

(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.

[Security Code: 7011]

Electronic Provision Measures Commencement Date: May 26, 2023

Date of issuance: June 7, 2023

To the Shareholders:

**Seiji Izumisawa, President and CEO
Mitsubishi Heavy Industries, Ltd.
2-3, Marunouchi 3-chome,
Chiyoda-ku, Tokyo**

NOTICE OF THE 98TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce that the 98th Annual General Meeting of Shareholders of Mitsubishi Heavy Industries, Ltd. (“MHI”) will be held as described below.

For this General Meeting of Shareholders, you may exercise your voting rights in writing or via the Internet (as indicated in the following “Instructions for voting”).

Please examine the following “Reference Materials Relating to the General Meeting of Shareholders” and exercise your voting rights in advance, by 5:30 p.m. on Wednesday, June 28, 2023 (Japan time).

1. Date and Time: Thursday, June 29, 2023 at 10:00 a.m. (Japan time)

2. Place: Tokyo Kaikan, 3F “Rose”
2-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

3. Purposes:

To report on the following items:

Item No. 1: Business Report, Consolidated Financial Statements for the 2022 fiscal year (from April 1, 2022 to March 31, 2023), and Audit Report on the Consolidated Financial Statements by the Financial Auditor and Audit and Supervisory Committee.

Item No. 2: Non-consolidated Financial Statements for the 2022 fiscal year (from April 1, 2022 to March 31, 2023).

To consider and resolve the following proposals:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of 7 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)

Proposal No. 3: Election of 4 Directors Who Are Serving as Audit and Supervisory Committee Members

Proposal No. 4: Election of 1 Substitute Director Who Is Serving as an Audit and Supervisory Committee Member

4. Matters Concerning Measures for Electronic Provision, Etc.:

- When convening this General Meeting of Shareholders, MHI takes measures for electronic providing information that constitutes the content of the Reference Materials Relating to the General Meeting of Shareholders, etc. (items subject to measures for electronic provision), and posts this information as “Notice of the 98th Annual General Meeting of Shareholders” on each of the following websites. Please access either of those websites to review the information.

Website of MHI	Website Posting Informational Material for a General Meeting of Shareholders
https://www.mhi.com/jp/finance/stock/meeting/ (in Japanese)	https://d.sokai.jp/7011/teiji/ (in Japanese)

In addition to posting items subject to measures for electronic provision on the aforementioned websites, MHI also posts this information on the website of Tokyo Stock Exchange, Inc. (TSE) (Listed Company Search). To access this information, enter the issue name (Mitsubishi Heavy Industries) or security code (7011), and click “Search,” and then click “Basic information” and select “Documents for public inspection/PR information.”

Website of TSE
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show (in Japanese)

- Among the items subject to measures for electronic provision, pursuant to the provisions of the laws of Japan and the Article 16 of MHI’s Articles of Incorporation, the following items are not provided in the paper-based documents delivered to shareholders who have made a request for delivery of such documents.
 - “Stock Acquisition Rights of MHI” and “Establishing a Framework for Ensuring Appropriate Business Conduct” of Business Report
 - “Consolidated Statement of Changes in Equity” and “Notes to the Consolidated Financial Statements” of Consolidated Financial Statements and “(Reference) Consolidated Statement of Cash Flows”
 - “Non-consolidated Statement of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” of Non-consolidated Financial Statements

- If revisions to the items subject to measures for electronic provision arise, a notice of the revisions and the details of the items before and after the revisions will be posted on each of the aforementioned websites.
- For other matters to be resolved in this notice of convocation, please refer to “Instructions for voting” below.

(End)

INSTRUCTIONS FOR VOTING

You are kindly requested to exercise your voting right by either of the following methods.

Exercise of Voting Rights in Writing

Please examine the following “Reference Materials Relating to the General Meeting of Shareholders” and indicate whether you are for or against each proposal on the enclosed voting card and post it without affixing a postage stamp.

If neither the “agree” nor “against” box on the voting card is checked, it will be deemed to be a vote to “agree” to the proposal.

Exercise due date: No later than 5:30 p.m., on Wednesday, June 28, 2023 (Japan time)

Guidance for filling in the voting card

Proposal No. 1 and Proposal No. 4:

- When you are for the proposal, mark ○ in the “agree” box.
- When you are against the proposal, mark ○ in the “against” box.

Proposal No. 2 and Proposal No. 3:

- When you are for all of the proposed persons in the proposal, mark ○ in the “agree” box.
- When you are against all of the proposed persons in the proposal, mark ○ in the “against” box.
- If you are against certain candidates, mark ○ in the “agree” box, and also write the candidate number for each candidate you are against inside the parentheses on the right side of the “agree” box (a consecutively ordered number has been given to each candidate in the Reference Materials Relating to the General Meeting of Shareholders).

Exercise of Voting Rights via the Internet

Please examine the following “Reference Materials Relating to the General Meeting of Shareholders” and indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufg.jp/>) (in Japanese). For details, please refer to the “Instructions for Voting Right via the Internet” on the following.

Exercise due date: No later than 5:30 p.m., on Wednesday, June 28, 2023 (Japan time)

Attend the General Meeting of Shareholders

Please present the voting card enclosed with this notice to the reception desk on the day of the General Meeting of Shareholders.

Date and Time: Thursday, June 29, 2023 at 10:00 a.m.
(The reception desk will open at 9:00 a.m.) (Japan time)

Place: Tokyo Kaikan, 3F “Rose”
2-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

- If you exercise your voting right by proxy, the proxy shall be limited to one other shareholder who has the voting right, pursuant to the provisions of Article 18 of MHI’s Articles of Incorporation. In this case, in addition to the voting card for exercising voting rights as proxy and the letter of attorney, the proxy should submit the proxy’s own voting card.

Handling of the Duplicated Exercises of Voting Rights for the Same Proposal

- If the voting right is exercised multiple times both in writing and via the Internet, the exercise of the voting right via the Internet will be deemed effective.
- If the voting right is exercised multiple times other than as described above, the last exercise of the voting right will be deemed effective.

Instructions for Voting Right via the Internet

1. Access to the Website for Exercise of Voting Rights

Access by scanning the QR code

Using a smartphone to scan the “Login QR code” printed on the voting card will result in you being taken automatically to the website for the exercise of voting rights. Please follow the directions that appear on the screen to indicate whether you are for or against each proposal.

- Depending on the model of smartphone used, it may not be possible to login using the QR code. If this is the case, please exercise your voting rights in accordance with “Access by entering a login ID and password,” below.
- * QR Code is a registered trademark of DENSO WAVE INCORPORATED.

Access by entering a login ID and password

Please indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufig.jp/>) (in Japanese) in accordance with instructions on the screen.

- (1) Enter the login ID and temporary password printed on the voting card (or the password registered by the shareholder) and click Login button
- (2) Register a new password (on first use only)

2. Notes regarding the Exercise of the Voting Right via the Internet

- (1) When voting by a computer, please read the site’s “Terms of Use” and “Usage Guide.” When voting by a smart phone, please read the site’s “Terms of Use” and “Usage Guide.”
- (2) Please note that the website will be unavailable every day from 2:00 a.m. to 5:00 a.m. (Japan time).
- (3) Shareholders will be responsible for the Internet connection charges and the communication charges, etc. arising from accessing the site “Procedures for Shareholders’ Meetings.”
- (4) Please contact the following if you have questions about the site “Procedures for Shareholders’ Meetings”:

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division (Help Desk)
Telephone: 0120-173-027 (toll free)
Service Hours: 9:00 a.m. to 9:00 p.m. (Japan time)

Shareholders participating in the “Electronic Proxy Voting Platform” managed by ICJ, Inc. may place their votes through this platform.

REFERENCE MATERIALS
RELATING TO THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 1: Appropriation of Surplus

MHI has set a basic policy of implementing returns to shareholders with a consolidated dividend payout ratio of around 30% while considering a balance between “business growth” and “financial soundness.”

Based on this policy and taking full account of our business results for the fiscal year under review, financial position as of the end of the fiscal year under review and others, MHI proposes to pay a dividend of ¥70 per share as the Year-end Dividend defined in Article 45 of the Articles of Incorporation. Combined with the Interim Dividend of ¥60 per share paid in December 2022, the total annual dividend will be ¥130 per share, an increase of ¥30 over that of the previous fiscal year (FY2021).

1. Kind of Dividend Property

Cash

2. Dividend Allocation and Total Amount of Dividends

Dividend allocation: ¥70 per share of MHI’s common stock

Total amount of dividends: ¥23,583,643,090

3. Effective Date of Dividend Allocation

June 30, 2023

Proposal No. 2: Election of 7 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)

The terms of the 7 current Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 7 Directors (excluding Directors who are serving as Audit and Supervisory Committee Members).

Candidates for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) are as follows:

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2022)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Shunichi Miyanaga	Re-election	Chairman of the Board	14 out of 14 times	15 years
2	Seiji Izumisawa	Re-election	*President and CEO* ¹ (Member of the Board)	14 out of 14 times	6 years
3	Hitoshi Kaguchi	Re-election	*Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO	14 out of 14 times	2 years
4	Hisato Kozawa	Re-election	*Director (Member of the Board), Executive Vice President, CFO* ²	14 out of 14 times	3 years
5	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	7 years
6	Nobuyuki Hirano	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	4 years
7	Mitsuhiro Furusawa	Newly nominated Outside Independent	(Newly nominated)	—	—

*1 CEO: Chief Executive Officer

*2 CFO: Chief Financial Officer

(Note)

An asterisk mark (*) indicates a Representative Director.

1

Shunichi Miyanaga
(April 27, 1948: 75 years old)
[Re-election]

Position and responsibility in MHI

Chairman of the Board

Number of MHI shares owned

55,700

Number of years in office as Director

(as of the conclusion of this General Meeting of Shareholders)

15 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Career summary

April 1972 Joined Mitsubishi Heavy Industries, Ltd.

April 2006 Senior Vice President, Deputy Head of Machinery Headquarters

May 2006 Senior Vice President, Deputy Head of Machinery & Steel Structures Headquarters

April 2008 Executive Vice President, Head of Machinery & Steel Structures Headquarters

June 2008 *Director (Member of the Board), Executive Vice President, Head of Machinery & Steel Structures Headquarters

April 2011 *Director (Member of the Board), Senior Executive Vice President, Head of the Presidential Administration Office

April 2013 *President and CEO (Member of the Board)

April 2014 *President and CEO (Member of the Board)

April 2019 Chairman of the Board (Present position)

(Note) An asterisk mark (*) indicates a Representative Director.

Important concurrent positions

Director, Mitsubishi Motors Corporation

Member of the Board, Mitsubishi Corporation

Reason for nomination as a candidate for Director

Mr. Shunichi Miyanaga is being re-nominated for the position of a Director because he has extensive experience in operations of Machinery & Steel Structures, and moreover, from April 2013 to March 2019, he served as President and CEO, demonstrating superior management skills by promoting management reform such as the shift to a domain business structure. From April 2019, he has been serving as Chairman of the Board and conducting MHI's management oversight as Chairman of Meetings of the Board of Directors. Based on this knowledge and track record, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium and long term through participation in MHI's management decision-making, playing a leading role in management oversight.

Special interest between the candidate and MHI

There is no special interest between Mr. Shunichi Miyanaga and MHI.

Position and responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI shares owned

16,700

Number of years in office as Director

(as of the conclusion of this General Meeting of Shareholders)

6 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Career summary

April 1981	Joined Mitsubishi Heavy Industries, Ltd.
April 2008	Senior General Manager, Technology Management Department of Technical Headquarters
April 2011	Senior General Manager, Technology Management Department of Technology & Innovation Headquarters
April 2013	Senior Executive Officer, Mitsubishi Motors Corporation
June 2013	Director, Mitsubishi Motors Corporation
April 2016	Senior Vice President, Senior General Manager of Technology Strategy Office
June 2017	Director (Member of the Board), Full-time Audit and Supervisory Committee Member
June 2018	*Director (Member of the Board), Executive Vice President, CSO
April 2019	*President and CEO (Member of the Board) and CSO
April 2020	*President and CEO (Member of the Board) (Present position)

(Note) An asterisk mark (*) indicates a Representative Director.

Important concurrent positions

Director, Mitsubishi Research Institute, Inc.

Reason for nomination as a candidate for Director

Mr. Seiji Izumisawa has engaged in such areas as research and development, technology management and operations related to strategic technology development, and has made significant contributions to strengthening and developing MHI's technology infrastructure. From June 2017 to June 2018, he filled the role of Director who is serving as an Audit and Supervisory Committee Member. Since April 2019 he has served as President and CEO (Member of the Board), in which roles he has drawn up and promoted strategy for MHI as a whole, and driven the development of a global structure. He currently serves as Chief Executive Officer (CEO) in charge of the system for execution of business of MHI. Based on these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium and long term through participation in MHI's management decision-making, providing management direction, and hence MHI re-nominates Mr. Seiji Izumisawa as a candidate for Director.

Special interest between the candidate and MHI

There is no special interest between Mr. Seiji Izumisawa and MHI.

* CSO (Chief Strategy Officer)

Position and responsibility in MHI

*Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO

Number of MHI shares owned

5,000

**Number of years in office as Director
(as of the conclusion of this General Meeting of Shareholders)**

2 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Career summary

April 1984	Joined Mitsubishi Heavy Industries, Ltd.
April 2018	Senior Vice President, Deputy Head of Business Strategy Office
April 2019	Senior Vice President, CoCSO, Head of Marketing & Innovation Headquarters
April 2020	Executive Vice President, CSO
April 2021	Executive Vice President, CSO, President and CEO, Energy Systems
June 2021	*Director (Member of the Board), Executive Vice President, CSO, President and CEO, Energy Systems
April 2023	*Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO (Present position)

(Note) An asterisk mark (*) indicates a Representative Director.

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Hitoshi Kaguchi is being nominated for the position of a Director because he has extensive business experience in MHI, including having been involved in the technological development and business operation of nuclear power systems for many years. He was appointed CoCSO in April 2019 and has served as CSO since April 2020, planning and promoting MHI's overall strategy under the CEO, and taking responsibility for overall planning of management policies. Since April 2023 he has been leading MHI's Energy Transition and the expansion of its business into growth areas, and MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium and long term through participation in MHI's management decision-making as the person who formulates and promotes MHI's growth strategies, and hence MHI re-nominates Mr. Hitoshi Kaguchi as a candidate for Director.

Special interest between the candidate and MHI

There is no special interest between Mr. Hitoshi Kaguchi and MHI.

Position and responsibility in MHI

*Director (Member of the Board), Executive Vice President, CFO

Number of MHI shares owned

4,500

Number of years in office as Director

(as of the conclusion of this General Meeting of Shareholders)

3 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Career summary

April 1986 Joined Mitsubishi Heavy Industries, Ltd.

October 2019 Senior Vice President, CoCFO

April 2020 Senior Vice President, CFO

June 2020 *Director (Member of the Board), Senior Vice President, CFO

April 2021 *Director (Member of the Board), Executive Vice President, CFO (Present position)

(Note) An asterisk mark (*) indicates a Representative Director.

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Hisato Kozawa is being nominated for the position of a Director because he has extensive experience, primarily in the financial field, having been engaged for many years in the financial and accounting operations of MHI, and having served as general manager of finance and accounting departments at a major subsidiary. He served as CoCFO from October 2019, and has been serving as CFO from April 2020, and promoting financing activities that respond to economic conditions and the business environment. Based on these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium and long term through participation in MHI's management decision-making as a person with expertise in the finances of MHI, and hence MHI re-nominates Mr. Hisato Kozawa as a candidate for Director.

Special interest between the candidate and MHI

There is no special interest between Mr. Hisato Kozawa and MHI.

Position and responsibility in MHI

Director (Member of the Board)

Number of MHI shares owned

2,100

**Number of years in office as outside director
(as of the conclusion of this General Meeting of Shareholders)**

7 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Career summary

July 1971	Joined Mitsubishi Corporation
June 2007	Member of the Board, Executive Vice President, Mitsubishi Corporation
June 2008	Executive Vice President, Mitsubishi Corporation
April 2010	Senior Executive Vice President, Mitsubishi Corporation
June 2010	Member of the Board, President and CEO, Mitsubishi Corporation
April 2016	Chairman of the Board, Mitsubishi Corporation
June 2016	Director (Member of the Board), Mitsubishi Heavy Industries, Ltd. (Present position)
April 2022	Member of the Board, Corporate Advisor, Mitsubishi Corporation
June 2022	Corporate Advisor, Mitsubishi Corporation (Present position)

Important concurrent positions

Corporate Advisor, Mitsubishi Corporation
 Director, Mitsubishi Research Institute, Inc.
 Director, NISSIN FOODS HOLDINGS CO., LTD.
 Chairman, The Japan Chamber of Commerce and Industry

Reason for nomination as a candidate for outside director and overview of expected roles

Mr. Ken Kobayashi is expected to perform supervision of MHI's overall management, because he has expertise in various fields, having served as a Member of the Board, President and CEO, and Chairman of the Board of Mitsubishi Corporation, and extensive knowledge and experience gained as top executive of global companies, and he will provide insightful views and frank assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc., as an outside director. As MHI judges that his election will contribute to the improvement of the soundness and transparency of MHI's management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI re-nominates Mr. Ken Kobayashi as a candidate for outside director.

