

Mitsubishi Heavy Industries, Ltd. (2020 Green Bond)

Type of Engagement: Annual Review

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Engagement Team:

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Introduction

In November 2020, Mitsubishi Heavy Industries, Ltd. ("MHI") issued a green bond¹ (the "2020 Green Bond")² raising JPY 25,000 million to refinance renewable energy and clean energy projects. In January 2026, MHI engaged Sustainalytics to review the projects financed with proceeds from the 2020 Green Bond (the "Nominated Expenditures") and provide an assessment as to whether they meet the use of proceeds criteria and whether MHI complied with the reporting commitments in the Mitsubishi Heavy Industries, Ltd. Green Bond Framework (the "Framework"). Sustainalytics provided a Second-Party Opinion on the Framework in October 2020.³ This is Sustainalytics' fifth annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in June 2021, March 2023, February 2024, and November 2024.^{4,5,6,7}

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and MHI's reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy/ Clean Energy	<p>Expenditures for, and refinancing of, the Group's renewable energy/clean energy business (such as R&D funds, business development and operation funds, and working capital) that meet the following criteria:</p> <ul style="list-style-type: none"> • Hydrogen power generation businesses and/or projects for 100% hydrogen combustion; • Geothermal power generation businesses and/or projects that emit less than 100g CO₂/kWh; • Investments in corporations that are exclusively engaged in renewable energy/clean energy business or generate at least 90% of their sales from renewable energy/clean energy related business; 	<ul style="list-style-type: none"> • Annual power generation (MWh) and annual CO₂ reduction (tonnes) of renewable energy/clean energy facilities related to the funded business and information on progress in R&D (such as the outline of projects participated in)

¹ MHI issued the 2020 Green Bond in November 2020, with a redemption date in November 2025.

² MHI, "Green Bond, 36th Series Unsecured Corporate Bond", at: <https://www.mhi.com/finance/stock/esg/greenbond>

³ Sustainalytics, "Second-Party Opinion, MHI Green Bond Framework", (2020), at: https://www.mhi.com/finance/stock/esg/greenbond/pdf/gb_spo.pdf

⁴ Sustainalytics, "MHI Annual Review", (2021), at: https://www.mhi.com/finance/stock/esg/greenbond/pdf/36gb_review2020.pdf.

⁵ Sustainalytics, "MHI Annual Review", (2023), at: https://www.mhi.com/finance/stock/esg/greenbond/pdf/36gb_review2021.pdf.

⁶ Sustainalytics, "MHI Annual Review", (February 2024), at: https://www.mhi.com/finance/stock/esg/greenbond/pdf/36gb_review2022.pdf.

⁷ Sustainalytics, "MHI Annual Review", (November 2024), at: https://www.mhi.com/finance/stock/esg/greenbond/pdf/36gb_review2023.pdf.

	<ul style="list-style-type: none"> The expenditure for the business and/or project, was made within 7 years preceding the green bond issuance date, 	
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Issuer's Responsibility

MHI is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from MHI's 2020 Green Bond. The work undertaken as part of this engagement included collection of documentation from MHI and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by MHI. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by MHI.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. MHI has disclosed to Sustainalytics that the proceeds from the 2020 Green Bond were fully allocated as of March 2025.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Expenditures to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Expenditures or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	MHI reported on at least one KPI per use of proceeds category.	None

⁸ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reporting

Table 3: Allocation of proceeds from the 2020 Green Bond

Use of Proceeds Category	Project Description	Amount Allocated (JPY million)
Renewable Energy/Clean Energy	Refinancing of an investment in MHI Vestas Offshore Wind A/S, which is exclusively engaged in offshore wind power facilities business. ⁹	24,893
Total Net Proceeds Allocated		24,893
Total Unallocated Proceeds		0
Total Net Proceeds Raised		24,893 ¹⁰

⁹ MHI Vestas Offshore Wind A/S ("MVOW") is MHI's joint venture with Vestas Wind System A/S ("Vestas").

¹⁰ The total green bond proceeds amount to JPY 25,000 million. After deducting issuance expenses of JPY 107 million, the net proceeds available for allocation are JPY 24,893 million.

Appendix 2: Reported Impact

Table 4: Reported Impact for the 2020 Green Bond

Use of Proceeds Category	Reported Impact ¹¹		
	FY ¹²	Annual Power Generation (MWh)	Annual CO ₂ Reduction (million tonnes)
Renewable Energy/ Clean Energy	2016	981,602	0.49
	2017	3,176,087	1.60
	2018	5,499,659	2.77
	2019	7,610,776	3.84
	2020	9,772,989	4.93
	2021	55,819,561	28.13
	2022	94,362,019	47.56
	2023	133,992,198	67.53
	2024	169,211,979	85.28

¹¹ The impact results are theoretical values from FY2016 onwards, when the wind power facilities would have started operation following the completion of the development, design and manufacture. The figures from FY2016 to FY2020 are based on the delivery record of MVOW, MHI's joint venture with Vestas (MHI's stake: 50%). From FY2021, the figures are based on Vestas' delivery record (and not MHI's), because in December 2020, MHI transferred its total shareholding in MVOW to Vestas. Simultaneously, MHI acquired approximately 5 million shares in Vestas, equivalent to about 2.5% ownership.

¹² Each fiscal year begins on 1 April and ends on 31 March of the following year.

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Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.

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