(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 29, 2024

Date of Issuance: June 10, 2024

To the Shareholders:

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

NOTICE OF THE 99TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce that the 99th 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 Reference Materials Relating to the General Meeting of Shareholders and exercise your voting rights in advance, by 5:30 p.m. on Wednesday, June 26, 2024 (Japan time).

1. **Date and Time:** Thursday, June 27, 2024 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 2023 fiscal year (from April 1, 2023 to March 31, 2024), 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 2023 fiscal year (from April 1, 2023 to March 31, 2024).

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 1 Director Who Is Serving as an Audit and Supervisory Committee Member

Proposal No. 4: Revision to Amount and Details Related to Stock-based Remuneration Plan for Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members and Outside Directors)

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 99th 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 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.
  - (i) "Stock Acquisition Rights of MHI" and "Establishing a Framework for Ensuring Appropriate Business Conduct" of Business Report
  - (ii) "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" of Consolidated Financial Statements and "(Reference) Consolidated Statement of Cash Flows"
  - (iii) "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 Reference Materials Relating to the General Meeting of Shareholders and indicate whether you are for or against each proposal on the voting card sent together with this notice 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 26, 2024 (Japan time)

Guidance for filling in the voting card

Proposal No. 1, Proposal No. 3 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:

- 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 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 26, 2024 (Japan time)

Attend the General Meeting of Shareholders

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

Date and Time: Thursday, June 27, 2024 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.mufg.jp/) (in Japanese) in accordance with instructions on the screen.

Enter the login ID and temporary password printed on the voting card (or the password registered by the shareholder) and click Login button

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 smartphone, please read the site's "Terms of Use" and "Usage Guide."

(2) Please note that the website will be unavailable every day from 2:30 a.m. to 4:30 a.m. (Japan time).

(3) Shareholders will be responsible for the Internet connection charges and the communication charges, etc. arising when exercising their voting rights via the Internet.

(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 ¥120 per share as the Year-end Dividend defined in Article 45 of the Articles of Incorporation. Combined with the Interim Dividend of ¥80 per share paid in December 2023, the total annual dividend will be ¥200 per share, an increase of ¥70 over that of the previous fiscal year (FY2022).

1. Kind of Dividend Property
   Cash

2. Dividend Allocation and Total Amount of Dividends
   Dividend allocation: ¥120 per share of MHI's common stock
   Total amount of dividends: ¥40,432,362,600

3. Effective Date of Dividend Allocation
   June 28, 2024

(Note) MHI conducted a stock split of its common stock on a 10 for 1 basis on April 1, 2024; however, as the abovementioned year-end dividend has a record date of March 31, 2023, it will be conducted based on the number of shares before the stock split.

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 (FY2023)	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	16 years
2	Seiji Izumisawa	Re-election	*President and CEO[*1] (Member of the Board)	14 out of 14 times	7 years
3	Hitoshi Kaguchi	Re-election	*Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO, Head of GX Solutions	14 out of 14 times	3 years
4	Hisato Kozawa	Re-election	*Director (Member of the Board), Executive Vice President, CFO[*2]	14 out of 14 times	4 years
5	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	8 years
6	Nobuyuki Hirano	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	5 years
7	Mitsuhiro Furusawa	Re-election Outside Independent	Director (Member of the Board)	10 out of 10 times	1 year

*1 CEO: Chief Executive Officer
*2 CFO: Chief Financial Officer

(Notes)

1. An asterisk mark (*) indicates a Representative Director.
2. As Mr. Mitsuhiro Furusawa took up his position as of June 29, 2023 (on the date of the 98th Annual General Meeting of Shareholders), the number of times he attended the Board of Directors meetings for the year is different from that of the other candidates.

1	**Shunichi Miyanaga** (April 27, 1948: 76 years old) [Re-election]

Position and responsibility in MHI

Chairman of the Board

Number of MHI shares owned

635,000

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

16 years

Number of times attended Board of Directors meetings in FY2023

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

Chairman, Mitsubishi Memorial Foundation for Educational Excellence

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

Mr. Shunichi Miyanaga 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.

2	**Seiji Izumisawa** (September 3, 1957: 66 years old) [Re-election]

Position and responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI shares owned

243,600

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

7 years

Number of times attended Board of Directors meetings in FY2023

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)

3	**Hitoshi Kaguchi** (February 15, 1960: 64 years old) [Re-election]

Position and responsibility in MHI

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

Number of MHI shares owned

74,800

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 FY2023

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
April 2024	*Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO, Head of GX Solutions (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.

4	**Hisato Kozawa** (April 2, 1962: 62 years old) [Re-election]

Position and responsibility in MHI

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

Number of MHI shares owned

71,400

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

4 years

Number of times attended Board of Directors meetings in FY2023

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.

5	**Ken Kobayashi** (February 14, 1949: 75 years old) [Re-election] [Outside] [Independent]

Position and responsibility in MHI
Director (Member of the Board)

Number of MHI shares owned
23,300

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

Number of times attended Board of Directors meetings in FY2023
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.

6	**Nobuyuki Hirano** (October 23, 1951: 72 years old) [Re-election] [Outside] [Independent]

Position and responsibility in MHI

Director (Member of the Board)

Number of MHI shares owned

33,800

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

5 years

Number of times attended Board of Directors meetings in FY2023

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.

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

There is no special interest between Mr. Nobuyuki Hirano and MHI.

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 served 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.

7	**Mitsuhiro Furusawa** (February 20, 1956: 68 years old) [Re-election] [Outside] [Independent]

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)
1 year

Number of times attended Board of Directors meetings in FY2023
10 out of 10 times

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)
June 2023	Director (Member of the Board), Mitsubishi Heavy Industries, Ltd. (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 re-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 entered into a liability limitation agreement with Mr. Ken Kobayashi, Mr. Nobuyuki Hirano and Mr. Mitsuhiro Furusawa, 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, Mr. Nobuyuki Hirano and Mr. Mitsuhiro Furusawa be elected, MHI is bound to continue the above-mentioned agreement with each of them.

3. 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, MHI plans to renew the aforementioned policy with the same terms and conditions.

Proposal No. 3: Election of 1 Director Who Is Serving as an Audit and Supervisory Committee Member

The term of Director who is serving as an Audit and Supervisory Committee Member, Mr. Ryutaro Takayanagi, will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 1 Director who is serving as an Audit and Supervisory Committee Member.

The candidate for a 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.

