(Note) This is a translation of the official Japanese original for reference purposes only. In the event of any discrepancy between this translation and the official Japanese original, the Japanese original shall prevail. Please note that differences between this translation and those in the previous years may not necessarily mean that there have been changes in the official Japanese original, since the translation differences may stem only from a more accurate translation.

THE 97TH

ANNUAL GENERAL MEETING OF SHAREHOLDERS

THE INFORMATION DISCLOSED ON THE WEBSITE

2021 FISCAL YEAR (from April 1, 2021 to March 31, 2022)

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Pursuant to the laws of Japan and the Article 16 of MHI’s Articles of Incorporation, this information is disclosed to the Shareholders on MHI’s website.
(https://www.mhi.com/finance/stock/meeting/)

STOCK ACQUISITION RIGHTS OF MHI

Stock Acquisition Rights Held by MHI's Officers at the End of FY2021 That Have Been Delivered as Consideration for Their Execution of Duties

Name (Approval Date of Stock Acquisition Rights Offering)	Type and Number of Shares Received When Exercising Acquisition Rights	Issue Price of Stock Acquisition Rights	Exercise Price of the Stock Acquisition Rights	Period to Exercise Each Stock Acquisition Right	Stock Acquisition Rights Held by Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members)
#4 Stock Acquisition Rights (July 31, 2006)	100 shares of common stock	¥412,000	¥1,000	August 18, 2006 to June 28, 2036	18 (1 Director)
#5 Stock Acquisition Rights (July 31, 2007)	100 shares of common stock	¥793,000	¥1,000	August 17, 2007 to August 16, 2037	10 (1 Director)
#6 Stock Acquisition Rights (July 31, 2008)	100 shares of common stock	¥410,000	¥1,000	August 19, 2008 to August 18, 2038	29 (1 Director)
#8 Stock Acquisition Rights (July 31, 2009)	100 shares of common stock	¥295,000	¥1,000	August 18, 2009 to August 17, 2039	40 (1 Director)
#9 Stock Acquisition Rights (July 30, 2010)	100 shares of common stock	¥268,000	¥1,000	August 18, 2010 to August 17, 2040	44 (1 Director)
#10 Stock Acquisition Rights (November 30, 2011)	100 shares of common stock	¥270,000	¥1,000	December 16, 2011 to December 15, 2041	66 (1 Director)
#11 Stock Acquisition Rights (July 31, 2012)	100 shares of common stock	¥225,000	¥1,000	August 17, 2012 to August 16, 2042	79 (1 Director)

Name (Approval Date of Stock Acquisition Rights Offering)	Type and Number of Shares Received When Exercising Acquisition Rights	Issue Price of Stock Acquisition Rights	Exercise Price of the Stock Acquisition Rights	Period to Exercise Each Stock Acquisition Right	Stock Acquisition Rights Held by Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members)
#12 Stock Acquisition Rights (July 31, 2013)	100 shares of common stock	¥435,000	¥1,000	August 20, 2013 to August 19, 2043	61 (1 Director)
#15 Stock Acquisition Rights (July 31, 2014)	100 shares of common stock	¥564,000	¥1,000	August 19, 2014 to August 18, 2044	83 (1 Director)

(Notes)

1. MHI does not grant stock acquisition rights to outside directors or Directors who are serving as Audit and Supervisory Committee Members.
2. The issue prices of stock acquisition rights are the fair values of the rights offering (determined according to the Black-Scholes Options Pricing Model) as of the approval date of these rights offering.

ESTABLISHING A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

RESOLUTIONS OF THE BOARD OF DIRECTORS FOR THE ESTABLISHMENT OF A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

In accordance with the applicable laws and ordinances, MHI has prepared a system to ensure appropriate operations by resolution of the Board of Directors. We promote fair and solid management. The content of the resolution is as follows:

1. Matters regarding Directors and employees who are assigned to support duties of the Audit and Supervisory Committee
   For the purpose of supporting the duties of the Audit and Supervisory Committee, MHI shall establish the Audit and Supervisory Committee's Office with dedicated employees to assist the smooth performance of its duties. MHI will not appoint any Director who is assigned to support duties of the Audit and Supervisory Committee.

2. Matters regarding independence of employees in 1. above from Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and to ensure the effectiveness of instructions by the Audit and Supervisory Committee to employees
   The staff of the Audit and Supervisory Committee's Office shall be assigned to said office on an exclusive basis. They shall not receive any instructions or orders from Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and shall obey the instructions and orders of the Audit and Supervisory Committee. Any personnel transfers and evaluation of said staff shall be subject to the consent of the Audit and Supervisory Committee to ensure the independence of them from the departments engaging in business execution and the effectiveness of instructions by the Audit and Supervisory Committee to them.

3. System for reporting to the Audit and Supervisory Committee by Directors and employees and other systems for reporting to the Audit and Supervisory Committee
   (1) Directors, etc. of MHI shall implement arrangements concerning reporting to and communication with the Audit and Supervisory Committee (or the Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee; the same shall apply hereinafter) including reporting matters concerning MHI Group companies. In addition, Directors, etc. of MHI shall ensure adequate mutual understanding through regular exchange of opinions and make reports upon request of the Audit and Supervisory Committee.
   (2) Directors, etc. of MHI Group companies shall carry out reporting to and communication with the Audit and Supervisory Committee in accordance with the operational procedures prescribed in Item 12 and make reports upon request of the Audit and Supervisory Committee.
   (3) The department in charge of the whistleblower system shall report the matters reported to it through the whistleblower system and other compliance-related matters reported to it to the Audit and Supervisory Committee.

4. System to ensure that the person who made a report in 3. above shall not be subject to any unfavorable treatment for reason of having made such report
   It shall be prescribed in company regulations that a person who made a report through the whistleblower system shall not be treated disadvantageously in any way on the grounds of such report and this rule shall be internally informed and appropriately operated.

5. Matters concerning the policy on the treatment of expenses or debts arising in the course of the execution of duties of Audit and Supervisory Committee Members including the procedure for advance payment and reimbursement of expenses arising in the course of the execution of said duties
   A certain amount of annual budget shall be secured for the payment of expenses arising in the course of the execution of duties of Audit and Supervisory Committee Members based on the request of the Audit and Supervisory Committee. If the payment of other expenses is requested by an Audit and Supervisory Committee Member, it shall be handled appropriately pursuant to Article 399-2, paragraph (4) of the Companies Act.

6. Other systems to ensure effectiveness of audits by the Audit and Supervisory Committee
   Consideration to ensure the effectiveness of audits shall be given to any exchange of opinions with internal departments concerned, financial auditor, etc., information gathering and research that are conducted by the Audit and Supervisory Committee.

7. System to ensure that the Directors' execution of their duties is in compliance with laws and ordinances and MHI's Articles of Incorporation
   (1) Directors shall lead by example in realizing MHI's fundamental principle of fair and honest business activities that comply with all laws and ordinances and emphasize social norms and business ethics.
   (2) The Board of Directors shall fully discuss all matters raised and reported by Directors and oversight MHI's operations from the perspectives of sound and efficient management. The views of outside officers shall be employed to introduce greater objectivity and enhance the effectiveness of oversight.

8. System to store and manage information related to the Directors' execution of their duties
   (1) Principle matters related to the management of documents shall be specified in company regulations, and information related to the Directors' execution of their duties shall be appropriately recorded, stored and managed.
   (2) Directors (including Audit and Supervisory Committee Members) shall be given access to such information at any time where it is deemed necessary to supervise and audit actions by Directors.

9. Regulations and other systems to manage risk of loss
   (1) Systems designed to manage each type of risk shall be implemented and responsibilities shall be clearly defined to ensure the appropriate management of risk.
   (2) Risk shall be regularly evaluated and analyzed and necessary avoidance or mitigating measures taken; internal audits shall monitor the effectiveness and appropriateness of these measures and reports shall be regularly submitted to the Board of Directors and Audit and Supervisory Committee.
   (3) To prepare for cases where significant risk may materialize, MHI shall ensure the means to immediately communicate information to senior management to respond promptly and accurately to emergency situations; individuals responsible for crisis management shall also be appointed in each business division.

10. System to ensure that Directors execute their duties efficiently
   (1) The Board of Directors shall formulate business plans and establish companywide management policy and objectives; business execution, led by the President, shall be conducted with the aim of achieving these objectives.
   (2) MHI's organizational structure, division of duties, and lines of authority shall be specified in company regulations to ensure steps to achieve management objectives are conducted efficiently.

11. System to ensure that the duties and actions of employees comply with laws and ordinances and MHI's Articles of Incorporation
   (1) MHI shall create a framework comprising the Compliance Committee and other bodies to raise awareness of compliance among employees by formulating a code of conduct, implementing various training programs and taking other steps.
   (2) MHI shall establish a whistleblower system and other mechanisms to enhance the effectiveness of compliance, conduct internal audits of the compliance framework, and report the results to the Board of Directors and Audit and Supervisory Committee.

12. System to ensure appropriate business activities of MHI Group
   (1) Each MHI Group company shall operate autonomously as an independent enterprise and its president shall be responsible for the management of the company. At the same time, in order to ensure that the MHI Group as a whole is operated soundly and efficiently and in a manner to contribute to the improvement of its consolidated financial performance, MHI shall support and provide guidance to MHI Group companies by establishing the division of management responsibilities between MHI and Group companies and operational procedures stipulating, among others, matters that should be requested or reported by Group companies to MHI.
   (2) In order to ensure that the MHI Group as a whole is operated appropriately and various risks existing within the MHI Group as a whole are managed appropriately, various measures concerning compliance and risk management shall be promoted on a group-wide basis and each company shall put in place an internal control system that is appropriate for its size and characteristics. The operating status of these internal control systems shall be audited by the department of MHI responsible for their management.
   (3) MHI and MHI group companies shall ensure the accuracy of their respective financial information, and arrange the organization, company regulations and other matters required for the preparation and disclosure of reliable financial reports.