Special interest between the candidate and MHI

There is no special interest between Mr. Ken Kobayashi and MHI.

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Position and responsibility in MHI

Director (Member of the Board)

Number of MHI shares owned

2,700

**Number of years in office as outside director
(as of the conclusion of this General Meeting of Shareholders)**

4 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Career summary

April 1974	Joined The Mitsubishi Bank, Limited
June 2005	Managing Executive Officer, The Bank of Tokyo-Mitsubishi, Ltd. Member of the Board of Directors, Mitsubishi Tokyo Financial Group, Inc.
October 2008	Member of the Board of Directors, Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
June 2009	Member of the Board of Directors, Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.
June 2010	Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc.
October 2010	Member of the Board of Directors, Deputy President, Mitsubishi UFJ Financial Group, Inc.
April 2012	President and CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc.
April 2013	President and CEO, Mitsubishi UFJ Financial Group, Inc.
June 2015	Member of the Board of Directors, President & Group CEO, Mitsubishi UFJ Financial Group, Inc. (Representative Corporate Executive)
April 2016	Chairman of the Board of Directors, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
April 2019	Member of the Board of Directors, Chairman (Corporate Executive), Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors, MUFG Bank, Ltd. (until April 2020)
June 2019	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd.
April 2021	Member of the Board of Directors, Mitsubishi UFJ Financial Group, Inc. (until June 2021) Senior Advisor, MUFG Bank, Ltd. (Present position)
June 2021	Director (Member of the Board), Mitsubishi Heavy Industries, Ltd. (Present position)

Important concurrent positions

Senior Advisor, MUFG Bank, Ltd.

Director, Mitsubishi Research Institute, Inc.

Chairman, Mitsubishi Memorial Foundation for Educational Excellence

Reason for nomination as a candidate for outside director and overview of expected roles

Mr. Nobuyuki Hirano is expected to perform supervision of MHI's overall management, because he has extensive knowledge and experience gained as a top executive at international financial institutions, including holding the positions of President & Group CEO and Chairman (Corporate Executive) of Mitsubishi UFJ Financial Group, Inc. and President and Chairman of the Board of Directors of MUFG Bank, Ltd. and he will provide insightful views and frank assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc., as an outside director. As MHI judges that his election will contribute to the improvement of the soundness and transparency of MHI's management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI re-nominates Mr. Nobuyuki Hirano as a candidate for outside director.

Special interest between the candidate and MHI

Mr. Nobuyuki Hirano concurrently serves as Chairman of Mitsubishi Memorial Foundation for Educational Excellence, and MHI has a relationship with the foundation through its provision of donations for business expenses, etc.

Matters concerning the independence of outside director

Since Mr. Nobuyuki Hirano meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director. Although Mitsubishi Memorial Foundation for Educational Excellence, at which he serves as Chairman, receives donations from MHI, the amount of donations given to the foundation does not exceed the criteria amount set forth in the "Independence Criteria for Outside Directors," and this is deemed not to have any impact on his independence.

Position and responsibility in MHI

(Newly nominated)

Number of MHI shares owned

—

**Number of years in office as outside director
(as of the conclusion of this General Meeting of Shareholders)**

—

Number of times attended Board of Directors meetings in FY2022

—

Career summary

April 1979	Joined Ministry of Finance
August 2012	Director-General of the Financial Bureau, Ministry of Finance
March 2013	Vice Minister of Finance for International Affairs, Ministry of Finance
July 2014	Special Advisor to the Prime Minister, Special Advisor to the Minister of Finance
March 2015	Deputy Managing Director, the International Monetary Fund (IMF)
December 2021	President, Institute for Global Financial Affairs, Sumitomo Mitsui Banking Corporation (Present position)

Important concurrent positions

President, Institute for Global Financial Affairs, Sumitomo Mitsui Banking Corporation

Reason for nomination as a candidate for outside director and overview of expected roles

Mr. Mitsuhiro Furusawa is expected to perform supervision of MHI's overall management, even though he has not been involved in corporate management, except for acting as an outside director or outside statutory auditor, because he has wide range of insights related to financial policy gained as a regulator and a global perspective gained as an international institution executive when he served as Vice Minister of Finance for International Affairs and Deputy Managing Director of the International Monetary Fund (IMF), and he will provide insightful views and frank assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc., as an outside director. As MHI judges that his election will contribute to the improvement of the soundness and transparency of MHI's management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI nominates Mr. Mitsuhiro Furusawa as a candidate for outside director.

Special interest between the candidate and MHI

There is no special interest between Mr. Mitsuhiro Furusawa and MHI.

Matters concerning the independence of outside director

Since Mr. Mitsuhiro Furusawa meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

(Notes)

1. Mr. Ken Kobayashi, Mr. Nobuyuki Hirano and Mr. Mitsuhiro Furusawa are the candidates for outside directors as defined in Article 2, paragraph (3), item (vii) of the Regulations for Enforcement of the Companies Act.
2. MHI has submitted notifications, specifying Mr. Ken Kobayashi, Mr. Nobuyuki Hirano and Mr. Mitsuhiro Furusawa, as independent directors, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
3. The outline of a liability limitation agreement is as follows:
 - (1) MHI has entered into a liability limitation agreement with Mr. Ken Kobayashi and Mr. Nobuyuki Hirano, which provides a limitation on their liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which is the higher of ¥10 million or the

- minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act. Should Mr. Ken Kobayashi and Mr. Nobuyuki Hirano be elected, MHI is bound to continue the above-mentioned agreement with each of them.
- (2) Should Mr. Mitsuhiro Furusawa be elected, MHI is bound to enter into a liability limitation agreement with him, which provides a limitation on his liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which will be the higher of ¥10 million or the minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act.
 4. At Mitsubishi Motors Corporation, where Mr. Ken Kobayashi served as an outside director, in May 2018, it came to light that the training of some foreign technical interns at Mitsubishi Motors Corporation's Okazaki Plant had not been conducted in accordance with the technical intern training plan recognized by the Organization for Technical Intern Training, and in January 2019, the Ministry of Health, Labour and Welfare withdrew recognition of the technical intern training plan, and issued an order for improvement under the terms of the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees. Mr. Ken Kobayashi was not aware of the fact and has, at meetings of the Board of Directors and other opportunities, called for greater attention from the viewpoint of ensuring compliance. Furthermore, since this incident came to light, he has been committed to thoroughly investigating the facts and taking steps to ensuring similar situations do not happen again.
 5. At MUFG Bank, Ltd., where Mr. Nobuyuki Hirano served as a member of the Board of Directors, the US Office of the Comptroller of the Currency (OCC) found MUFG Bank's internal control arrangements for the prevention of money laundering to be inadequate under the terms of the US Bank Secrecy Act, resulting in MUFG Bank coming to an agreement with the OCC in February 2019 to put in place corrective measures, etc.
 6. MHI plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover indemnification and the litigation expenses arising from the legal liability of damages that are assumed by an insured in a case where the insured receives a claim etc. relating to the pursuit of liability arising from the performance of duties. However, the aforementioned policy does not cover losses, etc. arising from intentional misconduct or fraudulent acts by the aforementioned insured. MHI's Directors are insureds under the aforementioned policy, and the full amount of the insurance premiums for all insureds is borne by MHI. For every candidate, if their election to the position of a Director is approved, they will become an insured under the aforementioned policy. During the terms of office of the elected Directors, MHI plans to renew the aforementioned policy with the same terms and conditions.

■ Opinions of the Audit and Supervisory Committee

In regard to the election, etc. and remuneration, etc. of Directors who are not serving as Audit and Supervisory Committee Members, all three outside directors who are serving as Audit and Supervisory Committee Members attended the Nomination and Remuneration Advisory Council and provided their respective opinions, and the full-time Audit and Supervisory Committee Members confirmed, such matters as the approach to remuneration structure and the specific computation method of remuneration, as well as the basic framework and approach relating to the Board of Directors and Directors of MHI and the policy for nominating the candidates for such Directors and made reports and participated in mutual discussions at a meeting of the Audit and Supervisory Committee.

Accordingly, the Audit and Supervisory Committee has determined that there are no special matters or opinions that need to be stated at the General Meeting of Shareholders with regard to the election, etc. and remuneration, etc. of Directors who are not serving as Audit and Supervisory Committee Members, based on the provisions of the Companies Act.

Proposal No. 3: Election of 4 Directors Who Are Serving as Audit and Supervisory Committee Members

The terms of 4 of the 5 current Directors who are serving as Audit and Supervisory Committee Members, Mr. Setsuo Tokunaga, Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii, will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 4 Directors who are serving as Audit and Supervisory Committee Members. The candidates for Directors who are serving as Audit and Supervisory Committee Members are as follows.

In addition, the consent of the Audit and Supervisory Committee has been obtained for this proposal.

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2022)	The Number of Attendance at the Audit and Supervisory Committee Meetings (FY2022)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Setsuo Tokunaga	Re-election	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	14 out of 14 times	16 out of 16 times	2 years
2	Hiroo Unoura	Re-election Outside Independent	Director (Member of the Board) Audit and Supervisory Committee Member	14 out of 14 times	16 out of 16 times	4 years
3	Noriko Morikawa	Re-election Outside Independent	Director (Member of the Board) Audit and Supervisory Committee Member	14 out of 14 times	16 out of 16 times	3 years
4	Masako Ii	Re-election Outside Independent	Director (Member of the Board) Audit and Supervisory Committee Member	14 out of 14 times	16 out of 16 times	2 years

(Reference)

Mr. Ryutaro Takayanagi will continue in his role as Director who is serving as an Audit and Supervisory Committee Member.

1

Setsuo Tokunaga
(October 20, 1958: 64 years old)
[Re-election]

Position and responsibility in MHI

Director (Member of the Board), Full-time Audit and Supervisory Committee Member

Number of MHI shares owned

5,000

**Number of years in office as Director
(as of the conclusion of this General Meeting of Shareholders)**

2 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Number of times attended the Audit and Supervisory Committee meetings in FY2022

16 out of 16 times

Career summary

April 1984	Joined Mitsubishi Heavy Industries, Ltd.
April 2017	Fellow, General Manager, Research & Innovation Center
June 2017	Fellow, Senior General Manager of Technology Strategy Office
April 2019	Senior Fellow, Senior Chief Researcher, Research & Innovation Center
June 2021	Director (Member of the Board), Full-time Audit and Supervisory Committee Member (Present position)

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Setsuo Tokunaga possesses extensive practical experience, having served in important positions over many years at MHI's Research & Innovation Center and has contributed significantly to strengthening the technology and development departments of MHI. As MHI judges that his participation in its management decision-making as a person who has expertise in MHI's technology will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI re-nominates Mr. Setsuo Tokunaga as a candidate for Director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Setsuo Tokunaga and MHI.

Position and responsibility in MHI

Director (Member of the Board), Audit and Supervisory Committee Member

Number of MHI shares owned

4,000

**Number of years in office as outside director
(as of the conclusion of this General Meeting of Shareholders)**

4 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Number of times attended the Audit and Supervisory Committee meetings in FY2022

16 out of 16 times

Career summary

April 1973	Joined Nippon Telegraph and Telephone Public Corporation
June 2002	Senior Vice President, Nippon Telegraph and Telephone Corporation
June 2007	Executive Vice President, Nippon Telegraph and Telephone Corporation
June 2008	Senior Executive Vice President, Nippon Telegraph and Telephone Corporation
June 2012	President & CEO, Nippon Telegraph and Telephone Corporation
June 2018	Advisor, Nippon Telegraph and Telephone Corporation
June 2019	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd. (Present position)
July 2021	Senior Advisor, Nippon Telegraph and Telephone Corporation (Present position)

Important concurrent positions

Senior Advisor, Nippon Telegraph and Telephone Corporation
Member of the Board, KADOKAWA CORPORATION

Reason for nomination as a candidate for outside director and overview of expected roles

Mr. Hiroo Unoura is expected to perform supervision of MHI's overall management because he has extensive knowledge and experience acquired as a top executive of a company involved in cutting-edge businesses, having been the driver of initiatives to strengthen the competitiveness and profitability of the domestic business of Nippon Telegraph and Telephone Corporation (NTT) and expand the overseas business as the former President & CEO of NTT, and he will provide insightful views and frank assessments to the Board of Directors meetings and Nomination and Remuneration Meetings, etc., as an outside director. He is also expected to provide comments and suggestions regarding the overall activities of the Audit and Supervisory Committee, including audit related work as a member of the Audit and Supervisory Committee. As MHI judges that his election will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI re-nominates Mr. Hiroo Unoura as a candidate for outside director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Hiroo Unoura and MHI.

Matters concerning the independence of outside director

Since Mr. Hiroo Unoura meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Position and responsibility in MHI

Director (Member of the Board), Audit and Supervisory Committee Member

Number of MHI shares owned

400

**Number of years in office as outside director
(as of the conclusion of this General Meeting of Shareholders)**

3 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Number of times attended the Audit and Supervisory Committee meetings in FY2022

16 out of 16 times

Career summary

April 1981	Joined CHORI CO., LTD.
August 1988	Joined Daiwa Securities America, Inc.
September 1991	Joined ARTHUR ANDERSEN & CO.
March 1995	Joined Motorola Inc.
March 2005	Director of the Board, Motorola Inc.
June 2009	Joined Bosch Corporation
August 2010	Executive Vice President and Director, Bosch Corporation (until December 2018)
June 2020	Director (Member of the Board), Mitsubishi Heavy Industries, Ltd.
June 2021	Director (Member of the Board), Audit and Supervisory Committee Member (Present position)

Important concurrent positions

Director, Resonac Holdings Corporation

Reason for nomination as a candidate for outside director and overview of expected roles

Ms. Noriko Morikawa has experience in internal audit and accounting operations at foreign companies operating in Japan, in addition to which she possesses extensive knowledge and experience in global companies related to business management and organizational operation, such as overseeing administration departments in the role of manager. MHI expects her to supervise MHI's overall management by providing insightful views and frank assessments at the meetings of the Board of Directors and the Nomination and Remuneration Meetings, etc., as an outside director. She is also expected to provide comments and suggestions regarding the overall activities of the Audit and Supervisory Committee, including audit related work, as a member of the Audit and Supervisory Committee. As MHI judges that her election will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI re-nominates Ms. Noriko Morikawa as a candidate for outside director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Ms. Noriko Morikawa and MHI.

Matters concerning the independence of outside director

Since Ms. Noriko Morikawa meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges her to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that she is an independent director.

Position and responsibility in MHI

Director (Member of the Board), Audit and Supervisory Committee Member

Number of MHI shares owned

500

**Number of years in office as outside director
(as of the conclusion of this General Meeting of Shareholders)**

2 years

Number of times attended Board of Directors meetings in FY2022

14 out of 14 times

Number of times attended the Audit and Supervisory Committee meetings in FY2022

16 out of 16 times

Career summary

July 1990	Researcher, The World Bank
April 1995	Associate Professor, Department of Economics, Yokohama National University
April 2004	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Business School
April 2005	Professor, School of International and Public Policy, Hitotsubashi University (Present position) Professor, Graduate School of Economics/Faculty of Economics, Hitotsubashi University (Present position)
June 2021	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd. (Present position)

Important concurrent positions

Professor, School of International and Public Policy, Hitotsubashi University

Professor, Graduate School of Economics/Faculty of Economics, Hitotsubashi University

Governor, Japan Broadcasting Corporation

Reason for nomination as a candidate for outside director and overview of expected roles

Although Ms. Masako Ii has never been involved in corporate management other than as an outside director or outside statutory auditor, she has advanced knowledge cultivated as a researcher in the field of health economics, as a professor at a graduate school and abundant global experience as a researcher at The World Bank and as a governor of the Japan Broadcasting Corporation. MHI expects her to supervise MHI's overall management by providing insightful views and frank assessments at the meetings of the Board of Directors and the Nomination and Remuneration Meetings, etc., as an outside director. She is also expected to provide comments and suggestions regarding the overall activities of the Audit and Supervisory Committee, including audit related work as a member of the Audit and Supervisory Committee. As MHI judges that her election will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI re-nominates Ms. Masako Ii as a candidate for outside director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Ms. Masako Ii and MHI.

Matters concerning the independence of outside director

Since Ms. Masako Ii meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges her to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that she is an independent director.

(Notes)

1. Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii are the candidates for outside directors as defined in Article 2, paragraph (3), item (vii) of the Regulations for Enforcement of the Companies Act.
2. Ms. Masako Ii's name in her family register is Masako Kasai.
3. MHI has submitted notifications, specifying Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii, as independent directors, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
4. MHI has entered into a liability limitation agreement with Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii, which provides a limitation on their liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which is the higher of ¥10 million or the minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act. Should Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii be elected, MHI is bound to continue the above-mentioned agreement with each of them.
5. MHI plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover indemnification and the litigation expenses arising from the legal liability of damages that are assumed by an insured in a case where the insured receives a claim etc. relating to the pursuit of liability arising from the performance of duties. However, the aforementioned policy does not cover losses, etc. arising from intentional misconduct or fraudulent acts by the aforementioned insured.
MHI's Directors are insureds under the aforementioned policy, and the full amount of the insurance premiums for all insureds is borne by MHI. For every candidate, if their election to the position of a Director is approved, they will become an insured under the aforementioned policy. During the terms of office of the elected Directors, MHI plans to renew the aforementioned policy with the same terms and conditions.