Masayuki Fujisawa

(August 23, 1960: 63 years old)
[Newly nominated]

Position and responsibility in MHI

(Newly nominated)

Number of MHI shares owned

52,000

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

–

Number of times attended Board of Directors meetings in FY2023

–

Number of times attended the Audit and Supervisory Committee meetings in FY2023

–

Career summary

April 1983	Joined Mitsubishi Heavy Industries, Ltd.
April 2017	Vice President, Power Systems
October 2018	Senior Vice President, Vice President, Power Systems
April 2020	Director, Executive Vice President, CFO and CAO, Mitsubishi Hitachi Power Systems, Ltd.
September 2020	Director, Executive Vice President, CFO and CAO, Mitsubishi Power, Ltd.
April 2021	Director, Executive Vice President, CSO, CFO and CAO, Mitsubishi Power, Ltd.
October 2021	Vice President, Energy Systems, Mitsubishi Heavy Industries, Ltd. (Present position)

* CAO (Chief Administrative Officer)

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Masayuki Fujisawa has extensive knowledge of finance and accounting in addition to possessing extensive practical experience in having served as CSO, CFO, and CAO at major subsidiaries and having held important positions in sales and administrative divisions at MHI. As MHI judges that his participation in its management decision-making will contribute to ensuring effective supervision 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. Masayuki Fujisawa 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. Masayuki Fujisawa and MHI.

(Note)

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 Mr. Masayuki Fujisawa, if his election to the position of a Director is approved, he will become an insured under the aforementioned policy. During the term of office, MHI plans to renew the aforementioned policy with the same terms and conditions.

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

■ 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 discusses 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 an 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. 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 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	Gender	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 Manage-ment / Compli-ance	Global Enterprise Manage-ment	Technology /Digitaliza-tion	Marketing	Finance Accounting	Human Resource
Shunichi Miyanaga	Male	Chairman of the Board	16			○	○	○		○		
Seiji Izumisawa	Male	President and CEO (Member of the Board)	7			○	○	○	○	○		
Hitoshi Kaguchi	Male	Director (Member of the Board), Senior Executive Vice President, Assistant to President and CEO, Head of GX Solutions	3			○	○		○	○		
Hisato Kozawa	Male	Director (Member of the Board), Executive Vice President, CFO	4			○	○				○	
Ken Kobayashi	Male	Director (Member of the Board)	8	○	○	○	○	○		○		
Nobuyuki Hirano	Male	Director (Member of the Board)	5	○	○	○	○	○			○	
Mitsuhiro Furusawa	Male	Director (Member of the Board)	1	○	○	○	○				○	
Setsuo Tokunaga	Male	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	3			○	○		○			
Masayuki Fujisawa	Male	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Newly nominated			○	○			○	○	
Hiroo Unoura	Male	Director (Member of the Board) Audit and Supervisory Committee Member	5	○	○	○	○	○		○		○
Noriko Morikawa	Female	Director (Member of the Board) Audit and Supervisory Committee Member	4	○	○	○	○	○			○	○
Masako Ii	Female	Director (Member of the Board) Audit and Supervisory Committee Member	3	○	○	○	○					○

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

Proposal No. 4: Revision to Amount and Details Related to Stock-based Remuneration Plan for Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members and Outside Directors)

1 Reasons for submitting this proposal and why the remuneration is reasonable

Per resolution at the 90th Annual General Meeting of Shareholders held on June 26, 2015, the Company introduced a stock-based remuneration plan (hereinafter in this proposal, the "Plan") in which the Company delivers shares of the Company to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members and outside directors; hereinafter in this proposal "Directors") among Directors of the Company in accordance with the performance, etc. of the Company, and per resolution at the 94th Annual General Meeting of Shareholders held on June 27, 2019, the Company partially revised the amounts and details related to the Plan.

Currently, Directors' remuneration consists of basic remuneration, performance-linked remuneration and stock-based remuneration (remuneration based on the Plan). However, under this proposal the Company requests approval for partial revision to details in relation to continuation of the Plan (hereafter in this proposal, the "Plan revisions").

The revisions of the Plan are for the purpose of providing incentive for achieving the growth strategy and enhancing corporate value in accordance with the 2024 Medium-Term Business Plan released by the Company on May 28, 2024, while also seeking to more closely align the interests of Directors with shareholders by encouraging them to hold shares of MHI. The revisions are accordingly to be carried out due to the possibility that, at times of expansion in performance of the Company going forward, etc., the money contributed by the Company and the points for awarding shares that are granted by the Company to Directors in accordance with the performance, etc. of the Company (hereinafter in this proposal, "Stock Award Points") under the Plan may exceed the current limits for such money and the upper limits for Stock Award Points.

The Company deems this proposal to be appropriate given that this proposal aligns with the policy used to determine details of individual remuneration, etc. for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (policy described in OFFICERS, REMUNERATION, ETC. TO OFFICERS in the Business Report).

Furthermore, even after the Plan revisions, Directors will be provided under the Plan with stock-based remuneration separate to the basic remuneration and performance-linked remuneration provided within the total monetary remuneration limit of ¥1.2 billion per fiscal year for Directors who are not serving as Audit and Supervisory Committee Members (including outside directors), which was resolved at the 90th Annual General Meeting of Shareholders held on June 26, 2015.

2 Details of the Plan revisions

The Company contributes money to establish a trust (hereinafter in this proposal, the "Trust") with a trust period of three years (including extensions to the trust period; hereinafter the same to apply throughout this proposal), whose beneficiaries are Directors who meet the requirements. However, with regard to the limit for money contributed by the Company (the limit for each period of three consecutive fiscal years, which is the applicable period for the Plan, as described below in 3.(2)), in addition to revising the total amount from ¥2.4 billion to ¥6.0 billion, the upper limit for Stock Award Points granted by the Company to Directors is to be revised from 1,000,000 points to 1,500,000 points per fiscal year (equivalent to 1,500,000 shares of the Company).

3 Details after Plan revisions

(1) Summary

The Plan consists of a stock-based remuneration plan whereby the Company contributes money to the Trust, and the Trust, in accordance with the instructions of the trust administrator (a third party, independent of the Company, which performs administrative actions for the Trust), uses the money contributed by the Company as a source of funds to purchase MHI shares either from the Company or on the stock market and, in accordance with Stock Award Points, delivers or provides (hereinafter in this proposal, "deliver, etc.") to Directors of the Company the shares of the Company or money in the amount equivalent to the realized value of the shares (hereinafter in this proposal, "Company shares, etc.").

(i) Persons eligible for the delivery, etc., of Company shares, etc., under the Plan	Directors of MHI (excluding Directors who are serving as Audit and Supervisory Committee Members and outside directors)
(ii) Maximum amount of money contributed by MHI	A total of ¥6.0 billion for each applicable period, consisting of three consecutive fiscal years
(iii) Upper limit to the number of shares of the Company (including the number of shares of the Company subject to realization) delivered, etc. to Directors	The maximum permitted amounts of Stock Award Points are 1,500,000 points per fiscal year for Directors
(iv) Impact of MHI shares subject to the Plan on the total number of shares issued	When the upper limit to the total Stock Award Points is converted to shares of the Company at the rate of 1 point per share, the number of shares of the Company (1,500,000 shares) obtained is around 0.04% of the total number of shares issued (as of April 1, 2024, after excluding treasury shares). Dilution of shares will not occur because the Company plans to make purchase from the stock market of shares of the Company associated with the Trust with respect to the initial Applicable Period after revision. (Note) The number of shares of the Company per point has been set to 1 share given that the Company conducted a consolidation of its shares on a 1 for 10 basis on October 1, 2017, and conducted a split of its shares on a 10 for 1 basis on April 1, 2024.
(v) Details of the performance coefficient	Varies according to profit from business activities and evaluations made by major ESG assessment institutions, etc. for each fiscal year
(vi) Timing of the delivery, etc. of Company shares, etc. to Directors	In principle, after three years have passed since the granting of Stock Award Points

(2) Maximum amount of money contributed by MHI

The Plan applies to three consecutive fiscal years. (Hereinafter the "Applicable Period" in this proposal, referring to the initial Applicable Period after the Plan revisions consisting of the three consecutive fiscal years starting with the fiscal year ending on March 31, 2025, and finishing with the fiscal year ending March 31, 2027.)