SUMMARY OF THE OPERATION STATUS OF A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

The operation status of a framework for ensuring appropriate business conduct for FY2021 is as summarized below.

1. Initiatives to ensure the effectiveness of audits by the Audit and Supervisory Committee

- Based on company regulations, MHI has established the Audit and Supervisory Committee's Office with the staff assigned on an exclusive basis to support the audit activities of the Audit and Supervisory Committee. It is also prescribed in the same company regulations that the independence of the exclusively assigned staff from the departments engaging in business execution shall be secured.
- A budget necessary for audit activities is appropriately secured based on the request of the Audit and Supervisory Committee and expenses, etc. are paid from the budget.
- MHI responds appropriately to any requests of Full-time Audit and Supervisory Committee Members received in advance for the attendance at an important meeting and the provision of documents. In addition, any projects that are important from the audit perspective, etc. are reported to Full-time Audit and Supervisory Committee Members or the Audit and Supervisory Committee on an individual basis.
- On a regular basis, information is shared among Full-time Audit and Supervisory Committee Members, officers of execution of business department and the internal auditing department. In addition, the Audit and Supervisory Committee regularly and whenever necessary exchanges opinions with financial auditor.

- All matters that have been reported through the whistleblower system are reported to Full-time Audit and Supervisory Committee Members. It is prescribed in company regulations that a person who made a report through the whistleblower system shall not be treated disadvantageously in any way on the grounds of such report and this rule is internally informed and strictly enforced.

2. Initiatives to ensure legal compliance in the execution of duties by Directors and employees and the appropriateness of decision-making processes
    - Regarding compliance, MHI established the “Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd.” and the “MHI Group Global Code of Conduct,” which applies to all officers and employees of the MHI Group both in Japan and overseas. MHI also strives to conduct several activities including regular Compliance Committee meetings, the establishment of various company regulations, the provision of messages from management about thorough legal compliance, the provision of education to promote legal compliance, and internal audits that take into consideration the issues of each department subject to audit.
    - In FY2021, 14 meetings of the Board of Directors were held to thoroughly deliberate on each agenda, including compliance measures. In addition, the Nomination and Remuneration Meetings consisting of outside directors, the Chairman of the Board and the President and CEO and the meetings consisting of independent outside directors were held to hear broadly the opinions of outside directors particularly on matters related to corporate governance as the initiatives to increase the soundness and transparency of the management of MHI.

3. Initiatives concerning the preservation and management of information about the execution of duties by Directors
    - The minutes of the Board of Directors and other information about the execution of duties by Directors are appropriately recorded in accordance with company regulations and managed in a manner to make them available for inspection any time upon request of a Director. In addition, appropriate measures have been taken to prevent information leakage, loss, etc. and checks on these measures are regularly conducted.

4. Initiatives concerning the management of risk of loss
    - MHI practices portfolio management based on the strategic business assessment system to allocate management resources as appropriate to the business.
    - In addition to conducting initial screening and monitoring of project negotiations, the dedicated organization for risk management concerning the businesses addresses major risks that are identified, and works with related departments to take appropriate action towards problem resolution.
    - For investments, the related departments control and manage the evaluation and execution processes and conduct initial screening and monitoring.
    - For business risk management, MHI holds business risk management committee meetings based on the rules governing business risk management systems and processes, and checks and discusses the framework of the business risk management, progress of measures to strengthen the business risk management, and so on. Furthermore, MHI continuously holds discussion meetings for sharing information and having discussion about economic security.
    - To respond to the spread of novel coronavirus, MHI has established a response headquarters headed by the President and CEO in accordance with internal regulations, and is carrying out various measures.

5. Initiatives to ensure the efficiency of the execution of duties by Directors

- Business plans, which set forth group-wide management policies and targets, are developed by the Board of Directors. Under the business execution framework headed by President and CEO, MHI strives to achieve the targets set forth in the plans and the progress status is regularly reported at the meetings of the Board of Directors.
- Part of decisions on important business execution has been delegated to President and CEO pursuant to the provisions of the Articles of Incorporation. In addition, criteria for matters that should be deliberated by the Board of Directors have been prescribed in the Bylaws of the Board of Directors to improve the efficiency and agility of the execution of duties by Directors.

6. Initiatives to ensure appropriate business conduct of an enterprise group

- Company regulations on the system to define the management responsibilities for MHI Group companies and other relevant matters have been established and important management matters within Group companies are reported to MHI.
- Each MHI Group company is also included in initiatives for the abovementioned "2. Initiatives to ensure legal compliance in the execution of duties by Directors and employees and the appropriateness of decision-making processes" and "4. Initiatives concerning the management of risk of loss."

(End)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of Apr. 1 ,2021	**265,608**	**47,265**	**(4,452)**	**952,528**	**105,393**	**1,366,342**	**73,047**	**1,439,390**
Profit				113,541		113,541	12,113	125,654
Other comprehensive income (loss)					135,349	135,349	7,536	142,886
Comprehensive income (loss)	-	-	-	**113,541**	**135,349**	**248,891**	**19,649**	**268,540**
Transfer to retained earnings				67,792	(67,792)	-		-
Purchase of treasury shares			(2,550)			(2,550)		(2,550)
Disposal of treasury shares		25	142			167		167
Dividends				(40,313)		(40,313)	(7,880)	(48,194)
Transactions with non-controlling Interests		(1,682)			(221)	(1,904)	69	(1,834)
Other		(545)	914	5,610		5,978	1,032	7,011
Total transactions with owners	**-**	**(2,203)**	**(1,494)**	**(34,703)**	**(221)**	**(38,622)**	**(6,778)**	**(45,401)**
Balance as of Mar. 31 ,2022	**265,608**	**45,061**	**(5,946)**	**1,099,158**	**172,728**	**1,576,611**	**85,918**	**1,662,529**

(REFERENCE)
CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Yen)

	FY2021 (From Apr. 1, 2021 to Mar. 31, 2022)	FY2020 (From Apr. 1, 2020 to Mar. 31, 2021)
Cash flows from operating activities:		
Profit before income taxes	173,684	49,355
Depreciation, amortization and impairment loss	135,787	238,258
Finance income and costs	1,645	(5,369)
Share of profit of investments accounted for using the equity method	(16,861)	(15,158)
Loss (gain) on sale of shares of subsidiaries and affiliates	-	(83,041)
Loss (gain) on sale of property, plant and equipment (“PPE”), and intangible assets	(37,532)	(45,570)
Loss on disposal of PPE, and intangible assets	5,328	6,912
Decrease (increase) in trade receivables	(51,031)	(27,739)
Decrease (increase) in contract assets	(58,722)	4,308
Decrease (increase) in inventories and advanced payments	(89,963)	57,222
Increase (decrease) in trade payables	73,101	(68,731)
Increase (decrease) in contract liabilities	132,985	(124,703)
Increase (decrease) in provisions	(1,120)	(11,011)
Increase (decrease) in retirement benefit liabilities	21,969	3,496
Others	(20,527)	5,094
Subtotal	268,744	(16,677)
Interest received	5,537	5,407
Dividends received	23,627	14,968
Interest paid	(10,559)	(9,543)
Income taxes paid	(1,786)	(89,102)
Net cash provided by (used in) operating activities	**285,563**	**(94,948)**
Cash flows from investing activities:		
Payments into time deposits	(14,033)	(9,244)
Proceeds from withdrawal of time deposits	9,677	13,161
Purchases of PPE and intangible assets	(129,256)	(146,212)
Proceeds from sales of PPE and intangible assets	51,744	43,956
Purchases of investments (including investments accounted for using the equity method)	(11,193)	(15,796)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	99,214	12,521
Payments for sale of businesses(including subsidiaries)	(1,258)	(1,696)
Proceeds from sale of businesses(including subsidiaries)	11,756	987
Payments for acquisition of businesses(including subsidiaries)	-	(71,082)
Proceeds from acquisition of businesses(including subsidiaries)	4,799	-
Net decrease (increase) in short-term loans	1,660	708
Disbursement of long-term loans	(60)	(8,482)
Collection of long-term loans	204	222
Payments for derivative transactions	(20,754)	(3,658)
Proceeds from derivative transactions	15,490	4,625
Others	(1,683)	(2,260)
Net cash provided by (used in) investing activities	**16,306**	**(182,249)**
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(182,326)	96,778
Proceeds from long-term borrowings	22,330	212,500
Repayment of long-term borrowings	(31,338)	(58,146)
Proceeds from issuance of bonds	55,000	65,000
Payment for redemption of bonds	(45,000)	(10,000)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(2,000)	(22,549)
Payments for acquisition of treasury stock	(2,550)	(5)
Dividends paid to owners of the parent	(40,224)	(25,667)
Dividends paid to non-controlling interests	(5,501)	(5,144)
Proceeds from factoring agreements	140,608	139,315
Repayment of liabilities under factoring agreements	(133,226)	(145,045)
Repayment of lease liabilities	(28,154)	(22,667)
Others	(3,389)	(2,627)
Net cash provided by (used in) financing activities	**(255,774)**	**221,737**
Effect of exchange rate changes on cash and cash equivalents	**22,740**	**19,255**
Net increase (decrease) in cash and cash equivalents	**68,836**	**(36,205)**
Cash and cash equivalents at beginning of the year	**245,421**	**281,626**
Cash and cash equivalents at end of the year	**314,257**	**245,421**

Notes to the Consolidated Financial Statements

Basis of Preparation of Consolidated Financial Statements

1. Accounting standard applied to consolidated financial statements

   The accompanying consolidated financial statements of the Mitsubishi Heavy Industries Group (the "Group"), which consists of Mitsubishi Heavy Industries, Ltd. ("MHI") and its consolidated subsidiaries ("Subsidiaries"), have been prepared in accordance with Rules of Corporate Accounting Article 120 (1), based on International Financial Reporting Standards ("IFRS"). Some disclosures articles required under IFRS have been omitted as stipulated in the latter part of Article 120 (1).

