to further strengthen bribery prevention by building compliance mechanisms based on internal rules and standards that take into account the type of businesses operated by each Group company in Japan and overseas, and local laws, regulations and business practices of overseas Group companies.

In FY2013, structures and standards were completed and put in place for domestic and overseas Group companies (A Zone = consolidated subsidiaries) based on MHI codes of conduct and company regulations/standards. Company and Group standards prohibit bribery in any form.

See pg. 72 of CSR Report at 2013

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Under the Political Funds Control Law, the head office's legal affairs department has the means (including document preparation) to reviewing all expenditures, including Group expenditures.

1.3.4 Codes of Conduct/Anti-Corruption&Bribery: Business Relationships

- Employees group-/worldwide : 100%

In FY2013 (ended March 2014), company self-assessments (voluntary audits) to determine whether structures and standards are in place and operable were conducted for all MHI divisions and domestic and overseas Group companies (A Zone = consolidated subsidiaries) based on MHI codes of conduct and company regulations/standards. These assessments confirmed that structures were already in place by the end of FY2013.

1.3.5 Codes of Conduct/Corruption&Bribery: Reporting on breaches

Violations are duly disclosed in the CSR Report and in other publications. No violations were disclosed for the fiscal year.

1.4 Antitrust Policy

1.4.1 Antitrust Policy

- Price fixing
- Bid rigging
- Market allocation schemes

In FY2013 (ended March 2014), regrettably, violations of U.S. anti-trust laws with respect to air-conditioning compressors and capacitors were confirmed in September 2013 following discussions with the U.S. Department of Justice. A plea bargain agreement was concluded with the Department of Justice.

In response, on October 1, 2013, President Shunichi Miyanaga conveyed a message to officers and employees of all Group companies requesting that they conduct business fairly and appropriately, on the belief that ethical behavior is paramount to the Company's long-term development, and they should strive to strengthen business structures in order to ensure growth and survival as a global player with a strong presence in competitive markets. Anyone violating these principles in the future will be severely punished.

1.4.2 Coverage of Antitrust Policy

- Coverage
 - Employees
 - Contractors
- Our company's antitrust policy applies to all parties indicated above, even in an environment/market where local antitrust laws may be less strict, given that this does not contradict local legislation.

1.4.3 Reporting

Violations are duly disclosed in the CSR Report and in other publications.

In FY2013 (ended March 2014), the plea bargain agreement reached with the U.S. Department of Justice concerning the sale of air-conditioning compressors and capacitors was disclosed on the Company's home page on September 27, 2013. Whenever violations are discovered or suspected, MHI's standard practice is to immediately report such violations to the departments concerned through personnel in charge of their companies and departments.

1.4.4 Antitrust Compliance

- Encouraging and enabling employees to express their concerns regarding potential antitrust breaches (i.e. through dedicated helplines, company ombudsman, whistleblowing policies, etc.).
- Officers submit oaths that they will comply with antitrust laws.
For internal reports, support is provided through liaisons (lawyers) outside the company.
- http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf
Pg. 57, Offering counseling and liaison targeting all employees and business partners

● Internal training and education, please specify:

● In FY2013 (ended March 2014), company self-assessments (voluntary audits) on whether structures and standards were in place and operable were conducted for all MHI divisions and domestic and overseas Group companies (A Zone = consolidated subsidiaries) based on MHI codes of conduct and company regulations/standards.
These assessments confirmed that structures were already in place by the end of FY2013.
In FY2013, briefings on antitrust compliance were held at MHI and domestic and overseas companies (19 in Japan, 5 abroad).

- Applying and communicating antitrust regulations at a group/corporate-wide level
 - Company structures and standards for domestic and overseas Group companies (A Zone = consolidated subsidiaries) were completed and operable by the end of FY2013 (ended March 2014) based on Company standards for the Code of Conduct for Contacts with Competitors that was established in June 2012.

1.4.5 Antitrust Cases

● Past Cases

- In FY 2013 we paid fines totalling of revenues due to antitrust litigations
There were none in FY2013 (ended March 2014), but payments totaled 14.5 million US dollars (around 1.43 billion yen) in FY2012 (ended March 2013) from a plea bargain with the US Department of Justice.
- No, we are not involved in any ongoing antitrust investigations

1.5 Customer Relationship Management

1.5.1 Satisfaction Measurement

- We use another approach or unit to measure satisfaction. Please specify, attach supporting documentation and complete the table below.

[Environmental plants]

Customer	Unit	FY 2010	FY 2011	FY 2012	FY 2013	What was
After installation work is completed, customers are asked to rate ① sales operations, ② manual design ③ local sites ④ after-care following delivery ⑤ quality and ⑥ overall assessment using a five-point scale. Space for comments is provided.	5-point evaluation 5: Very good 4: Good 3: Average 2: Poor 1: Very poor The results are posted in radar charts, and problems are identified for improving services	Overall evaluation 4.5 points	Overall evaluation 3.9 points	Overall evaluation 3.8 points	Overall evaluation 4.1 points	Working to eliminate the lowest 'Very poor' cases > Overall evaluation > 4.0
Data coverage (e.g. as % of revenues, customers, etc.)	Number of responses from main customers	Major projects, 3 customers	Major projects, 15 customers	Major projects, 16 customers	Major projects, 28 customers	

■ On MHI's business attributes and customer satisfaction

MHI believes that pursuing products and services that can be trusted from the prioritized customer point of view is an important theme based on our creed that 'customer comes first and we are obligated to contribute to the advancement of society.'

⇒ <http://www.mhi-global.com/company/csr/csrreport/people/customers03.html>

Customer satisfaction surveys are conducted for each of MHI's business domains. The business structure is comprised of four Group domains: These are: Energy & Environment; Machinery, Equipment & Infrastructure; Integrated Defense & Space Systems, and Commercial Aviation & Transportation Systems.

⇒ <http://www.mhi-global.com/company/aboutmhi/pdf/organization.pdf>

These domains operate in distinct spheres because they target different customer groups (private companies, government agencies, etc.) and they have business attributes (B2B, B2C, etc.). Each domain has a CEO, who gains an understanding of what customer satisfaction constitutes in the domain. Consequently, customer satisfaction surveys are handled by each business domain.

■ Measuring customer satisfaction

Customer satisfaction levels are measured in each respective business domain. For example, power systems, engine and other divisions and B2B and other segments commission surveys. In B2C segments such as air-conditioning, about 8,000 survey responses are received each year. Fiscal year goals are set for appraising operations in each business domain.

For example, in the Environmental Plant Division, after delivery to customers is completed, they are surveyed and asked to rate ① operating activities, ② design documents, ③ on-site construction, ④ after-care following delivery, ⑤ quality, and ⑥ overall assessment on a five-point scale (see table above).

The nuclear energy systems division, has introduced a VOC (Voice of Customer) system that is shared between the head office and works and production sites. In the compressor department, a Customer Satisfaction Survey has been created for filling out after interviews and discussions with customers. The results of these evaluations are collected for review and analysis. In air-conditioner and other B2C businesses, Internet, telephone and other liaison channels have been created so that the voice of the customer is heard at all times.

■ Disclosure of customer satisfaction surveys

Survey results are not publically disclosed, but they are reported at regular management review meetings on a consistent basis in order to further hone and enhance services not only for main customers, but for our entire customer universe.

To cite one example, energy business divisions conduct annual surveys of customers ranked near the top in sales. The answers, from customer, price, delivery and other perspectives, and employee responses are posted in radar charts that enable analysis from a number of different angles.

1.5.2 Customer Feedback Process

- Company-wide harmonized customer database, including marketing, order, fulfillment and customer
- Free 24 h / 7 days feedback possibilities via internet, phone or mail.

The following site shows activities on a companywide basis:
<http://www.mhi-global.com/inquiry/index.html>

Each business domain's site has contact locations for targeted customers.

- MHI Mechatronics Systems website, contact information, url: <https://www.mhi-ms.co.jp/cgi-bin/inquiry/index.cgi?code=00013>
- Air conditioning business products, contact information, url: <http://www.mhi.co.jp/aircon/inquiry/info1/index.html>

- Integration of feedback into product/services development
- Customers' complaints feedback to compliance officers and/or risk managers and/or communication

Comments

Business domains are unique, as outlined above in the definitions of customer types and business attributes in section 1.5.1.

MHI's feedback approach with customers in B2C markets entails carefully listening to the voice of the customer through constant communication and liaison via the Internet, telephony and other mechanisms. In B2B markets, the Company has established basic frameworks for ensuring customer satisfaction. We listen to customer requests and problems during product installation and maintenance and consistently work to plan and improve policies.

The Company works diligently to share feedback and complaints from customers between personnel responsible for addressing issues and chief administrators. The examples are as follows:

■ Energy & Environment domain

Complaints from customers are forwarded to the appropriate organizations and departments, and attempts are made to resolve any problems that may occur. (Hitachi sales department)

A customer feedback approach cannot be established at this point. However, we intend to address customer demands and make proposals in preventive maintenance and other fields through caravan activities for important equipment diagnostics at domestic sites, and through questionnaires and surveys presented at technical seminars for domestic customers.

In the product development process, a workflow is being established that fully takes stock of customer demands.

Customer feedback has been received in the past, but responses were frequently sporadic, and there were no regular surveys or quantitative evaluations. In FY2014, the domain will determine when to collect feedback and who to target, and it is promoting activities for quantitative analysis.

■ Machinery, Equipment & Infrastructure domain

Since FY2010, when on-site installation work for injection molding machinery was completed, the domain has been responding to feedback from customers concerning installation work, and conducting surveys (six) in order to improve operations and services. However, company surveys have not been comprehensive in covering products and services (MHI Platech). The content has been restricted to installation work alone.

Although the domain has databases covering sales activities (inquiries, order and other status) and it centralizes controls over past equipment deliveries to customers and other matters, it is incapable of integrated database management for all operations at this time.

Although customers are limited to specific government agencies or private-sector companies, the domain conducts regularly scheduled maintenance and engages in other operations on consignment as part of its after-sale services. In providing such services, we listen to the requests and problems of our customers, plan policies, and enact improvements with the aim of increasing customer satisfaction. (in principle 100% for established customers).