Proposal No. 4: Election of 1 Substitute Director Who Is Serving as an Audit and Supervisory Committee Member

The validity of election of substitute Director who is serving as an Audit and Supervisory Committee Member Mr. Nobuhiro Oka, ends at the opening of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 1 substitute Director who is serving as an Audit and Supervisory Committee Member to fill the vacancy in the number of Directors who are serving as Audit and Supervisory Committee Members stipulated in laws and regulations. The candidate for a substitute Director who is serving as an Audit and Supervisory Committee Member is as follows.

In addition, the consent of the Audit and Supervisory Committee has been obtained for this proposal.

Nobuhiro Oka

(April 5, 1963: 60 years old)

[Outside] [Independent]

Number of MHI shares owned

–

Career summary

April 1993	Registered as an attorney at law Joined Kajitani Law Offices
April 1997	Representative Partner, Takekawa & Oka Law Offices
October 2004	Representative Partner, Takekawa, Oka & Yoshino Law Offices
October 2013	Representative, Oka-Partners Law Office (Present position)
March 2019	Doctor (of Laws) (Chuo University)
April 2023	Vice-president, Dai-Ichi Tokyo Bar Association (Present position)

Important concurrent positions

Representative, Oka-Partners Law Office
Professor, Keio University Law School
Director, Yamatane Corporation
Audit & Supervisory Board Member, Kao Corporation
Audit & Supervisory Board Member, Kao Group Customer Marketing Co., Ltd.

Reason for nomination as a candidate for substitute outside director and overview of expected roles

Although Mr. Nobuhiro Oka has never been involved in corporate management other than as an outside director or outside statutory auditor, he has abundant knowledge and extensive experience in corporate governance as an attorney with expertise in corporate legal affairs. MHI expects him to supervise MHI's overall management by providing insightful views and frank assessments at the meetings of the Board of Directors and the Nomination and Remuneration Meetings, etc., as an outside director. He is also expected to provide comments and suggestions regarding the overall activities of the Audit and Supervisory Committee, including audit related work as a member of the Audit and Supervisory Committee. As MHI judges that his election will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium and long term, MHI nominates Mr. Nobuhiro Oka as a candidate for outside director who is serving as a substitute Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Nobuhiro Oka and MHI.

Matters concerning the independence of outside director

Since Mr. Nobuhiro Oka meets the "Independence Criteria for Outside Directors" (listed below) provided by MHI, MHI judges him to be independent from its management. Should he take up his position as a Director who is serving as an Audit and Supervisory Committee Member, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

(Notes)

1. Mr. Nobuhiro Oka is the candidate for substitute outside director.
2. Should Mr. Nobuhiro Oka take up his position as a Director who is serving as an Audit and Supervisory Committee Member, MHI will submit notifications specifying him as an independent director to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
3. Should Mr. Nobuhiro Oka take up his position as a Director who is serving as an Audit and Supervisory Committee Member, MHI is bound to enter into a liability limitation agreement with him, which provides a limitation on his liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which will be the higher of ¥10 million or the minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act.
4. MHI plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover indemnification and the litigation expenses arising from the legal liability of damages that are assumed by an insured in a case where the insured receives a claim etc. relating to the pursuit of liability arising from the performance of duties. However, the aforementioned policy does not cover losses, etc. arising from intentional misconduct or fraudulent acts by the aforementioned insured.
MHI's Directors are insureds under the aforementioned policy, and the full amount of the insurance premiums for all insureds is borne by MHI. Should Mr. Nobuhiro Oka take up his position as a Director who is serving as an Audit and Supervisory Committee Member, he will become an insured under the aforementioned policy. During the term of office of the elected Director, MHI plans to renew the aforementioned policy with the same terms and conditions.

Matters for Consideration for Proposals No. 2, No. 3 and No. 4

■ Policy and Procedures for Nominating Candidates for Directors

As a company that provides the infrastructure that forms the foundation of society, MHI will work toward separating management oversight and execution in order to pursue the realization of supervision with a high degree of soundness and transparency, which includes an external point of view, and to improve the efficiency and flexibility concerning execution of business, which will promote sustained growth and improved corporate value in the medium and long term.

To realize this, it will be MHI's policy to nominate as candidates to be Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) of the individuals from MHI who are active in the core of MHI's management, who have extensive experience in executing MHI's business, and who see things from the perspective of a senior management; and in addition, to invite more than one individual as candidates for the role of outside directors to perform supervision from an objective standpoint while giving consideration to external stakeholders. Furthermore, from the perspective of ensuring effective audits, as Directors who are serving as Audit and Supervisory Committee Members, MHI's policy is to select individuals who have extensive knowledge and experience in various fields such as corporate management, legal, finance and accounting in a well-balanced manner.

When selecting Director candidates, the President and CEO prepares a proposed list of candidates based on the above policy and discuss such proposed list with the outside directors at the Nomination and Remuneration Advisory Council constituted by the outside directors, the Chairman of the Board and the President and CEO. The Board of Directors selects the final Director candidates from the proposed candidates resulting from the council.

■ Independence Criteria for Outside Directors

Anyone who meets any of the following criteria, in addition to the independence criteria prescribed by Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan, shall not be deemed to be independent by MHI.

1. A person who is currently:

- (i) A major shareholder of MHI (i.e., a shareholder who holds 10% or more of voting rights), or any executive (a person who executes operations) of such shareholder;
- (ii) A counterparty with whom MHI transacts in cases when MHI's transaction amount with said counterparty in the last business year exceeded 2% of MHI's annual consolidated gross sales in amount, or any executive of said counterparty;
- (iii) A counterparty that transacts with MHI in cases when said counterparty's transaction amount with MHI in the last business year exceeded 2% of said counterparty's annual consolidated gross sales in amount, or any executive of said counterparty;
- (iv) A financial institution or any large creditor on which MHI is dependent to the extent that it is indispensable for MHI's financing and is not substitutable, or any executive of said financial institution or large creditor;
- (v) A certified public accountant or employee, partner or staff of an audit corporation serving as the financial auditor of MHI (excluding staff serving as an assistant);
- (vi) Any executive of an organization that received a donation or subsidy from MHI exceeding ¥10 million or 30% of said organization's average annual total expenses in the last business year, whichever is higher;
- (vii) An attorney, certified public accountant, certified tax accountant or any other consultant who received ¥10 million or more in the form of money or other financial benefits on average in the past three business years from MHI, other than remuneration as a MHI officer; or
- (viii) Anyone who belongs to a law firm, audit corporation, tax accountant corporation, consulting firm or any other expert advisory firm that received payments accounting for 2% or more of its annual consolidated gross sales on average in the past three business years from MHI (excluding staff serving as an assistant).

2. A person who corresponded to any of the items from (i) to (vi) above at any point in time over the past three years.

Structure of the Board of Directors After the Election and the Directors' Skill Matrix

If Proposals No. 2 and No. 3 are approved as submitted, the Board of Directors is scheduled to be comprised as shown in the table below.

MHI Group has set out Our Principles as the fundamental management philosophy and objectives and periodically formulates business plans in order to steadily fulfill these. The 2021 Medium-Term Business Plan currently being progressed by MHI Group states that the mission is to integrate cutting-edge technology into expertise built up over many years to provide solutions to the changing social issues and provide better lives.

Under this mission, for oversight of the management of MHI Group that is globally operating diverse businesses, it is necessary to appropriately track social issues and trends including relationships with all stakeholders based on the assumption of a deep understanding of the Group's basic philosophy and business, and discuss the Group's focus in the 2021 Medium-Term Business Plan on returning to and strengthening profitability and on opening up growth areas from diverse perspectives such as strengthening the technological foundation, human resource foundation and financial foundation, and risk management.

For these reasons, we believe it is important that there be knowledge, experience and expertise in social and economic issues, risk management and compliance, global corporate management, technology and digital, marketing, finance and accounting, and human resource development. MHI Board of Directors requires a good balance of these attributes.

The knowledge, experience and expertise possessed by each Director is as shown in the table below and we believe the Board of Directors has an appropriate mix of such knowledge, experience and expertise.

Name	Position and Responsibility in MHI	Number of years in office (as of the conclusion of this General Meeting of Shareholders)	Outside Director	Independent Director	Knowledge, experience and expertise						
					Socio-Economic Issues	Risk Management / Compliance	Global Enterprise Management	Technology / Digitalization	Marketing	Finance Accounting	Human Resource
Shunichi Miyanaga	Chairman of the Board	15			○	○	○		○		
Seiji Izumisawa	President and CEO (Member of the Board)	6			○	○	○	○	○		
Hitoshi Kaguchi	Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO	2			○	○		○	○		
Hisato Kozawa	Director (Member of the Board), Executive Vice President, CFO	3			○	○				○	
Ken Kobayashi	Director (Member of the Board)	7	○	○	○	○	○		○		
Nobuyuki Hirano	Director (Member of the Board)	4	○	○	○	○	○			○	
Mitsuhiro Furusawa	Director (Member of the Board)	Newly nominated	○	○	○	○				○	
Setsuo Tokunaga	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	2			○	○		○			
Ryutaro Takayanagi	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	1			○	○				○	
Hiroo Unoura	Director (Member of the Board) Audit and Supervisory Committee Member	4	○	○	○	○	○		○		○
Noriko Morikawa	Director (Member of the Board) Audit and Supervisory Committee Member	3	○	○	○	○	○			○	○
Masako Ii	Director (Member of the Board) Audit and Supervisory Committee Member	2	○	○	○	○					○

(Note) Sections marked with “○” in the table do not indicate all the knowledge, experience and expertise of such Directors.

Status of holdings and reduction of shares held for purposes other than pure investment

MHI acquires and holds shares of companies if it judges that doing so is necessary as a means of developing its business strategies, creating business opportunities, and establishing, maintaining and strengthening business relationships. MHI acquires and holds only the shares of companies where MHI believes that mutual collaboration with those companies will lead to sustainable growth and medium- to long-term improvement in social value and economic value. Furthermore, MHI periodically reviews and reduces holdings of shares acquired in the past using the same criteria, with the goal of reducing the total amount at which shares held for purposes other than pure investment are recorded on the consolidated balance sheet to less than 15% of total equity by the end of FY2025, and to less than 10% by the end of FY2030.

Based on this policy, MHI sold 15 issues/¥58.1 billion (including partial sales of 7 issues) in FY2022, and the total amount recorded on the balance sheet as of the end of FY2022 was ¥297.2 billion (down ¥40.3 billion from the end of FY2021).

Furthermore, listed shares held by MHI for purposes other than pure investment include shares in Vestas Wind Systems A/S (“Vestas”), shares in HydrogenPro ASA (“HydrogenPro”) and shares in SANSHA ELECTRIC MANUFACTURING CO., LTD. (Combined total amount recorded on the balance sheet as of the end of FY2022 was ¥101.2 billion). MHI has designated “Energy Transition” as a growth area in the 2021 Medium-Term Business Plan, and these shares were acquired with the aim of maintaining and strengthening relationships as a strategic partner with each company, in the decarbonization-related business such as renewable energy field and green hydrogen business field.

With regard to the shares contributed by MHI to the retirement benefit trust (4 issues in total), in March 2023 these were changed to a contract under which trustee bank exercises voting rights, with the result that no shares falling under the category of “deemed shareholdings” existed as of the end of the fiscal year under review.

Please see the Corporate Governance Guidelines of Mitsubishi Heavy Industries, Ltd. for MHI’s policy on holding shares for purposes other than pure investment, the method of verifying the rationality of holdings, and the approach to exercising voting rights.

(https://www.mhi.com/finance/management/governance/pdf/corporate_governance.pdf)

Number of Issues and Amount Recorded on the Balance Sheet

	As of the end of FY2022	
	Number of issues	Total amount recorded on balance sheet (Billions of Yen)
Non-listed shares	142	47.9
Shares other than non-listed shares [of which, Vestas, HydrogenPro and SANSHA ELECTRIC MANUFACTURING CO., LTD.]	37 [3]	249.3 [101.2]
Total	179	297.2

(End)

BUSINESS REPORT FOR THE 2022 FISCAL YEAR

(April 1, 2022 to March 31, 2023)

OVERVIEW OF MITSUBISHI HEAVY INDUSTRIES, LTD. (MHI) GROUP

1 REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

During the fiscal year under review, the global economy continued to show solid growth as social and economic activity returned to normal from the novel coronavirus disease (COVID-19) pandemic. The Japanese economy also mounted a gradual recovery centered on consumer spending and capital investment amid the “with corona” reality.

On the other hand, concerns persist regarding the future outlook given factors that include escalating inflationary pressures prompted by rising resource prices, abrupt monetary tightening in Europe and the United States, and international tensions that include the Russian invasion of Ukraine and conflict between the United States and China.

■ Orders, Sales and Profits/Losses

In this operating environment, consolidated orders received by MHI Group in the fiscal year under review increased by ¥433.5 billion year on year to ¥4,501.3 billion amid gains posted by Energy Systems and Logistics, Thermal & Drive Systems against decreases recorded by Aircraft, Defense & Space and Plants & Infrastructure Systems.

Revenue increased by ¥342.5 billion year on year to ¥4,202.7 billion as a result of gains across all segments, particularly in Logistics, Thermal & Drive Systems.

In terms of profit from business activities, Energy Systems recorded a decrease, but Aircraft, Defense & Space, Plants & Infrastructure Systems, and Logistics, Thermal & Drive Systems posted increases, resulting in an overall gain of ¥33.0 billion year on year to ¥193.3 billion, while profit before income taxes rose by ¥17.4 billion year on year to ¥191.1 billion.

Meanwhile, profit attributable to owners of parent came to ¥130.4 billion, ¥16.9 billion higher than in the previous fiscal year.

■ MHI Group Initiatives in FY2022

Under the 2021 Medium-Term Business Plan (“2021 MTBP”) launched in October 2020, we implemented various measures based on targets set in the four areas of profitability, growth, financial stability, and shareholder returns enlisting the two focal themes of “return to and strengthen profitability” and “opening up growth areas.” During the fiscal year under review, the MHI Group made progress overall according to plan with respect to these measures.

- Return to and strengthen profitability

We made concerted efforts toward returning to and strengthening profitability as with the previous fiscal year, in aiming to achieve our targets for FY2023, the final fiscal year of the 2021 MTBP.

Medium-lot products business achieved net sales at a level surpassing that prior to the COVID-19 pandemic, and profit levels exceeded those of the previous fiscal year as a result of our having curbed effects of surging costs for raw materials and transportation by adjusting prices. In aero engines, we proceeded with plant expansion in Nagasaki City and Komaki City, Aichi Prefecture with our sights particularly set on escalating needs for maintenance going forward as demand recovers. As for gas turbines, we have been encountering a steady flow of orders in markets that include Hong Kong, Singapore, Taiwan, and Uzbekistan amid robust demand with respect to gas-fired power, which poses less environmental impact than coal-fired power. In metals machinery, we concluded a large-scale order for Electric Arc Furnace in Germany amid the nation’s expanding investment in green steel, and also received successive orders for revamping projects. In addition, we delivered two LNG-fueled ferries, the first of their kind in Japan, thereby contributing to reduction of environmental loads with their outstanding performance in terms of cutting CO₂ emissions by more than 20% compared to heavy fuel oil vessels and generating almost zero sulfur oxide emissions.

We have furthermore taken steps to expand services business turnover by maximizing customer value through DX and other initiatives. Having extended applications of TOMONI® intelligent solution services, we have been working on service for ensuring optimal energy balance to achieve efficient use of hydrogen in the petroleum refining process, and have also embarked on operations of a service involving remote compressor monitoring at domestic ethylene plant. We have also embarked on full-scale sales of automated operation capabilities enlisting AI, developed jointly with our customers for newspaper printing presses.

- Opening up growth areas

Having declared its commitment to the MISSION NET ZERO aim of achieving virtually zero CO₂ emissions by 2040, the MHI Group engaged in initiatives during the fiscal year under review in terms of Energy Transition seeking decarbonization of the energy supply side and building intelligence into social infrastructure for achieving lower energy usage, labor savings and decarbonization on the energy demand side.