2. Scope of consolidation

   Number of consolidated subsidiaries: 256

   Principal consolidated subsidiaries are described in "OVERVIEW OF MHI GROUP 9. OUTLINES OF MAIN SUBSIDIARIES" of the business report.

3. Application of the equity method

   Number of affiliated companies accounted for using the equity method: 33

   Principal affiliated companies accounted for using the equity method:

   FRAMATOME S.A.S.

   Note1: The Group classified MITSUBISHI MAHINDRA AGRICULTURAL MACHINERY CO., LTD as an affiliated company accounted for using the equity method even though MHI owns the majority of voting rights, when considering the percentage of holdings (including preferred stocks) and the contents of shareholders' agreement.

   Note2: The Group classified FRAMATOME S.A.S as an affiliated company accounted for using the equity method even though MHI owns less than 20% of the voting rights as significant influence over the company is held when considering the member of officers of FRAMATOME S.A.S.

4. Accounting Policies

   (1) Financial instruments

   Financial instruments are recognized on the date when the Group becomes a contracting party to the financial instruments. Financial assets purchased in the common ways are recognized on the transaction date.

   a) Non-derivative financial assets

   Non-derivative financial assets which are classified as debt instruments are measured at amortized cost since all these instruments satisfy both of the following conditions:

   · The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

   · The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

   Equity instruments are measured at fair value.

   Non-derivative financial assets are measured at fair value plus transaction costs at initial recognition, unless the assets are measured at fair value through profit or loss. However, trade receivables that do not contain a significant financing component are initially measured at the transaction price.

   For financial assets measured at fair value, except for equity instruments held for trading that must be measured at fair value through profit or loss (FVTPL), the Group determines, for each equity instrument, whether the instrument is measured at FVTPL or if it irrevocably designates the instrument as measured at fair value through other comprehensive income (FVTOCI).

   For assets designated as financial assets at FVTOCI at initial recognition, any changes in fair value after the initial recognition are recognized as other comprehensive income. If a financial asset at FVTOCI is derecognized, or the fair value decreases significantly, the amount

accumulated in other components of equity is transferred to retained earnings. Dividends from financial assets at FVTOCI are recognized as profit or loss in principle.
When the contractual right to cash flows from a financial asset expires or the Group transfers a financial asset and substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognized.

b) Non-derivative financial liabilities
Non-derivative financial liabilities are classified as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are measured at fair value less transaction costs at initial recognition.
After initial recognition, such liabilities are measured at amortized cost using the effective interest method.
When the obligation specified in the contract for a non-derivative financial liability is discharged, canceled or expires, the non-derivative financial liability is derecognized.

c) Derivative transactions and hedge accounting
The Group uses derivative instruments including forward exchange contracts, currency swap contracts, interest rate swap contracts and forward contracts to hedge foreign currency risks, interest rate risks and commodity price risks.
Derivative transactions are initially recognized at fair value on the date when the Group becomes a party to the contract, and related transaction costs are expensed as incurred. After the initial recognition, they are measured at fair value with changes in the fair value recognized in profit or loss, unless they are designated as the hedging instrument in a cash flow hedge.
When applying hedge accounting, the Group formally designates and documents the hedging relationship and the risk management objective and strategy at the inception of a hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and the methods of assessing hedge effectiveness. The Group assesses whether the hedging relationship is effective prospectively on an ongoing basis.
The Group applies the following accounting treatment for derivative transactions that meet the requirements for hedge accounting.

(i) Fair value hedge
Changes in the fair value of derivative transactions that are designated as fair value hedges are recognized in profit or loss together with changes in the fair value of the hedged assets or liabilities that correspond to the hedged risk.
When derivative transactions are designated as the hedging instrument for equity instruments that are designated as financial assets measured at FVTOCI, changes in the fair value of the hedging instrument and hedged assets are recognized in other comprehensive income.

(ii) Cash flow hedge
When a derivative transaction is designated as the hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized as other comprehensive income and the ineffectiveness is recognized immediately as profit or loss.
When applying a cash flow hedge to a currency swap contract, the Group designates the portion other than the currency basis spread as the hedging instrument and treats the currency basis spread as costs of hedging, and recognizes changes in its fair value in other components of equity through other comprehensive income.

The cash flow hedge accumulated in other components of equity is transferred to profit or loss in the same period during which cash flows of the hedged item affect profit or loss. However, when the hedged item is associated with acquisition of a non-financial asset, such an amount is accounted for as an adjustment to the initial acquisition cost of the non-financial asset.
When the Group recognizes the costs of hedging for a derivative transaction entered into in order to hedge a time-period related hedged item, it transfers the cumulative costs of hedging accumulated in other components of equity to profit or loss on a systematic and rational basis over the period during which the hedge adjustment from the hedging instrument could affect profit or loss.

When a forecast transaction is no longer highly probable to occur, hedge accounting is discontinued. When the forecast transaction is no longer expected to occur, the amount accumulated in other components of equity is transferred to profit or loss.

d) Impairment of financial assets

For financial assets measured at amortized cost, the Group determines, at the end of each reporting period, whether credit risk on the asset has increased significantly since initial recognition. If the credit risk has increased significantly, a loss allowance at an amount equal to lifetime expected credit losses is recognized. If no significant increase in the credit risk is identified, a loss allowance at an amount equal to 12-month expected credit losses is recognized. However, for trade receivables and contract assets, loss allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since the initial recognition.

Evidence indicating a significant increase in credit risk includes default or delinquency by a debtor, extension of the due date provided by the Group for a debtor on terms that the Group would not implement under other circumstances, and indications that a debtor or issuer will enter bankruptcy. Provision of loss allowance is recognized in profit or loss.

(2) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is the amount including costs of purchase, costs of conversion and all costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell.

The inventory valuation method is as follows:

Merchandise and finished goods: principally weighted average method
Work in process: principally specific identification method
Raw materials and supplies: principally weighted average method

(3) PPE

PPE are presented at cost less accumulated depreciation and impairment losses, using the cost model. Cost includes any costs directly attributable to the acquisition of assets, dismantling costs, removal costs, and restoration costs for the site where the PPE have been located.

Except for assets that are not depreciated, such as land, PPE are depreciated using the straight-line method over the estimated useful lives.

The estimated useful lives of major PPE are as follows:

Buildings and structures: 2 to 60 years
Machinery and vehicles: 2 to 20 years
Tools, furniture and fixtures: 2 to 20 years

The depreciation method, estimated useful lives and residual value are reviewed at the end of the fiscal year and revised where necessary.

(4) Intangible assets

Intangible assets are presented at cost less accumulated amortization and impairment losses, using the cost model. Intangible assets are amortized over the estimated useful lives using the straight-line method. The estimated useful lives of major intangible assets are as follows:

Software: 3 to 10 years
Technologies recognized through business combination: 7 to 25 years
Customer relationship recognized through business combination: 2 to 25 years
Other: 3 to 15 years

Intangible assets with indefinite useful lives are presented at cost less accumulated impairment losses.

Expenses incurred with respect to development activities of the Group are capitalized only when it can be proved that the expenses satisfy all the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.

· The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
· Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenses that do not satisfy the above requirements for capitalization and expenditures on research activities are expensed as incurred. The amortization method, estimated useful lives and residual value are reviewed at the end of the fiscal year and revised where necessary.

(5) Leases

a) Leases as lessor

Leases in which substantially all the risks and rewards of ownership of the asset are transferred to the lessee under the contract are classified as finance leases. Leases other than finance leases are classified as operating leases.

With regard to the amount received from lessees under finance leases, the net investment in leases is recorded as “trade and other receivables,” and unearned finance income is allocated to the net investment at a constant rate over the lease term and recognized in the fiscal year to which the profit is attributed. Lease revenues under operating leases are recognized on a straight-line basis over the lease term.

b) Leases as lessee

For leases as lessee, the Group recognizes assets and liabilities under an on-balance sheet accounting model. Under this model, leases are recognized as a right-of-use asset representing the Group’s right to use the underlying leased asset and as a lease liability representing the Group’s obligation to make lease payments for all leases at the lease commencement date. The Group measures right-of-use assets and lease liabilities as follows:

For short-term leases with a lease term of 12 months or less and leases of low value, however, the Group has elected to apply to the recognition exemption.

· Right-of-use assets

Right-of-use assets are measured at cost, which mainly comprises the amount of the initial measurement of the lease liability adjusted for any initial direct costs incurred and any prepaid lease payments made at or before the commencement date. After initial recognition, right-of-use assets are measured, at cost less any accumulated depreciation and any accumulated impairment losses, using the cost model.

Right-of-use assets are depreciated on a straight-line basis over the period until the earlier of the end of the useful life or the end of the lease term.

· Lease liabilities

Lease liabilities are initially recognized at the lease commencement date and are measured at the present value of the lease payments that are not paid at that date. To calculate the present value, the interest rate implicit in the lease is used as the discount rate. If that rate cannot be readily determined, the Group’s incremental borrowing rate is used. Lease liabilities are remeasured, if each lease contract contains an option to purchase the underlying asset or an option to extend or terminate the lease and there is a change in possibilities to exercise such options.

The Group presents “right-of-use assets” separately from other assets and “lease liabilities” in “bonds, borrowings and other financial liabilities” in the consolidated statement of financial position.