The Company will establish the Trust by contributing money to an upper limit of ¥6.0 billion for each applicable period. In addition, the Company may continue the Trust when the trust period expires by changing the trust agreement and making additional trusts. In such an event, the trust period for the Trust in each applicable period will be extended, and the Company will make additional contributions for each such extended applicable period, with Stock Award Points continuing to be granted to Directors. However, when such additional contributions are made, if the Trust holds shares of the Company (excluding shares of the Company corresponding to the number of Stock Award Points granted to Directors but not yet delivered) or money (hereinafter in this proposal, “outstanding shares, etc.”) as outstanding trust assets on the final day of the trust period before the extension, the total value of the outstanding shares, etc. and the additional contributions shall not exceed the limit of ¥6.0 billion.

(3) Upper limit and calculation method for the number of shares of the Company (including the number of shares of the Company subject to realization) delivered, etc. to Directors

MHI grants to Directors Stock Award Points every year. The total number of Stock Award Points MHI grants to each Director for each fiscal year is determined by the following formula.

[Formula for computing Stock Award Points granted in each fiscal year]
Stock Award Points = Base points (*1) × Coefficient of business results (*2)

*1. Base points are determined in accordance with each Director’s position, content of execution of business, responsibilities, etc.

*2. The coefficient of business results is based on profit from business activities for each fiscal year and evaluations made by major ESG assessment institutions, etc.

The total number of Stock Award Points granted to Directors is a maximum of 1,500,000 points per fiscal year (equivalent to 1,500,000 shares of the Company). The total number of shares of the Company to be delivered to each Director via the Trust and shares of the Company converted into cash and equivalent amounts of money to be paid is determined at 1 MHI share per 1 Stock Award Point (*3). Provided, however, that when the number of shares of the Company belonging to the Trust is increased or decreased due to consolidation of shares, splitting of shares, allotment of shares without contribution and others, MHI will make adjustments rationally such as in proportion to the share split ratio.

*3. The number of shares of the Company per point has been set to 1 share given that the Company conducted a consolidation of its shares on a 1 for 10 basis on October 1, 2017, and conducted a split of its shares on a 10 for 1 basis on April 1, 2024.

In addition, the number of shares of the Company acquired for the Trust to deliver, etc. to Directors during the trust period shall be equivalent to the upper limit for the total number of Stock Award Points for the fiscal year in question, multiplied by three, which is the number of years in the trust period (4,500,000 shares).

(4) Timing and method of the delivery, etc. of Company shares, etc. to Directors

Directors who fulfill the beneficiary requirements may receive delivery, etc. of, after three years have passed, in principle, since the granting of Stock Award Points (however, at the point of retirement from office in cases where a Director retires from office before the relevant number of years has passed), the Company shares, etc. corresponding to the Stock Award Points granted, upon the performance of the prescribed beneficiary confirmation procedure. In this case, the Director is delivered shares of the Company amounting to 50% of the shares of the Company (shares less than one unit rounded down) corresponding to the Stock Award Points, and money in the amount equivalent to the amount obtainable if the Trust realizes the remaining shares of the Company.

In the event that a Director has been involved in serious misconduct, violation, etc. during the Director’s term of office, the Company may revoke or confiscate the Director’s rights to receive delivery, etc. of the Company shares, etc. under the Plan, and may furthermore demand repayment of money equivalent in value to the Company shares, etc. that have been delivered.

(5) Voting rights related to shares of the Company belonging to the Trust

To ensure management neutrality, voting rights shall not be exercised during the trust period in regard to shares of the Company belonging to the Trust (that is to say, shares of the Company that have not yet been delivered, etc. to Directors in accordance with (4) above).

(6) Other matters related to the Plan

Other matters related to the Plan will be determined by the Board of Directors.

4 Number of Directors eligible for the Plan

If Proposal No. 2 "Election of 7 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)" is approved and adopted as originally proposed, the number of Directors eligible for the Plan will become 4.

■Opinions of the Audit and Supervisory Committee about Election, etc. and Remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)

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.

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

MHI acquires and holds shares of other companies for the purpose of developing its business strategies, creating business opportunities, and establishing, maintaining and strengthening business relationships, only upon having judged that such holdings will facilitate MHI's sustainable growth and medium- to long-term improvement in social and economic value. While investing in growth areas looking toward the future, MHI reviews and reduces holdings of shares acquired in the past 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, etc. 11 issues/¥58.3 billion (including partial sales of 5 issues and transition of 1 issue to affiliated company accounted for using the equity method) in FY2023. Meanwhile, the total amount recorded on the balance sheet as of the end of FY2023 was ¥303.2 billion (up ¥6.0 billion from the end of FY2022 due to effects of significant gains in share prices of Japanese equities, etc.), thereby constituting 12.8% of total equity on a consolidated basis (FY2025-end target of less than 15% achieved ahead of schedule).
Furthermore, listed shares held by MHI for purposes other than pure investment include shares of strategic partners such as Vestas Wind Systems A/S ("Vestas") constituting 3 issues/¥109.9 billion held as growth investment for promoting "Energy Transition" toward achieving a carbon-neutral society.
MHI will continue to work with partners in various fields to expand renewable energy and pursue decarbonization technologies.
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 FY2023	
	Number of issues	Total amount recorded on balance sheet (Billions of Yen)
Non-listed shares	149	53.2
Shares other than non-listed shares [of which, Vestas and other investment in growth areas]	35 [3]	250.0 [109.9]
Total	184	303.2

(End)

BUSINESS REPORT FOR THE 2023 FISCAL YEAR
(April 1, 2023 to March 31, 2024)

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 see economic expansion in the United States and growth in India and Southeast Asian countries, yet encountered a moderate slowdown in some regions against a backdrop of factors that included monetary tightening in Europe and the United States coupled with stagnation in China's real estate market. Meanwhile, the Japanese economy mounted a gradual recovery partially due to improvement in the nation's employment and income environment. However, uncertainty persists regarding the future outlook given factors that include price increases, the situation in the Middle East, and changes in financial and capital markets.