In terms of Energy Transition, we have gained multiple orders that entail taking on needs for converting from coal-fired power to gas-fired power with respect to achieving decarbonization and lower carbon emissions of existing infrastructure. In addition to our cutting-edge equipment having demonstrated substantial product reliability exceeding 8,000 actual operating hours, it has also achieved the world’s top market share as a result of having earned high marks for its scalability in terms of potential for future installation of CO₂ capture systems and transition to hydrogen combustion. Furthermore, we have successfully conducted the largest-scale validation testing ever using a 20% hydrogen blend fuel in a power plant operating in the United States. In

the field of CO₂ capture technologies, our group, which holds the world's top share, is highly regarded for its achievements and expertise, therefore we have been awarded a front end engineering design (FEED) study of a CO₂ capture plant applied to a gas-fired power plant in Canada. We have furthermore been taking on diverse CO₂ emission sources, which in the steel industry has signed of a collaboration agreement relating to applications of CO₂ capture technology in their steel plants with ArcelorMittal and two other companies, and in the cement manufacturing industry has appointed a preliminary front end engineering design (Pre-FEED) study of a CO₂ capture plant for the United Kingdom, following a feasibility study (FS) in Canada and a demonstration testing program in Japan of the last year. Moreover, we have entered into an alliance agreement with ExxonMobil and joined forces to deploy our leading CO₂ capture technology as part of ExxonMobil's end-to-end CO₂ capture and storage solutions for industrial customers.

In the field of building a value chain for producing, storing, transporting and using hydrogen, we are involved in the world's largest green hydrogen production and storage facility construction project, which has been selected as a financing project by the U.S. Department of Energy. We are working toward launching operations of the facility in 2025. As for nuclear power systems, we seek to ensure a stable energy supply for Japan and are developing an advanced light water reactor "SRZ-1200" that will ensure the world's highest level of safety, the basic design of which has been advanced in collaboration with four Japanese PWR utilities (PWR4^{*1}).

In relation to Smart Infrastructure, we have been moving forward with initiatives to provide added value that addresses needs of industry. To such ends, we have started to provide digital solutions widely across various fields using our ΣSynX (Sigma Synx) digital platform, a collection of our advanced control technology, and have achieved optimal operations of complex machine systems consisting of power generation, air conditioning & refrigeration, and material handling equipment. In the field of logistics, we have embarked on efforts with Kirin Group at the YHH^{*2} facility in Yokohama in conducting joint validation testing of automated picking solutions for beverage warehouses where logistics operators engage in labor-intensive tasks. In addition, we have completed construction for Kyoto City Central Wholesale Market of a refrigerated warehouse featuring improved cooling efficiency and reduced power consumption achieved through equipment and operational optimization as a result of combining the MHI Group's engineering and refrigeration technologies.

*1 PWR4 refers to Hokkaido Electric Power Company, Kansai Electric Power Company, Shikoku Electric Power Company, and Kyushu Electric Power Company.

*2 Yokohama Hardtech Hub (YHH) is a shared creative space for venture firms, manufacturing companies, local government bodies, educational institutions, and other organizations, located at the Honmoku Plant of MHI's Yokohama Dockyard & Machinery Works.

- Initiatives under MISSION NET ZERO

We have been persisting with efforts to reduce energy consumption with our sights set on achieving the aims set forth under MISSION NET ZERO, and have already attained a 47% emissions reduction as of 2022, in contrast with the Scope 1 and Scope 2 target of 50% lower CO₂ emissions in 2030 relative to that of 2014. In addition, we have furthermore been engaging in efforts such as those that entail a shift to full use of green energy, thereby making Mihara Machinery Works a carbon neutral factory. With respect to Scope 3 emissions, we have been proceeding with development and validation testing of various solutions that include construction of Takasago Hydrogen Park within Takasago Machinery Works with the aim of achieving targets

for reducing CO₂ emissions associated with use of MHI products (reduction of emissions by 30% in 2025 and 50% in 2030 relative to 2019).

- Future direction of the Mitsubishi SpaceJet program

We took steps to improve the business environment after having announced suspension of Mitsubishi SpaceJet (M90) development activities in October 2020, but ultimately decided to discontinue development upon having deemed there to be a lack of commercial feasibility that would sufficiently warrant resumption of development based on our findings in having carefully considered our options from the four perspectives of technology, products, customers, and financing. Going forward, we will leverage knowledge and experience we have gained through such development efforts in seeking to bring about development of Japan's aviation industry and improvement of our technological strengths.

REVIEW OF BUSINESS SEGMENTS

Energy Systems

Consolidated orders received increased year on year to ¥1,791.7 billion due to factors that include favorable conditions in the global market for GTCC and an increase in sales of aero engines amid ongoing recovery of demand.

Revenue rose year on year to ¥1,738.6 billion, mainly due to increases in results of GTCC and aero engines.

Despite increases in results of aero engines and compressors, profit from business activities decreased year on year to ¥85.1 billion in part due to a downturn in results of steam power.

Main Businesses
Thermal power systems (GTCC ^{*1} , steam power), nuclear power systems (light water reactors/nuclear fuel cycle & advanced solutions), wind power systems, aero engines, compressors, AQCS ^{*2} , marine machinery *1: Gas Turbine Combined Cycle, *2: Air Quality Control System

Plants & Infrastructure Systems

Despite increases in results of machinery systems, consolidated orders received decreased year on year to ¥845.4 billion in part due to a downturn in results of engineering.

Revenue rose year on year to ¥675.6 billion, driven mainly by increases in results of metals machinery and machinery systems.

Profit from business activities rose year on year to ¥32.7 billion, mainly due to increases in results of metals machinery and commercial ships.

Main Businesses
Metals machinery, commercial ships, engineering, environmental systems, machinery systems

Logistics, Thermal & Drive Systems

Consolidated orders received rose year on year to ¥1,215.0 billion, driven mainly by increased orders for material handling equipment and air-conditioning & refrigeration systems against a backdrop of escalating demand worldwide.

Revenue rose year on year to ¥1,203.7 billion, mainly due to increases in results of material handling equipment, air-conditioning & refrigeration systems, and engines.

Profit from business activities increased year on year to ¥38.9 billion, mainly due to higher profits associated with price adjustments and the overall increase in revenue.

Main Businesses
Material handling equipment, turbochargers, engines, air-conditioning & refrigeration systems, automotive thermal systems

Aircraft, Defense & Space

Despite an increase in orders in commercial aviation systems, consolidated orders received declined year on year to ¥703.6 billion, primarily due to a decrease in orders in missile systems.

Revenue gained year on year to ¥619.4 billion, mainly due to increases in results of commercial aviation and defense aircraft systems.

Profit from business activities increased year on year to ¥39.9 billion, mainly due to higher profits associated with increased revenue in commercial aviation systems.

Financial figures for the fiscal year under review and the previous fiscal year pertaining to Mitsubishi SpaceJet program have been reclassified to “corporate or elimination” upon changes having been made to segment categories.

Main Businesses
Commercial aviation, defense aircraft, missile systems, naval ships, special vehicles (tanks), maritime systems (torpedoes), space systems

2 KEY ISSUES FOR MHI GROUP

During FY2023, the final fiscal year of the 2021 MTBP, the MHI Group will steadily strive to achieve its targets with its sights set on returning to and strengthening profitability. Moreover, we will make progress to achieve both decarbonization on the energy supply side and lower energy usage, labor savings and decarbonization on the energy demand side, and will accordingly continue to engage in various initiatives implemented to open up growth areas in that regard.

- Decarbonization of the energy supply side (Energy Transition)

Whereas initiatives toward decarbonization have been spearheaded by Europe thus far, such initiatives are likely to gain further momentum mainly in the United States upon its enactment of the IRA^{*1}. In addition, the scope of government support has been expanding beyond renewable energy to also encompass the fields of energy transition, hydrogen utilization, and CO₂ capture, thereby giving rise to greater potential when it comes to moves taken to achieve a carbon-neutral society.

In this context, the MHI Group will address needs for decarbonization through the three approaches of reducing, capturing, and eliminating CO₂. We will accordingly maintain a high share of the market for high-efficiency gas turbines, thereby continuing to help reduce CO₂ emissions through conversion of aging coal-fired power plants. In addition, we will actively address needs for CO₂ capture amid growing momentum for projects combining CO₂ capture systems with gas turbines. Furthermore, our hydrogen gas turbines that do not emit CO₂ have already cleared quantitative CO₂ emission targets for gas turbines effective from 2023 imposed under EU regulations. We are furthermore making steady progress when it comes to our development efforts, particularly in terms of having achieved 50% hydrogen mixed firing during combustion test for large-frame gas turbines. We will continue to perform validation testing towards commercialization with our aim of achieving 100% hydrogen firing by 2030.

In terms of CO₂ capture, we will continue to engage in active business discussions in Europe and the United States, where business is expected to expand significantly, and business discussions are becoming more active. We will also continue to expand our business and contribute to market expansion by taking on tasks involving FS^{*2} and FEED^{*3} and the delivery of CO₂ capture plant. We are also working to improve CO₂ capture processes and standardize designs for the industrial fields, that conventionally generates significant amounts of CO₂ in its production processes, as well as to promote these demonstrations and specific business discussions with our partners. When it comes to storage and utilization, we will constantly set our sights on future commercial opportunities. We will propose CO₂ capture projects around the world through collaboration with ExxonMobil, and we will also participate in a joint study under a government project on commercialization of value chains by coordinating with partners at each stage of CO₂ capture, transport, and storage in Japan.

*1 Inflation Reduction Act

*2 Feasibility Study

*3 Front End Engineering Design

- Lower energy usage, labor savings and decarbonization on the energy demand side (Building intelligence into social infrastructure)

On the energy demand side, we will engage in initiatives to address customer needs by offering them one-stop solutions in terms of labor savings, optimization and high reliability. Whereas the

MHI Group has been developing and deploying various digital products that include controls for machinery and power generation facilities, remote monitoring and maintenance, and cyberattack protection, the Group has linked this to its Σ SynX (Sigma Synx) platform and will accordingly provide added value in terms of labor savings, design and facilities optimization, and high reliability.

For instance, we will seek commercial development in intelligent logistics through ongoing validation testing to develop automated picking, shipment, and warehousing solutions enlisting AGFs*⁴ and integrated control systems in warehouses. Moreover, we will seek to expand our business when it comes to refrigerated warehouses we already serve with our sights set on the Southeast Asian market, which is poised for expanding customer needs going forward. This will entail further optimization of simulation technologies we have amassed, in addition to highly efficient cooling and low power consumption. In the realm of data centers, companies face substantial challenges in terms of achieving lower energy usage and decarbonization amid a trend of increasingly high density and more highly integrated design. As such, we are moving further ahead in performing validation testing of next-generation cooling technologies that reduce refrigeration power consumption by more than 90%. In addition, we will work toward generating more extensive orders going forward by establishing a framework for providing one-stop solutions in terms of highly reliable and highly efficient power supply and cooling systems, as well as monitoring and integrated control systems.

*⁴ Automated Guided Forklift

- New business opportunities while also returning to and strengthening profitability

The business environment surrounding the MHI Group is changing significantly due to factors that include progressing economic fragmentation, increasing support from governments of individual nations for decarbonization, and mounting emphasis on economic security. This has given rise to new business opportunities particularly in the fields of nuclear power and defense, in addition to the fields previously mentioned. Given that nuclear power systems constitute large and stable sources of power that strike a balance between carbon-free electricity and energy security, we will continue providing support for restarting existing plants in Japan and establishing a nuclear fuel cycle. We will also steadily work on developing and designing the SRZ-1200 advanced light water reactor looking toward its shift to commercial implementation in mid-2030. In addition, we will engage in various initiatives that include developing high-temperature gas-cooled reactors that enable the stable production of hydrogen in large volumes and collaborating on the development of fast breeder reactors with an overseas partner. In the field of defense, Japan has been extensively expanding its Defense Buildup Program amid growing momentum toward strengthening national defense. The MHI Group will continue assuming a role of supporting the safety and security of society, serving as a leading company capable of dealing with an extensive range of equipment with our high technologies.

Moreover, we will appropriately address changes in the business environment going forward, while also continuing to engage in initiatives undertaken for the purpose of returning to and strengthening profitability particularly in terms of reviewing our business portfolio, more swiftly shifting resources to growth areas, making structural reforms, and improving operational efficiency of asset management and corporate departments.

The MHI Group, through its MISSION NET ZERO activities, will work toward achieving carbon neutrality while seeking to improve both environmental value and economic value, thereby contributing to realization of a sustainable society by solving social problems through its

operations. In prompting development and growth of our business as described above, we will continue to manage our operations as we have thus far based on our awareness that compliance serves as a key premise of our operations. As such, we accordingly ask our shareholders for their continued understanding and support in these endeavors.

■ OPERATING RESULTS AND FINANCIAL CONDITIONS

	Japanese GAAP	International Financial Reporting Standards (IFRS)					
Item	FY2017	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
(Billions of Yen)							
Orders received	3,875.7	3,868.7	3,853.4	4,168.6	3,336.3	4,067.7	4,501.3
Net sales / Revenue	4,110.8	4,085.6	4,078.3	4,041.3	3,699.9	3,860.2	4,202.7
Overseas sales ratio/ Overseas revenue ratio	54.2%	55.1%	54.0%	51.9%	47.4%	51.1%	57.0%
Operating income	126.5	—	—	—	—	—	—
Operating income ratio	3.1%	—	—	—	—	—	—
Profit from business activities	—	58.1	200.5	(29.5)	54.0	160.2	193.3
Profit from business activities to revenue ratio	—	1.4%	4.9%	(0.7)%	1.5%	4.2%	4.6%
Income before income taxes / Profit before income taxes	128.0	39.2	195.0	(32.6)	49.3	173.6	191.1
Profit attributable to owners of parent	70.4	(7.3)	110.2	87.1	40.6	113.5	130.4
Total assets	5,487.6	5,248.7	5,240.3	4,985.6	4,810.7	5,116.3	5,474.8
Net assets / Total equity	2,164.4	1,693.8	1,728.6	1,290.0	1,439.3	1,662.5	1,833.9
Return on equity (ROE)	3.9%	(0.5)%	7.9%	6.6%	3.1%	7.7%	7.9%
Cash flows from operating activities	345.1	405.7	420.3	452.5	(94.9)	285.5	80.8
Cash flows from investing activities	(137.1)	(238.1)	(161.8)	(239.5)	(182.2)	16.3	(45.5)
Free cash flows	207.9	167.5	258.4	212.9	(277.1)	301.8	35.3
Cash flows from financing activities	(152.1)	(112.3)	(271.0)	(204.4)	221.7	(255.7)	(18.9)
Research and development expenses	176.8	176.8	152.1	146.8	125.7	113.6	127.4
Capital investment	144.0	144.0	137.4	148.1	116.5	115.0	142.3
Per share information of common stock (Yen)							
Earnings per share (EPS) / Basic earnings per share	209.82	(21.79)	328.52	259.39	120.92	338.24	388.43
Diluted earnings per share	209.39	(21.80)	327.97	259.06	120.83	338.05	388.26

	Japanese GAAP	International Financial Reporting Standards (IFRS)					
Item	FY2017	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Book value per share (BPS) / Equity attributable to owners of parent per share	5,431.02	4,153.46	4,204.71	3,627.73	4,064.73	4,696.42	5,183.10

(Notes)

1. On October 1, 2017, the Company conducted a consolidation of its shares on a one for 10 basis. The per-share information is calculated on the assumption that said consolidation was carried out at the beginning of FY2017.
2. The Company has voluntarily adopted the International Financial Reporting Standards (IFRS), beginning with FY2018. Financial data for FY2017 restated from Japanese GAAP to IFRS is presented above for comparison.
3. The Company has applied IFRS 16 “Leases,” beginning with FY2019. Financial data for FY2018 is recalculated, retrospectively applying this standard.

Orders Received and Net Sales / Revenue by Segment**[Japanese GAAP]**

(Millions of Yen)

Segment	FY2017	
	Orders Received	Net Sales
Power Systems	1,437,547	1,493,962
Industry & Infrastructure	1,711,388	1,898,965
Aircraft, Defense & Space	721,575	722,992
Others	113,510	120,805
Inter-Segment Eliminations	(108,302)	(125,909)
Total	3,875,718	4,110,816

[International Financial Reporting Standards (IFRS)]

(Millions of Yen)

Segment	FY2017		FY2018		FY2019	
	Orders Received	Revenue	Orders Received	Revenue	Orders Received	Revenue
Power Systems	1,437,547	1,482,457	1,426,504	1,525,108	1,772,101	1,590,293
Industry & Infrastructure	1,711,388	1,890,078	1,852,059	1,907,871	1,723,779	1,778,095
Aircraft, Defense & Space	714,615	718,303	610,666	677,577	719,232	704,985
Others	113,510	120,748	73,323	71,661	70,185	75,190
Inter-Segment Eliminations	(108,302)	(125,909)	(109,126)	(103,874)	(116,608)	(107,189)
Total	3,868,758	4,085,679	3,853,426	4,078,344	4,168,689	4,041,376

(Millions of Yen)

Segment	FY2019		FY2020		FY2021		FY2022	
	Orders Received	Revenue	Orders Received	Revenue	Orders Received	Revenue	Orders Received	Revenue
Energy Systems	1,772,101	1,590,293	1,299,213	1,546,003	1,444,358	1,651,086	1,791,797	1,738,676
Plants & Infrastructure Systems	739,970	792,925	575,281	637,258	890,982	651,886	845,400	675,665
Logistics, Thermal & Drive Systems	985,962	990,105	868,095	860,307	992,305	986,534	1,215,016	1,203,776
Aircraft, Defense & Space	719,215	704,985	626,243	702,109	774,248 [774,248]	605,292 [605,292]	703,694	619,442
Corporate or Elimination	(48,560)	(36,934)	(32,442)	(45,732)	(34,164) [(34,164)]	(34,516) [(34,516)]	(54,597)	(34,762)
Total	4,168,689	4,041,376	3,336,392	3,699,946	4,067,730	3,860,283	4,501,311	4,202,797

(Notes)

1. The orders received and net sales/revenue for each segment include inter-segment transactions, which are all cancelled for their respective segments using the “Inter-Segment Eliminations” and “Corporate or Elimination” terms.
2. In FY2020, segment categories were changed to “Energy Systems,” “Plants & Infrastructure Systems,” “Logistics, Thermal & Drive Systems,” and “Aircraft, Defense & Space.” Both orders received and revenue of each segment for FY2019 are presented using the new segment categories as well for reference.
3. In FY2022, the segment category of the Mitsubishi SpaceJet program was changed from “Aircraft, Defense & Space” to “Corporate or Elimination.” Both orders received and revenue in FY2021 are presented for those two categories as two figures with the restated figure based on the new categorization shown in square brackets.