【Equipment (Toll collection machines)】

Complaints from customers are reported to the department manager and other parties responsible for addressing them.

【Environmental plants】

For management of environmental equipment and services, basic measures are being established that detail how to receive information from customers and how to evaluating it as we work to increase customer satisfaction (please refer to Appendix 2).

【Parking】

- 1.All negotiating data is being registered in a data system for such information and being shared internally by the company.
- 2.Sales and technical liaison meetings are held to listen to customer requests, demands, and hopes for improvement.

【Steel plants】

The domain plans to share feedback and complaints from customers through information exchanges between chief administrators and supervisors at work-evaluation meetings to improve follow-up activities.

For matters requiring urgent attention, relevant divisions discuss policies and respond to customer needs.

1.5.3 Quality Management of Distribution Networks

We have a Quality Management System specifically designed for our external distribution network. The MHI Group is building a quality management system (QMS) based on ISO 9001 standards for product safety and quality and has completed accreditation for roughly 90% of Group works and production sites in Japan and abroad. Since April 2013, a QMS promotion group has been established in the innovation promotion department for manufacturing. We are strengthening quality management throughout the Group and improving business processes in response to globalization using technology and expertise honed throughout Group operations.

MHI operates in four business domains that engage in a wide range of fields extending from power generation to engines and other products. Divisions in each of these domains promote business development based on company-wide policies. Initiatives in the Machinery, Equipment & Infrastructure Domain's Air Conditioning & Refrigeration Division and its Engine Division are outlined below.

<http://www.mhi-global.com/company/aboutmhi/domain/index.html>

◆ The Air Conditioning & Refrigeration Division in the Machinery, Equipment & Infrastructure Domain handles refrigeration equipment and commercial and household air-conditioning units. Toward this end, it produces and supplies technical documents (handbooks), furnishes products to distribution networks per specifications and details for air-conditioning installation and other operations, and offers guidance for installation and other services to sales companies and service and other agencies through training sessions supplied by the Refrigeration Training Center. Thanks to these initiatives, agency services and quality have continued improving. We also confirm that service agencies and other parties are officially certified as mandated.

<http://www.mhi-global.com/products/living.html>

◆ The Engine Division in the Machinery, Equipment & Infrastructure Domain manufactures and markets diesel engines, gas engines and other products. Although there are no quality control systems in place for sales agents, meetings are held with them annually, and we have won awards for excellence in distribution.

<http://www.mhi-global.com/products/category/engine.html>

1.6 Innovation Management

1.6.1 R&D Spending

	Unit	2010	2011	2012	2013
Total R&D spending	million USD	¥1, 232 billion (consolidated)	¥1, 214 billion (consolidated)	¥1, 200 billion (consolidated)	¥1, 385 billion (consolidated)
Number of R&D positions	FTEs	Approximately 1,300	Approximately 1,300	Approximately 1,300	Approximately 1,300
R&D Spending as % of sales	% of sales	4.20%	4.30%	4.30%	4.10%

Comments

MHI's research and development system actively promotes R&D for strengthening product competitiveness and expanding businesses in the future through close collaboration between business domains and research facilities, mainly at Technology & Innovation Headquarters. For a map of the R&D system, see the url below.

<http://www.mhi-global.com/company/technology/research/index.html>

R&D activities in all of our businesses are publically available in our Technical Review publications.

<http://www.mhi-global.com/company/technology/research/index.html>

MHI has consolidated its former business headquarters into four domains. The Company plans to disclose research activities under the new system in securities reports and other publications soon.

1.6.2 Open Innovation

● R&D collaborations with external business partners (i.e. suppliers, universities, joint ventures)

MHI actively engages in joint research and development with organizations inside and outside government, universities, and jointly established ventures with other parties. Below are examples of joint research projects that have been announced in press releases.

- ◆ "CITIUS" location-aware data system for buses in Singapore jointly developed by Keio University and National University of Singapore in Japan
<http://www.mhi-global.com/news/story/1406111807.html>
- ◆ Joint development of first scrubber complying with new marine emissions regulations for SOx
<http://www.mhi-global.com/news/story/140213.html>
- ◆ Developing and demonstrating quick-charging system for electric buses and Brazil
<http://www.mhi-global.com/news/story/131120.html>
- ◆ Innovative marine-use fuel cell system marks world's first successful trial operation in actual marine setting
- ◆ Joint development of energy demand forecast systems for ships
<http://www.mhi-global.com/news/story/131111en.html>

For other research projects, see MHI's Technical Review.

<http://www.mhi-global.com/company/technology/review/index.html>

● Acquisitions

Main M&A activities:

- ◆ MHI acquires Artemis Intelligent Power, a UK venture company, to secure unique hydraulic power drive technology
<http://www.mhi-global.com/news/story/1012031389.html>
- ◆ Acquiring Pratt & Whitney Power Systems of US/Supplying engine components for turbines and developing new models
<http://www.mhi-global.com/news/story/1212131605.html>

● Spin-offs, Start-ups

Investing in innovative industrial systems with the Ministry of Economy, Trade and Industry that promote spin-offs through open innovation

<http://www.incj.co.jp/about/shareholders.html> (Japanese only)

● Technology licensing

Important technological assistance provided in FY2013

- ◆ China
 - Gas turbines ⇒ DONG FANG TURBINE Co.,Ltd.
 - USC boilers ⇒ Harbin Boiler Co.,Ltd.
 - Steam turbines ⇒ Harbin Turbine Co.,Ltd.
 - Nuclear steam turbines ⇒ Harbin TurbineCo.,Ltd.
- For important information on assistance for Harbin Turbine, see section 1.9.5 of the questionnaire

- ◆ South Korea
 - USC boilers ⇒ Hyundai Heavy Industries Co.,Ltd.
 - Gas turbines ⇒ Dosan Heavy Industries & Construction Co., Ltd.

- ◆ India
 - Pumps for thermal power generation ⇒ Bharat Heavy Electricals Ltd.
 - Air transfer systems ⇒ Anpam Industries Limited.

In addition, there were two transfers of technology for UE diesel engines in Japan

For technological assistance noted above, see general disclosure in the securities report filings (pg. 24) for FY2013 (in Japanese only)
https://www.mhi.co.jp/finance/library/financial/pdf/2012/h24_04_all.pdf

● Open source

Open source software used for numerical and other analysis

1.6.3 R&D Core or Basic Research

R&D activities in all of our businesses are publically available in our Technical Review publications.

<http://www.mhi-global.com/company/technology/research/index.html>

Basic research in our respective businesses is disclosed at the website below.

<http://www.mhi-global.com/company/technology/business/index.html>

1.6.4 R&D Ideation or Applied Research

MHI's ideas under development and applied research is publically available in our Technical Review publications.

<http://www.mhi-global.com/company/technology/research/index.html>

Ideas under development and applied research in each of our businesses is publically available in our Technical Review publications.

<http://www.mhi-global.com/company/technology/business/index.html>

1.6.5 R&D Development Stages

Stages of development (products and services) are publically available in our Technical Review publications.
<http://www.mhi-global.com/company/technology/research/index.html>

Stages of development in our respective businesses (products and services) are disclosed at the website below.
<http://www.mhi-global.com/company/technology/business/index.html>

1.6.6 R&D Launch

MHI's product launches are disclosed in the special features section of our annual report (see pg. 27-34).
http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

Other data by product and by business domain are disclosed in timely news releases.
<http://www.mhi-global.com/news/index.html>

1.6.7 R&D Post-Launch

MHI's customer support services following launches

1.6.8 Product Innovations

Main examples of significant improvements made to MHI's established product line-up are as follows:

- ◆ Gas turbine combined cycle (GTCC) thermal efficiency using most advanced gas turbines (J-series)
⇒ Efficiency improved more than 61%
<http://www.mhi.co.jp/technology/review/pdf/e503/e503001.pdf>
- ◆ MEGNINJA container-configured gas engine power-generation system shortening time from power-generation to delivery
⇒ Reduced to about 24 hours from roughly 30 days previously
Annual Report 2013 (see pgs. 29-30)
- ◆ MHI's light rail vehicle (LRV, next-generation tram) improving the environment and safety
⇒ Vehicle controls significantly reducing CO2 emissions per unit
⇒ More compact 18m vehicle reduces noise and vibration
Annual Report 2013 (see pgs. 30-32)
- ◆ MHI enhancing rocket launch capability
⇒ Roughly doubling capability
Annual Report 2013 (see pgs. 33-34)

See annual report below

1.6.9 Process Innovations

MHI is working to rectify and improve production processes for innovations in manufacturing. To cite one example, we have helped reduce production costs for transportation equipment.

- Other reasons than cost reductions for the introduction of process innovations in 2013:
Building processes capable of global production

Comments

MHI manufactures roughly 700 types of products. One of the Company's targets of the 2012 Medium-Term Business Plan is to consolidate and restructure business segments into four domains to realize its strengths in synergies. The Company's manufacturing innovations play a key role in strengthening capabilities across individual business units and enhancing strengths company-wide.

⇒ 2012 Business Plan, Achievement (2) Shifting to flexible and agile management structure (pdf, pg. 5)
http://www.mhi-global.com/finance/library/plan/pdf/h24_04keikaku.pdf

Through these initiatives, we are working to improve profitability. (see the improvements on pg. 4 of the pdf file above). A number of goals have been set for miscellaneous improvements for upcoming fiscal years (pg. 9).

1.6.10 Environmental Innovation

Examples of a typical environmental innovation introduced in the past 5 years.

Main products and technologies in 2012

- ◆ Developed technologies for capturing and storing CO₂ exhaust gas emissions
- ◆ MALS installed on ferries for realizing energy-efficient maritime transport
- ◆ Verification testing of demand-response system for creating smart communities
- ◆ Launched modular air-cooled heat pump, the most energy-efficient heat pump worldwide.

CSR Report 2013 (pgs. 122-125)

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Our company's KPIs used to measure the environmental performance or efficiency of innovations: e.g. virtual water content, grey energy content, customer CO₂ abatement.