■ Orders, Sales and Profits/Losses

In this operating environment, consolidated orders received by MHI Group in the fiscal year under review increased by ¥2,182.7 billion year on year to ¥6,684.0 billion amid gains across all segments.

Revenue increased by ¥454.3 billion year on year to ¥4,657.1 billion as a result of gains across all segments.

Furthermore, in terms of profit from business activities, there were increases across all segments, resulting in an overall gain of ¥89.2 billion year on year to ¥282.5 billion, while profit before income taxes rose by ¥124.0 billion year on year to ¥315.1 billion. Meanwhile, profit attributable to owners of parent also came to ¥222.0 billion, ¥91.5 billion higher than in the previous fiscal year.

As a result, the MHI Group achieved record highs across the board with respect to consolidated orders received, revenue, profit from business activities, and profit attributable to owners of parent.

■ MHI Group Initiatives in FY2023

During the fiscal year under review, the final fiscal year of the 2021 Medium-Term Business Plan ("2021 MTBP"), we steadily 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."

- Return to and strengthen profitability

During the fiscal year under review, the MHI Group sought to return to and strengthen profitability by promoting structural reforms such as those of shifting to services business, and optimizing assets through integration of business sites. Meanwhile, we also made progress in prompting growth of our existing businesses in part by adjusting prices and augmenting production capacity.

As for gas turbines, we have held the world's top market share for two consecutive years in part due to a scenario where we have secured orders in the United States, Singapore and Uzbekistan due to the reputation of our gas turbines for high performance and reliability, in addition to their long-standing track record over many years. In aero engines, which are poised for long-term growth in demand, we achieved growth in after-sales services. Moreover, we proceeded with manufacturing plant expansion in order to enhance our production capacity and cost competitiveness in alignment with escalating demand with respect to engine components for short- to medium-range commercial aircrafts. In metals machinery, we concluded multiple contracts for revamping projects, in addition to having landed a number of large-scale orders for electrical steel production facilities in China. In transportation systems, we concluded contracts respectively for new construction of an Automated Guideway Transit (AGT) system in Macao, renewal of operation and maintenance (O&M) services agreements in the United States and Dubai, and additional cars associated with ongoing upgrade work in Singapore. In paper converting machinery, we expanded our services business primarily in North America, which entails addressing customer needs particularly with respect to labor savings and automation leveraging digital technologies. In the field of logistics, we received our first order in Japan with respect to automation and intelligence solutions for picking operations for beverage warehouses. In air-conditioning & refrigeration systems, we rolled out a new model to its lineup of air-to-water (ATW) heat pumps in the European market, thereby preparing for escalating demand for eco-friendly products. For power generation engine, we launched a new high-output model for backup power supply to data centers.

Moreover, we have delivered a total of three vessels such as and patrol vessels, plus one submarine, to government entities, and have also been selected to serve as the primary contractor for procurement of a new type of frigate. In addition to this, we have also booked orders for several large projects, including those related to next-generation fighter aircraft and missile systems in the field of defense. As for nuclear power systems, we persisted with efforts that contribute to restarting existing plants in Japan, and furthermore encountered a wider range of new business opportunities given our reputation with respect to previous projects involving installation of Specialized Security Facilities (SSF)[*1].

*1 Specialized Security Facilities (SSF) are isolated, large-scale facilities used to safely shut down a reactor in the event of such security incidents as airplane strikes or terrorist attacks.

- **Opening up growth areas**

With respect to the aim of “opening up growth areas,” the MHI Group engaged in Energy Transition initiatives seeking decarbonization of the energy supply side, and also engaged in Smart Infrastructure initiatives for achieving lower energy usage, labor savings, and decarbonization on the energy demand side, all for the sake of achieving a sustainable, safe, secure, and convenient world.

In regard to Energy Transition, we have commenced operations of Nagasaki Carbon Neutral Park as MHI Group’s center for developing energy decarbonization technologies. Meanwhile, we embarked on hydrogen production at Takasago Hydrogen Park and built a framework for enabling seamless verification of technologies to achieve early commercialization of hydrogen gas turbines. In addition, we have successfully achieved 30% hydrogen co-firing operation of cutting-edge JAC Series gas turbines, and have furthermore embarked on combustion test with 100% hydrogen using small- to middle-class gas turbines. In relation to boilers, we also successfully completed a combustion test of an ammonia single-fuel burner.

In the field of CCUS[*2], we launched joint validation testing enlisting regional cooperation of methanation technology for synthesizing methane, the main component of city gas, using hydrogen and CO_2 captured from the flue gas at a municipal waste-to-energy plant in Yokohama. We have completed construction of a demonstration test ship for liquefied CO_2 transport for demonstration projects of NEDO[*3] with respect to CO_2 capture, utilization and storage. In the field of nuclear energy, we have been selected as the core company both for development of a demonstration fast reactor and also for development of a high temperature gas-cooled demonstration reactor. We also enhanced our project management and engineering functions in having established the GX[*4] Solutions business domain in April 2024 by integrating the energy transition-related business, which currently spans multiple business divisions, in seeking to provide customers one-stop solutions and effectively utilize shared resources.

Next in relation to Smart Infrastructure, we have completed acquisition of Concentric, LLC, a provider of maintenance services for industrial power systems in North America, with the aim of securing data center-related customer, supply chain, and service infrastructure. We will accordingly promote data center business while also aiming to expand sales of products such as large power generation facilities, emergency power generation facilities, and cooling systems. In addition, we have begun to provide the ΣSynX Supervision digital service platform for enabling comprehensive support with respect to operation and maintenance (O&M) services of plants, transportation systems, and other types of social infrastructure, underpinned by the concept providing integrated monitoring services that will help realize a safe, secure, and comfortable society.

In the field of mobility, we engaged in joint efforts with a domestic automotive manufacturer in verifying performance of finished vehicle conveyance using robots for transporting automobiles. We also received an order for millimeter-wave suppression equipment for enhancing high precision of vehicle safety performance evaluations.

*2. CCUS: Carbon dioxide Capture, Utilization and Storage

*3. NEDO: New Energy and Industrial Technology Development Organization

*4. GX: Green Transformation (transformation of the overall socioeconomic system by transforming the economic, social, and industrial structure centered on fossil fuels to one centered on clean energy)

- **Initiatives under MISSION NET ZERO**

The MHI Group have already achieved a 45% reduction in CO_2 emissions as of the end of FY2022 (fiscal year ending March 31, 2023) against our Scope 1 and Scope 2 target of 50% lower CO_2 emissions in 2030 relative to those of 2014. Meanwhile we carried out initiatives toward achieving carbon neutrality during the fiscal year under review, such that included installing solar panels and conserving energy at Mihara Machinery Works, and estimated a 97.7% reduction in CO_2 emissions at the plant compared with FY2021.

REVIEW OF BUSINESS SEGMENTS

Energy Systems

Consolidated orders received increased year on year to ¥2,428.0 billion due to factors that include better results both of GTCC, for which we maintain top market share amid a thriving global market, and of nuclear power systems due to our support for restarting existing plants.