■ FINANCING CONDITIONS

(Millions of Yen)

Item	Change from the End of FY2021 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2022
Short-term and Long-term borrowings	(61,531)	468,402
Bonds	10,000	215,000
Subtotal	(51,531)	683,402
Non-recourse loans	59,019	59,019
Total	7,488	742,422

■ MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2022
MUFG Bank, Ltd.	196,081
Mizuho Bank, Ltd.	79,919
Sumitomo Mitsui Banking Corporation	59,000
Meiji Yasuda Life Insurance Company	45,000
Sumitomo Mitsui Trust Bank, Limited	40,218

■ CAPITAL INVESTMENT

Capital investment* during FY2022 amounted to ¥142,316 million. The main purposes of the investments were to strengthen technological capabilities, to improve the ability to be competitive and to enhance MHI's capabilities in the fields where MHI aims to aggressively expand its businesses in the future.

* Based on reported figures for property, plant and equipment

Capital Investment by Business Segment

(Millions of Yen)

Segment	Amount	Main Items
Energy Systems	35,329	Expansion of facilities related to GTCC
Plants & Infrastructure Systems	7,296	Expansion of facilities related to metals machinery
Logistics, Thermal & Drive Systems	62,232	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	18,839	Expansion of facilities related to naval ships
Others & Common	18,617	Construction of new office building
Total	142,316	

■ **EMPLOYEES**

1. **EMPLOYEES OF MHI GROUP**
(INCLUDING ITS CONSOLIDATED SUBSIDIARIES)

(Persons)

Segment	Number of Employees
Energy Systems	22,718
Plants & Infrastructure Systems	13,424
Logistics, Thermal & Drive Systems	24,115
Aircraft, Defense & Space	10,587
Others & Common	6,015
Total	76,859

(Note)

The number of employees above does not include Senior Vice Presidents, temporary employees (employees who were re-employed following compulsory retirement, temporary contract employees, part-time employees, etc.), secondees from MHI or consolidated subsidiaries assigned to the other companies, etc., or employees of non-consolidated subsidiaries.

2. **EMPLOYEES OF MHI**

Number of Employees	Change from FY2021	Average Age	Average Number of Years of Service
21,634 persons	decrease of 1,121 employees	42.1 years old	18.8 years

(Note)

The number of employees above does not include Senior Vice Presidents, temporary employees (employees who were re-employed following compulsory retirement, temporary contract employees, part-time employees, etc.), or secondees assigned to subsidiaries, etc.

■ MAIN OFFICES & MANUFACTURING FACILITIES

Head Office	Chiyoda-ku, Tokyo
Research & Innovation Centers	Kobe City, Nagasaki City, Takasago City Hyogo Prefecture, Hiroshima City, Nagoya City, Yokohama City, Sagamihara City, Chiyoda-ku Tokyo
Works, Plant, and Center	Nagasaki Shipyard & Machinery Works (Nagasaki City), Shimonoseki Shipyard & Machinery Works (Shimonoseki City, Yamaguchi Prefecture), Hiroshima Machinery Works (Hiroshima City), Mihara Machinery Works (Mihara City, Hiroshima Prefecture), Kobe Shipyard & Machinery Works (Kobe City), Takasago Machinery Works (Takasago City, Hyogo Prefecture), Nagoya Aerospace Systems Works (Nagoya City), Nagoya Guidance & Propulsion Systems Works (Komaki City, Aichi Prefecture), Yokohama Dockyard & Machinery Works (Yokohama City), Sagamihara Machinery Works (Sagamihara City), Hitachi Works (Hitachi City, Ibaraki Prefecture), Kure Works (Kure City, Hiroshima Prefecture), Meirei District (Kiyosu City, Aichi Prefecture)
Offices	Hokkaido Office (Sapporo City), Tohoku Office (Sendai City), Hokuriku Office (Toyama City), Chubu Office (Nagoya City), Kansai Office (Osaka City), Chugoku Office (Hiroshima City), Shikoku Office (Takamatsu City), Kyushu Office (Fukuoka City)
Main Bases Overseas	<p>[Offices] Middle East Office (UAE), Taipei Office (Taiwan), Hanoi Liaison Office (Vietnam), Ho Chi Minh City Liaison Office (Vietnam), Kuala Lumpur Office (Malaysia)</p> <p>[Head Offices and Networks] Mitsubishi Heavy Industries America, Inc. (U.S.A.), MHI Shared Services Americas, Inc. (U.S.A.), Mitsubishi Industrias Pesadas do Brasil Ltda. (Brazil), Mitsubishi Heavy Industries Mexicana, S.A. de C.V. (Mexico), Mitsubishi Heavy Industries EMEA, Ltd. (United Kingdom), Mitsubishi Heavy Industries France S.A.S. (France), MHI Russia LLC (Russia), MHI Technologies S.A.E (Egypt), Mitsubishi Heavy Industries (China) Co., Ltd. (China), Mitsubishi Heavy Industries (Shanghai) Co., Ltd. (China), Mitsubishi Heavy Industries, (Hong Kong) Ltd. (China), Mitsubishi Heavy Industries India Private Ltd. (India), Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. (Singapore), Mitsubishi Heavy Industries (Thailand) Ltd. (Thailand), PT Mitsubishi Heavy Industries Indonesia (Indonesia), Mitsubishi Heavy Industries Australia, Pty. Ltd. (Australia)</p>

(Notes)

1. The main subsidiaries and their addresses are as presented below in “OUTLINES OF MAIN SUBSIDIARIES.”
2. MHI Shared Services Americas, Inc. (U.S.A) was merged with Mitsubishi Heavy Industries America, Inc. (U.S.A) on April 1, 2023.

■ OUTLINES OF MAIN SUBSIDIARIES

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Energy Systems	Mitsubishi Power Aero LLC	U.S.A.	624.5 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Power Americas, Inc.	U.S.A.	352.5 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi Prefecture	6,000 million Yen	100.0	Aero engines-related business
	Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	4,000 million Yen	100.0	Compressors-related business
Plants & Infrastructure Systems	Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd.	Yokohama City	3,450 million Yen	*100.0	Environmental systems-related business
	Mitsubishi Shipbuilding Co., Ltd.	Yokohama City	3,000 million Yen	100.0	Commercial ships-related business
	Mitsubishi Heavy Industries Machinery Systems, Ltd.	Kobe City	2,005 million Yen	100.0	Machinery systems-related business
	Mitsubishi Heavy Industries Engineering, Ltd.	Yokohama City	100 million Yen	100.0	Engineering-related business
	Primetals Technologies, Limited	United Kingdom	0.1 million Euros	*100.0	Metals machinery-related business

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Logistics, Thermal & Drive Systems	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Chiyoda-ku, Tokyo	12,000 million Yen	100.0	Air-conditioning and refrigeration systems-related business, Automotive thermal systems-related business
	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Sagamihara City	5,000 million Yen	100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Logisnext Co., Ltd.	Nagaokakyo City, Kyoto Prefecture	4,938 million Yen	64.5	Material handling equipment-related business
Aircraft, Defense & Space	MHI RJ Aviation Inc.	U.S.A.	0.2 million US dollars	*100.0	Commercial aviation-related business
Others	MHI International Investment B.V.	Netherlands	245.0 million Euros	100.0	Investment for projects, financial operation within the MHI Group
	Mitsubishi Heavy Industries America, Inc.	U.S.A.	15.0 million US dollars	100.0	MHI products-related business in U.S.A.

(Note)

The item marked with an asterisk (*) denotes the percentage including voting rights held by MHI's subsidiaries.

STOCKS OF MHI

■ TOTAL NUMBER OF SHARES AUTHORIZED TO BE ISSUED:

600,000,000 shares

■ TOTAL NUMBER OF THE SHARES ISSUED:

337,364,781 shares

■ NUMBER OF SHAREHOLDERS:

261,074 persons (increase of 13,228 persons from the end of FY2021)

■ MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,706,300	15.9
Custody Bank of Japan, Ltd. (Trust Account)	18,548,400	5.5
Meiji Yasuda Life Insurance Company	8,002,274	2.3
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Mitsubishi UFJ, Ltd.)	6,526,300	1.9
STATE STREET BANK WEST CLIENT – TREATY 505234	5,801,805	1.7
Mitsubishi Heavy Industries Employee Shareholding Association	5,561,983	1.6
THE BANK OF NEW YORK MELLON 140044	4,843,685	1.4
STATE STREET BANK AND TRUST COMPANY 505225	3,975,366	1.1
STATE STREET BANK AND TRUST COMPANY 505001	3,824,367	1.1
JP MORGAN CHASE BANK 385781	3,760,719	1.1

(Note)

The ratios of shareholding are calculated excluding 455,594 treasury shares. The number of treasury shares does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (37,032 shares), Board Incentive Plan Trust I (222,500 shares) and Board Incentive Plan Trust II (751,000 shares).

■ STATUS OF SHARES GRANTED TO OFFICERS AS COMPENSATION FOR EXECUTION OF DUTIES DURING FY2022

	Number of Shares	Number of Persons Eligible for Grants
Director (Member of the Board) (excluding Directors who are serving as Audit and Supervisory Committee Members and Outside Directors)	39,400	3
Outside Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	–	–
Directors who are serving as Audit and Supervisory Committee Members	7,200	2

(Notes)

1. The number of shares includes shares granted to retired officers, and shares granted to officers as compensation for execution of duties during their term as Senior Vice Presidents of MHI, or as directors or senior vice presidents of its subsidiaries.
2. The number of shares in the table includes shares that were liquidated to provide payment in cash (19,800 shares of the 39,400 shares, and 3,600 shares of the 7,200 shares).

STOCK ACQUISITION RIGHTS OF MHI

■ STOCK ACQUISITION RIGHTS HELD BY MHI'S OFFICERS AT THE END OF FY2022 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 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 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.

OFFICERS

■ NAMES OF DIRECTORS, ETC.

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Chairman of the Board	Shunichi Miyanaga		Director, Mitsubishi Motors Corporation Member of the Board, Mitsubishi Corporation
*President and CEO (Member of the Board)	Seiji Izumisawa	CEO ^{*1}	Director, Mitsubishi Research Institute, Inc.
*Director (Member of the Board), Executive Vice President	Hisato Kozawa	CFO ^{*2}	
*Director (Member of the Board), Executive Vice President	Hitoshi Kaguchi	CSO ^{*3} , President and CEO, Energy Systems	
Director (Member of the Board)	Naoyuki Shinohara		Statutory Auditor, Media Kobo, Inc.
Director (Member of the Board)	Ken Kobayashi		Corporate Advisor, Mitsubishi Corporation Director, Mitsubishi Research Institute, Inc. Director, NISSIN FOODS HOLDINGS CO., LTD. Chairman, The Japan Chamber of Commerce and Industry
Director (Member of the Board)	Nobuyuki Hirano		Senior Advisor, MUFG Bank, Ltd. Director, Mitsubishi Research Institute, Inc. Chairman, Mitsubishi Memorial Foundation for Educational Excellence
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Setsuo Tokunaga		
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Ryutaro Takayanagi		
Director (Member of the Board) Audit and Supervisory Committee Member	Hiroo Unoura		Senior Advisor, Nippon Telegraph and Telephone Corporation Member of the Board, KADOKAWA CORPORATION

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Director (Member of the Board) Audit and Supervisory Committee Member	Noriko Morikawa		Director, Resonac Holdings Corporation
Director (Member of the Board) Audit and Supervisory Committee Member	Masako Ii		Professor, School of International and Public Policy, Hitotsubashi University Professor, Graduate School of Economics/Faculty of Economics, Hitotsubashi University Governor, Japan Broadcasting Corporation

*1 CEO: Chief Executive Officer

*2 CFO: Chief Financial Officer

*3 CSO: Chief Strategy Officer

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2023.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Mr. Nobuyuki Hirano, each a Director, and Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii, each a Director who is serving as an Audit and Supervisory Committee Member, are outside directors as defined in Article 2, item (xv) of the Companies Act.
4. MHI has submitted notifications, specifying all MHI's outside directors as independent directors, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
5. Mr. Ryutaro Takayanagi, a Director, Full-time Audit and Supervisory Committee Member, has extensive knowledge of finance and accounting from business experience in the accounting and finance departments of MHI.
6. Based on the judgment that given the size, characteristics, etc. of MHI's business, audit by full-time personnel is necessary for ensuring the effectiveness of the activities of the Audit and Supervisory Committee, MHI has prescribed in the Articles of Incorporation that Full-time Audit and Supervisory Committee Members shall be appointed. Pursuant to this provision, Mr. Setsuo Tokunaga and Mr. Ryutaro Takayanagi have been appointed as Full-time Audit and Supervisory Committee Members.
7. Mr. Ryutaro Takayanagi, a Director who is serving as a Full-time Audit and Supervisory Committee Member, took up his position as of June 29, 2022 (on the date of the 97th Annual General Meeting of Shareholders).
8. Mr. Seiji Izumisawa, a Director, took up his position as Director, Mitsubishi Research Institute, Inc. as of December 21, 2022.
9. Mr. Ken Kobayashi, a Director, retired from his position as Director, Mitsubishi Motors Corporation as of June 23, 2022, and retired from his position as Member of the Board, Mitsubishi Corporation as of June 24, 2022. In addition, he took up his position as Chairman, The Japan Chamber of Commerce and Industry as of November 17, 2022.
10. Mr. Nobuyuki Hirano, a Director, retired from his position as Director, Morgan Stanley as of May 26, 2022. In addition, he retired from his position as Audit & Supervisory Board Member, Toyota Motor Corporation as of June 16, 2022.
11. Ms. Noriko Morikawa, a Director who is serving as an Audit and Supervisory Committee Member, retired from her position as Director / Audit & Supervisory Committee Member, CHORI CO., LTD. as of June 16, 2022.

12. Ms. Masako Ii, a Director who is serving as an Audit and Supervisory Committee Member, retired from her position as Director (Audit and Supervisory Committee Member), M3, Inc. as of June 28, 2022.

The following changes were instituted in the positions and responsibilities of Directors as of April 1, 2023.

Position	Name	Responsibility
*Director (Member of the Board), Senior Executive Vice President	Hitoshi Kaguchi	Assistant to President and CEO

(Note)

An asterisk mark (*) indicates a Representative Director.

■ Outline of Liability Limitation Agreement

MHI has entered into liability limitation agreements with Directors: Mr. Naoyuki Shinohara; Mr. Ken Kobayashi; and Mr. Nobuyuki Hirano, and Directors who are serving as Audit and Supervisory Committee Members: Mr. Hiroo Unoura; Ms. Noriko Morikawa; and Ms. Masako Ii, respectively, which provide a limitation on their liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which is the higher of ¥10 million or the minimum liability amount defined in Article 425, paragraph (1) of the Companies Act.

■ Outline of the Directors and Officers Liability Insurance Policy

MHI plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover indemnification and the litigation expenses arising from the legal liability of damages that are assumed by an insured in a case where the insured receives a claim etc. relating to the pursuit of liability arising from the performance of duties. However, the aforementioned policy does not cover losses, etc. arising from intentional misconduct or fraudulent acts by the aforementioned insured.

In addition to MHI's Directors, Senior Vice Presidents, etc., and the directors, senior vice presidents, etc. of MHI's subsidiaries in which MHI directly or indirectly owns a majority of the outstanding shares or otherwise has a controlling interest (including persons seconded as directors, senior vice presidents, etc. to corporations other than MHI and its subsidiaries) are insured under the insurance policies, and the insurance premiums for all the insured are paid in full by MHI or its subsidiaries, etc., in which the insured are serving as directors, senior vice presidents, etc.

