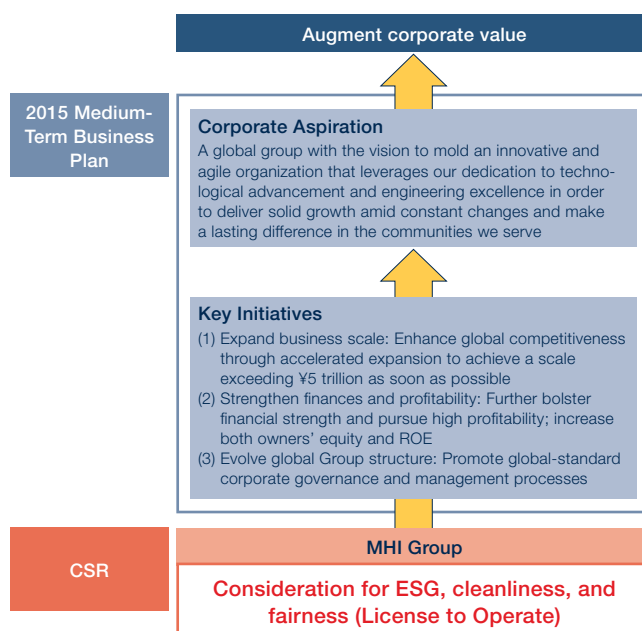


Initiatives Related to Material ESG Issues

The MHI Group's 2015 Medium-Term Business Plan defines its target corporate image as "A global group with the vision to mold an innovative and agile organization that leverages our dedication to technological advancement and engineering excellence in order to deliver solid growth amid constant changes and make a lasting difference in the communities we serve." To achieve that goal, in addition to honing its competitiveness and enhancing its economic value, the Group recognizes the need to augment social value by taking into consideration the environment, society, and governance (ESG). Such considerations include resolving social issues through the Group's business activities, such as developing products that are effective in reducing greenhouse gases and providing infrastructure equipment that contributes to development in emerging countries, as well as creating supply chains that respect the environment and human rights, and establishing a corporate culture and code of conduct that earn the trust of international society and stakeholders.



Material Issues

1

An Optimal Governance Structure Based on Our Corporate Culture

- An optimized organization to continually contribute to society through business
- The assurance of fair operating practices and appropriate labor practices



Objective

Ensure an organizational culture in which values are shared globally and universally

Strategic KPIs

- Instill globally consistent policies that conform with the international code of conduct (establish universality)
- Enhance transparency (assure universality)
Enhance disclosure and stakeholder engagement

2

The Use of Global Human Resources

- The attraction and development of human resources with the ability to respond to globalization
- Diversity and equal opportunity, including the empowerment of female employees



Objective

Be an organization that embraces diversity (Ensure that barriers to diversity are removed)

Strategic KPIs

Improvement in diversity-related indicators

3

Response to Mega Trends

- Innovation and quality control to meet global needs
- Enhanced safety and security, including improved information disclosure and transparency



Objective

Enact strategic measures and business operations that meet the needs of global society

Strategic KPIs

Improvement in stakeholder evaluations
(SRI surveys, customer satisfaction surveys, etc.)

Identifying the Three Material Issues

In fiscal 2014, the MHI Group identified three material ESG issues that significantly affect both society and corporate value, taking into account the current external environment and the Group's own situation with regard to business execution and progress on globalization. From the viewpoint of society, this process incorporates various international standards, including ISO 26000 and the Global Reporting Initiative (GRI), as well as stakeholder opinions and mega trends. At the same time, from a business viewpoint we have conducted hearings of individual divisions, performed risk analysis from a business perspective, and obtained management approval as one aspect of the formulation of business strategies.

The MHI Group positions initiatives involving these three material issues as creating the foundations for realizing the vision of the group it wishes to be and achieving ongoing increases in corporate value.

KPI Number of whistleblowing cases

We have established the MHI Whistleblowing Hotline, which is available to all employees, including those of Group companies, and the MHI External Whistleblower Hotline. The Compliance Committee secretariat promptly investigates and responds appropriately to all reports made to these hotlines.

	(FY)		
	2013	2014	2015
Number of Whistleblowing Cases, by Type			
Labor and the work environment	76	48	39
Overall discipline and breaches of manners	52	49	24
Transaction-related laws	8	14	8
Consultations and opinions	49	26	11
Other	55	48	49
Total (number of corrections and improvements)	240 (150)	185 (110)	131 (85)*

* 17 cases out of 131 are still under investigation (as of June 2016)

KPI Number of female managers

In July 2014, MHI set a target to increase the number of the Company's female managers (in positions of section manager and higher) threefold from the current level by 2020, and is promoting the active participation of women in the workplace in conjunction with its pursuit of diversity management.

(FY)	
2014	2015
85	104

* The values given are the numbers reported by Mitsubishi Heavy Industries, Ltd. and Mitsubishi Hitachi Power Systems, Ltd., in principle.

The following sections of this report introduce initiatives related to the material issues we have identified.

Page 46 Corporate Governance	▶ MATERIAL ISSUE 1 An Optimal Governance Structure Based on Our Corporate Culture
Page 51 Human Resources	▶ MATERIAL ISSUE 2 The Use of Global Human Resources
Page 52 Technological Base	▶ MATERIAL ISSUE 3 Response to Mega Trends

Please see our website for information on CSR initiatives and detailed data on the environment, society, and governance (ESG). This site contains information on our policies and strategies for CSR and ESG, various initiatives, and ESG data related to socially responsible investment.
CSR site ▶ <http://www.mhi-global.com/company/csr/policy/index.html>

Fiscal 2015 Initiatives

In fiscal 2015, we established objectives and strategies for resolving individual issues, making the items concrete. We announced the status of initiatives for items that are currently measurable—the number of whistleblowing cases, corrections, and improvements and female managers—according to KPIs set in advance.

In September 2015, we underwent a review by overseas experts* on the content of the material issues and future initiatives, centering on a global discussion format pertaining to business and human rights. We also heard opinions regarding the need to take into consideration the impact on the human rights of stakeholders in the supply chain and the overall product life cycle, including the response to changes in the Company's business model, such as the overseas development of the defense business and operations as a project owner.



* Front row, from left: Motoko Aizawa (Managing Director and Chair, IHRB US Board, Institute for Human Rights and Business), Amol Mehra (Director, International Corporate Accountability Roundtable), Christopher Schuller (Legal Adviser on Business and Human Rights, German Institute for Human Rights), Allan Lerberg Jørgensen (Department Director of Human Rights and Development, Danish Institute for Human Rights)

Future Promotion Policy

At present, the scope of initiatives centers on MHI on a stand-alone basis. However, during the period of the 2015 Medium-Term Business Plan—by fiscal 2017—we aim to expand the scope of activities to include Group companies. With the CSR Committee* as the control tower, we will disseminate information related to consideration for ESG according to global standards in each location, promoting activities throughout the MHI Group, as we progress steadily toward our corporate aspiration.

* Chaired by the head of the Business Strategy Office (the executive officer in charge of CSR), the CSR Committee includes the GC (general counsel), CFO, CTO, and the officer in charge of Human Resources.