Revenue rose year on year to ¥1,761.5 billion, mainly due to increases in results of aero engines and nuclear power systems.

Profit from business activities rose year on year to ¥141.5 billion, mainly due to increases in results of steam power and GTCC.

Some investment related to thermal power systems is included under "Corporate or Elimination" effective from the fiscal year under review. The impact associated with this on previous fiscal year results is minimal.

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

Consolidated orders received increased year on year to ¥867.3 billion due to factors that include better results from engineering amid a favorable market for Automated Guideway Transit (AGT) systems largely as a result of escalating demand associated with mobility particularly in the United States and Asia.

Revenue rose year on year to ¥795.2 billion, driven mainly by increases in results of metals machinery and engineering.

Profit from business activities rose year on year to ¥54.8 billion, mainly due to increases in results of metals machinery and engineering.

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

Logistics, Thermal & Drive Systems

Consolidated orders received rose year on year to ¥1,318.6 billion, driven mainly by increased orders for material handling equipment and engines against a backdrop of escalating demand worldwide.

Revenue rose year on year to ¥1,314.5 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 ¥72.8 billion, mainly due to higher results from material handling equipment associated with price adjustments and higher revenue.

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

Aircraft, Defense & Space

Consolidated orders received increased year on year to ¥2,068.7 billion, primarily due to higher results from missile systems, defense aircraft, and maritime systems given the Japanese government's policy of fundamentally enhancing the nation's defense capabilities.

Revenue gained year on year to ¥791.5 billion, mainly due to increases in results of commercial aviation and missile systems.

Profit from business activities increased year on year to ¥72.6 billion, mainly due to higher results from commercial aviation, missile systems, and defense aircraft.

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

2 KEY ISSUES FOR MHI GROUP

The external environment in which the MHI Group operates continues to undergo significant changes thereby giving rise to increased complexity when it comes to social issues. Amid this scenario, the MHI Group will embark on implementation of its 2024 Medium-Term Business Plan, which is to serve as the next medium-term business plan beginning in May 2024 in order to fulfill expectations in terms of its roles in contributing to efforts that include decarbonization, stable supply of energy, and Japan's Defense Buildup Program.

Under the 2024 Medium-Term Business Plan, we will look to further strengthen business growth and profitability by leveraging the business and financial foundations established during the 2021 Medium-Term Business Plan to "strengthen portfolio management." We will "strengthen technological and human-resources infrastructure" to support these strategies, and also continue "promoting MISSION NET ZERO." With regard to "strengthening portfolio management," we have identified our priority fields as "steadfastly engaging in growth business" and "promoting commercialization in growth areas," and we will invest ¥1,200.0 billion in these and also in "enhancing business competitiveness." In addition, we have set quantitative targets for FY2026, such that include revenue of ¥5,700.0 billion or higher, profit from business activities of ¥450.0 billion (business profit margin of 8%) or higher, and ROE of 12%, while concurrently pursuing shareholder returns in a manner that involves maintaining stable dividends and increasing dividends in alignment with profit growth.

- Steadfastly engaging in growth business

Under the 2024 Medium-Term Business Plan, the MHI Group will take measures such as enhancing human resources and increasing production facilities with a view to strengthening its business execution capabilities in gas turbines, nuclear power, and defense-related business, which are poised for growth. By this means, we will steadily execute contracts for orders received and increase our revenue by around ¥1 trillion. Gas turbines are expected to see demand for use in fuel conversion associated with global CO2 emissions regulations, onsite power supply for datacenters, and adjustment power supplies accompanying the spread of renewable energy. We will develop sales strategies in accordance with the characteristics of each market while continuing to develop technologies in areas such as hydrogen- and ammonia-fired gas turbines and hydrogen production equipment. In the nuclear power business, we will advance with the design of the Advanced Light Water Reactor SRZ-1200, and promote the development of a demonstration fast reactor and a demonstration high-temperature gas-cooled reactor, while providing ongoing support for maximum utilization of existing plants. In the defense related business, we will continue to work steadily on stand-off defense, integrated air and missile defense, and next-generation fighter development, while proposing solutions utilizing the comprehensive capabilities covering land, sea, air, and space.

- Promoting commercialization in growth areas

We will pursue partnerships looking toward commercialization in growth areas such as Energy Transition and data centers, where the MHI Group has managed to build up achievements under its 2021 Medium-Term Business Plan. First, we will work with partners in the field of hydrogen and ammonia with our sights set on facilitating tangible outcomes with projects in which we are currently involved in North America, Southeast Asia and elsewhere, while also promoting validation tests and commercialization in domains subject to product development efforts thus far, such as hydrogen- and ammonia-fired gas turbines and hydrogen production systems. Next in the field of CCUS, our aims include securing orders for projects in North America, Europe and elsewhere, advancing next-generation CO_2 capture technologies, establishing service infrastructure that encompasses remote monitoring, and concurrently heightening our market presence further by expanding our network with licensees. In the electrification and data center fields, we will further strengthen our service framework and promote commercialization by forming a combination of partnerships, all while providing one-stop solutions for achieving decarbonization and lower energy consumption enlisting power systems, high-efficiency refrigeration units, and highly intelligent EMS[*1], leveraging our thermal and electrical engineering technologies. Additionally in our metals machinery business, we will work with steel companies and other partners in carrying out joint validation testing for hydrogen reduction steelmaking.

*1 Energy Management System

- Enhancing business competitiveness

We will also proceed with efforts for further strengthening profitability in addition to the aforementioned measures. In markets where we leverage the Company's strengths, we will continue to provide labor-saving and automation solutions in the field of logistics, while also introducing products that facilitate decarbonization, such as heat pumps, environmentally-sound vessels, alternative fuel supply systems for ships, and hydrogen gas engines. Moreover, we will expand our services business by addressing customer needs through services that entail drawing on archived data and employing AI for failure prediction and preventative maintenance. In aero engines and commercial aviation, we will proceed with expansion of the MRO[*2] businesses and other aftermarket services. In addition, we will optimize business management by carrying out business structure transformation through resource reallocation and other such means, while also engaging in efforts that involve improving operational efficiency and enhancing productivity by optimizing production sites and supply chains of the entire Group.

*2 Maintenance, Repair and Overhaul

- Strengthening technological and human-resources infrastructure

The notion of providing solutions to social issues calls for maintenance and expansion of the technological foundation developed by the MHI Group over many years, while also enlisting its cutting-edge technologies. To such ends, we will create new value while streamlining development by drawing on our Group-wide technological foundation encompassing technologies, products and expertise, and concurrently strengthening our intellectual property strategy. We will also strengthen our human-resources infrastructure in alignment with strategies in our respective businesses. This will involve reallocating resources to key domains, while also enhancing our ability to secure and develop professionals on a global basis.