MHI measures CO₂ emissions from the use of its products every year and compares them with emission levels in FY1990. In FY2012 (ended March 2013), CO₂ emissions were about 3,000 tons less than in FY1990.

In the power sector, we estimate that CO₂ emissions would be reduced substantially if our technologies were adopted worldwide. Emissions would potentially be reduced by 5.0 million tons.

CSR Report 2013 (pg. 110-110)

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

"MHI establishes medium and long-term environmental goals and manages them based on the PDCA concept. The Company sets and promotes goals for reducing environmental burden by developing and supplying business processes and products.

Annual report 2013(P59-60)

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

However, we do not disclose sales breakdowns for environmentally innovative products as the tables noted above. This is because power-generation and other businesses have a direct impact on the environment and thus play a direct role in helping resolve environmental problems. Therefore, rather than sales breakdowns, we provide quantitative analysis based on the extent that our products reduced environmental impact.

1.7 Supply Chain Management

1.7.1 Awareness

MHI is introducing a new scheme for Spend Analysis, in order to specify critical suppliers and to analyze the trend of our Supply Chain.

1.7.2 Risk Exposure

In order to identify sustainability risks in the supply chain, MHI evaluates partners' performance based on the Supply Chain CSR Promotion Guidelines (see URL below).

<http://www.mhi-global.com/company/procurement/csr/index.html>

MHI Group Supply Chain CSR Promotion Guidelines

We also conduct a detailed survey against major partners(*) requesting for their self-assessment of their performance. (*)The scope of major partners covers approximately 90% of the total procurement spent.

1.7.3 Risk Management Measures

MHI takes the following measures in order to manage sustainability risks.

- Standard/Policy/Code of Conduct for suppliers
Issued covered
 - Environment standards for supplier's processes, products or services
 - Fundamental human rights (e.g. forced or child labor, freedom of association) (ILO conventions)
 - Working conditions (e.g. working hours, lay-off practices, remuneration)
- Occupational health and safety
- Business ethics (e.g. corruption, anti-competitive practices)
 - Environmental management system certified to ISO 14001, EMAS or equivalent management system with external independent audits.

Details for above are as per URL below;

<http://www.mhi-global.com/company/csr/csrreport/people/business-partners03.html>

Promoting CSR Procurement → Procurement Guidelines and CSR Activities in the Entire Supply Chain

<http://www.mhi-global.com/company/procurement/csr/index.html>

MHI Group Supply Chain CSR Promotion Guidelines

<http://www.mhi-global.com/company/procurement/gpm/index.html>

Global Procurement Manual

<http://www.mhi-global.com/company/procurement/gpm/qms/contents/standards.html>

Quality Management System Standards

<http://www.mhi-global.com/company/procurement/gpm/requirements/business/index.html>

Business Requirements

- Contract clauses – covering environmental, social and governance (ESG) factors.
(for approximately 20% of total procurement spent)

1.7.4 ESG Integration in SCM Strategy

- Integration of ESG Factors into Supplier Selection
We are establishing a new accreditation criteria including ESG factors of our suppliers.
ESG factors are categorized as risk criteria and evaluated together with other factors such as quality, price, delivery when assessing suppliers.

1.7.5 benefits

Example of sustainability initiatives in the supply chain that have delivered business benefits are as below;

Description of example:

Cross-division collaboration of VE(Value Engineering) activity between suppliers.

Qualitative benefits:

Successfully created value-added products.

Quantitative benefits:

Cost reduction by approximately 10% for the relevant product.

1.7.6 Transparency

We publicly report the following aspects of our supply chain management.

- Standards for suppliers and/or sustainable purchasing policy
<http://www.mhi-global.com/company/procurement/csr/index.html>
MHI Group Supply Chain CSR Promotion Guidelines
- Risk awareness
- Risk management measures
http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf
CSR Report 2013 (detailed version), pg. 139, CSR Procurement

1.7.7 Environment Impact from Transportation

We take the following initiatives in order to reduce environmental impact from transportation in the supply chain.

- Systematically making modal shifts (i.e. shifting to a more environmentally friendly transport mode) for parts of the supply chain (including intermodal solutions)
<http://www.mhi.co.jp/en/csr/csrreport/globalenvironment/globalwarming03.html>
 Measures to Curb CO2 Emissions in Transportation
- Collaborating with suppliers to decrease environmental impact from transportation
- Optimization of packaging, e.g. in order to decrease weight and/or increase load factors

1.8 Tax Strategy

1.8.1 Tax Strategy

- Yes, we have a tax policy in place and it is publicly available. Please provide the relevant weblink:
 The following tax policies have been established under the MHI Compliance Guidelines and are published on our website.
 「We will implement appropriate accounting and tax accounting in accordance with relevant laws, accounting standards, and internal regulations.」
<http://www.mhi-global.com/company/csr/management/compliance/index.html>

MHI is well aware that demands for tax disclosure have become more prominent in tandem with the globalization of multinational companies in recent years and that some European companies are increasingly disclosing their tax policies and tax management practices. MHI paid corporate income and other taxes totaling 59.1 billion yen in FY2012. Roughly 50% of its consolidated sales are recorded in eight overseas regions: Asia (excluding Japan), North America, Europe, Central America, South America, Africa, The Middle East and Oceania. MHI believes that taxes paid at appropriate rates in countries where it is making inroads play an indirect role in fostering local public services.

The 2012 Business Plan targets an increase in the overseas sales ratio to 64% in FY2014 (ending March 2015). For creating enterprise value in the future, MHI recognizes that tax-risk weight will increase.

1.8.2 Tax Reporting

- We publicly report on the following for our main geographic regions:
 - Revenue
 Sales breakdowns by region are shown in the MHI CSR Report 2013 (Detailed Version) on pg. 189 (Group Data Summary).
 Data are shown for Japan, Asia, North America, Europe, Central & South America, Africa, The Middle East and Oceania.
 The URL for MHI CSR Report 2013 (Detailed Version) is:
http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

1.8.3 Taxation Risks

- We do not evaluate risks associated with taxation

Comments

The MHI Group obeys tax laws and other laws and regulations in Japan and abroad and regards matters pertaining to tax regulations as potential risks in business and other areas. Consequently, the Group works diligently to comply with laws and regulations in accordance with the MHI Compliance Guidelines.

⇒ See FY2013 securities report, pg. 22 (4) Matters pertaining to laws and regulations (in Japanese only).

http://www.mhi.co.jp/finance/library/financial/pdf/2012/h24_04_all.pdf

1.9 Strategy for Emerging Markets

1.9.1 Emerging Market Exposure and Strategy

- We are a non-emerging market company with emerging market revenues:

Year	FY 2010	FY 2011	FY 2012	FY 2013	Please indicate target and target year
Revenues	29.1%	22.8%	22.5%	25.2%	Share target: See comments Deadline: FY2014

□ At the group level, what is the percentage of staff located in emerging markets compared to the total workforce?

7

Comments

■ Emerging country sphere

Our sales estimates by region include the following emerging countries.

- Central & South America (Mexico, Panama, Cayman Islands, Ecuador, Chile, Brazil, Argentina)
- Asia (South Korea, Taiwan, China, Hong Kong, Vietnam, Thailand Malaysia, Singapore, The Philippines, Indonesia, Bangladesh, India)
- Middle East (Turkey, Israel, Saudi Arabia, Syria, Qatar, United Arab Emirates)
- Africa (Egypt Morocco, Liberia)

<http://www.mhi-global.com/finance/finance/region/index.html?style=preview>

■ Fiscal year targets

Our 2012 Business Plan set targets for FY2014 (ending March 2015), including sales targets for emerging countries (pg. 30 of url below).

http://www.mhi-global.com/finance/library/plan/pdf/h24_04keikaku.pdf

1.9.2 Implementation Measures – R&D

Direct research centers have not been established, but overseas universities and research institutes are used.

1.9.3 Product Adaptation for Emerging Markets (B2B)

- Example of a recently launched product which has been adapted to an Emerging Markets context.

1. Product and unique features

- Sludge dryers for emerging markets
- Products with energy-saving, surplus steam applications, easy-operability, inexpensive and low operating cost, and pricing and other features for emerging countries

2. Products and unique features

- Medium-sized compact rolling equipment
- 500,000– 1 million tons annually

MHI sells products in emerging markets under the administration of its four business domains. In FY2013, the Machinery, Equipment & Infrastructure domain sold 0.5–1 million tons of medium-sized compact-rolling equipment to customers in emerging countries

In the Machinery, Equipment & Infrastructure Domain, Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd. (MHIEC), which engages in comprehensive environmental, chemical and other plant engineering, began marketing sludge dryers for emerging markets in 2013. Products have energy-saving, surplus steam utilization, easily operability, and low operating costs relative to price that are ideal for emerging markets.

<http://www.mhieco.co.jp/en/news/130729.html>

The Company receives many orders for gas turbines, thermal-power generation, and infrastructure placement based on customer specifications. Consequently, these products are sold to meet customer needs without being classified in separate developed market and emerging market classifications. (see comments section)

The Company receives many orders for gas turbines, thermal-power generation, and infrastructure placement based on customer specifications. Consequently, these products are sold to meet customer needs without being classified in separate developed market and emerging market classifications.

【Engine】

Emerging markets have loose regulations on gas exhaust emissions compared with their developed-country counterparts. Since engine fuel consumption and gas exhaust performance are a trade-off, engines are adapted to specifications in emerging markets after they are developed and sold to meet emission standards in developed markets.

【Equipment (Tunnel boring machines)】

MHI supplies shield machine parts (drive components, hydraulic and electric units, etc.) to India and shield machine components for subways, but they are the same components supplied to established markets and are not manufactured exclusively for emerging markets.

【Environmental plants】

China is actively introducing new technologies for revamping existing plants and for new projects in tandem with tightening environmental regulations as it urgently adopts to PM2.5 standards. Given that China is a promising market, but also crowded with local manufacturers, we are promoting co-existence and co-prosperity with them by licensing out our unique technologies as our best possible scheme for operations in China. However, when end-users want Japanese products as their key components, we do not export products exclusively for their markets but supply the same products that we ship to established markets. Negotiations are now underway in other promising markets (India, Southeast Asia).