■ OUTSIDE OFFICERS

1. ENTITIES WHERE OUTSIDE OFFICERS HOLD IMPORTANT CONCURRENT POSITIONS AND THEIR RELATIONS WITH MHI

Position	Name	Name of Entity	Relations with MHI
Director	Naoyuki Shinohara	Media Kobo, Inc.	No notable relations
	Ken Kobayashi	Mitsubishi Research Institute, Inc.	Consignment of consulting services, etc.
		NISSIN FOODS HOLDINGS CO., LTD.	No notable relations
		The Japan Chamber of Commerce and Industry	No notable relations
	Nobuyuki Hirano	Mitsubishi Research Institute, Inc.	Consignment of consulting services, etc.
		Mitsubishi Memorial Foundation for Educational Excellence	Donations of cash, etc.
Director, Audit and Supervisory Committee Member	Hiroo Unoura	KADOKAWA CORPORATION	No notable relations
	Noriko Morikawa	Resonac Holdings Corporation	Purchase of naval ship components, etc.
	Masako Ii	Hitotsubashi University	No notable relations
		Japan Broadcasting Corporation	No notable relations

(Notes)

1. The entities above are those listed in “NAMES OF DIRECTORS, ETC.” where an MHI outside officer serves as an “Executive” etc. as defined in Article 124, paragraph (1), item (i) of the Regulations for Enforcement of the Companies Act or as an “Outside Officer” etc. as defined in item (ii) of the same paragraph.
2. Mr. Ken Kobayashi, a Director, retired from his position as Director, Mitsubishi Motors Corporation on June 23, 2022. Mitsubishi Motors Corporation has a trading relationship with MHI for the purchase of missile system components, etc.
3. Mr. Nobuyuki Hirano, a Director, retired from his position as Director, Morgan Stanley, on May 26, 2022. Morgan Stanley has no notable relations with MHI. Mr. Nobuyuki Hirano, a Director, retired from his position as Audit & Supervisory Board Member, Toyota Motor Corporation, on June 16, 2022. MHI’s relationship with Toyota Motor Corporation consists of the outsourcing of research and development operations, etc.
4. Ms. Noriko Morikawa, a Director who is serving as an Audit and Supervisory Committee Member, retired her position as Director / Audit & Supervisory Committee Member, CHORI CO., LTD. on June 16, 2022. CHORI CO., LTD. has no notable relations with MHI.
5. Ms. Masako Ii, a Director who is serving as an Audit and Supervisory Committee Member, retired her position as Director (Audit and Supervisory Committee Member), M3, Inc. on June 28, 2022. M3, Inc. has no notable relations with MHI.

2. PRINCIPAL ACTIVITIES

Position	Name	The Number of Attendance at the Board of Directors Meetings	The Number of Attendance at the Audit and Supervisory Committee Meetings	Overview of the Duties Undertaken in Relation to the Role Expected to Be Fulfilled as Outside Director
Director	Naoyuki Shinohara	13 out of 14 times	-	Mr. Naoyuki Shinohara performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on his wide range of insights related to financial and monetary policy gained as a regulator and a global perspective gained as an international institution executive when he served as Vice Minister of Finance for International Affairs and Deputy Managing Director of the International Monetary Fund (IMF).
	Ken Kobayashi	14 out of 14 times	-	Mr. Ken Kobayashi performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on his extensive knowledge and experience gained as a top executive of a global company because he has expertise in various fields, having served as a Member of the Board, President and CEO, and Chairman of the Board of Mitsubishi Corporation.
	Nobuyuki Hirano	14 out of 14 times	-	Mr. Nobuyuki Hirano performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on his extensive knowledge and experience gained as a top executive at international financial institutions including holding the positions of President & Group CEO and Chairman (Corporate Executive) of Mitsubishi UFJ Financial Group, Inc. and President and Chairman of the Board of Directors of MUFG Bank, Ltd.
Director, Audit and Supervisory Committee Member	Hiroo Unoura	14 out of 14 times	16 out of 16 times	Mr. Hiroo Unoura performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on his extensive knowledge and experience gained as a top executive at a company that is engaged in cutting-edge businesses, having been the driver of initiatives to strengthen the competitiveness and profitability of the domestic business of Nippon Telegraph and Telephone Corporation (NTT) and expand the overseas business as the former President & CEO of NTT. In addition, based on his considerable knowledge and experience, Mr. Hiroo Unoura has expressed his views at the Audit and Supervisory Committee meetings in relation to the overall activities of the Committee, including auditing, and he has also conducted interviews with various departments, etc., exchanged opinions with the financial auditor, and provided necessary proposals.

Position	Name	The Number of Attendance at the Board of Directors Meetings	The Number of Attendance at the Audit and Supervisory Committee Meetings	Overview of the Duties Undertaken in Relation to the Role Expected to Be Fulfilled as Outside Director
Director, Audit and Supervisory Committee Member	Noriko Morikawa	14 out of 14 times	16 out of 16 times	<p>Ms. Noriko Morikawa performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on her experience in internal audit and accounting operations at foreign companies operating in Japan, in addition to her extensive knowledge and experience in global companies related to business management and organizational operation, such as overseeing administration departments in the role of manager.</p> <p>In addition, based on her considerable knowledge and experience, Ms. Noriko Morikawa has expressed her views at the Audit and Supervisory Committee meetings in relation to the overall activities of the Committee, including auditing, and she has also conducted interviews with various departments, etc., exchanged opinions with the financial auditor, and provided necessary proposals.</p>
	Masako Ii	14 out of 14 times	16 out of 16 times	<p>Ms. Masako Ii performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on her advanced knowledge cultivated as a researcher in the field of health economics, as a professor at a graduate school and abundant global experience as a researcher at The World Bank and as a governor of the Japan Broadcasting Corporation.</p> <p>In addition, based on her considerable knowledge and experience, Ms. Masako Ii has expressed her views at the Audit and Supervisory Committee meetings in relation to the overall activities of the Committee, including auditing, and she has also conducted interviews with various departments, etc., exchanged opinions with the financial auditor, and provided necessary proposals.</p>

■ REMUNERATION, ETC. TO OFFICERS

1. AMOUNT OF REMUNERATION, ETC.

Position	Total Amount of Remuneration, etc. (Millions of Yen)	Monetary Remuneration				Stock Remuneration	
		Basic Remuneration		Performance-linked Remuneration		Figures (persons)	Total Amount (Millions of Yen)
		Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)		
Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	740	7	265	4	274	4	200
(Outside Directors)	(45)	(3)	(45)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	159	6	159	—	—	—	—
(Outside Directors)	(55)	(3)	(55)	(—)	(—)	(—)	(—)
Total	899	13	424	4	274	4	200
(Outside Directors)	(100)	(6)	(100)	(—)	(—)	(—)	(—)

(Notes)

1. The figures include one Director who is serving as an Audit and Supervisory Committee Member who retired during FY2022.
2. The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 446,000 Stock Award Points granted in total during FY2022 (equivalent to 44,600 shares of MHI).
3. In addition to the above-mentioned amount of remuneration, etc., following a change to the tax treatment of remuneration, etc. for Directors, a payment of ¥1.8 million, relating to remuneration, etc. for the period from FY2020 to FY2022, was made to each in the fiscal year under review.

2. MATTERS CONCERNING BASIC REMUNERATION

Basic remuneration for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) is determined after taking into account the roles and duties of each Director, and is based on the following formula.

Standard amount based on role + Additional amount based on duties

The standard amount based on role is determined in accordance with roles and duties, and the additional amount based on duties varies, depending on said duties, by up to ¥500,000 per month.

Basic remuneration for Directors who are serving as Audit and Supervisory Committee Members and outside directors is set at a reasonable level of fixed remuneration.

3. MATTERS CONCERNING PERFORMANCE-LINKED REMUNERATION

The indicator used as the basis for calculating performance-linked remuneration is consolidated profit from business activities (“profit from business activities”), which was chosen to reflect the results of business activities in this type of remuneration. (However, there may be partial adjustments to the compensation computation depending on our assessment of the impact of changes in accounting principles.) In order to strengthen the link to business plans such as the

medium-term business plan, the indicator in question has been changed from profit before income taxes to profit from business activities, which is the main indicator used for business plans, beginning with the fiscal year under review.

Performance-linked remuneration shall be determined with reference to consolidated earnings for the fiscal year under review, and shall also take into account the roles of each Director and the earnings and achievements, etc. of the business for which they are responsible, based on the following calculation method.

$$\text{Role-based payment coefficient} \times \text{Profit from business activities for the given fiscal year} \div 10,000 \times \text{Coefficient of business results}$$

Furthermore, performance-linked remuneration shall be paid in cases where there is a profit from business activities for the fiscal year under review (where adjustments have been made, the adjusted figure) and where dividend payments are made.

The role-based payment coefficient shall be determined in accordance with roles and duties, and the coefficient of business results shall vary from 1.3 to 0.7, after assessing the earnings and achievements, etc. of the business for which they are responsible.

In FY2022, profit from business activities was ¥193.3 billion, against a target (initial forecast) of ¥200.0 billion.

4. DETAILS OF NON-MONETARY REMUNERATION (STOCK REMUNERATION)

In terms of non-monetary remuneration, MHI utilizes a Board Incentive Plan (BIP) trust mechanism, which is based on Stock Award Points granted to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) using the calculation below, and in accordance with the position of each Director and the financial results of MHI. In principle, when three years have elapsed since the granting of the Stock Award Points, shares of MHI and money in the amount equivalent to liquidation value of shares of MHI are then delivered or provided to these Directors.

$$\text{Role-based standard points} \times \text{Coefficient of business results}$$

Role-based standard points are determined in accordance with roles and duties, and the basis for determining the coefficient of business results is profit before income taxes for the previous fiscal year. In the event that a Director engages in extremely improper conduct, MHI may withhold the granting of Stock Award Points and the delivery of shares, or demand a payment equivalent to the value of shares that have already been delivered to them.

The indicator used as the basis for calculating stock remuneration is profit before income taxes, which was chosen to reflect the results of business activities, including financial income and expenses, in stock remuneration. (However, there may be partial adjustments to the compensation computation depending on our assessment of the impact of changes in accounting principles.)

In FY2021, MHI had a profit before income taxes of ¥173.6 billion, against a target (initial forecast) of ¥130.0 billion.

5. MATTERS CONCERNING RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS IN RELATION TO REMUNERATION, ETC.

- The maximum permitted monetary remuneration amount for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (including outside directors)

was set at ¥1.2 billion per fiscal year by resolution of the 90th Annual General Meeting of Shareholders held on June 26, 2015. The number of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) as of the conclusion of the Annual General Meeting of Shareholders in question was nine, including two outside directors.

- The maximum permitted amount of Stock Award Points that may be granted to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) was set at 1,000,000 points (equivalent to 100,000 shares of MHI) per fiscal year by resolution of the 94th Annual General Meeting of Shareholders held on June 27, 2019). The number of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) as of the conclusion of the Annual General Meeting of Shareholders in question was four.
- The maximum permitted monetary remuneration amount for Directors who are serving as Audit and Supervisory Committee Members was set at ¥0.3 billion per fiscal year by resolution of the 90th Annual General Meeting of Shareholders held on June 26, 2015. The number of Directors who are serving as Audit and Supervisory Committee Members as of the conclusion of the Annual General Meeting of Shareholders in question was five, including three outside directors.

6. POLICY AND METHOD USED TO DETERMINE DETAILS OF INDIVIDUAL REMUNERATION, ETC. FOR DIRECTORS

(1) Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)

The Board of Directors of MHI decides the policy and the method used to determine details of individual remuneration, etc. for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members).

- Remuneration of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) consists of basic remuneration, performance-linked remuneration, and stock remuneration, with the aim of reflecting financial results in compensation and aligning the interests of Directors with shareholders.
- Outside directors are expected to provide objective opinions and suggestions from an external standpoint. In view of the nature of this role, they are provided only with basic remuneration (fixed remuneration commensurate with their duties).
- An overview of the policy and method used to determine details of individual remuneration, etc. for Directors is provided below.

Basic Remuneration	Reasonable amount shall be determined in consideration of each Director's roles and duties.
Performance-linked Remuneration	Reasonable amount shall be determined based on consolidated earnings for the fiscal year under review, while also taking into account the roles of each Director and the earnings and accomplishments, etc. of the business that he/she is in charge of.
Stock Remuneration	Shares of MHI and money in the amount equivalent to liquidation value of shares of MHI shall be delivered or provided based on Stock Award Points calculated and granted in accordance with, among other factors, the role of each Director and financial results of MHI using the system of Board Incentive Plan Trust to raise the motivation of Directors to contribute to the medium- to long-term improvement of financial results and enhancement of the corporate value of the entire MHI Group.

<p>Policy on the proportions of different types of remuneration</p>	<p>The standard for the remuneration of MHI's president was set at roughly 30% basic remuneration, 40% performance-linked remuneration, and 30% stock remuneration (in the event that profit from business activities reached ¥200.0 billion; calculated based on the fair value of Stock Award Points granted during FY2018), making for a remuneration structure in which the higher a Director's position is, the greater his or her performance-linked remuneration will be.</p> <p>In addition, if profit from business activities exceeds ¥200.0 billion, stock remuneration will be increased to provide a medium- to long-term incentive, and to more closely align the interests of Directors with shareholders by encouraging the holding of shares of MHI. The increase in performance-linked remuneration will be tapered off gradually, and will be unchanged after profit from business activities exceeds ¥400.0 billion.</p>
<p>Policy on the timing and conditions for granting remuneration</p>	<p>Basic remuneration is paid every month.</p> <p>Performance-linked remuneration is paid in cases where there is a profit from business activities for the fiscal year under review (where adjustments have been made, the adjusted figure) and where dividend payments are made.</p> <p>In principle, stock remuneration is provided when three years have elapsed since the granting of the Stock Award Points.</p>

- The amount of remuneration shall be set at appropriate levels while also giving consideration to the situation in other companies and other factors.
 - For the purpose of further enhancing the transparency and fairness concerning the determination of remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI holds the Nomination and Remuneration Advisory Council consisting of the outside directors, Chairman of the Board and President and CEO. At such meetings the President and CEO explains to outside directors the policy and method used to determine details of individual remuneration, etc. for Directors, and obtains opinions and advice on the subject from the outside directors.
- For reference, during FY2022, MHI held five Nomination and Remuneration Advisory Council.
- In order to strengthen the link to business plans such as the medium-term business plan, with regard to the policy on the proportion of remuneration, etc., the indicator used to adjust the proportion of remuneration, etc. has been changed from profit before income taxes to profit from business activities, which is the main indicator used for business plans, beginning with the fiscal year under review.

(2) Directors who are serving as Audit and Supervisory Committee Members

The policy for determining the details of remuneration, etc. for Directors who are serving as Audit and Supervisory Committee Members is determined through discussion among Directors who are serving as Audit and Supervisory Committee Members.

- Remuneration of Directors who are serving as Audit and Supervisory Committee Members shall consist only of basic remuneration. The amount of remuneration shall be fixed at levels that are commensurate with their roles and duties determined separately for full-time and non-full-time categories. However, the amount of remuneration of full-time Audit and Supervisory Committee Members may be reduced in consideration of the business conditions of MHI and other factors.

7. MATTERS CONCERNING THE DELEGATION OF AUTHORITY TO DETERMINE DETAILS OF INDIVIDUAL REMUNERATION, ETC. FOR DIRECTORS

President and CEO Seiji Izumisawa is delegated by the Board of Directors to determine the specific allocation of individual remuneration amounts (details of the calculation, additional amount based on duties used for the basic remuneration of each Director, the coefficient of business results used for performance-linked remuneration, etc.) for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), within the limit of the total amount resolved at the General Meeting of Shareholders, and based on the policy used to determine details of individual remuneration, etc. for Directors, and reports back to the Board of Directors on the results of this allocation.

The Board of Directors delegates this authority because it judges that the President and CEO, who is in charge of and responsible for the execution of overall business operations, is the appropriate person to make final decisions in relation to the allocation of remuneration to individual Directors, while also taking into account the overall performance of MHI.

The Board of Directors has put in place measures to ensure that the authority delegated to the President and CEO is being executed appropriately, such as ensuring that the Nomination and Remuneration Advisory Council deliberates the allocation, including whether the allocation is in accordance with the above-mentioned policy used to determine details of individual remuneration, etc. for Directors, before the results of the allocation are reported to the Board of Directors. Because remuneration amounts for individual Directors are decided only after passing through this procedure, the Board of Directors deems that it is conducted in accordance with the policy for determining the details of remuneration, etc. for Directors.

FINANCIAL AUDITOR

■ NAME OF FINANCIAL AUDITOR

KPMG AZSA LLC

■ AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR

¥398 million

(Note)

In the audit contract between MHI and its financial auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the amount of payment for both is shown above.

■ REASONS FOR AGREEMENT BY THE AUDIT AND SUPERVISORY COMMITTEE CONCERNING THE AMOUNT OF REMUNERATION, ETC. TO BE PAID TO FINANCIAL AUDITOR

The Audit and Supervisory Committee confirmed the policy and content of the audit plan, the basis for calculation of estimates, etc., which constitute the basis for remuneration of the financial auditor, and verified them by receiving necessary reports on them from internal departments concerned. As a result, the Audit and Supervisory Committee determined that they were appropriate for the financial auditor to conduct financial audit of MHI and agreed to the amount of remuneration shown in “AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR” above.