- Promoting MISSION NET ZERO

The MHI Group is engaged in its MISSION NET ZERO initiatives with the aim of achieving a sustainable, safe, secure, and convenient world. We will also take on initiatives to further reduce the Company's CO_2 emissions by applying on a Group-wide basis the expertise we have gained in the process of shifting to carbon neutrality at plant facilities of Mihara Machinery Works. This will involve initiatives at our factories for reducing electricity consumption, streamlining operations, shifting to electric power, and installing additional solar panels.

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

Item	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
(Billions of Yen)						
Orders received	3,853.4	4,168.6	3,336.3	4,067.7	4,501.3	6,684.0
Revenue	4,078.3	4,041.3	3,699.9	3,860.2	4,202.7	4,657.1
Overseas revenue ratio	54.0%	51.9%	47.4%	51.1%	57.0%	58.1%
Profit from business activities	200.5	(29.5)	54.0	160.2	193.3	282.5
Profit from business activities to revenue ratio	4.9%	(0.7)%	1.5%	4.2%	4.6%	6.1%
Profit before income taxes	195.0	(32.6)	49.3	173.6	191.1	315.1
Profit attributable to owners of parent	110.2	87.1	40.6	113.5	130.4	222.0
Total assets	5,240.3	4,985.6	4,810.7	5,116.3	5,474.8	6,256.2
Total equity	1,728.6	1,290.0	1,439.3	1,662.5	1,833.9	2,360.6
Return on equity (ROE)	7.9%	6.6%	3.1%	7.7%	7.9%	11.1%
Cash flows from operating activities	420.3	452.5	(94.9)	285.5	80.8	331.1
Cash flows from investing activities	(161.8)	(239.5)	(182.2)	16.3	(45.5)	(131.0)
Free cash flows	258.4	212.9	(277.1)	301.8	35.3	200.1
Cash flows from financing activities	(271.0)	(204.4)	221.7	(255.7)	(18.9)	(158.9)
Research and development expenses	152.1	146.8	125.7	113.6	127.4	178.3
Capital investment	137.4	148.1	116.5	115.0	142.3	193.9
Per share information of common stock (Yen)						
Basic earnings per share	32.85	25.94	12.09	33.82	38.84	66.07
Diluted earnings per share	32.80	25.91	12.08	33.81	38.83	66.04
Equity attributable to owners of parent per share	420.47	362.77	406.47	469.64	518.31	667.86

(Notes)

1. MHI has adopted the International Financial Reporting Standards (IFRS).
2. MHI has applied IFRS 16 “Leases,” beginning with FY2019. Financial data for FY2018 is recalculated, retrospectively applying this standard.
3. On April 1, 2024, MHI conducted a split of its shares on a 10 for 1 basis. The per share information is calculated on the assumption that said split was carried out at the beginning of FY2018.

Orders Received and Revenue by Segment

(Millions of Yen)

Segment	FY2018		FY2019	
	Orders Received	Revenue	Orders Received	Revenue
Power Systems	1,426,504	1,525,108	1,772,101	1,590,293
Industry & Infrastructure	1,852,059	1,907,871	1,723,779	1,778,095
Aircraft, Defense & Space	610,666	677,577	719,232	704,985
Others	73,323	71,661	70,185	75,190
Inter-Segment Eliminations	(109,126)	(103,874)	(116,608)	(107,189)
Total	3,853,426	4,078,344	4,168,689	4,041,376

(Millions of Yen)

Segment	FY2019		FY2020		FY2021	
	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
Plants & Infrastructure Systems	739,970	792,925	575,281	637,258	890,982	651,886
Logistics, Thermal & Drive Systems	985,962	990,105	868,095	860,307	992,305	986,534
Aircraft, Defense & Space	719,215	704,985	626,243	702,109	774,248 [774,248]	605,292 [605,292]
Corporate or Elimination	(48,560)	(36,934)	(32,442)	(45,732)	(34,164) [(34,164)]	(34,516) [(34,516)]
Total	4,168,689	4,041,376	3,336,392	3,699,946	4,067,730	3,860,283

(Millions of Yen)

Segment	FY2022		FY2023	
	Orders Received	Revenue	Orders Received	Revenue
Energy Systems	1,791,797	1,738,676	2,428,035	1,761,569
Plants & Infrastructure Systems	845,400	675,665	867,364	795,274
Logistics, Thermal & Drive Systems	1,215,016	1,203,776	1,318,647	1,314,588
Aircraft, Defense & Space	703,694	619,442	2,068,709	791,547
Corporate or Elimination	(54,597)	(34,762)	1,277	(5,831)
Total	4,501,311	4,202,797	6,684,035	4,657,147

(Notes)

1. The orders received and 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 was changed from "Aircraft, Defense & Space" to "Corporate or Elimination," with respect to certain businesses. 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 FY2022 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2023
Short-term and Long-term borrowings	(25,175)	443,227
Bonds	10,000	225,000
Subtotal	(15,175)	668,227
Non-recourse loans	1,736	60,755
Total	(13,438)	728,983

■ MAIN BANK LOANS

(Millions of Yen)

Lender	Outstanding Balance at the End of FY2023
MUFG Bank, Ltd.	184,636
Mizuho Bank, Ltd.	77,258
Sumitomo Mitsui Banking Corporation	59,000
Meiji Yasuda Life Insurance Company	45,000
Sumitomo Mitsui Trust Bank, Limited	39,766

■ CAPITAL INVESTMENT

Capital investment* during FY2023 amounted to ¥193,902 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	39,684	Expansion of facilities related to GTCC
Plants & Infrastructure Systems	7,667	Expansion of facilities related to metals machinery
Logistics, Thermal & Drive Systems	73,076	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	24,146	Expansion of facilities related to defense aircraft
Others & Common	49,327	Construction of new office building
Total	193,902	

■ EMPLOYEES

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

(Persons)

Segment	Number of Employees
Energy Systems	22,246
Plants & Infrastructure Systems	13,768
Logistics, Thermal & Drive Systems	23,644
Aircraft, Defense & Space	10,741
Others & Common	7,298
Total	77,697

(Note)

The number of employees is presented based on the number of actual workers effective from FY2023. However, 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 employees of non-consolidated subsidiaries.

2. EMPLOYEES OF MHI

Number of Employees	Change from FY2022	Average Age	Average Number of Years of Service
22,538 persons	increase of 480 employees	42.4 years old	19.0 years

(Notes)

1. The number of employees and change from FY2022 are presented based on the number of actual workers effective from FY2023. However, the number of employees above does not include Senior Vice Presidents or temporary employees (employees who were re-employed following compulsory retirement, temporary contract employees, part-time employees, etc.).
2. Average age and average number of years of service are calculated excluding from the number of actual workers, Senior Vice Presidents, temporary employees (employees who were re-employed following compulsory retirement, temporary contract employees, part-time employees, etc.), and secondees to MHI from external entities.