(6) Impairment of non-financial assets

With regard to PPE and intangible assets, the Group determines, at the end of the reporting period, whether or not there is any indication of impairment. If any such indication exists, the Group performs an impairment test by estimating the recoverable amount of the asset. With regard to goodwill and intangible assets with indefinite useful lives, the Group periodically conducts an impairment test once a year or whenever there is any indication of impairment.

The recoverable amount is the higher of the fair value less costs of disposal of the asset or cash-generating unit, or its value in use. Value in use is determined as the present value of future cash flows that are expected to arise from the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. When the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is determined. If the recoverable amount of an asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount.

For non-financial assets for which an impairment loss was recognized, except for goodwill, the Group reassesses the possibility that the impairment loss will be reversed at the end of the reporting period.

(7) Provisions

The Group recognizes a provision when there is a present legal or constructive obligation arising from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. In doing so, if the period up to the settlement of the obligation is expected to be a long term and the time value of money is material, a provision is measured based on the present value of expenditure expected at the time of settlement.

If some or all of the expenditure required for the Group to settle the provisions is expected to be reimbursed, the reimbursement is recognized as a separate asset only when it is virtually certain that the Group will receive the reimbursement.

If provisions and external reimbursements are recognized in the same reporting period, these amounts are presented on a net basis in the consolidated statement of profit or loss.

(8) Post-employment benefits

The Group has adopted lump-sum payment on retirement and pension plans as post-employment benefit plans for employees. These plans are roughly classified as defined benefit plans or defined contribution plans. Accounting policies for respective plans are as follows.

a) Defined benefit plans

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year. The amount used to settle the obligations less fair value of plan assets is recognized as defined benefit liability (asset). The asset ceiling in this calculation is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of defined benefit obligations is calculated using the projected unit credit method, and the discount rate is determined by reference to the market yield on high quality corporate bonds at the end of the fiscal year corresponding to the estimated timing for future benefit payments.

Service cost and net interest cost on net defined benefit liability (asset) are recognized as profit or loss, and remeasurement of defined benefit liability (asset) is recognized as other comprehensive income and immediately transferred to retained earnings.

b) Defined contribution plans

Contributions for retirement benefits under defined contribution plans are recognized as expenses in profit or loss as the related service is provided.

(9) Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration of acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed and equity securities issued by the Group in exchange for control of the acquiree. Transaction costs directly attributable to acquisition are accounted for as expenses when they are incurred. Identifiable assets and liabilities of the acquired entity are recognized at their fair value on the acquisition date.

Goodwill is measured at the fair value of consideration for the acquisition of the acquired entity measured on the acquisition date less the net recognized amount of identifiable assets acquired and liabilities assumed on the acquisition date (usually, fair value). If the fair value of consideration for the acquisition is lower than the net recognized amount of assets acquired and liabilities assumed, the difference is recognized as profit. In the business combination, when consideration for the

business combination transferred from the Group includes assets or liabilities arising from a contingent consideration arrangement, the contingent consideration is measured at fair value on the acquisition date and included as part of the above consideration for acquisition.
For the measurement of non-controlling interests, the method based on the proportionate share of non-controlling interests in the acquired entity's identifiable net assets is employed principally.

(10) Foreign currency translation

Foreign currency transactions are translated into the functional currencies of MHI Group companies at the exchange rates at the dates of the transactions or an approximation of the rate.
Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the exchange rates at the end of the reporting period.
Exchange differences arising from translation or settlement are recognized as profit or loss. On the other hand, exchange differences arising from financial assets at FVTOCI are recognized as other comprehensive income.
Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rates at the end of the reporting period, whereas revenue and expenses are translated using the average exchange rate during the period unless there is significant fluctuation in the exchange rates.
Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. At the time of disposal of a foreign operation, cumulative exchange differences recognized in other comprehensive income are transferred to profit or loss.

(11) Revenue

The Group recognizes revenue at an amount that reflects consideration to which the Group expects to be entitled in exchange for the transfer of goods or services to customers based on the following five-step approach, except for interest and dividend income, etc. which are accounted for under IFRS 9.

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized to the extent that an inflow of economic benefits to the Group is probable and its amount can be measured reliably, regardless of the timing of receiving the payment, and measured at a fair value of the consideration received or receivable after taxes in light of contractual payment terms.
Of incremental costs of obtaining contracts with customers and fulfillment costs directly related to contracts, the portion that is expected to be recoverable is recognized as assets and is regularly amortized over the transfer of related goods or services to customers. Incremental costs of obtaining contracts with customers are costs that would not be incurred if the contract is not obtained.
Requirements for revenue recognition of the Group are as follows.

a) Sale of products

For this transaction, the Group typically recognizes revenue at the time of the delivery of the goods, as the performance obligations in the contracts with customers are principally considered to be satisfied at the time that the products are delivered and control of the relevant goods is transferred to the customer.
Revenue from the sale of goods is measured at an amount of consideration promised in the contract with the customer less sales returns, discounts, rebates, and taxes collected on behalf of third parties and others.

b) Rendering of services and construction contracts

For these transactions, as control of the contracted goods or services is considered as being transferred to the customer over a certain period as set forth in the contract, the Group estimates the total revenue from each contract, measures the progress toward the complete satisfaction of the performance obligation in the contract with the customer, and recognizes the corresponding revenue.

Progress is measured using a method that depicts satisfaction of the performance obligation, and is principally estimated based on the proportion of costs incurred to satisfy the performance obligation against the total expected costs of satisfying the performance obligation.

(12) Profit from business activities

"Profit from business activities" on the consolidated statement of profit or loss is presented as a measure that enables continuous comparison and assessment of the Group's business performance. "Profit from business activities" is calculated by subtracting "cost of sales", "selling, general and administrative expenses" and "other expenses" from "revenue" and adding "share of profit of investments accounted for using the equity method" and "other income" to the resulting amount. "Other income" and "other expenses" consist of dividend income, gains or losses on the sales of Non-current assets, impairment losses on Non-current assets, and others. Dividend income from shares and investments in capital held by the Group, where the investment is held by the Group over the long term due to business operation requirements, such as collaborating with other companies, is included in profit from business activities as the results of the business. Dividend income is recognized when the Group's right to receive the dividend income is established.

(13) Finance income and costs

"Finance income" and "finance costs" consist of interest income, interest expenses, foreign exchange gains or losses, gains or losses on derivatives (except for gains or losses recognized in other comprehensive income) and others. Interest income and expenses are recognized using the effective interest method when they arise.

(14) Income taxes

Income taxes consist of current taxes and deferred taxes. Except for income taxes related to the initial recognition of business combinations and those which are recognized directly in equity or other comprehensive income, income taxes are recognized as profit or loss.

Current taxes are measured as the amount that is expected to be paid to or refunded from tax authorities. The amount of these taxes is calculated based on tax rates and tax laws that are enacted or substantively enacted at the end of the reporting period.

Deferred taxes are recognized in relation to temporary differences arising from differences between the carrying amounts of assets and liabilities for accounting purposes and the related carrying amounts for tax purposes, unused tax losses and unused tax credits. Based on management plans taking into account tax implications and others, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences in principle. However, taxable temporary differences relating to investments in subsidiaries, affiliates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future. With regard to taxable temporary differences arising from the initial recognition of goodwill, deferred tax liabilities are also not recognized.

Deferred tax assets are reviewed at the end of each reporting period, and a reduction is made for the portion for which it is probable that taxable profits sufficient to utilize all or part of the deferred tax assets will not be available. On the other hand, unrecognized deferred tax assets are also reassessed at the end of each reporting period, and such deferred tax assets are recognized to the extent that the assets are recoverable if it becomes probable that the assets will be recovered due to future taxable profits.

Deferred tax assets and liabilities are measured based on tax rates and tax laws that are enacted or substantively enacted by the end of the reporting period and are anticipated to be applied in the period when the temporary difference is expected to be reversed.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and related taxes are levied by the same tax authority on the same taxable entity.

With regard to uncertain tax position of income taxes, a reasonably estimated amount is recognized as asset or liability when it is probable to pay or refund income taxes based on interpretations for the purpose of tax law.

Notes on Changes in Presentation

The Group presents independently “Payments into time deposits”, “Proceeds from withdrawal of time deposits”, “Payments for sale of businesses(including subsidiaries)”, “Payments for derivative transactions” and “Proceeds from derivative transactions” because of increased materiality in the fiscal year ended March 31,2022, while presenting these in “Others” of “Cash flows from investing activities” in the fiscal year ended March 31,2021.
Consequently, in the consolidated statement of cash flows, 1,138 million yen presented as the “Other” of “Cash flows from investing activities” are recalculated into “Payments into time deposits” 9,244 million yen, “Proceeds from withdrawal of time deposits” 13,161 million yen, “Payments for sale of businesses(including subsidiaries)” 1,696 million yen, “Payments for derivative transactions” 3,658 million yen, “Proceeds from derivative transactions” 4,625 million yen and “Other” 2,260 million yen.
In the same manner, we present independently “Payments for acquisition of treasury stock” because of increased materiality in the fiscal year ended March 31,2022, while presenting it in “Others” of “Cash flows from financing activities” in the fiscal year ended March 31,2021.

Notes on Accounting Estimates

Items whose amounts were recorded in the consolidated financial statements for the fiscal year ended March 31, 2022, based on accounting estimates, and that could have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2023, are as follows.

1. Recoverable amount of non-financial assets
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022:

     Non-financial assets: ¥ 1,098,289 million
   - Other information that contributes to users of the consolidated financial statements to understand the content of accounting estimates：

     For details, refer to Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (6) Impairment of non-financial assets.

2. Provisions
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022:

     Provisions: ¥ 265,803 million
   - Other information that contributes to users of the consolidated financial statements to understand the content of accounting estimates：

     For details, refer to Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (7) Provisions.