■ SUM OF THE AMOUNT OF MONEY AND OTHER MATERIAL ADVANTAGE TO BE PAID BY MHI AND ITS SUBSIDIARIES

¥769 million

(Note)

Part of MHI’s subsidiaries are audited by certified public accountants, etc. other than the financial auditor of MHI.

■ CONTENTS OF WORKS OTHER THAN AUDITING

In terms of non-audit services, MHI has outsourced agreed procedural operations related to factoring and so on to the financial auditor, and has provided consideration accordingly.

■ POLICY ON TERMINATING OR NOT REAPPOINTING THE FINANCIAL AUDITOR

If there are circumstances which give rise to reasonable expectations that the auditing of financial statements will suffer great interference due to an event such as the financial auditor come under any of the provisions set forth in each item of Article 340, paragraph (1) of the Companies Act, the financial auditor shall be dismissed by unanimous consent of the Audit and Supervisory Committee Members.

In addition, if the Audit and Supervisory Committee has determined that the system for the execution of duties, audit capability, expertise, etc. of the financial auditor is insufficient for MHI or that MHI can put in place an audit system that is more appropriate for MHI by replacing the financial auditor, the Audit and Supervisory Committee will determine a proposal not to re-elect the financial auditor, and MHI will submit it to the General Meeting of Shareholders.

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 oversee 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 FY2022 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 apply 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 FY2022, 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, etc. 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.
 - 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.
 - 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.
 - 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

- 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.”
- 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.

(End)

**CONSOLIDATED FINANCIAL STATEMENT [IFRS]
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Millions of Yen)

	As of Mar. 31, 2023	As of Mar. 31, 2022 (Reference)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	347,663	314,257
Trade and other receivables	804,613	744,466
Other financial assets	35,382	70,952
Contract assets	731,820	654,972
Inventories	876,878	798,601
Other current assets	245,943	219,875
Total current assets	3,042,302	2,803,126
Non-current assets:		
Property, plant and equipment ("PPE")	839,813	790,204
Goodwill	131,181	128,690
Intangible assets	70,161	70,400
Right-of-use assets	86,295	98,255
Investments accounted for using the equity method	227,045	212,828
Other financial assets	521,135	487,430
Deferred tax assets	358,758	352,261
Other non-current assets	198,117	173,144
Total non-current assets	2,432,509	2,313,214
TOTAL ASSETS	5,474,812	5,116,340
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Bonds, borrowings and other financial liabilities	349,075	304,651
Trade and other payables	895,286	863,281
Income taxes payable	19,661	28,784
Contract liabilities	936,765	886,551
Provisions	229,582	203,585
Other current liabilities	193,791	193,865
Total current liabilities	2,624,163	2,480,720
Non-current liabilities:		
Bonds, borrowings and other financial liabilities	843,359	773,622
Deferred tax liabilities	10,465	6,217
Retirement benefit liabilities	76,146	76,824
Provisions	60,817	62,218
Other non-current liabilities	25,874	54,207
Total non-current liabilities	1,016,663	973,090
TOTAL LIABILITIES	3,640,827	3,453,810
<u>EQUITY</u>		
Share capital	265,608	265,608
Capital surplus	41,256	45,061
Treasury shares	(5,385)	(5,946)
Retained earnings	1,218,180	1,099,158
Other components of equity	221,314	172,728
Equity attributable to owners of the parent	1,740,974	1,576,611
Non-controlling interests	93,010	85,918
TOTAL EQUITY	1,833,984	1,662,529
TOTAL LIABILITIES AND EQUITY	5,474,812	5,116,340

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of Yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2021 (From April 1, 2021 to March 31, 2022) (Reference)
Revenue	4,202,797	3,860,283
Cost of sales	3,437,779	3,204,371
Gross profit	765,017	655,911
Selling, general and administrative expenses	623,638	556,727
Share of profit of investments accounted for using the equity method	13,502	16,861
Other income *	103,710	68,972
Other expenses	65,267	24,777
Profit from business activities	193,324	160,240
Finance income	28,984	31,907
Finance costs	31,181	18,463
Profit before income taxes	191,126	173,684
Income taxes	44,818	48,029
Profit	146,308	125,654
Profit attributable to:		
Owners of the parent	130,451	113,541
Non-controlling interests	15,857	12,113

Earnings per share attributable to owners of the parent		
Basic earnings per share	388.43	338.24
Diluted earnings per share	388.26	338.05

***Note:**

As stated in Notes to the Consolidated Financial Statements "Basis of Preparation of Consolidated Financial Statements 4.Accounting Policies (12) Profit from business activities", Other income includes dividend income.

The amount of dividends in FY2022 is 20,627 Million Yen, and the amount in FY2021 is 17,286 Million Yen (reference).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(From April 1, 2022 to March 31, 2023)

(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, 2022	265,608	45,061	(5,946)	1,099,158	172,728	1,576,611	85,918	1,662,529
Profit				130,451		130,451	15,857	146,308
Other comprehensive income (loss)					70,780	70,780	2,367	73,148
Comprehensive income (loss)	-	-	-	130,451	70,780	201,231	18,225	219,456
Transfer to retained earnings				26,883	(26,883)	-		-
Purchase of treasury shares			(16)			(16)		(16)
Disposal of treasury shares		29	97			127		127
Dividends				(38,616)		(38,616)	(6,304)	(44,920)
Transactions with non-controlling Interests		(958)			4,689	3,731	(3,735)	(4)
Other		(2,877)	480	303		(2,093)	(1,093)	(3,187)
Total transactions with owners	-	(3,805)	560	(38,312)	4,689	(36,868)	(11,133)	(48,001)
Balance as of Mar. 31, 2023	265,608	41,256	(5,385)	1,218,180	221,314	1,740,974	93,010	1,833,984

(REFERENCE)
CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Yen)

	FY2022 (From Apr. 1, 2022 to Mar. 31, 2023)	FY2021 (From Apr. 1, 2021 to Mar. 31, 2022)
Cash flows from operating activities:		
Profit before income taxes	191,126	173,684
Depreciation, amortization and impairment loss	148,549	135,787
Finance income and costs	(2,147)	1,645
Share of profit of investments accounted for using the equity method	(13,502)	(16,861)
Loss (gain) on sale of PPE, and intangible assets	(29,018)	(37,532)
Loss on disposal of PPE, and intangible assets	7,154	5,328
Decrease (increase) in trade receivables	(32,978)	(51,031)
Decrease (increase) in contract assets	(64,500)	(58,722)
Decrease (increase) in inventories and advanced payments	(65,690)	(89,963)
Increase (decrease) in trade payables	(55,676)	73,101
Increase (decrease) in contract liabilities	32,436	132,985
Increase (decrease) in provisions	27,285	(1,120)
Increase (decrease) in retirement benefit liabilities	(3,102)	21,969
Others	(4,691)	(20,527)
Subtotal	135,244	268,744
Interest received	7,755	5,537
Dividends received	26,898	23,627
Interest paid	(13,114)	(10,559)
Income taxes paid	(75,894)	(1,786)
Net cash provided by operating activities	80,888	285,563
Cash flows from investing activities:		
Payments into fixed-term deposits	(26,067)	(14,033)
Proceeds from withdrawal of fixed-term deposits	28,809	9,677
Purchases of PPE and intangible assets	(131,905)	(129,256)
Proceeds from sales of PPE and intangible assets	38,062	51,744
Purchases of investments (including investments accounted for using the equity method)	(7,788)	(11,193)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	59,111	99,214
Payments for sale of businesses(including subsidiaries)	(944)	(1,258)
Proceeds from sale of businesses(including subsidiaries)	-	11,756
Payments for acquisition of businesses(including subsidiaries)	(4,420)	-
Proceeds from acquisition of businesses(including subsidiaries)	1,863	4,799
Net decrease (increase) in short-term loans	(1,932)	1,660
Disbursement of long-term loans	(48)	(60)
Collection of long-term loans	711	204
Payments for derivative transactions	(38,918)	(20,754)
Proceeds from derivative transactions	42,268	15,490
Others	(4,375)	(1,683)
Net cash provided by (used in) investing activities	(45,575)	16,306
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(4,532)	(182,326)
Proceeds from long-term borrowings	50,966	22,330
Repayment of long-term borrowings	(97,656)	(31,338)
Proceeds from issuance of bonds	20,000	55,000
Payment for redemption of bonds	(10,000)	(45,000)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(24,473)	(2,000)
Payments for acquisition of treasury shares	(16)	(2,550)
Dividends paid to owners of the parent	(38,531)	(40,224)
Dividends paid to non-controlling interests	(6,769)	(5,501)
Proceeds from factoring agreements	200,235	140,608
Repayment of liabilities under factoring agreements	(80,738)	(133,226)
Repayment of lease liabilities	(26,850)	(28,154)
Others	(534)	(3,389)
Net cash provided by (used in) financing activities	(18,902)	(255,774)
Effect of exchange rate changes on cash and cash equivalents	16,995	22,740
Net increase (decrease) in cash and cash equivalents	33,406	68,836
Cash and cash equivalents at beginning of the year	314,257	245,421
Cash and cash equivalents at end of the year	347,663	314,257

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: 254

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

3. Application of the equity method

Number of affiliated companies accounted for using the equity method: 35

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 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 rereasurement 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, the control of the goods and services included in the contracts is deemed to be transferred to customers over a certain period specified in the contract. Therefore, the Group recognizes revenue by estimating total revenue for each construction contract, measuring progress towards completion of the performance obligation included in the contract with the customer, and calculating the portion of total revenue corresponding to the progress. The progress is measured by a method that depicts the satisfaction of the performance obligation, and principally estimated based on the proportion of costs already incurred to satisfy the performance obligation against the

expected total costs to the complete satisfaction of 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 Accounting Estimates

Items whose amounts were recorded in the consolidated financial statements for the fiscal year ended March 31, 2023, based on accounting estimates, and that could have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2024, are as follows.

1. Recoverable amount of non-financial assets
 - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023:
 - Non-financial assets: ¥ 1,137,686 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, 2023:
 - Provisions: ¥ 290,399 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, 2023:
 - Retirement benefit assets: ¥ 120,818 million
 - Retirement benefit liabilities: ¥ 76,146 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, 2023:
 - 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, 2023:
 - Deferred tax assets: ¥ 358,758 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, 2023.

The Group converts trade receivables and other receivables into cash pursuant to asset transfer contracts as a measure of financing. The amounts of trade receivables, contract assets and PPE transferred without qualifying for derecognition as of March 31, 2023, were 29,673 million yen, 166,380 million yen and 43,427 million yen, respectively. Liabilities under factoring agreements (Bonds, borrowings and other financial liabilities) recognized for current and non-current liabilities were 133,379 million yen and 107,264 million yen, respectively.

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

Trade and other receivables	¥	12,610 million
Other financial assets (current)	¥	2,598 million
Contract assets	¥	674 million
Other financial assets (non-current)	¥	7,711 million

3. Accumulated depreciation of PPE

¥ 2,149,358 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 47,649 million yen at the end of the fiscal year ended March 31, 2023.

Notes to the Consolidated Statement of Profit or Loss

(Items which affected profit from business activities in the fiscal year ended March 31, 2023)

1. Gains and losses related to the SpaceJet project

Since October 2020, MHI had slowed down the development activities for the SpaceJet. Then in February 2023, MHI announced the discontinuation of the project.

"Other expenses" and "Other income" include various losses related to SpaceJet project and gains due to the reversal of liabilities which were recognized in the past fiscal year. The amount of reversal is 28,449 million yen.

2. 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.

3. Other expenses

· Impairment losses on fixed assets

The impairment losses on fixed assets were recorded by the reduced amount between the carrying amount and the estimated recoverable amount of fixed assets, primarily buildings, that are not in business use.

· Business structure improvement expenses

The expenses were related to restructuring.

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, 2022 Annual General Meeting of Shareholders	Common Stock	¥ 18,528million	¥ 55	Mar 31, 2022	Jun 30, 2022	Retained earnings
Nov 1, 2022 Board of Directors Meeting	Common Stock	¥ 20,213million	¥ 60	Sep 30, 2022	Dec 5, 2022	Retained earnings

Note1: Total cash dividends paid in accordance with the resolution by Ordinary General Meeting of Shareholders held on Jun 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.

Note2: Total cash dividends paid in accordance with the resolution by the Board of Directors meeting held on Nov 1, 2022, include 60 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, 2023 Annual General Meeting of Shareholders	Common stock	¥ 23,583 million	¥ 70	Mar 31, 2023	Jun 30, 2023	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, 2023, include 70 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 128,500 shares

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 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. 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.

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	270,087	—	163,246	433,333
Derivatives	—	10,731	413	11,144
Total	270,087	10,731	163,659	444,478
Liabilities:				
Derivatives	—	8,676	—	8,676
Total	—	8,676	—	8,676

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, 2022, and March 31, 2023.

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 assets:		
Service concession Receivables *1	67,965	68,554
Financial liabilities:		
Bonds	215,000	212,438
Long-term borrowings	406,468	396,333
Non-recourse borrowings*2	59,019	59,019

*1 A service concession arrangement is an arrangement between the “grantor” (national and local governments) and the “operator” (a private sector entity) to provide services that give the access to public services to the operator. For the group, service concession receivables are recognized as the financial assets measured at amortized cost and presented as "Other financial assets".

*2 Non-recourse borrowings assumed in a business combination was 41,747 million yen.

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. Fair values of marketable bonds are based on the market price. Fair values of non-marketable bonds and long-term borrowings include non-recourse 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. The fair value of service concession receivables is calculated by discounting expected future cash flows to the present value, based on the latest market interest rates.

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)
	2022
Energy Systems	1,731,444
Plants & Infrastructure Systems	638,689
Logistics, Thermal & Drive Systems	1,199,695
Aircraft, Defense & Space	
Commercial aircraft	144,311
Defense & space equipment	473,682
Subtotal	617,994
Reporting segments total	4,187,822
Corporate & Eliminations*2	14,974
Total	4,202,797

*1 Most of the revenue is recognized from contracts with customers under IFRS 15, and the amount of lease revenue recognized under IFRS 16 and revenue recognized from other sources 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 the 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)
	2022
Japan	1,808,335
U.S.A	738,177
Asia	714,258
Europe	405,045
Central and South America	255,624
Middle East	113,446
Africa	41,715
Others	126,194
Total	4,202,797

The major countries or regions in the category of the above table are as follows:

- (1) Asia... China, Thailand, India, South Korea, Taiwan, Philippines, Singapore, Indonesia, Vietnam, Macau, Bangladesh, Hong Kong, Malaysia
- (2) Europe... Germany, United Kingdom, France, Italy, Netherlands, Spain, Sweden, Uzbekistan, Russia, Poland, Belgium, Austria, Greece, Serbia, Finland, Hungary, Denmark, Bulgaria
- (3) Central and South America... Mexico, Brazil
- (4) Middle East... Saudi Arabia, Turkey, United Arab Emirates, Israel, Qatar,
- (5) Africa... South Africa, Egypt
- (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, 2023, and the balance by reporting segment are as follows.

(Millions of yen)

	As of March 31, 2023
Energy Systems	3,325,682
Plants & Infrastructure Systems	1,509,232
Logistics, Thermal & Drive Systems	54,815
Aircraft, Defense & Space	1,171,848
Reporting segments total	6,061,580
Corporate & Eliminations (*)	264
Total	6,061,844

*“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 3 years

Per Share Information

Shareholders' equity per share	¥ 5,183.10
Basic income per share	¥ 388.43

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. In October 2022, a decision was made by the arbitral tribunal to remove SONATRACH as a party to the arbitration. 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 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, 2023, is minimal.

NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2023	As of Mar. 31, 2022 (Reference)
<u>ASSETS</u>		
Current assets:		
Cash and deposits	165,416	142,025
Trade notes receivable	159	54
Trade accounts receivable	190,581	176,196
Contract assets	340,818	354,251
Merchandise and finished products	29,167	22,770
Work in progress	243,067	229,957
Raw materials and supplies	47,669	44,973
Income taxes receivable	11,098	-
Advances to suppliers	69,967	68,065
Prepaid expenses	1,966	1,360
Short-term loans receivable	644	600
Short-term loans receivable from subsidiaries and affiliates	32	3,517
Other current assets	108,019	124,905
Allowance for doubtful accounts	(91)	(76)
Total current assets	1,208,517	1,168,602
Non-current assets:		
PPE :		
Buildings	198,518	202,791
Structures	26,484	27,079
Docks and facilities for shipbuilding	2,062	2,041
Machinery	97,254	99,678
Vessels	34	20
Aircraft	0	0
Vehicles and transportation equipment	901	971
Tools, equipment and furniture	18,788	20,436
Land	113,175	105,990
Leased assets	6,436	3,141
Construction in progress	21,376	15,219
Subtotal	485,031	477,369
Intangible assets:		
Software	4,233	3,998
Right of using facilities	782	854
Goodwill	5,139	11,306
Leased assets	1,104	23
Others	299	172
Subtotal	11,559	16,356
Investments and advances:		
Investment securities	308,880	337,652
Investments in shares of subsidiaries and affiliates	673,012	688,624
Investments in capital	1,060	1,060
Investments in capital of subsidiaries and affiliates	85,449	47,848
Long-term loans receivable	79	679
Long-term loans receivable from employees	5	15
Long-term loans receivable from subsidiaries and affiliates	81,207	85,609
Claims provable in bankruptcy, claims provable in rehabilitation and other	8,605	8,617
Long-term prepaid expenses	4,720	3,533
Prepaid pension cost	12,016	15,171
Deferred tax assets	258,259	245,160
Long-term receivables	580,132	567,222
Others	16,420	25,125
Allowance for doubtful accounts	(584,854)	(571,470)
Subtotal	1,444,996	1,454,851
Total non-current assets	1,941,587	1,948,577
TOTAL ASSETS	3,150,105	3,117,179

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2023	As of Mar.31, 2022 (Reference)
<u>LIABILITIES</u>		
Current liabilities:		
Electronically recorded obligations	1,535	31,102
Trade accounts payable	317,453	352,241
Short-term borrowings	399,585	337,948
Current portion of long-term borrowings	51,500	80,949
Current portion of bonds	15,000	10,000
Lease obligations	3,634	1,364
Accrued payables	70,265	35,612
Accrued expenses	28,805	33,183
Income taxes payable	-	14,269
Contract liabilities	463,962	473,038
Deposits received	15,040	14,942
Provision for product warranties	4,472	4,053
Provision for construction warranties	27,184	21,439
Provision for losses on construction contracts	56,580	48,946
Provision for business structure improvement	4,782	1,067
Provision for stock benefits	366	637
Provision for losses on subsidiaries and affiliates	709	-
Asset retirement obligations	0	-
Other current liabilities	6,233	8,870
Total current liabilities	1,467,110	1,469,666
Non-current liabilities:		
Bonds	200,000	195,000
Long-term borrowings	331,900	350,400
Lease obligations	22,285	6,588
Provision for product warranties	11,512	11,287
Provision for construction warranties	6,163	6,890
Provision for business structure improvement	4,151	9,213
Provision for stock benefits	1,292	976
Provision for retirement benefits	19,347	35,726
Provision for losses on guarantees	3,190	-
Provision for treatment of PCB waste	1,875	2,305
Provision for environmental measures	7,238	7,088
Provision for losses on subsidiaries and affiliates	1,778	3,262
Asset retirement obligations	7,037	6,946
Other non-current liabilities	21,694	21,093
Total non-current liabilities	639,467	656,778
TOTAL LIABILITIES	2,106,578	2,126,444
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,063	2,055
Total capital surplus	205,600	205,591
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	9,663	14,494
Reserve for reduction in costs of fixed assets	81,068	70,642
Reserve for accelerated depreciation	55	207
Earned surplus brought forward	352,252	297,871
Total revenue reserve	443,039	383,216
Total retained earnings	509,402	449,579
Treasury stock	(1,369)	(1,450)
Total stockholders' equity	979,242	919,329
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	64,325	74,368
Unrealized gain (loss) from hedging instruments	(569)	(3,618)
Total valuation, translation adjustments and others	63,756	70,750
Share subscription rights	528	654
TOTAL NET ASSETS	1,043,526	990,734
TOTAL LIABILITIES AND NET ASSETS	3,150,105	3,117,179

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2021 (From April 1, 2021 to March 31, 2022) (Reference)
Net sales	1,549,487	1,233,413
Cost of sales	1,326,839	1,074,572
Gross profit	222,647	158,840
Selling, general and administrative expenses	211,296	156,703
Operating income	11,351	2,137
Non-operating income:		
Interest income	4,003	3,206
Dividend income	80,160	85,013
Foreign exchange gains	10,802	6,450
Other income	8,108	4,622
Total non-operating income	103,074	99,293
Non-operating expenses:		
Interest expenses	9,476	5,745
Interests on bonds	819	766
Losses on disposal of fixed assets	4,535	3,507
Provision for losses on guarantees	3,190	-
Provision of allowance for doubtful accounts	226	-
Provision for losses on subsidiaries and affiliates	709	-
Other expenses	6,161	7,391
Total non-operating expenses	25,118	17,410
Ordinary income	89,308	84,020
Extraordinary gains:		
Gains on sales of investment securities	33,373	29,102
Gains on sales of fixed assets	24,940	38,249
Gains on extinguishment of tie-in shares	1,087	38,443
Total extraordinary gains	59,400	105,796
Extraordinary losses:		
Losses on revaluation of investment securities	18,160	5,833
Losses on impairment of fixed assets	15,247	-
Business structure improvement expenses	7,599	-
Losses related to SpaceJet project	5,949	5,338
Total extraordinary losses	46,955	11,172
Profit before income taxes	101,753	178,643
Income taxes:		
Current	10,940	16,061
Deferred	(7,750)	49,840
Profit	98,564	112,742

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(From April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Stockholders' equity										
	Common stock	Capital surplus			Legal reserve	Retained earnings					Total retained earnings
		Capital reserve	Other capital reserve	Total capital surplus		Revenue 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	
Balance as of Apr. 1, 2022	265,608	203,536	2,055	205,591	66,363	14,494	70,642	207	297,871	383,216	449,579
Changes in the period											
Reversal of reserve for specified business restructuring investment loss				-		(4,831)			4,831	-	-
Provision of reserve for reduction in costs of fixed assets				-			13,493		(13,493)	-	-
Reversal of reserve for reduction in costs of fixed assets				-			(3,067)		3,067	-	-
Reversal of reserve for accelerated depreciation				-				(152)	152	-	-
Cash dividends				-					(38,741)	(38,741)	(38,741)
Profit (loss)				-					98,564	98,564	98,564
Purchase of treasury stock				-						-	-
Disposal of treasury stock			8	8						-	-
Net changes in items other than stockholders' equity				-						-	-
Total changes in the period	-	-	8	8	-	(4,831)	10,425	(152)	54,381	59,823	59,823
Balance as of March 31, 2023	265,608	203,536	2,063	205,600	66,363	9,663	81,068	55	352,252	443,039	509,402

	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, 2022	(1,450)	919,329	74,368	(3,618)	70,750	654	990,734
Changes in the period							
Reversal of reserve for specified business restructuring investment loss		-			-		-
Provision of reserve for reduction in costs of fixed assets		-			-		-
Reversal of reserve for reduction in costs of fixed assets		-			-		-
Reversal of reserve for accelerated depreciation		-			-		-
Cash dividends		(38,741)			-		(38,741)
Profit (loss)		98,564			-		98,564
Purchase of treasury stock	(16)	(16)			-		(16)
Disposal of treasury stock	97	106			-		106
Net changes in items other than stockholders' equity		-	(10,042)	3,048	(6,993)	(126)	(7,120)
Total changes in the period	80	59,912	(10,042)	3,048	(6,993)	(126)	52,792
Balance as of March 31, 2023	(1,369)	979,242	64,325	(569)	63,756	528	1,043,526

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 progress

...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 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 losses 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-progress 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-progress 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 losses 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 engaged in the sales of products, the performance of construction works and rendering of services. Requirements for revenue recognition of the Group are as follows.

- Sale of products

For this transaction, MHI typically recognizes revenue at the time of the delivery of the goods, as the performance obligations in the contracts with customers are considered to be satisfied principally 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, taxes collected on behalf of third parties and others.

- Rendering of services and construction contracts

For these transactions, the control of the goods and services included in the contracts is deemed to be transferred to customers over a certain period specified in the contract. Therefore, MHI recognizes revenue by estimating total revenue for each construction contract, measuring progress towards completion of the performance obligation included in the contract with the customer, and calculating the portion of total revenue corresponding to the progress. The progress is measured by a method that depicts the satisfaction of the performance obligation, and principally estimated based on the proportion of costs already incurred to satisfy the performance obligation against the expected total costs to the complete satisfaction of the performance obligation.

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, 2023, and could have a material impact on the non-consolidated financial statements for the fiscal year ending March 31, 2024, 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, 2023:
 - Total of PPE and Intangible assets: ¥ 501,311 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, 2023:
 - Investment securities: ¥ 308,880 million
 - Investments in shares of subsidiaries and affiliates: ¥ 673,012 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 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, 2023, 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, for the shares of subsidiaries and affiliates, which were determined that there was sufficient evidence that the net asset value of the relevant shares would be recoverable, 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, 2023:

Allowance for doubtful accounts	¥	584,945 million
Provision for product warranties	¥	15,984 million
Provision for construction warranties	¥	33,347 million
Provision for losses on construction contracts	¥	56,580 million
Provision for business structure improvement	¥	8,934 million
Provision for stock benefits	¥	1,658 million
Provision for losses on subsidiaries and affiliates	¥	2,487 million
Provision for losses on guarantees	¥	3,190 million
Provision for treatment of PCB waste	¥	1,875 million
Provision for environmental measures	¥	7,238 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, 2023:

Prepaid pension cost:	¥	12,016 million
Provision for retirement benefits:	¥	19,347 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, 2023:

Sales:	¥	1,549,487 million
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- 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, 2023:

Deferred tax assets:	¥	258,259 million
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- 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	¥ 1,513,404 million
2. Guarantee obligations	
(1) Guarantee obligations on such debts as borrowings from financial institutions	
MHI RJ Aviation Inc.	¥ 20,317 million
Mitsubishi Power Europe GmbH	¥ 12,449 million
Employees (Residence fund loan, etc.)	¥ 9,851 million
Mitsubishi Power India Pvt. Ltd.	¥ 5,594 million
Others	¥ 39,287 million
Total	¥ 87,499 million
(2) Guarantee obligations related to advance received which subsidiaries received from customers	
Mitsubishi Heavy Industries Engineering, Ltd.	¥ 30,252 million
Mitsubishi Shipbuilding Co., Ltd.	¥ 1,911 million
Mitsubishi Power Europe GmbH	¥ 995 million
MHI Power Project (Thailand) Co., Ltd.	¥ 584 million
Others	¥ 1,191 million
Total	¥ 34,935 million
3. Monetary receivables from / payables to subsidiaries and affiliated companies	
Short-term monetary receivables	¥ 138,526 million
Long-term monetary receivables	¥ 583,986 million
Short-term monetary payables	¥ 472,187 million
Long-term monetary payables	¥ 613 million

Notes to the Non-Consolidated Statement of Income

1. Transactions with subsidiaries and affiliated companies

Sales	¥ 242,509 million
Purchases	¥ 301,001 million
Transactions other than operating transactions	¥ 77,334 million

2. Losses on revaluation of investment securities
Losses on revaluation of investment securities include 17,451 million yen of losses on the revaluation of shares of subsidiaries and affiliates.

3. Losses related to SpaceJet project
Since October 2020, MHI had slowed down the development activities for the SpaceJet. Then in February 2023, MHI announced the discontinuation of the project. MHI has recorded provision of allowance for doubtful accounts for Mitsubishi Aircraft Corporation(*) of 5,949 million yen in the current fiscal year.
(*) Mitsubishi Aircraft Corporation changed its company name to MSJ Asset Management Company on April 25, 2023.

4. Business structure improvement expenses
Business structure improvement expenses of the current fiscal year was related to restructuring.

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

6. Losses on impairment of fixed assets
The Company estimated the recoverable amount of fixed assets, primarily buildings, that are not in business use, and recorded impairment losses.

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

The number of treasury stock
Common stock 455,594 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 reserve for advanced depreciation of non-current assets.

MHI has applied the Group Tax Sharing System from the fiscal year ended March 31, 2023. The accounting treatment and disclosure of corporate tax, local corporation tax and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021").

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 Significant Accounting Policies of Non-Consolidated Financial Statements, 4. Recognition of revenue and costs.

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%	Lending of funds	Funds lending etc. (*1)(*2)	¥ 13,160 million	Long-term receivables etc.	¥ 574,646 million
Subsidiary	MHI Holding Denmark Aps	Direct 100.0%	Interlocking officers	Funds borrowing (*3)	¥ 3,770 million	Short-term borrowings	¥ 52,860 million
Subsidiary	Mitsubishi Power Europe, Ltd.	Direct 100.0%	Sales of product Interlocking officers	Receipt of dividends (*4)	¥ 37,270 million	-	-

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

*1. The interest rate is reasonably decided reflecting market interest rates.

*2. During the fiscal year ended March 31, 2023, provision of allowance for doubtful accounts of 13,160 million yen was recognized. The total amount of provision of allowance for doubtful accounts was 574,646 million yen at the end of the fiscal year ended March 31, 2023.

*3. The interest rate is reasonably decided reflecting market interest rates.

*4. As the reorganization of subsidiaries and affiliates, MHI acquired the stock of Mitsubishi Power Europe GmbH from Mitsubishi Power Europe, Ltd. The acquisition amount of the stock which was received through dividend in kind is calculated based on the amount of the equity of the acquired company.

Per Share Information

Book value per share ¥3,105.10
Net income per share ¥ 293.48

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. In October 2022, the decision was made by the arbitral tribunal to remove SONATRACH as a party to the arbitration. 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 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, 2023 is minimal.

Independent Auditor's Report

May 18, 2023

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC
Tokyo Office, Japan

Masahiko Chino
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Mitsubishi Heavy Industries, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a

going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

Independent Auditor's Report

May 18, 2023

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC
Tokyo Office, Japan

Masahiko Chino
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of Mitsubishi Heavy Industries, Ltd. (“the Company”) as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit and Supervisory

Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee of the Company has audited the Directors' execution of their duties during the 2022 fiscal year, from April 1, 2022, to March 31, 2023. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

- (1) The Audit and Supervisory Committee received reports regularly from Directors, employees, etc. on the resolutions of the Board of Directors concerning the matters listed in Article 399-13, paragraph (1), items (i)(b) and (i)(c) of the Companies Act as well as the development and operation status of the system that has been put in place based on said resolutions (internal control system), requested explanation as necessary and expressed its opinion. The Committee also received reports from Directors, etc. and KPMG AZUSA LLC on the status of the evaluation and audit of internal controls over financial reporting under the Financial Instruments and Exchange Act and requested explanation as necessary.
- (2) In accordance with the audit policy, audit plan, etc., established by the Audit and Supervisory Committee, the Committee, in coordination with the internal auditing department and other departments concerned, attended important meetings, received reports from Directors, employees, etc. on the status of their execution of duties, requested explanation as necessary, inspected important documents, etc., and conducted investigations regarding the status of the business operations and properties of the Company at Head Office and Works, etc. Regarding the Company's subsidiaries, the Audit and Supervisory Committee sought to facilitate communication and exchange information with directors, statutory auditors and others of the Company's subsidiaries and, when necessary, received reports from these subsidiaries on the status of their businesses.
- (3) The Audit and Supervisory Committee monitored and examined whether the financial auditor maintained its independence and carried out its audits in an appropriate manner, received reports from the financial auditor on the status of the execution of its duties and, when necessary, attended its audits and requested explanations.
- (4) The Audit and Supervisory Committee received a notification from the financial auditor that it has established the "system for ensuring appropriate execution of duties" (matters specified in the items under Article 131 of the Regulations on Corporate Accounting) in accordance with the "Quality Control Standards Relating to Auditing" (Business Accounting Council) and other standards, and requested explanations when necessary.

Based on the foregoing methods, the Audit and Supervisory Committee examined the Business Report and the related supplementary schedules for the 2022 fiscal year, non-consolidated financial statements for the same fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the related supplementary schedules as well as consolidated financial statements for the same fiscal year (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements).

2. Results of audit:

(1) Result of audit of the Business Report, etc.

In our opinion:

- a. the Business Report and the related supplementary schedules fairly represent the conditions of the Company in accordance with the applicable laws and ordinances and with the Company's Articles of Incorporation;
- b. with respect to the Directors' execution of their duties, there are no fraudulent acts or material facts of violation of applicable laws and ordinances or of the Company's Articles of Incorporation; and
- c. the contents of the resolutions of the Board of Directors regarding internal control systems are appropriate. Furthermore, there are no matters that we should point out regarding the contents of the Business Report and Directors' execution of their duties related to internal control systems, including internal control systems over financial reporting.

(2) Result of audit of the non-consolidated financial statements and the related supplementary schedules

In our opinion, the methods and results of the audit conducted by the financial auditor, KPMG AZUSA LLC, are appropriate.

(3) Result of audit of the consolidated financial statements

In our opinion, the methods and results of the audit conducted by the financial auditor, KPMG AZUSA LLC, are appropriate.

May 23, 2023

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

Setsuo Tokunaga (seal)
Full-time Audit and Supervisory Committee
Member

Ryutaro Takayanagi (seal)
Full-time Audit and Supervisory Committee
Member

Hiroo Unoura (seal)
Audit and Supervisory Committee Member

Noriko Morikawa (seal)
Audit and Supervisory Committee Member

Masako Ii (seal)
Audit and Supervisory Committee Member

(Note)

Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii are outside directors as defined in Article 2, item (xv) and Article 331, paragraph (6) of the Companies Act.

(End)