【Steel plants】

For overseas projects, small and light-weight gas turbines have been considered, but these are not intended exclusively for emerging markets. (They are used in the domestic market.) Other products are not being developed exclusively for emerging markets.

1.9.4 Implementation Measures – Manufacturing

●● Conforming to Global Standards

Regarding corruption, child labor and other compliance issues, MHI complies with laws and regulations on gift-giving and entertainment for public officials, accounting and tax provisions, and import and export practices, and verifies compliance through voluntary audits and internal audits based on the MHI Compliance Guidelines. In addition, we have been acquiring and promoting acquisition of ISO 14001 and ISO 9001 environmental and quality accreditation.

Moreover, at manufacturing bases in China and India, MHI promotes alliances with local companies in some cases. Rather than build plants from scratch, the Company mainly forms alliances for projects with local enterprises that have established track records to some extent, under the assumption that facilities already comply with international standards. Governance is often entrusted to local parties as well.

For environmental and steel plants in China, MHI does not actively seek compliance with international standards for Chinese manufacturers but seeks that they comply voluntarily.

On average, Timeframe are acquired manufacturing plants in Emerging Markets expected to meet the company's own ESG standards? Within 1 year

● Cost Mitigation

● Introducing technology-based solutions (e.g. automated manufacturing processes)

The Company promotes policies for transplanting manufacturing facilities and processes to overseas plants.

Environmental plants, steel plants, and other facilities do not introduce technology-based solutions for Chinese manufacturers but helps promote the development of independent solutions by them.

● Relocating manufacturing locations to lower-cost areas

Employees are accepted for training sessions in Japan or are sent to Japan for training as engineers, and work in small groups to further enhance their skill sets.

In FY2014, for example, three employees have been accepted from plants in India and will train for two months at plants in Japan.

1.9.5 Knowledge Transfer

● Mechanisms

● Headquarter responsibility for management skills training for local top & middle management level,

GTCC (gas turbine combined cycle) power-generation technology is transferred to local manufacturers in China in response to requests from the Chinese government. We are cooperating with Harbin Turbine Co., Ltd., an affiliate of one of the top three heavy electric machinery manufactures in China.

For technology transfers, given the importance of teaching knowledge and skills for safety and of employee training in occupational safety, employees of Harbin Turbine are invited to the Takasago Works, where they receive skills training for 1–3 months, participate in educational activities for safety at local works and production sites, and participate in safety patrols.

At the Takasago Works, a group for promoting global cooperation was established in 2007. Sections provide support to promote the businesses of collaborative partners through technology transfers to them in China, South Korea and emerging countries.

For technology transfers to other emerging countries, see Open Development in section 1.6.2.

2 Environmental Dimension

2.1 Environmental Reporting

2.1.1 Environmental Reporting – Materiality

- □ Materiality framework comments

Materiality is defined as a process whereby committees comprised of managers overseeing environmental issues at each works and in each business segment gather to discuss issues, and the Environmental Committee, chaired by the director in charge of the environment and comprised of officials at each work site, agree on important matters that require attention.

comments: See pgs. 78–79 of CSR Report 2013 for details.

- First material issue:
 - Environmental Product Innovation

MHI's Basic Policy on Environmental Matters and its Action Guidelines established in 1996 pledge that the Company will strive to alleviate burden on the environment in all aspects of its business activities and help build a sustainable society by developing technologies and products that harness all of its technological prowess for preserving the environment. Developing and supplying products that are innovatively crafted for protecting the environment is one of our top priorities.

See pg. 78 of CSR Report 2013 for details.
http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf
2014 reports (ended March 2014) is scheduled for publication in October 2014.

Business case for first material issue:

Products include CO₂ recovery systems, gas turbines and other highly effective power plant equipment that help reduce CO₂ emissions. For some of our leading initiatives in these areas, see MHI Environmental Vision 2030.
<http://www.mhi-global.com/company/csr/report/vision2030/index.html>

- Second material issue:
 - Operational Eco-Efficiency

MHI's Basic Policy on Environmental Matters and its Action Guidelines established in 1996 pledge that the Company will strive to alleviate burden on the environment in all aspects of its business activities and help build a sustainable society by developing technologies and products that harness all of its technological prowess for preserving the environment. The Company is making concerted efforts to reduce environmental impact throughout its operations. In short, taking good care of the environment is a top priority.

See pg. 78 of CSR Report 2013 for details.
http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf
2014 reports (ended March 2014) is scheduled for publication in October 2014.

Business case for second material issue:

MHI sets environmental goals for reducing environmental impact in all aspects of operations as a primary focus of Group activities. The Second MHI Group Environmental Targets include specific numerical goals in four categories (reducing greenhouse gas emissions, reducing waste generation, reducing chemical substance emissions, and making more efficient use of water) as part of MHI Environmental Vision 2030. Diligent efforts are underway for attaining these goals. See pgs. 94–97 of CSR Report 2013 for details.
http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf
2014 reports (ended March 2014) is scheduled for publication in October 2014.

- Third material issue
 - Supply Chain Management – Environmental Issues

Business case for third material issue:

MHI's Basic Policy on Environmental Matters and its Action Guidelines established in 1996 include a pledge to '3. Strive to alleviate burden on the environment in...product R&D and design, raw material procurement, and manufacturing.' The procurement of raw materials is a major component of supply-chain management, which is a key focus of our endeavors products for easing environmental impact.

See pg. 78 of CSR Report 2013 for details.
http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2014 reports (ended March 2014) is scheduled for publication in October 2014.

- Example of cost-saving

MHI is saving energy at all of its production works through targeted resource management. In FY2013, the Company reduced energy input volume year over year at all of its works and strived to realize cost savings by reducing energy use. The Takasago Machinery Works won the Energy Conservation Grand Prize with support from the Ministry of Economy, Trade and Industry. See pgs. 101–103 of CSR Report 2013 and pg. 104 for details on the prize.

Reductions in purchasing costs for electricity due to energy savings yielded economic benefits totaling 165 million yen in FY2013. In addition, economic benefits from waste reduction and other efforts totaled 1.7 billion yen. See Environmental preservation: costs and economic benefit on pgs. 99–100 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2014 reports (ended March 2014) is scheduled for publication in October 2014.

■ Example of revenue generation

MHI products are contributors to environmental preservation in and of themselves. The product lineup includes highly efficient thermal power plants, nuclear power plants, and other plants using large-scale power-generating technologies; power-generation systems using geothermal, wind and other renewable energy; maritime and transportation systems realizing maximum efficiencies in transportation; and energy-saving hybrid forklift trucks and air-conditioning systems that use heat pump technology. CO₂ reductions from the use of our products are estimated at 30 million tons. The potential savings would be roughly 5 billion yen if technologies from our power systems segment were deployed worldwide. See pgs. 110-111 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Specific examples include:

1) The 7th 'Sayaendo' new-generation LNG carrier order
<http://www.mhi-global.com/news/story/1306041672.html>

2) Highly efficient gas turbines
<http://www.mhps.com/en/news/20140606.html>

For the most recent examples of environment-friendly products in MHI's energy and environmental domain, see:

<http://www.mhi-global.com/ee/news/index.html>

See pgs. 101-103 and pg. 104 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

■ We report on this in the main part of the Annual Report or equivalent financial reports.

See Meeting Problem-Solving Needs around the World in our 2013 annual report for details.

<http://www.mhi-global.com/finance/ar2013/feature/energy/index.html>

<http://www.mhi-global.com/finance/ar2013/feature/traffic/index.html>

2.1.3 Environmental Reporting – Assurance

● We do not have any external assurance on our environmental reporting comments

Environmental reporting covers management systems under ISO 14001 without any external audits or certification. Investors and customers express little interest in outside authentication now. However, for biodiversity, we ask the Asia division of BirdLife International, an NGO engaged in international environmental analysis, for evaluations of our biodiversity activities.

See pgs. 84-86 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.1.4 Environmental Reporting – Quantitative Data

● ■ For each of the three most material environmental issues identified in question 2.1.1, KPI used to measure our company's progress and communicated externally.

Key Performance Indicator, please specify the KPI and the material environmental issue it is linked to:		Please indicate the weblink and page number where the environmental indicator is publically reported:
● MHI, Environmental Vision 2030, etc		http://www.mhi-global.com/company/csr/report/vision2030/index.html
● Second Environmental Targets		CSR Reports 2013 P94-96 http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf AR P59-60 http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf
Target for Key Performance Indicator	Target year	The weblink and page number where the target of the environmental indicator publically reported:
	FY2030	http://www.mhi-global.com/company/csr/report/vision2030/index.html
	From FY2013 (ended March 2014) through FY2014 (ended March 2015)	CSR Reports 2013 P95-96 http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

comments: More than one goals have been established for item 1 and for item 2.

2.2 Environmental Policy/Management System

2.2.1 Coverage of Corporate Requirements / Guidelines

- Production operations / business facilities
 - Selection / on-going evaluation of suppliers / service providers and contractors
 - Development of new products and services
 - Product distribution / logistics
 - Management of waste
 - Engineering / maintenance
 - New projects

<http://www.mhi-global.com/company/csr/csrreport/globalenvironment/management02.html>
<http://www.mhi-global.com/company/csr/csrreport/people/business-partners03.html>
<http://www.mhi.co.jp/en/csr/policy/globalcompact/index.html>

2.2.2 Centralized Data Collection System

- Structure of Environmental Database
 - Our centralized database is accessible by individual operations

- Yearly

comments

To address global warming and other environmental concerns, it has become increasingly important for companies to broaden their scope of environmental data collection from parent companies to include their group affiliates as well. Consequently, MHI started periodic collection of environmental data from domestic and overseas group companies in FY2011 (ended March 2012).

The Second MHI Group Environmental Targets issued in April 2013 include goals for reducing greenhouse gas emissions, waste, chemical substance, and other pollutants that apply to all domestic and overseas group companies. Concerted efforts will continue throughout the group for achieving the new targets.