3. Measurement of defined benefit obligations
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022:

     Retirement benefit liabilities: ¥ 76,824 million
   - Other information that contributes to users of the consolidated financial statements to understand the content of accounting estimates：

     For details, refer to Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (8) Post-employment benefits.

4. Recognition and measurement of revenue
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022:

     For details, refer to Notes on Revenue Recognition.
   - Other information that contributes to users of the consolidated financial statements to understand the content of accounting estimates：

     For details, refer to Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (11) Revenue.

5. Recoverability of deferred tax assets
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022:

     Deferred tax assets: ¥ 352,261 million
   - Other information that contributes to users of the consolidated financial statements to understand the content of accounting estimates：

     For details, refer to Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (14) Income taxes.

Notes to the Consolidated Statement of Financial Position

1. Pledged assets and related liabilities

   None of borrowings for which collateral was pledged when the loan agreements were entered into as of March 31, 2022.

   The Group converts trade receivables and other receivables into cash pursuant to receivable transfer contracts as a measure of financing. The amounts of trade receivables and contract assets transferred without qualifying for derecognition as of March 31, 2022, were ¥11,071 million, and ¥83,915 million, respectively. Liabilities under factoring agreements (Bonds, borrowings and other financial liabilities) recognized for current and non-current liabilities were ¥41,293 million and ¥53,532 million, respectively.

2. Provision for losses which were directly deducted from the assets.

Trade and other receivables	¥	10,623 million
Other financial assets（current）	¥	1,543 million
Contract assets	¥	663 million
Other financial assets（non-current）	¥	10,471 million

3. Accumulated depreciation of PPE ¥ 2,127,689 million

   The above accumulated depreciation of PPE amounts includes accumulated impairment loss.

4. Guarantee obligations

   The Group mainly guarantees employees' loans from the financial institutions and the performance of obligations by the lessees related to leasing business of aircraft of the CRJ program. The totals of guarantees were ¥ 66,254 million at the end of the fiscal year ended March 31, 2022.

5. Contingent Liabilities

   Contingent liabilities relating to the slowdown of SpaceJet development activities

   Given the destabilization of the civil aviation market, which has been impacted by the global outbreak of the COVID-19 pandemic, MHI announced in October 2020 the slowdown of SpaceJet development activities.

   Therefore, it is difficult to predict the timing for the delivery of the first SpaceJet, and it is possible that additional burdens will arise depending on the results of discussions with customers and other parties concerned, and this could impact the future financial position and operating results.

Notes to the Consolidated Statement of Profit or Loss

(Items which affected profit from business activities in the fiscal year ended March 31, 2022)

Other income

･Gain on sale of Non-current assets

With respect to owned property, such as land, the difference between the carrying amount and the consideration is recorded as income upon reaching an agreement on sale and consideration for sale of Non-current assets to a third party.

Notes to the Consolidated Statement of Changes in Equity

1. Type and number of the shares issued

    Common stock 337,364,781 shares

2. Cash dividends

    (1) Cash dividends paid

Resolution	Type of shares	Total cash dividends paid	Cash dividends per share	Record date	Effective date	Resource of dividends
Jun 29, 2021 Annual General Meeting of Shareholders	Common Stock	¥ 25,262million	¥ 75	Mar 31, 2021	Jun 30, 2021	Retained earnings
Oct 29, 2021 Board of Directors Meeting	Common Stock	¥ 15,158million	¥ 45	Sep 30, 2021	Dec 3, 2021	Retained earnings

Note1: Total cash dividends paid in accordance with the resolution by Ordinary General Meeting of Shareholders held on Jun 29, 2021, include 51 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

Note2: Total cash dividends paid in accordance with the resolution by the Board of Directors meeting held on Oct 29, 2021, include 56 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

(2) Dividends of which the record date is within this fiscal year which take effect in the next fiscal year

Resolution	Type of shares	Total cash dividends to be paid	Cash dividends per share	Record date	Effective date	Resource of dividends
Jun 29, 2022 Annual General Meeting of Shareholders	Common stock	¥ 18,528 million	¥ 55	Mar 31, 2022	Jun 30, 2022	Retained earnings

Note: Total cash dividends to be paid in accordance with the resolution by the ordinary general meeting of shareholders to be held on June 29, 2022, include 64 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

3. Type and number of shares subject to the share subscription rights

    Common stock 160,900shares

Notes on Financial Instruments

1. Condition of financial instruments

The Group is exposed to credit risk, liquidity risk, and market risk (foreign currency risk, interest rate risk and Share price risk) in the course of operating activities and conducts risk management in accordance with certain policies to avoid or reduce these risks.

(1) Credit risk management

The Group's "Trade and other receivables," "Other financial assets," and financial assets measured at amortized cost under "Contract assets" and financial guarantee contracts are exposed to the credit risk of the customers.

The Group regularly manages due dates and balances of receivables from each customer, and assesses their credit status. The Group has accepted collateral with respect to specific transactions with customers to deal with them for the credit enhancement purpose. The Group also tries to reduce the credit risk by utilizing letter of credit, trade insurance, etc. The Group has no excessive credit risk concentrated on a single customer.

The credit risks related to deposits and derivative transactions that the Group has entered into are limited because all transactions entered into are with highly creditworthy financial institutions.

Loss allowances for "Trade and other receivables" and "Contract assets" presented in the Consolidated statement of financial position are always measured at an amount equal to lifetime expected credit losses.

(2) Liquidity risk management

The Group's "bonds, borrowings, and other financial liabilities" and "trade payables and other payables" are exposed to liquidity risk. However, each company of the Group manages the risk by, for example, preparing its cash budget every month.

The Group finances working capital and capital expenditures primarily by using net cash provided by operating activities, and any shortage of funds is covered mainly by borrowings from banks and issuing bonds.

As one of the financing methods, the Group liquidates trade receivables under receivable transfer contracts.

The Group has some unused commitment line agreements with highly creditworthy banks. Some bank loan agreements require the Group to maintain a certain level of specific financial ratios and net assets.

(3) Market risk management

a) Foreign currency risk management

The Group develops its business on a global scale, and is exposed to the risk caused by fluctuations in exchange rates. Foreign currency risk arises from receivables and payables denominated in foreign currencies that are already recognized and forecast transactions such as future purchases and sales.

Based on the natural hedge concept, the Group keeps a balance between receivables and payables in the same currency to hedge the risk in accordance with its basic policy, but enters into forward exchange contracts and currency swap contracts as necessary for some of the receivables and payables and forecast transactions denominated in foreign currencies.

Forward exchange contracts are mainly used to hedge the foreign currency risk on trade receivables and trade payables denominated in foreign currencies. Currency swap contracts, on the other hand, are used to hedge the foreign currency risk on financial liabilities with relatively long repayment terms such as borrowings denominated in foreign currencies.

The Group enters into derivative transactions to the extent corresponding to actual business in accordance with its internal control policy, and does not carry out any speculative transactions. The Group also applies cash flow hedges to some forward exchange contracts and currency swap contracts.

b) Interest rate risk management

The Group has borrowings with variable interest rates, and is exposed to the interest rate risk. The Group enters into derivative transactions (interest rate swaps) for some of long-term borrowings in order to avoid the risk of variability in interest payments and attempt to fix interest expenses. The Group applies hedge accounting to the interest rate swaps, and adopts cash flow hedges.

c) Share price risk management

The Group holds shares in other companies such as its suppliers and other business partners, and is exposed to the risk of changes in share prices. The primary purpose of such investments is to strengthen and maintain relationships with such companies. The Group regularly reviews the status of shareholdings according to the business relationships with its suppliers and other business partners since shares in such companies are held mainly out of the necessity that arises from business operations such as collaboration with other companies.

2. The breakdown of financial instruments by each fair value level

The inputs to valuation techniques used to measure fair value are categorized into either of the following three based on the observability in the market.

Level 1 inputs: Quoted prices in active markets for identical assets or liabilities.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: Inputs that are not based on observable market data.

The following is the breakdown of measurements of assets and liabilities measured at fair value.

(Millions of yen)

	Level1	Level2	Level3	Total
Assets：				
Securities and investments in capital	310,322	―	160,590	470,913
Derivatives	―	20,393	699	21,093
Total	310,322	20,393	161,290	492,006
Liabilities：				
Derivatives	―	12,846	3,117	15,963
Total	―	12,846	3,117	15,963

The fair value of marketable shares and investments in capital is measured at market price. The fair value of non-marketable shares and investments in capital is measured based on market multiples derived from the PBR (price-to-book ratio) of comparable companies. For derivative assets and liabilities, the fair value of forward foreign exchange contracts is determined based on the forward exchange rate at the market as of the end of each reporting period. The fair value of interest rate swaps is determined by discounting the estimated future cash flows to the present value at the interest rate as of the end of each reporting period.

Financial assets measured at fair value are separately presented as “Other financial assets” in both the Current assets and Non-current assets sections of the consolidated statement of financial position. Similarly, financial liabilities measured at fair value are separately presented as “Bonds, borrowings and Other financial liabilities” in both the Current liabilities and Non-current liabilities sections.

MHI determines at the end of each reporting period whether there are transfers between levels of the fair value. There were no such transfers between levels as of the transition date, March 31, 2021, and March 31, 2022.

3. Other financial instruments

The carrying amount and fair value of financial instruments at the end of the current fiscal year are as follows.

	Carrying amount (Millions of yen)	Fair value (Millions of yen)
Financial liabilities:		
Bonds	205,000	204,423
Long-term borrowings	462,609	457,105

For financial assets and liabilities measured at amortized cost that are not included in the above table, liabilities under factoring agreements, and lease receivables, the carrying amount approximates the fair value. In addition, fair values of marketable bonds are based on the market price. Fair values of non-marketable bonds and long-term borrowings are calculated by discounting the expected future cash flows to the present value, based on the interest rate that would be used for borrowings with the same remaining maturity and on the same terms and conditions.