■ MAIN OFFICES & MANUFACTURING FACILITIES

Head Office	Chiyoda-ku, Tokyo
Research & Innovation Centers	Kobe City, Nagasaki City, Takasago City Hyogo Prefecture, Hiroshima City, Mihara City Hiroshima Prefecture, 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)
Domestic 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	[Offices] Middle East Office (UAE), Taipei Office (Taiwan), Hanoi Liaison Office (Vietnam), Ho Chi Minh City Liaison Office (Vietnam), Kuala Lumpur Office (Malaysia)
	[Head Offices and Networks] Mitsubishi Heavy Industries America, Inc. (U.S.A.), MHI 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)

(Note)

The main subsidiaries and their addresses are as presented below in “OUTLINES OF MAIN SUBSIDIARIES.”

■ 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
	Mitsubishi Heavy Industries Marine Machinery & Equipment Co., Ltd.	Nagasaki City	1,000 million Yen	100.0	Marine machinery-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 Transportation and Construction Engineering, Ltd.	Yokohama City	300 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	4,949 million Yen	64.6	Material handling equipment-related business
Aircraft, Defense & Space	Mitsubishi Heavy Industries Maritime Systems Co., Ltd.	Tamano City, Okayama Prefecture	500 million Yen	100.0	Naval ships-related business
	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.
	Concentric, LLC	U.S.A.	(57.3 million US dollars)	*100.0	Industrial power solutions-related business

(Notes)

1. The item marked with an asterisk (*) denotes the percentage including voting rights held by MHI's subsidiaries.
2. For subsidiaries with no monetary amount with respect to capital, capital reserve (or an equivalent amount) is presented in parentheses as an amount equivalent to capital.

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:

275,218 persons (increase of 14,144 persons from the end of FY2022)

■ MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,957,600	15.4
Custody Bank of Japan, Ltd. (Trust Account)	20,600,515	6.1
Meiji Yasuda Life Insurance Company	8,002,274	2.3
STATE STREET BANK WEST CLIENT – TREATY 505234	6,561,305	1.9
SSBTC CLIENT OMNIBUS ACCOUNT	5,761,188	1.7
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Mitsubishi UFJ, Ltd.)	4,894,500	1.4
Mitsubishi Heavy Industries Employee Shareholding Association	4,501,838	1.3
STATE STREET BANK AND TRUST COMPANY 505001	4,174,713	1.2
JP MORGAN CHASE BANK 385781	3,921,319	1.1
GOVERNMENT OF NORWAY	3,842,335	1.1

(Note)
The ratios of shareholding are calculated excluding 428,426 treasury shares. The number of treasury shares does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (29,418 shares), Board Incentive Plan Trust I (190,200 shares) and Board Incentive Plan Trust II (619,200 shares).

■ STATUS OF SHARES GRANTED TO OFFICERS AS COMPENSATION FOR EXECUTION OF DUTIES DURING FY2023

	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)	36,900	4
Outside Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	–	–
Directors who are serving as Audit and Supervisory Committee Members	2,600	1

(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 (18,600 shares of the 36,900 shares, and 1,300 shares of the 2,600 shares).

■ OTHER IMPORTANT MATTERS REGARDING SHARES

MHI conducted a split of its shares on a 10 for 1 basis on April 1, 2024, and concurrently changed the aforementioned “total number of shares authorized to be issued” from 600,000,000 shares to 6,000,000,000 shares. As a result, the aforementioned “total number of the shares issued” has increased by 3,036,283,029 shares to 3,373,647,810 shares.

STOCK ACQUISITION RIGHTS OF MHI

■ STOCK ACQUISITION RIGHTS HELD BY MHI'S OFFICERS AT THE END OF FY2023 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.
3. MHI conducted a split of its common stock on a 10 for 1 basis on April 1, 2024.
   The figures presented above represent the number of shares and monetary amount as of March 31, 2024, prior to adjustment due to the share split.

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 Chairman, Mitsubishi Memorial Foundation for Educational Excellence
*President and CEO (Member of the Board)	Seiji Izumisawa	CEO*1	Director, Mitsubishi Research Institute, Inc.
*Director (Member of the Board), Senior Executive Vice President	Hitoshi Kaguchi	Assistant to President and CEO	
*Director (Member of the Board), Executive Vice President	Hisato Kozawa	CFO*2	
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.
Director (Member of the Board)	Mitsuhiro Furusawa		President, Institute for Global Financial Affairs, Sumitomo Mitsui Banking Corporation
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

*1 CEO: Chief Executive Officer
*2 CFO: Chief Financial Officer

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2024.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Ken Kobayashi, Mr. Nobuyuki Hirano and Mr. Mitsuhiro Furusawa, 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. Mitsuhiro Furusawa, a Director, took up his position as of June 29, 2023 (on the date of the 98th Annual General Meeting of Shareholders).
8. Mr. Shunichi Miyanaga, a Director, took up his position as Chairman, Mitsubishi Memorial Foundation for Educational Excellence as of June 30, 2023.
9. Mr. Nobuyuki Hirano, a Director, retired from his position as Chairman, Mitsubishi Memorial Foundation for Educational Excellence as of June 30, 2023.
10. Ms. Masako Ii, a Director who is serving as an Audit and Supervisory Committee Member, retired from her position as Governor, Japan Broadcasting Corporation as of February 29, 2024.

The following changes were instituted in the responsibilities of Directors as of April 1, 2024.

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

(Note)

An asterisk mark (*) indicates a Representative Director.

■ Outline of Liability Limitation Agreement

MHI has entered into liability limitation agreements with Directors: Mr. Ken Kobayashi; Mr. Nobuyuki Hirano; and Mr. Mitsuhiro Furusawa, 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	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.
Director, Audit and Supervisory Committee Member	Hiroo Unoura	KADOKAWA CORPORATION	No notable relations
	Noriko Morikawa	Resonac Holdings Corporation	Purchase of hydroelectric power generation components, etc.
	Masako Ii	Hitotsubashi University	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. Nobuyuki Hirano, a Director, retired from his position as Chairman, Mitsubishi Memorial Foundation for Educational Excellence on June 30, 2023. Mitsubishi Memorial Foundation for Educational Excellence has a trading relationship with MHI for donations of cash, etc.
3. Ms. Masako Ii, a Director who is serving as an Audit and Supervisory Committee Member, retired her position as Governor, Japan Broadcasting Corporation on February 29, 2024. Japan Broadcasting Corporation 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	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.
	Mitsuhiro Furusawa	10 out of 10 times	-	Mr. Mitsuhiro Furusawa 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 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).
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	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. 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.
	Masako Ii	14 out of 14 times	16 out of 16 times	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. 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.

(Note)
As Mr. Mitsuhiro Furusawa, a Director, took up his position as of June 29, 2023 (on the date of the 98th Annual General Meeting of Shareholders), the number of times he attended the Board of Directors meetings for the year is different from that of the other Directors.