CSR Report 2013 (pg. 80)

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.2.3 EMS: Certification / Audit / Verification

- Our EMS is verified through international standards (e.g. ISO 14001 JIS Q 14001, EMAS certification). Please specify and attach relevant examples of certification documents:

Mitsubishi Heavy Industries, Ltd, the parent: 100%
ISO14001 Domestic group companies: 90% (83/92 cos)
Overseas group companies: 45% (28/62 cos)

- Verification/audit/certification by company-own specialists from headquarters. Please specify:

MHI's own environmental standards: M-EMS
Coverage (%) 16 companies

See CSR Report 2013, pg. 81

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf
2014 reports (ended March 2014) is scheduled for publication in October 2014.

2.4 Product Stewardship

2.4.1 Life Cycle Assessment

MHI normally calculates reductions in CO₂ emission on an annualized basis from products use. CO₂ reductions in FY2012 (ended March 2013) during product use were about 30 million tons higher than in FY1990. The potential savings would be roughly 5 billion tons if technologies from our power systems segment were deployed worldwide.

See pgs. 110-111 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.4.2 Responsibilities and Management System

- Company-wide product stewardship program / policy, please specify or attach supporting documents:
Corresponding to item 3 and item 4 of the Action Guidelines in the Basic Policy on Environmental Matters.

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.

<http://www.mhi-global.com/company/csr/report/stance.html>

2.4.3 Life Cycle Research Projects

● We are not engaged in research projects aiming at reducing the life cycle impact of our products within the value chains

comments

MHI evaluates garbage-incineration power plants, carbon-fixation technologies, and each of its projects based on how well they prevent global warming under life cycle assessment (LCA) laws.

2.4.4 Product Design Criteria

- ● Environmental impacts of product use and maintenance
 - Environmental impacts of product manufacturing
 - Environmental impacts of raw materials
 - Environmental impact of procured components
- Design for disassembly and reuseability of products/components
- Design for recycling of remaining materials
- Reduction of hazardous materials

comments

The Company works to develop and supply new products and technologies that help reduce environmental impact on communities based on its Basic Guidelines (established in 2005) on Production of Environmentally Friendly Products. Especially diligent efforts are underway to develop innovative technologies and supply products that help resolve the global warming problem and create communities with small carbon footprints.

These initiatives are covered under targeted resource management.

See CSR report 2013, Development and provision of environmentally friendly technologies and products (pg. 93) for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.4.5 Environmental Product Declaration

MHI's air-conditioning and refrigeration systems business manufactures air conditioners, which display marks of full compliance, standard values, and other data.

http://www.beaver.jp/product/room/series_sr.html#06

2.4.6 Take Back: Post-Use Collection

MHI's air-conditioning and refrigeration systems business manufactures air conditioners, which have to be recycled according to Japan's Home Appliance Recycling law. Recycling data for FY2012 (ended March 2013) is shown below.

Units processed: 168,000

Weight of recycled units: 6,888 tons (CSR report)

Weight of materials recycled into products: 6,469 tons

See CSR Report 2013, pg 98.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

Data from FY2013 (ended March 2014) will be published in the FY2014 report scheduled for publication in October 2014.

Detailed information (in Japanese only)

<http://www.beaver.jp/contact/recycle02.html>

2.5 Climate Strategy

2.5.1 Climate Strategy – CDP Alignment

● We have submitted a CDP response for the most recent reporting year

2.5.2 Climate Change Governance

● Individual / sub-set of the board of directors or other committee appointed by the board

comments

For all important environmental matters, including climate change, the Chief Technology Officer (CTO) appointed chairman of the Environmental Committee determines the course that policy will take.

2.5.3 Climate Change Management Incentives

● We do not provide incentives for the management of climate change issues

comments

There are no incentives. However, MHI is building an organizational management system based on the Environmental Management Promotion System, starting with Environment Committee members.

2.5.4 Climate Change Strategy

● Integrated into multi-disciplinary company wide risk management processes, i.e. a documented process where climate change risks and opportunities are integrated into the company's centralized enterprise risk management program covering all types / sources of risks and opportunities

comments

For risks facing the entire group, including environmental regulatory risks covering greenhouse gas emissions, MHI counts on cooperation between the Environment Committee and auditing and other departments to manage risks based on risk importance and its unique features.

<http://www.mhi-global.com/company/csr/csrreport/management/governance03.html>

2.5.5 Climate Change Products

● Our products enable GHG emissions to be avoided or reduced.

comments

MHI's highly energy-efficient turbines and other products generate power more efficiently than their predecessors, thereby reducing CO₂ emissions using the same amount of power as previously. See pgs. 110-111 of the CSR Report for data on reductions in CO₂ emissions during product use.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.5.6 Climate Strategy Impacts

● We do not calculate these figures

2.5.7 Financial Risks of Climate Change

● We have identified climate change related risks with potential impact.

● The most significant risk and methods used to manage this risk
Carbon taxes, cap-and-trade and other legal options. We will continue to closely monitor data on regulatory systems and swiftly respond each time new trends emerge.

2.5.8 Financial Opportunities Arising from Climate Change

● We have identified climate change related opportunities.
Rising sales of MHI's products help drive earnings growth.

Comments

Stricter regulations for addressing climate change boost sales of MHI's products.

2.5.9 EXPOSURE: Carbon Targets

● Our company's corporate targets to reduce greenhouse gas emissions.

	Absolute targets	Relative targets
	● No targets set	● Targets set
Baseline Year		Previous Year
Scope of the emissions for which the target is defined		● Scope 1 and Scope 2 combined
Emission of base line year in tons of CO ₂		—
Value of intensity measure of the base line year (please use the comment box below to indicate the definition of the intensity measure used)		— No data to present here (See descriptions in the comment column.)
Target year		2014
Reduction Target as percentage of baseline value		3.5
Target was set in year		2013

The goals set for the Second Environmental Targets are outlined below. See pgs. 95–96 of CSR Report 2013 for details.

- Reduce unit energy consumption 3.5% annually.

(Explanation: ① Our goals for reducing CO₂ are based on 'units of energy consumed' because CO₂ is emitted when energy is used. ② MHI has many works and production sites, making it difficult to set goals by applying a single basic unit of measurement for all company operations, and we do not set uniform goals. Consequently, goals for reductions shown here use calculation methods that comply with Japan's Energy Conservation Law, applying weighted-average figures on a companywide basis and showing reduction rates in basic units at each works or production site.

• Results for FY2012 (ended March 2013) are shown below in basic greenhouse gas-emission units, excluding CO₂ traceable to energy.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.5.10 EXPOSURE: Scope 3: GHG Upstream

Perspective	
Suppliers (emissions from purchased products and services, excluding energy purchased which falls under Scope 2).	● We qualitatively consider emissions
Customers (emissions incurred by the use of your company's products).	● We quantitatively consider emissions
Support services (emissions from e.g. business travel, external logistics).	● We quantitatively consider emissions

comments

■ Suppliers

CSR Promotion Guidelines for the MHI Group Supply Chain (2010) have been established. Respect for the Environment is one of its four main items.

<http://www.mhi-global.com/company/procurement/csr/index.html>

The MHI Supplementary Action Plan for the Second Environmental Targets includes goals for reducing CO₂ emissions by suppliers. See pg. 97 of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

■ Customers

MHI's highly energy-efficient turbines and other products generate power more efficiently than their predecessors, thereby reducing CO₂ emissions using the same amount of power as previously. See pg. 85 of the CSR Report for data on reductions in CO₂ emissions during product use.

■ Support services

CO₂ emissions are further reduced during transport of MHI products. See pgs. 107–108, Measures to Curb CO₂ Emissions in Transportation of CSR Report 2013 for details.

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.6 Water Related Risks

2.6.1 Exposure by Water Stressed Areas

comments

MHI's products do not use water as a raw material. In addition, since large water volume is not used in production processes, it is not evaluated.

<http://www.mhi-global.com/company/csr/csrreport/globalenvironment/resource04.html>

2.6.3 Tools / Processes / Systems / Standards / Frameworks used

● Objective	Name of tools / management systems / standards /
● Report and aggregation at corporate level:	Installation and operation of IT systems that report and consolidate water-related data from parent MHI's domestic production works.
● Systematically track and map plant water usage: (e.g. WBCSD Water Tool)	Installation and operation of IT systems that report and consolidate water-related data from parent MHI's domestic production works.

comments

MHI has set goals for more effective use of water resources as part of the Second MHI Group Environmental Targets. The entire Group is working to achieve them. See pg. 96 of CSR Report 2013 (detailed version).

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.6.4 Risk Management – Quantity & Quality

- Corporate water management policy and plan in place

comments

Water drainage and runoff is managed within legal frameworks. (Plants belonging to MHI the parent are not located in water-stressed zones.)

In addition, MHI has set goals for more effective water drainage and runoff as part of Second MHI Group Environmental Targets. The entire Group is working to achieve them. See pg. 96 of CSR Report 2013 (detailed version).

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

2.6.5 Risk Management – Regulatory Changes and Pricing Structure

- Regulatory changes at the local level

comments

In Japan, appropriate strategies are adopted as soon as data on regulatory changes becomes available. (Plants belonging to MHI the parent are not located in water-stressed zones.)

We are starting to gain an understanding of water use at plants belonging to Group companies overseas.

2.6.6 Risk Management – Stakeholder Conflicts

- Active engagement with key stakeholders (local communities, NGOs, government bodies, large water users, etc.)

Employees of the Sagami-hara Machinery Works in Kanagawa Prefecture participate in volunteer activities for maintaining water resources that are sponsored by Kanagawa Prefecture.

<http://www.pref.kanagawa.jp/cnt/p20702.html>

MHI's (the parent's) production works are not located in water-stressed zones.

- We do not manage this at group level

2.6.7 Suppliers' Exposure to Water Risks

comments

The risks associated with important front-line water supplies are not well understood. There are no plans to begin measuring risks in FY2014 because the plants belonging to MHI the parent are not located in water-stressed zones.

2.6.8 Suppliers' Water Risks Management

- Not applicable. Please provide explanations in the comment box below

comments

MHI is not partnering in any water risk management plans.

2.6.9 Target and Progress

comments

MHI's (the parent's) production works are not located in water-stressed zones.