In terms of fair value measurement, bonds are categorized within Level 2, and all others are categorized within Level 3.

Notes on Revenue Recognition

1. Disaggregation of revenue

The Group is composed of four business domains and segments: Energy; Plants & Infrastructure; Logistics, Thermal & Drive and Aircraft, Defense & Space. The operating results of these business domains and segments are regularly reviewed by the Board of Directors of the Company for making decisions about resource allocation and assessing their performance. Therefore, turnover recognized from these businesses is presented as revenue. The Group further disaggregates revenue from contracts with customers for the Aircraft, Defense & Space business domains into "commercial aircraft" and "defense and space equipment" based on the type of markets or customers.

Revenue from external customers*1 (Millions of yen)

	2021
Energy Systems	1,643,374
Plants & Infrastructure Systems	616,983
Logistics, Thermal & Drive Systems	981,265
Aircraft, Defense & Space	
Commercial aircraft	109,176
Defense & space equipment	495,372
Subtotal	604,549
Reporting segments total	3,846,172
Corporate & Eliminations*2	14,110
Total	3,860,283

*1 Most revenue from external customers is revenue recognized from contracts with customers in accordance with IFRS 15, and the amount of revenue recognized from leases and other sources in accordance with IFRS 16 is not material.

*2 "Corporate & Eliminations" includes proceeds from utilizing and disposing of assets and others that are not included in any of the reporting segments.

The Group is engaged in the sales of products, the performance of constructions and the rendering of services in the Energy, Plants & Infrastructure, Logistics, Thermal & Drive and Aircraft, Defense & Space business domains. For details of the revenue recognition in each transaction, refer to Note 4. "Accounting Policies (11) Revenue."

Of these, Energy Systems, Plants & Infrastructure Systems, and Defense and space equipment businesses are engaged in construction work in which performance obligations are satisfied over a long period exceeding one year. The revenue of these three businesses is set forth above. These amounts include revenue recognized over time based on the progress towards completion and determining the total transaction price for each construction contract.

The progress is measured using the method that depicts the satisfaction of performance obligation and is principally estimated based on the proportion of costs incurred to satisfy the performance obligation against the expected total costs of satisfying the performance obligation.

The estimated total revenue and costs are subject to change due to the factors set out below, among others, which could arise from contracts with customers and suppliers. There were certain construction contracts which involved significant management judgment.

(1) Factors that may cause changes in the estimated total revenue

- Claims for damage or other requests by customers arising from delivery delays, the underperformance of the product and other reasons

(2)Factors that may cause changes in the estimated total costs

- Changes in product specifications
- Responses to process delays
- Fluctuations of procurement costs such as materials and parts

· Responses to underperformance
· Events that were not considered in the planning of construction

The consideration of a transaction is received based on the progress for each performance obligation satisfied over time, such as a milestone in the case of a construction contract. The consideration for he sale of goods or rendering of services is received within one year after the performance obligation is satisfied. In either case, the contract does not include a significant financing component. In addition, within consideration from contracts with customers, no significant amounts have been excluded from the transaction price.
Further, the Group provides warranties assuring that a product satisfies specifications as provided in the contract. However, the Group does not identify this warranty as a separate performance obligation because it does not provide a distinct service. For certain products and construction contracts, under which warranties on performance and delivery guarantees are provided, revenue is reduced to the extent a refund liability to customers is deemed to be incurred, as a result of unsatisfied obligations.

2. The breakdown of revenue by geographical market

Revenue from external customers is classified based on their geographical location into a country or region depending on geographical proximity.

Revenue from external customers (Millions of yen)

	2021
Japan	1,887,795
U.S.A	572,912
Asia	672,206
Europe	361,873
Central and South America	107,325
Africa	48,666
Middle East	110,345
Others	99,156
Total	3,860,283

The major countries or regions in the category of the above table are as follows:
(1) Asia... China, Thailand, South Korea, Taiwan, Philippines, India, Bangladesh, Singapore, Indonesia, Hong Kong, Vietnam, Macau, Malaysia
(2) Europe... Germany, United Kingdom, Russia, France, Netherlands, Italy, Poland, Uzbekistan, Spain, Sweden, Belgium, Austria, Hungary, Finland, Greece, Belarus
(3) Central and South America... Mexico, Brazil
(4) Africa... South Africa, Egypt
(5) Middle East... Saudi Arabia, United Arab Emirates, Turkey, Israel, Qatar,
(6) Others... Canada, Australia

3. Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations as of March 31, 2022, and the balance by reporting segment are as follows.

(Millions of yen)

	As of March 31, 2022
Energy Systems	3,114,441
Plants & Infrastructure Systems	1,243,418

Logistics, Thermal & Drive Systems	43,264
Aircraft, Defense & Space	1,087,165
Reporting segments total	5,488,289
Corporate & Eliminations *1	309
Total	5,488,599

*1. "Corporate & Eliminations" includes general services not included in any of the reporting segments.

The transaction amounts allocated to the remaining performance obligations in the three reporting segments, namely Energy Systems, Plants & Infrastructure Systems and Aircraft, Defense & Space, are mainly attributable to the individual made-to-order products business. As such, many of such transactions are for construction contracts that have performance obligations to be satisfied over a long period exceeding one year. On the other hand the transaction amounts allocated to the remaining performance obligations in the Logistics, Thermal & Drive Systems, are mainly attributable to medium-volume production business, and are mainly related to the sale of the products and rendering of the service for which the performance obligation is completed within one year.

The remaining performance obligations for each reporting segment are expected to be satisfied and recognized as revenue within the number of years from the end of each fiscal year as stated below.

- Energy Systems: Within 6 years
- Plants & Infrastructure Systems: Within 4 years
- Logistics, Thermal & Drive Systems: Within 1 year
- Aircraft, Defense & Space: Within 4 years

Per Share Information

Shareholders' equity per share	¥ 4,696.42
Basic income per share	¥ 338.24

Significant Subsequent Events

Not applicable.

Other notes

1. Major lawsuits

   There was a temporary dispute between a consortium composed of MHI and Daewoo Engineering & Construction Co., Ltd. (“the Company, etc.”) and El Sharika El-Djazairia El-Omania Lil Asmida SPA (“AOA”) regarding a chemical fertilizer plant construction contract in Algeria whose orders had been received by the Company, etc., but a settlement was reached in 2017 (the “Settlement Agreement”), and the consortium delivered the plant to AOA. However, AOA subsequently refused to make some of the outstanding payment under the Settlement Agreement. Therefore, the Company, etc. filed for arbitration against AOA and one of its shareholders, Societe Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation desHydrocarbures SPA (“SONATRACH”). In March 2021, the Company, etc. received a counterclaim from AOA which mainly consists of the cancellation of the Settlement Agreement and the refund of the payment already made under the Settlement Agreement. The Company, etc. will assert that there are no reasonable grounds for AOA’s refusal to make the outstanding payment and that the counterclaim should be dismissed.

2. Impact of the spread of the novel coronavirus disease (COVID-19)

   Due to the increase of COVID-19 infections, there has been a decrease in revenue associated with shrinking demand and production adjustments at factories of the Group's commercial aircraft business and medium-volume production business. During the fiscal year ended March 31, 2022, the impact has been incorporated into the valuation of assets and reflected in the financial figures.

   COVID-19 is an event that impacts economic and corporate activities in a wide range of ways, and it is currently difficult to predict how it will spread in the future or when it will end. Therefore, considering external and other information, the Company looked over the impact on the business plan, and made accounting estimates such as the evaluation of assets based on assumptions according to the product’s characteristics and the market environment that the products relate to.

   If this effect is further prolonged, new production adjustments and further reductions in sales to customers may occur, which would affect the financial position and operating results of the Group from the next fiscal year.

   There have been no significant changes since the previous fiscal year ended March 31, 2021, regarding the assumptions which include the future spread of COVID-19 and when the pandemic will be contained.

3. Impact of the international situation involving Ukraine

   Although the Group is being affected by the suspension of Russia-related construction works due to the economic sanctions being imposed on Russia resulting from the situation in Ukraine, the impact on the financial position and operating results of the Group including the valuation of assets, in the fiscal year ended March 31, 2022, is minimal.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Stockholders' equity										
		Capital surplus			Retained earnings						
						Revenue reserve					
	Common stock	Capital reserve	Other capital reserve	Total capital surplus	Legal reserve	Reserve for specified business restructuring investment loss	Reserve for reduction in costs of fixed assets	Reserve for accelerated depreciation	Earned surplus brought forward	Total revenue reserve	**Total retained earnings**
Balance as of Apr. 1, 2021	**265,608**	**203,536**	**2,247**	**205,783**	**66,363**	**19,334**	**63,409**	**477**	**227,673**	**310,895**	**377,259**
Changes in the period											
Reversal of reserve for specified business restructuring investment loss				-		(4,839)			4,839	-	-
Provision of reserve for reduction in costs of fixed assets				-			11,802		(11,802)	-	-
Reversal of reserve for reduction in costs of fixed assets				-			(4,569)		4,569	-	-
Reversal of reserve for accelerated depreciation				-				(269)	269	-	-
Cash dividends				-					(40,421)	(40,421)	(40,421)
Profit (loss)				-					112,742	112,742	112,742
Purchase of treasury stock				-						-	-
Disposal of treasury stock			(192)	(192)						-	-
Net changes in items other than stockholders' equity				-						-	-
Total changes in the period	**-**	**-**	**(192)**	**(192)**	**-**	**(4,839)**	**7,232**	**(269)**	**70,197**	**72,320**	**72,320**
Balance as of March 31, 2022	**265,608**	**203,536**	**2,055**	**205,591**	**66,363**	**14,494**	**70,642**	**207**	**297,871**	**383,216**	**449,579**