2.6.10 Water Used During Products' Life Cycle

comments

For power plants in Saudi Arabia where water is scarce, MHI uses a broad range of its products in tandem to furnish solutions to water problems. For example, we build desalination plant what turn saltwater into fresh water.

<http://www.mhi-global.com/discover/graph/world/no166.html>

3 Social Dimension

3.1 Social Reporting

3.1.1 Social Reporting – Materiality

● Materiality framework

Comments

The specific mechanisms identifying materiality (crucial matters) are disclosed in Company Profile 2014 (ebook below, pg. 15).

【Relationship of CSR-aligned Operations with a Sustainable Society】

The Group communicates with stakeholders about the impact of environmental problems and a diverse range of other social issues with global implications and analyzes the social repercussions of Group activities. The Management Council and CSR Committee identify issues that take priority in the Group and formulate policies for addressing them.

Based on these policies, the Group acts resolutely to address social issues through its Technologies And Products and Activities Throughout Its Business Processes for preventing and reducing negative effects and enhancing positive outcomes in the Group in order to help realize a Sustainable Society.

An ebook <http://www.mhi-global.com/company/aboutmhi/outline/contents/catalogue.html>

MHI has pinpointed seven core subjects for priority action under ISO 26000. These are outlined in the CSR Medium-Term Action Plan and Results (P55-60) section of our 2013 annual report (AR) at this URL:
http://www.mhi-global.com/finance/ar2013/data/pdf/annual_e_2013_55_60.pdf

For human rights issues, dialogues are held with the former Secretary General of Amnesty International Japan and Caux Round Table Japan (CRT-Japan) and other NGOs to identify human rights issues. These are outlined on pg. 33-34 of our 2013 CSR report at this URL:
<http://www.mhi-global.com/company/csr/csrreport/stakeholder.html>

The Company plans to publish its FY2013 AR in the near future.

● First material issue:

● Stakeholder Engagement

please specify:

The MHI Group is rapidly expanding its global reach and advancing initiatives in areas where it could face direct environmental, social and governance (ESG) challenges, including ways of dealing with corruption, water, and human rights issues. Our questionnaire collected from stakeholders each year has identified some inefficiencies in the way nuclear power and defense concepts are explained. Any inadequacies in addressing these issues would raise concerns about growing adverse social repercussions from business activities, with possible implications for business continuity. Based on the concept that engagement is a crucial issue as important as stakeholder and enterprise value (mainly ESG issues), the Group will continue to analyze operations from the standpoint of global standards (ISO 26000 and GRI G4), stakeholders, and in-house and other perspectives, and pinpoint the Crucial Issues for stakeholder engagement from these starting points.

Business case for first material issue:

The MHI Group plans to identify Critical Issues as noted in the steps below, referencing the Critical Issues and Scope Of Understanding For Specific Processes under the G4 Global Reporting Initiative (GRI) guidelines.

【STEP1】Understanding the issues

Issues that may be considered important in ESG are analyzed together with CRT-Japan.

【STEP2】Prioritizing (based on analysis from social, company perspectives) and identifying critical issues

Issues are analyzed and evaluated in conjunction with relevant divisions with a view toward maintaining social and business continuity. Consensus is reached with stakeholders and with relevant divisions, and critical issues are identified.

【STEP3】Approval by management and stakeholders

Critical issues and specific processes identifying their influence are validated and approved by the CSR Committee and Management Committee after gaining the understand of stakeholders.

※Relevant divisions will be considered for inclusion in the 2015 medium-term business plan scheduled to be announced soon

【STEP4】Reporting

The Critical Issues and Specific Processes pinpointed are disclosed in integrated reports and on websites and other media.

● Second material issue:

● Labor Practices and Human Rights

please specify:

The United Nation's Guiding Principles On Business and Human Rights has stimulated human rights policy development and built momentum for strengthening information disclosure.

In response, the MHI Group has promoted greater understanding and identification of human rights issues.

As a result, by identifying our own human rights concepts and specifying policies that serve as references for identifying problems and ways of addressing them, the MHI Group now accelerating global expansion can respond appropriately ahead of developments when directly faced with human rights challenges.

Business case for second material issue:

The MHI Group devised the MHI Group Basic Policy on Human Rights in April 2014 to respect the human rights of stakeholders engaged in business activities and contribute to sustainable social development. The policy is published on our website.

MHI Group Basic Policy on Human Rights

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

Basic Policy on Human Rights

<http://www.mhi-global.com/company/csr/policy/humanrights/index.html>

● **Third material issue:**

● **Supply Chain Management – Social Issues**

Section 1502 of the Dodd–Frank Financial Reform Act in the United States requires that conflict minerals be disclosed to the U.S. Securities and Exchange Commission (SEC). MHI is not directly targeted by the act because it is not listed on a U.S. stock exchange, but it may receive survey requests from countries of origin if customers are listed on such exchanges. (In fact, many customers have received letters requesting survey responses and verification) Even outside of the U.S., legislation is making headway in the E.U. and other economic zones and countries, and consumers and NGOs are becoming increasingly active in their requests for data. Their influence will likely increase over the medium term. If the MHI Group (which is rapidly expanding its global presence) cannot respond directly to human rights issues ahead of developments, the growing adverse effects on business activities would be a concern, with possible implications for business continuity.

Business case for third material issue:

The MHI Group’s Basic Policy Concerning Conflict Minerals announced in April 2013 and posted on its website declares that it has no intention of abetting human rights abuses or environmental destruction by procuring raw materials, parts or products which contain the ‘conflict minerals’.

【Basic Policy Concerning Conflict Minerals】

In the Democratic Republic of the Congo and neighboring countries, serious human rights abuses and acts of environmental destruction committed by anti-government forces involved in conflicts there have attracting worldwide attention as a major problem. Some of the minerals (tin, tantalum, tungsten, gold) produced in the region (called “conflict minerals”) are believed to be a source of funding for armed groups. The MHI Group has no intention of being complicit in human rights violations or environmental destruction through its procurement of raw materials, parts or products used in the metals involved in disputes. The Group will continue cooperating closely with its customers, business partners, industry organizations and other parties in making diligent efforts to avoid complicity in any wrong-doing.

At the 15th session of the CSR Committee held in December 2013, a report on conflict minerals outlined the current research status on individual products.

The Group will continue cooperating closely with its customers, business partners, and other parties in making concerted efforts to avoid complicity. Minerals produced in the Democratic Republic of the Congo and neighboring countries that are used as a source of funding for anti-government forces.

● Promoting CSR Procurement

● **Example of cost-saving**

Our company publically reporting on concrete examples of how social initiatives have led to cost savings.

Jurisdiction over internal audits, risk management, crisis management and compliance have been centralized for gaining full understanding and analyzing problems. Networks capable of verifying risk avoidance and risk reduction and organically preventing risk recurrence and other practices are under development.

Annual Report 2013 P57–58

http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf

3.1.2 Social Reporting – Coverage

● **>75% of revenues OR >75% of business operations**

Data are disclosed on pg. 1 of CSR Report 2013.

CSR Report 2013 covers 237 of the roughly 300 companies in the MHI Group (111 in Japan, 126 overseas).

However, coverage in CSR reports is limited in some cases to the activities of MHI the parent. In such cases, the coverage range is specified.

http://www.mhi.co.jp/csr/csrreport/pdf/csrreport2013_all.pdf

● We report on social issues, but only provide coverage for some social data / indicators in our public reporting.

Please specify for the three social indicators where you have the highest available coverage (select ONLY if you report coverage for individual indicators but not for the full report):

Social indicator, please specify	Coverage of Indicator (% of revenues or business operations):	Please indicate the weblink and page number where the coverage for the social indicator is publically reported:
Compliance training participation rate	45.6% (Parent 31,111 headcount/consolidated 68,213)	http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf p.g 74
Industrial accident occurrence rate	45.6% (Parent 31,111 headcount/consolidated 68,213)	http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf p.g 151
Average overtime hours	45.6% (Parent 31,111 headcount/consolidated 68,213)	http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf p.g 151

3.1.3 Social Reporting – Assurance

● The assurance statement is an “External Audit” or “External Assurance” produced by assurance specialists (e.g. accountants, certification bodies, specialist consultancies)

For understanding and identifying human rights issues, an endorsement has been received from CRT–Japan an NGO.

Data are disclosed on pg. 28 of CSR Report 2013 available at this URL:

http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf

3.1.4 Social Reporting – Quantitative Data

● For each of the three most material social issues identified in question 3.1.1, KPI used to measure our company's progress and communicated externally.

Key Performance Indicator	The weblink and page number where the social indicator is publicly reported	
● Stakeholder engagement	Company Profile 2014 http://www.mhi.co.jp/company/outline/contents/ebook/corporate/top.html	
● Labor practices and human rights	Basic Policy on Human Rights http://www.mhi-global.com/company/csr/policy/humanrights/index.html	
● Supply chain management– Social issues	15th session of CSR Committee (in Japanese only) http://www.mhi.co.jp/notice/notice_csr_15.html	
Target for Key Performance Indicator, the target and the material social issue it is linked to:	Target year,	the weblink and page number where the target of the environmental indicator is publicly reported:
Stakeholder engagement	FY2011–2013	http://www.mhi-global.com/finance/ar2013/data/pdf/annual_e_2013_55_60.pdf
Labor practices and human rights	FY2011–2013	http://www.mhi-global.com/finance/ar2013/data/pdf/annual_e_2013_55_60.pdf
Supply chain management – Social issues	FY2011–2013	http://www.mhi-global.com/finance/ar2013/data/pdf/annual_e_2013_55_60.pdf

3.2 Labor Practice Indicators and Human Rights

3.2.1 Labor KPIs – Diversity

Issue	Management / performance indicators
Non-Discrimination / Diversity (ILO convention No. 111)	<ul style="list-style-type: none"> ● Female share of total workforce: 9.2% ● Females in management positions (% of total management workforce): 2.8% ● Females in junior management positions, i.e. first line management (as % of total junior management positions): 4.1% ● Females in top management positions, i.e. maximum two levels away from the CEO (or comparable position) (as % of total top management positions): 2.3%

● We do not use such diversity indicators

The above KPI ratios denote breakdowns for full-time employees on a parent basis (22,147) in FY2013 (ended March 2014) (80,583 full-time employees on consolidate bases).