	Stockholders' equity		Valuation, translation adjustments and others			**Share subscription rights**	**Total net assets**
	Treasury stock	Total stockholders' equity	Unrealized holding gain (loss) on investment securities	Unrealized gain (loss) from hedging instruments	Total valuation, translation adjustments and others		
Balance as of Apr.1, 2021	**(1,584)**	**847,067**	**70,607**	**(4,878)**	**65,729**	**821**	**913,618**
Changes in the period							
Reversal of reserve for specified business restructuring investment loss		-			-		-
Reversal of reserve for reduction in costs of fixed assets		-			-		-
Reversal of reserve for accelerated depreciation		-			-		-
Cash dividends		(40,421)			-		(40,421)
Profit (loss)		112,742			-		112,742
Purchase of treasury stock	(8)	(8)			-		(8)
Disposal of treasury stock	142	(50)			-		(50)
Net changes in items other than stockholders' equity		-	3,760	1,260	5,020	(166)	4,854
Total changes in the period	**133**	**72,262**	**3,760**	**1,260**	**5,020**	**(166)**	**77,116**
Balance as of March 31, 2022	**(1,450)**	**919,329**	**74,368**	**(3,618)**	**70,750**	**654**	**990,734**

Notes to the Non-Consolidated Financial Statements

Significant Accounting Policies

1. Asset valuation standards and methods
   (1) Securities
   Investments in shares of subsidiaries and affiliates
   …Historical cost method (moving average method).
   Available-for-sale securities
   Securities other than shares that do not have a market value
   …Fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)
   Shares that do not have a market value
   …Historical cost method (moving average method).

   (2) Inventories
   Merchandise and finished products
   …Historical cost method (moving average method).
   (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs).
   Work in process
   …Historical cost method (specific identification method).
   (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs).
   Raw materials and supplies
   …Historical cost method (moving average method).(*)
   (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs).

   *Some standardized steel materials for building new ships are stated at cost determined by the specific identification method. (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs).

2. Depreciation methods for non-current assets
   (1) PPE (excluding leased assets)
   The straight-line method is applied.

   (2) Intangible Assets (excluding leased assets)
   The straight-line method is applied.

   (3) Leased Assets
   The straight-line method (where useful lives are equal to the lease terms and residual values are assumed to be zero) is applied.

3. Allowance and provision
   (1) Allowance for doubtful accounts
   An allowance for doubtful accounts is provided for possible losses on the collection of receivables. The amount of the allowance for general receivables is based on the Historical write-off ratio. As for certain receivables such as the ones from the debtors whose solvency is in doubt, the collectability of each receivable is examined individually, and the estimated unrecoverable amounts are recognized as the allowance.

   (2) Provision for product warranties
   A provision for product warranties is provided for the expenditure of product warranty expenses after the work is performed, and is equal to the estimated amount of future product warranty expenses based on the past experience.

   (3) Provision for construction warranties
   A provision for construction warranties is provided for the expenditure of guarantee work expenses after the construction work is performed, and is equal to the individually estimated

amount of future guarantee expenses.

(4) Provision for loss on construction contracts

A provision for losses on construction contracts is provided for the expected total losses to be realized in the following fiscal years on the construction contracts if (i) those losses are judged to be inevitable at current fiscal year and (ii) the amount of such losses can be reasonably estimated.

With regard to the construction contracts for which this provision is recognized, if the fiscal year-end balances of their work-in-process already exceed their respective total contract revenues at the end of the fiscal years, the exceeding portion is recognized as the loss on devaluation of the work-in-process and, accordingly, is not included in the provision for losses on construction contracts.

(5) Provision for business structure improvement

A provision for business structure improvement is provided for the expenses and losses in association with business structure improvement at an amount expected to be incurred.

(6) Provision for losses on disputes

A provision for losses on disputes is provided for possible losses related to litigation, and is equal to the estimated amount of losses to be incurred.

(7) Provision for stock benefits

A provision for stock benefits is provided in relation to the plan to grant stocks of MHI to officers and executive management personnel through a trust. The estimated value of MHI's stocks corresponding to the Stock Grant Points held by the eligible persons as at the balance sheet date is recognized.

(8) Provision for loss on guarantees

In order to provide for losses due to contingent liabilities such as guarantees for subsidiaries and affiliates and others, MHI records losses for the amount deemed necessary, taking into account the financial position and other factors of the guaranteed parties.

(9) Provision for treatment of PCB (Poly Chlorinated Biphenyl) waste

A Provision for the treatment of PCB waste is provided based on the estimated costs of treating PCB products and equipment.

(10) Provision for environmental measures

A provision for environmental measures is provided for the estimated amount of expenditures to be incurred for the purpose of environmental measures.

(11) Provision for losses on subsidiaries and affiliates

In order to provide for losses related to investments in subsidiaries and affiliates, MHI records the amount deemed necessary, taking into account the financial position and other factors of the companies concerned.

(12) Provision for retirement allowance

A provision for retirement allowance is provided for employees' retirement benefits. The amounts are based on the balances of retirement benefit obligations and estimated pension fund assets (including a retirement benefit trust) at the end of the fiscal year.

When calculating retirement benefit obligations, the benefit formula basis is mainly used to attribute estimated retirement benefits to the period through the end of the current fiscal year. Past service costs are either expensed as incurred or amortized by the straight-line method over a period shorter than the average remaining service period of employees.

Past service costs are expensed as incurred and actuarial gains and losses for each fiscal year are amortized by the straight-line method, starting in the following fiscal year of incurrence, over the average remaining service period of employees.

If pension assets to be recognized at the end of the current fiscal year exceed the amount that the unrecognized actuarial gains or losses are deducted from the retirement benefit obligations, the excess amount shall be recorded in investments and advances as prepaid pension cost.

4. Recognition of revenue and costs

MHI has applied the ”Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018). MHI recognizes revenue at an amount that reflects the consideration to which MHI expects to be entitled in exchange for the transfer of goods or services to customers.

5. Other essential facts in preparing non-consolidated financial statements

(1) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

Regarding the items related to the transition to the Group Tax Sharing System newly established in the “Act Partially Amending the Income Tax Act” (Act No. 8, 2020) and the review of the non-consolidated taxation system in line with the transition, MHI has not applied the provisions of paragraph 44 of the “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), as allowed pursuant to paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are posted in accordance with the provisions of the tax law prior to the amendment.

Notes on Accounting Estimates

Items whose amounts were recorded based on accounting estimates on the non-consolidated financial statements for the fiscal year ended March 31, 2022, and that could have a material impact on the non-consolidated financial statements for the fiscal year ending March 31, 2023, are as follows.

1. Impairment of PPE and intangibles assets
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022:

     Total of PPE and Intangible assets: ¥ 497,258 million
   - Other information that contributes to users of the non-consolidated financial statements to understand the content of accounting estimates :

     With regard to assets (or asset groups) identified any indication of impairment, the amount of undiscounted future cash flows is estimated and compared with the carrying amount of the relevant assets (or asset groups), and if the amount of the undiscounted future cash flow is less than the carrying amount, an impairment loss is recognized.

     An asset group determined for impairment test is the smallest unit that generates cash flows that are largely independent of cash flows from other assets (or asset groups). The undiscounted future cash flows are calculated based on the business plans approved by management, reflecting historical experience and external information and the growth rate. MHI establishes the business plans consist of the key points such as trends of future revenue and the reduction of fixed costs, which would have significant impacts on the projection. These are based on factors considered reasonable by management.

2. Recoverable amount of investment securities and investments in shares of subsidiaries and affiliates
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022:

     Investment securities: ¥ 337,652 million

     Investments in shares of subsidiaries and affiliates: ¥ 688,624 million
   - Other information that contributes to users of the non-consolidated financial statements to understand the content of accounting estimates :

     For securities other than shares that do not have a market value, MHI uses such price as the balance sheet amount. When a significant decline in such price is noted, MHI recognizes the valuation difference as a loss in the current fiscal year, unless it is deemed to be recoverable.

     For shares and other securities without market price, such as investments in non-listed subsidiaries and affiliates, MHI uses the acquisition cost as the balance sheet amount. However, when a significant decline in net asset value is noted due to a deterioration in the financial position of the issuer of the shares, MHI records z an appropriate reduction in the balance sheet amount and recognizes the valuation difference as a loss in the current fiscal year, except for when sufficient evidence supports the possibility of recovery.

     At the end of the fiscal year ended March 31, 2022, the recoverability of the shares of subsidiaries and affiliates for which the net asset value had declined significantly was assessed based on the business plan.

     As a result, it was determined that there was sufficient evidence that the net asset value of the relevant shares would be recoverable, so no revaluation losses have been recognized.

     The business plan includes key factors such as trends of future revenue and reduction of costs.

3. Provisions
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022:

Allowance for doubtful accounts	¥	571,546 million
Provision for product warranties	¥	15,340 million
Provision for construction warranties	¥	28,330 million
Provision for losses on construction contracts	¥	48,946 million
Provision for business structure improvement	¥	10,280 million
Provision for stock benefits	¥	1,613 million
Provision for treatment of PCB waste	¥	2,305 million
Provision for environmental measures	¥	7,088 million
Provision for losses on subsidiaries and affiliates	¥	3,262 million

- Other information that contributes to users of the non-consolidated financial statements to understand the content of accounting estimates：

  For details, refer to Significant Accounting Policies, (3) Allowance and provision.