No specific indicators are used, but the Company is actively expanding its support systems for women in hiring, education, childcare and work in order to increase the ratio of women on the management team and in management and employment positions.

CSR Report 2013 (pg. 143)

Active recruitment and utilization of mid-career, overseas and female workers
⇒ http://www.mhi-global.com/company/csr/csreport/pdf/csreport2013_all.pdf

In addition, the Group plans to increase the number of female managers by 3times (through 2020) compared with the 2013 level.

3.2.2 Labor KPIs – Equal Remuneration

● We do not use equal remuneration indicators

Comments

With respect to salary levels, the same compensation indexes are not used for men as for women, but the pay structure is the same for both of them. Fully sufficient salaries are paid based on relevant laws in each country where MHI operates.

3.2.3 Labor KPIs – Freedom of Association

Freedom of Association (ILO convention No. 87; No. 98)

- Employees represented by an independent trade union or covered by collective bargaining agreements (%):100%
- Number of consultations/negotiations with trade unions over organizational changes (e.g. restructuring, outsourcing): 25 times/FY2013 (ended March 2014)

In FY2013 (ended March 2014), almost all employees of MHI the parent (22,147) were members of the Company's labor union and a some employees were organized in separate small unions. Consultations for organizational changes totaled 25 in all in FY2013 (ended March 2014) (MHI labor union).

Consolidated employees (80,583) promote labor practices in accordance with legal systems in each country.

3.2.4 Labor KPIs – Layoffs

Layoffs (based on ILO's A Guide To Worker Displacement)

- Number of employees laid off in the last fiscal year: 0
- Number of consultations/negotiations with employees over organizational changes (e.g. restructuring, outsourcing):0 times/FY2013 (ended March 2014)

For the parent company (22,147 employees)in FY2013 (ended March 2014), there were not any layoffs or related consultations with employees. For consolidated companies and employees (80,583).

3.2.5 Public Commitment to Human Rights

On the Company HP

1. The MHI Group's Basic Human Rights Policy is described under Guiding Principles on Human Rights and Business as adopted by the United Nations Human Rights Council.
2. The Company proclaims itself to be a participant in the United Nations Global Compact. In the Ten Principles of the U.N. Global Compact, concerning human rights, Principle 1 calls for businesses to support and respect the protection of internationally proclaimed human rights in their spheres of influence, and Principle 2 pledges businesses to ensure they are not complicit in human rights abuses. Although not directly represented in the pledge, the Company expresses its support for the Universal Declaration of Human right through its participation in the United Nations Global Compact.

MHI Basic Policy on Human Rights

⇒ <http://www.mhi-global.com/company/csr/policy/humanrights/index.html>

Participation in the UN Global Compact

⇒ <http://www.mhi-global.com/company/csr/policy/globalcompact/index.html>

3.2.6 Business and Human Rights

● Our company is aware of the UN Framework and Guiding Principles on Business and Human Rights (the Ruggie Framework). Please describe: Actions in accordance with the MHI Guiding Principles on Human Rights and Business are specified on the HP

MHI Basic Policy on Human Rights

⇒ <http://www.mhi-global.com/company/csr/policy/humanrights/index.html>

MHI held a stakeholder dialogue to discuss the main human rights issues in the manufacturing sector (in 2013)

⇒ http://www.mhi-global.com/company/csr/stakeholder/contents/meet_2013.html

3.3 Human Capital Development

3.3.1 Human Capital Performance Indicators

Work week 36 hours for parent company full-time employees (31,111)/FY2012 (ended March 2013).

approximately ¥ 41000 for parent company full-time employees (31,111)/FY2012 (ended March 2013)

3.3.2 Training & Development Inputs

	FY2012(ended March 2013)(Parent Company)
Average hours per FTE of training and development	approximately 43hours
Average amount spent per FTE on training and development, please specify currency	approximately ¥ 41,000
Percentage of open positions filled by internal	0%

3.3.3 Employee Development Programs

Employee Development Program, please specify two different examples:	Description of business benefits	Quantitative impact of business benefits	% of FTEs that participated in this program
Global management training → General MBA knowledge conferred on employees expected to be stationed overseas	At overseas group companies, aiming for global management that achieves results through cross-cultural management, working to acquire practical MBA knowledge and skills required for facilitating smooth operations	–	100%
[MGT] Global postings system for young employees → employees are posted at overseas Group companies for about two months or sent to external supply programs	Working to raise basic skills in global response for entire organization and nurture early awareness of global resources	–	100%

Comments

Strengthening global human resource development
(CSR Medium-Term Action Plan and Results of Promotion/Labour practices)
⇒ http://www.mhi-global.com/finance/ar2013/data/pdf/annual_e_2013_55_60.pdf

Employee training program
⇒

3.4 Talent Attraction & Retention

3.4.1 Coverage of Employees through Predefined Performance Appraisal Process

Employee Category	Coverage in %
Executive/Top management	100%
Middle/General management	100%
First line management / supervisor	100%
Specialist groups	100%
Other employees, please specify	100%

Comments

- ① Above ratios are parent company only.
- ② 'Officers' are ranked based on individual evaluations depending on performance in the businesses they oversee.
- ③ 'Midlevel/General Managers and below' are evaluated for near-term results based on how well individual goals set for them have been achieved (twice annually, reflected in bonus payments), and on work process from the long-term perspective, including results and work attitudes (one annually, reflected in monthly compensation).
- ④ 'Others' includes long-term employees over the age of 60, but they are evaluated according to ③

3.4.2 Percentage of Performance Related Compensation for each Employee Category

Employee Category	Percentage of total compensation
Executive/Top management	30.4%

Comments

'Director/management team' percentage comprises (A) performance-linked compensation divided by (B) total director compensation, excluding outside directors (2013 results). Performance-linked compensation is paid to executive officers who do not serve concurrently as directors, but it is not included in the group above. 'Midlevel/General Managers and below' do not receive performance-linked compensation.

3.4.3 Balance of Variable Compensation Based on Corporate and Individual Performance

Employee Category	Share of variable compensation based on corporate performance [%]	Share of variable compensation based on individual performance [%]
Executive/Top Management	47.1%	52.9%
Middle/General Management	37.7%	62.3%
First Line management / Supervisors	30.5%	69.5%
Specialist Groups	30.5%	69.5%

Comments

Director/management team' percentage denotes executive compensation portion, excluding outside directors (FY2013/FY2014 results). 'Variable compensation based on company results' is the total of (A) performance-based compensation plus (B) expenses for reward-type stock options' divided by executive compensation. 'Variable compensation based on individual performance' denotes portion of basic compensation paid to directors. Executive officers who do not serve concurrently as directors are not included. For 'Midlevel/General Managers', one-lump payments (bonuses) are variable compensation divided by company earnings, and monthly wages are variable compensation divided by individual performance.

3.4.4 Corporate Indicators for Performance-Related Compensation

Performance-linked compensation for directors is paid once a year, reflecting the performance of officers in charge of businesses and the consolidated results achieved in the previous fiscal year.

● The table below the time frame for pay-out of variable Executive / Top

Time frame for payout of variable Executive / Top Management compensation	% of variable compensation
0~3年	100%
3年以上	0%

3.4.5 Type of Individual Performance Appraisal

- Management by Objectives: Systematic use of agreed measurable targets by line superior
43% of all employees
- Multidimensional performance appraisal (e.g. 360 degree feedback)
57% of all employees

Comments

Above, responses are divided into two groups: a targeted group with manageable and discernible goals, and second group that does not have skill-based or other tangible goals. In the second group, multi-staged evaluations are used that encompass work volume, speed, quality and contributions.

3.4.6 Employee Turnover Rate

(%)	FY2010	FY2011	FY2012	FY2013
Total	5.29	5.19	5.85	4.71
voluntary employee turnover rate	0.75	0.82	0.82	0.8

Comments

- * The above uses MHI's retirement rate (including employees sent to group companies) as the denominator.
- * According to the 'dimission rate by industry' provided by the Ministry of Health, Labour and Welfare, the manufacturing dimission rate is 10-12%, but MHI's rate is only about half of that. We think this illustrates the long-term effectiveness of our employees.
- * The average hiring cost is not calculated.

3.4.7 Trend of Employee Satisfaction

Satisfaction surveys are not conducted company-wide, but they are conducted by individual workplaces at their discretion.

3.5 Corporate Citizenship and Philanthropy

3.5.1 Group-wide Strategy

Comments

MHI formulated its Policy for Social Contribution Activities in 2007 and uses it as the basis for a range of activities in various geographical regions. The MHI Group CSR Action Guidelines are composed of two core pillars: Contributing to Communities Society and Next-Generation Training, which are based on the MHI Group's CSR Action Guidelines.

① Contributing to Communities entails basic policies: Working In Harmony with Local Communities and Contributing To Local Social And Community Development. In the fiscal year ended March 2013 (FY2013), MHI had a network of 44 business offices and works in Japan and abroad, and the Group was composed of 237 companies in Japan and abroad that pursue a variety of activities tailored to regional characteristics and cultural sensitivities and that help stimulate regional development and dynamics.

② Next-generation Training comprises basic policies for conveying 'the love of manufacturing craftsmanship' and 'science and technology' to upcoming generations. MHI has developed and manufactured more than 700 products in broad-ranging fields over its long history. We will continue our educational pursuits in many fields, beginning with scientific education for children, so that 'the love of manufacturing craftsmanship' and 'science and technology' accrued over the years will be passed along to next generations who will inherit it in the future.

For details, refer to MHI Group CSR Action Guidelines on pg. 12 of CSR Report 2013 (detailed version) and Policy for Social Contribution Activities (pg. 155), the basis of the action guidelines. http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf, as well as 'Community Development and Participation' on pg. 57 of the AR. MHI promotes activities that contribute to social and community wellbeing as a priority under ISO 26000 standards and sets medium-term goals. Up-to-date 2014 reports and AR data cannot be furnished at this time due to the timing for closing FY2014 accounts. Most Japanese companies operate under the same conditions. We plan to upload the latest data onto our website in around October 2014.