4. Measurement of defined benefit obligations
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022:

     Prepaid pension cost: ¥ 15,171 million

     Provision for retirement benefits: ¥ 35,726 million
   - Other information that contributes to users of the non-consolidated financial statements to understand the content of accounting estimates：

     The details of estimates are omitted as they are the same as for the Notes to the Consolidated Financial Statements.

5. Recognition and measurement of revenue
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022:

     Sales: ¥ 1,233,413 million
   - Other information that contributes to users of the non-consolidated financial statements to understand the content of accounting estimates：

     The details of estimates are omitted as they are the same as for the Notes to the Consolidated Financial Statements.

6. Recoverability of deferred tax assets
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022:

     Deferred tax assets: ¥ 245,160 million
   - Other information that contributes to users of the non-consolidated financial statements to understand the content of accounting estimates：

     The details of estimates are omitted as they are the same as for the Notes to the Consolidated Financial Statements.

Notes to the Non-Consolidated Balance Sheet

1. Accumulated depreciation

Accumulated depreciation of PPE	¥	1,514,310 million

2. Guarantee obligations

(1) Guarantee obligations on such debts as borrowings from financial institutions

MHI RJ Aviation Inc.	¥	18,691 million
Employees (Residence fund loan, etc.)	¥	11,774 million
Mitsubishi Heavy Industries Aero Engines, Ltd.	¥	10,000 million
Mitsubishi Power Europe GmbH	¥	6,855 million
Others	¥	24,880 million
Total	¥	72,201 million

(2) Guarantee obligations related to advance received which subsidiaries received from customers

Mitsubishi Heavy Industries Engineering, Ltd.	¥	22,642 million
Mitsubishi Shipbuilding Co., Ltd.	¥	11,320 million
Mitsubishi Heavy Industries Maritime Systems Co., Ltd.	¥	1,717 million
Mitsubishi Heavy Industries Compressor, Ltd.	¥	603 million
Others	¥	1,246 million
Total	¥	37,529 million

3. Monetary receivables from / payables to subsidiaries and affiliated companies

Short-term monetary receivables	¥	121,489 million
Long-term monetary receivables	¥	570,715 million
Short-term monetary payables	¥	418,944 million
Long-term monetary payables	¥	539 million

4. Contingent liabilities relating to the slowdown of SpaceJet development activities

Given the destabilization of the civil aviation market, which has been impacted by the COVID-19 pandemic, MHI announced in October 2020 the slowdown of SpaceJet development activities.

Therefore, it is difficult to predict the timing for the delivery of the first SpaceJet, and it is possible that additional burdens will arise depending on the results of discussions with customers and other parties concerned, and this could impact the future financial position and operating results.

Notes to the Non-Consolidated Statement of Income

1. Transactions with subsidiaries and affiliated companies

Sales	¥	136,711 million
Purchases	¥	244,336 million
Transactions other than operating transactions	¥	84,290 million

2. Losses on revaluation of investment securities

   Losses on revaluation of investment securities include 4,089 million yen of losses on the revaluation of shares of subsidiaries and affiliates.

3. Loss related to SpaceJet project

   Given the destabilization of the civil aviation market, which has been impacted by the COVID-19 pandemic, MHI announced in October 2020 the slowdown of activities for the SpaceJet development. Therefore, it is difficult to predict the timing for the delivery of the first SpaceJet. As a result, MHI has recorded a loss related to the SpaceJet project in the current fiscal year as follows.

Provision of allowance for doubtful accounts for Mitsubishi Aircraft Corporation	¥	1,144 million
Impairment losses on PPE and other assets	¥	4,194 million
Total	¥	5,338 million

4. Gain on sales of PPE

   With respect to owned property, such as land, gain on sales of PPE is recorded upon reaching an agreement on sale and consideration for the sales of PPE to a third party.

Notes to the Non-Consolidated Statement of Changes in Net Assets

The number of treasury stock

Common stock	484,669 shares

Notes on Tax Effect Accounting

Deferred tax assets are principally caused by temporary differences with allowance for doubtful accounts.
Deferred tax liabilities are principally caused by unrealized holding gain on investment securities.

Notes on Revenue Recognition

MHI engages in the sale of products as well as the execution of construction works and rendering of services. For details, refer to Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (11) Revenue.

Notes on Related Party Transactions

Subsidiaries and affiliated companies

Category	Name	Percentage of Voting Rights held by the Issuer	Relation with the Related Parties	Contents of the Transactions	Transaction Amounts	Account	Ending Balance
Subsidiary	Mitsubishi Aircraft Corporation	Direct 86.99%	Some officers of MHI concurrently serve as officers of the related party	Loans receivable etc. (*1) (*2)	¥ 46,675 million	long-term receivables etc.	¥561,485 million
Subsidiary	MHI Holding Denmark Aps	Direct 100.0%	Some officers of MHI concurrently serve as officers of the related party	Repayment of borrowing (*3)	¥49,198 million	short-term borrowings	¥49,090 million
Subsidiary	Mitsubishi Power, Ltd.	Direct 100.0%	Contract agent of thermal power generation systems Some officers of MHI concurrently serve as officers of the related party	Company split (*4)	¥ 884,552 million ¥ 399,064 million	Split assets Split liabilities	- -

Terms and conditions of the transaction and the policy for determining terms and conditions

*1. The interest rate on loans is determined by taking market interest rates into account.

*2. During the fiscal year ended March 31, 2022, provision of allowance for doubtful accounts of 1,144 million yen was recognized. The total amount of provision of allowance for doubtful accounts was 561,485 million yen at the end of the fiscal year ended March 31, 2022.

*3. The interest rate on borrowings is determined by taking market interest rates into account.

*4. For details, refer to Other notes 4.Business combinations.

Per Share Information

Book value per share	¥2,949.22
Net income per share	¥ 335.85

Significant Subsequent Events

Not applicable.

Other notes

1. Major lawsuits

   There was a temporary dispute between a consortium composed of MHI and Daewoo Engineering & Construction Co., Ltd. ("the Company, etc.") and El Sharika El-Djazairia El-Omania Lil Asmida SPA ("AOA") regarding a chemical fertilizer plant construction contract in Algeria whose orders had been received by the Company, etc., but a settlement was reached in 2017 (the "Settlement Agreement"), and the consortium delivered the plant to AOA. However, AOA subsequently refused to make some of the outstanding payment under the Settlement Agreement. Therefore, the Company, etc. filed for arbitration against AOA and one of its shareholders, Societe Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures SPA ("SONATRACH"). In March 2021, the Company, etc. received a counterclaim from AOA which mainly consists of the cancellation of the Settlement Agreement and the refund of the payment already made under the Settlement Agreement. The Company, etc. will assert that there are no reasonable grounds for AOA's refusal to make the outstanding payment and that the counterclaim should be dismissed.

2. Impact of the spread of the novel coronavirus disease (COVID-19)

   Due to the increase of COVID-19 infections, there has been a decrease in revenue associated with shrinking demand and production adjustments at factories of the Group's commercial aircraft business and other businesses. During the fiscal year ended March 31, 2022, the impact has been incorporated into the valuation of assets and reflected in the financial figures.

   COVID-19 is an event that impacts economic and corporate activities in a wide range of ways, and it is currently difficult to predict how it will spread in the future or when it will end. Therefore, considering external and other information, the Company looked over the impact on the business plan, and made accounting estimates such as the evaluation of assets based on assumptions according to the product's characteristics and the market environment that the products relate to.

   If this effect is further prolonged, new production adjustments and further reductions in sales to customers may occur, which would affect the financial position and operating results of the Group from the next fiscal year.

   There have been no significant changes since the previous fiscal year ended March 31, 2021 regarding the assumptions which include the future spread of COVID-19 and when the pandemic will be contained.

3. Impact of the international situation involving Ukraine

   Although MHI is being affected by the suspension of Russia-related construction works due to the economic sanctions being imposed on Russia resulting from the situation in Ukraine, the impact on the financial position and operating results of MHI including the valuation of assets in the fiscal year ended March 31, 2022 is minimal.

4. Business combinations

MHI succeeded to the businesses such as thermal power generation business, of its consolidated subsidiary, Mitsubishi Power, Ltd. by absorption-type company split. The details are as follows.

(1) Purpose of Absorption-Type Company Split

Mitsubishi Power, Ltd., a consolidated subsidiary of MHI, is promoting the decarbonization of its thermal power generation system, while MHI is driving the development of the eco-system of hydrogen and CO2. In order to make it possible to manage the resources of the two companies dynamically and integrally, and to further accelerate the Energy Transition, which serves as the growth engine of MHI's group, MHI succeeded to the thermal power generation business of Mitsubishi Power, Ltd. by way of an absorption-type company split on October 1, 2021.

(2) Absorption-Type Split company, Method of Absorption-Type Company Split

It is an absorption-type company split in which MHI is a succeeding company and Mitsubishi Power, Ltd. is a splitting company.

(3) Details of Allotment relating to the Absorption-Type Company Split

Since Mitsubishi Power, Ltd. is a wholly owned subsidiary of MHI, any of shares, money and other assets will not be allotted.

(4) Name of Absorption-Type Split company, Details of Business

Trade Name:	Mitsubishi Power, Ltd.
Details of Business:	Thermal power generation system business (gas turbines, steam turbines, coal gasification generating equipment, boilers, thermal power control systems, generators, etc.), geothermal power system business, environmental equipment business, fuel cell business, electric power sales business (only electric power sales in relation to the demonstration facility for gas turbine combined cycle power generation plant at Takasago Works), and other related businesses

(5) Schedule of Absorption-Type Company Split

October 1, 2021

(6) Other

In conjunction with the Merger, "Gain on extinguishment of tie-in shares" of 38,443 million yen is recorded as "Extraordinary gain" for the fiscal year ending March 31, 2022 in the financial results of MHI on a non-consolidated basis.

(End)