- The three main priorities as outlined in our group-wide corporate citizenship / philanthropy strategy specified above

Priorities	Description of alignment between priority and your business drivers	Reference
Next-generation Training	<p>Next-Generation Training is based the concept of Bridges To The Next Generation, one of the CSR Action Guidelines. Amid concerns that international companies in Japan will lose the competitiveness they derive from growth capabilities in science and technology, MHI has been offering Science Lessons in a variety of ways since 2008. For example, employees are sent from domestic offices throughout Japan to teach in nearby schools in a catering format, and elementary school students are invited to tour our plants and technology centers.</p> <p>In FY2013, more than 5,400 children and students participated in such programs. In addition, the Mitsubishi Minatomirai Industrial Museum has attracted more than two million visitors to date. Through such educational services and facilities provided for learners and visitors, MHI aims to develop human resources that will contribute to science and technological development in their local communities. The Company sets goals and promotes activities for achieving them based on the recognition that communities, through their participation and development in core businesses (including ISO 26000-focused initiatives) will make businesses stronger and more vital over the long term.</p>	<p>•For Science Classes held in FY2013 as part of Activities to Support Education of the Next Generation', see pg. 160 of CSR Report 2013 (detailed version) . ⇒ The URL for CSR Report 2013 is below: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p> <p>•For the Minatomirai Industrial Museum, see pg. 57 of the 2013 AR ⇒ The URL for the 2013 AR is below: http://www.mhi-global.com/finance/library/annual/pdf/annual_2013.pdf</p>
Contributing to communities	<p>Contributing to Society entail activities carried out based on Community Ties under the Group's CSR Action Guidelines. In concrete terms, this means development activities addressing the needs and challenges in each region where businesses are located. More specifically, promoting employee volunteerism, sponsoring charity concerts, and assisting in reconstruction after natural disasters are among the pursuits.</p> <p>For employee volunteerism, the Funds for Community Engagement System (formerly the Social Contribution Fund) was established in-house in FY2012. Under the system, time donated by company employees for volunteer work is converted to a monetary value, which is then converted to an equivalent budget allocation and earmarked for funding the activities of corporate NPOs. In FY2013, support was provided for activities by 16 organizations in fields such as education, social welfare, environmental protection and culture, arts and sports promotion</p> <p>The latest initiatives afford good opportunities for MHI employees to establish strong ties with local residents. The Company is further bolstering its operations through support for activities in fields where it has close business</p>	<p>•For initiatives under the Funds for Community Engagement System, see ②important social contribution activities under Community Participation and Development on pgs. 41-42 of the CSR Report 2013 (detailed version).</p> <p>•For charity concerts, see pg. 164 of the CSR Report 2013 (detailed version).</p> <p>•For reconstruction assistance after natural disasters, see pgs. 157-159. ⇒ The URL for CSR Report 2013 is below: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p>

Initiatives to Preserve Biodiversity	<p>Initiatives to Preserve Biodiversity are based on the MHI Group's CSR action guidelines that call for promoting Close Ties with the Earth. As specific examples, the group operates a breeding program for Japan's endangered honeybees, and five of its domestic works cooperate with local governments in tree planting and thinning and other initiatives for preserving biodiversity. In FY2013, MHI carried out an Evaluation of Corporate Biodiversity Activities through third parties in order to assess how much business activities are able to help preserve biodiversity.</p> <p>Companies are offered resources for promoting biodiversity through ecosystems services. Striving to use sustainable resources is considered an important responsibility for the ongoing revitalization and health of the Group's business activities over the long term. The Group promotes the preservation of biodiversity based on the Ministry of the Environment's Biodiversity Guidelines for Private Sector Engagement, Nippon Keidanren's (Japan Business Federation's) Global Environmental Charter, and other declarations, and based on MHI's Basic Environmental Plan and MHI Environmental Vision 2030.</p>	<p>For a track record of our achievements in biodiversity preservation, see pgs. 82-83 of CSR Report 2013 (detailed version). The evaluation of Corporate Biodiversity Activities through third parties is on pg. 84 of the same report. The URL for the 2013 CSR report is here: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p>
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Comments
Up-to-date CSR reports and AR data cannot be furnished at this time due to the timing for closing FY2014 accounts. Most Japanese companies operate under the same conditions. We plan to upload the latest data onto our website in around October 2014.

3.5.2 Type of Philanthropic Activities

Category	Percentage of Total Costs
Charitable Donations	49.60%
Community Investments	49.80%
Commercial Initiatives	0.50%
Total must equal	100%

Comments
The numbers shown in the chart above are from FY2013. Due to the timing for closing FY2014 accounts, we plan to upload the latest data available in 2014 reports and the 2014 AR onto our website in around October 2014.

3.5.3 Input

● Please specify currency: Yen

Type of Contribution	Total amount (in local currency)
Cash contributions	¥749,000,000
Time: employee volunteering during paid working hours	¥497,000,000
In-kind giving: product or services donations, projects/partnerships or similar	¥181,000,000
Management overheads	¥6,590,000

Comments
The numbers shown in the chart above are from FY2013. Due to the timing for closing FY2014 accounts, we plan to upload the latest data available in 2014 reports and the 2014 AR onto our website in around October 2014.

3.5.4 Measuring Benefits

Business Benefit KPIs	Social / Environmental Benefit KPIs
	<p>■ Expenditures on Social Contribution Activities</p> <p>• MHI endorses the "One Percent Club", a program initiated by Nippon Keidanren (a group comprised mainly of companies listed on the First Section of the Tokyo Stock Exchange) in which participating members commit to earmark at least 1 percent of ordinary profit to social contribution activities. MHI, as a Keidanren member, discloses annual expenditures on social contribution activities by area in its 2014 reports and ARs and evaluates the benefits of these activities.</p> <p>In FY2013, expenditures on social contribution activities totaled ¥1,480 million, or one percent of ordinary profit, breaking down into ¥177 million for academic research, ¥503 million for education, ¥153 million for community activities, ¥173 million for sports, and ¥474 million for other activities.</p> <p>⇒ See Expenditure on Social Activities on pg. 41 of CSR Report 2013 (detailed version). The URL for the 2013 CSR report is here: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p>
	<p>■ Community and Social-Welfare Funding System</p> <p>• Under the system, time donated by company employees for volunteer work is converted to a monetary value, which is then converted to an equivalent budget allocation and earmarked for funding the activities of corporate NPOs. In FY2013, support was provided for activities to 16 organizations in fields such as education, social welfare, environmental protection and culture, arts and sports promotion. The system uses indicators for measuring utilization rates.</p> <p>⇒ See pg. 162 of CSR Report 2013 (detailed version). The URL for the 2013 CSR report (detailed version) is here: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p>
	<p>■ Cooperation with NPOs and Other Organizations</p> <p>MHI aims to work closely with NPOs and other organizations through the Community and Social-Welfare Funding System and is starting new initiatives for resolving social problems as it further deepens trusting relationships with local communities. In FY2013, support was provided for activities in education, social welfare, environmental protection, culture, arts and sports promotion, and other fields</p> <p>⇒ See pg. 162 of CSR Report 2013 (detailed version). The URL for the 2013 CSR report (detailed version) is available here: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p>
	<p>■ Expanding 2014 Reports</p> <p>MHI uses its website for comprehensive disclosure of CSR initiatives throughout the Group and compiles the Digest (booklet) for directly communicating important activities from its position as a company attracting broad public interest. The website discloses detailed information not available in the booklet, especially in its Environmental, Management and Social Contribution reports. We welcome your feedback and will continue working to expand information content. MHI has issued annual CSR reports for some time, but starting from FY2014, we have decided to consolidate the AR and CSR into a single Integrated Report. This reflects growing interest in using environmental, social, governance and other issues in recent years along with financial reports for measuring the long-term prospects and sustainability of companies. MHI aims to compile a new report that outlines its current status and conveys its future vision. (publication at the end of September 2014).</p> <p>⇒ See pg. 1 (Editing Policy) of 2013 CSR report (detailed version) The URL for the 2013 CSR report (detailed version) is available here: http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2013_all.pdf</p>

3.6 Occupational Health and Safety

3.6.1 Lost-Time Injuries Frequency Rate (LTIFR) – Contractors

LTIFR	Unit	FY2010	FY 2011	FY 2012	FY 2013
Contractors	n/million work h	0.71	0.93	0.46	1.16
Data coverage (e.g. as % of revenues, employees)	percentage of:	48.0%	47.2%	45.6%	27.5%

● Not verified

Comments

- Based on internal statistical rules
- 2010 and 2011 exclude overseas local construction.
- The frequency rate is calculated by dividing the parent-company data by the cover ratio (non-consolidated/consolidated) for the data based on the employee information in the Yuho Securities Report.

3.6.2 Lost-Time Injuries Frequency Rate (LTIFR) – Employees

LTIFR	Unit	FY2010	FY 2011	FY 2012	FY 2013
Employees	n/million work h	0.26	0.17	0.06	0.16
Data coverage (e.g. as % of revenues, employees)	percentage of:	48.0%	47.2%	45.6%	27.5%

● Not verified

Comments

- Based on internal statistical rules.

3.6.3 Occupational Illness Frequency Rate (OIFR) – Employees

OIFR	Unit	FY2010	FY 2011	FY 2012	FY 2013
Employees	n/million work h	0.03	0.04	0.01	0.05
Data coverage (e.g. as % of revenues, employees)	percentage of:	48.0%	47.2%	45.6%	27.5%

● Not verified

Comments

- Calculated with the number of workers acknowledged to have had industrial accidents in this fiscal year.
- Based on internal statistical rules.

3.6.4 Fatalities (total no) Employees & Contractors

Fatalities	Unit	2010年度	2011年度	2012年度	2013年度
Employees (work-related fatalities)	number of employees	1	4	0	2
Contractors (work-related fatalities)	number of employees	0	1	1	1

Comments

- Numbers of all fatalities for employees (including non-industrial accidents) are as below;
FY2010: 48
FY2011: 41
FY2012: 40
FY2013: 32

At all work sites, we consistently monitor steps taken and progress made based on the results of medical checkups.

- Information about non-industrial accidents and illnesses at contractors is not available.