■ 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)	1,068	8	276	4	444	4	348
(Outside Directors)	(45)	(4)	(45)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	159	5	159	—	—	—	—
(Outside Directors)	(55)	(3)	(55)	(—)	(—)	(—)	(—)
Total	1,227	13	435	4	444	4	348
(Outside Directors)	(100)	(7)	(100)	(—)	(—)	(—)	(—)

(Notes)

1. The figures include one Director (excluding Director who is serving as an Audit and Supervisory Committee Member) who retired during FY2023.
2. The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 557,000 Stock Award Points granted in total during FY2023 (equivalent to 55,700 shares of MHI).
3. MHI conducted a split of shares of MHI on a 10 for 1 basis on April 1, 2024, and the figures above represent the number of shares as of March 31, 2024, prior to the share split.

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.)

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.

Role-based payment coefficient × Profit from business activities for the given fiscal year ÷ 10,000 × 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 FY2023, profit from business activities was ¥282.5 billion, against a target (initial forecast) of ¥300.0 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.

Role-based standard points × 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 from business activities 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 from business activities, which was chosen to reflect the results of business activities 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 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.

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

In addition, MHI has decided to reflect evaluations made by major ESG assessment institutions in the coefficient of business results beginning with the fiscal year under review in order to reflect its extensive initiatives and objective evaluations regarding its ESG objectives.

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. MHI conducted a split of shares of MHI on a 10 for 1 basis on April 1, 2024, and the figures above represent the number of shares as of March 31, 2024, prior to the share split.
- 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.
Policy on the proportions of different types of remuneration	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. 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.
Policy on the timing and conditions for granting remuneration	Basic remuneration is paid every month. 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. In principle, stock remuneration is provided when three years have elapsed since the granting of the Stock Award Points.

- 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 FY2023, MHI held four Nomination and Remuneration Advisory Council.

(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

¥442 million

(Notes)

1. 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.
2. In addition to the aforementioned, there is an additional remuneration amount of ¥44 million for the previous fiscal year.

■ 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

¥731 million

(Notes)

1. Part of MHI's subsidiaries are audited by certified public accountants, etc. other than the financial auditor of MHI.
2. In addition to the aforementioned, there is an additional remuneration amount of ¥62 million for the previous fiscal year.

■ 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 FY2023 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 FY2023, 14 meetings of the Board of Directors were held to thoroughly deliberate on each agenda, including compliance measures. In addition, the Nomination and Remuneration Advisory Council 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

   - 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.

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. In FY2023, the Board of Directors held discussions regarding formulation of the next medium-term business plan.
   - 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.
   - MHI practices portfolio management based on the strategic business assessment system to allocate management resources as appropriate to the business.

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, 2024	As of Mar. 31, 2023 (Reference)
ASSETS		
Current assets:		
Cash and cash equivalents	431,287	347,663
Trade and other receivables	916,011	804,613
Other financial assets	39,771	35,382
Contract assets	776,399	731,820
Inventories	974,577	876,878
Other current assets	281,895	245,943
Total current assets	**3,419,942**	**3,042,302**
Non-current assets:		
Property, plant and equipment (“PPE”)	908,448	839,813
Goodwill	172,493	131,181
Intangible assets	93,786	70,161
Right-of-use assets	93,496	86,295
Investments accounted for using the equity method	268,978	227,045
Other financial assets	538,126	521,135
Deferred tax assets	297,017	358,758
Other non-current assets	463,969	198,117
Total non-current assets	**2,836,316**	**2,432,509**
TOTAL ASSETS	**6,256,259**	**5,474,812**
LIABILITIES AND EQUITY		
Current liabilities:		
Bonds, borrowings and other financial liabilities	379,210	349,075
Trade and other payables	958,891	895,286
Income taxes payable	55,228	19,661
Contract liabilities	1,095,138	936,765
Provisions	216,220	229,582
Other current liabilities	235,829	193,791
Total current liabilities	**2,940,518**	**2,624,163**
Non-current liabilities:		
Bonds, borrowings and other financial liabilities	763,754	843,359
Deferred tax liabilities	9,987	10,465
Retirement benefit liabilities	73,165	76,146
Provisions	79,747	60,817
Other non-current liabilities	28,429	25,874
Total non-current liabilities	**955,085**	**1,016,663**
TOTAL LIABILITIES	**3,895,604**	**3,640,827**
EQUITY		
Share capital	265,608	265,608
Capital surplus	41,187	41,256
Treasury shares	(4,828)	(5,385)
Retained earnings	1,433,267	1,243,565
Other components of equity	509,385	195,929
Equity attributable to owners of the parent	**2,244,620**	**1,740,974**
Non-controlling interests	116,034	93,010
TOTAL EQUITY	**2,360,654**	**1,833,984**
TOTAL LIABILITIES AND EQUITY	**6,256,259**	**5,474,812**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of Yen)

	FY2023 (From April 1, 2023 to March 31, 2024)	FY2022 (From April 1, 2022 to March 31, 2023) (Reference)
Revenue	4,657,147	4,202,797
Cost of sales	3,727,034	3,437,779
Gross profit	**930,112**	**765,017**
Selling, general and administrative expenses	695,342	623,638
Share of profit of investments accounted for using the equity method	2,149	13,502
Other income	63,595	103,710
Other expenses	17,973	65,267
Profit from business activities	**282,541**	**193,324**
Finance income	49,945	28,984
Finance costs	17,298	31,181
Profit before income taxes	**315,187**	**191,126**
Income taxes	71,622	44,818
Profit	**243,565**	**146,308**
Profit attributable to:		
Owners of the parent	222,023	130,451
Non-controlling interests	21,542	15,857

(Yen)

Earnings per share attributable to owners of the parent *		
Basic earnings per share	66.07	38.84
Diluted earnings per share	66.04	38.83

*Note:

On April 1, 2024, the Company executed a ten-for-one stock split of its common shares. “Basic earnings per share” and “Diluted earnings per share” are calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2023.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(From April 1, 2023 to March 31, 2024)

(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 ,2023	**265,608**	**41,256**	**(5,385)**	**1,218,180**	**221,314**	**1,740,974**	**93,010**	**1,833,984**
Cumulative effect of change in accounting policy				25,385	(25,385)	-		-
Restated balance as of Apr. 1, 2023	**265,608**	**41,256**	**(5,385)**	**1,243,565**	**195,929**	**1,740,974**	**93,010**	**1,833,984**
Profit				222,023		222,023	21,542	243,565
Other comprehensive income (loss)					334,411	334,411	9,939	344,350
Comprehensive income (loss)	-	-	-	**222,023**	**334,411**	**556,434**	**31,482**	**587,916**
Transfer to retained earnings				20,937	(20,937)	-		-
Purchase of treasury shares			(39)			(39)		(39)
Disposal of treasury shares		22	96			118		118
Dividends				(50,398)		(50,398)	(6,898)	(57,296)
Transactions with non-controlling Interests		(208)			(18)	(226)	(1,631)	(1,857)
Other		117	499	(2,860)		(2,243)	71	(2,171)
Total transactions with owners	**-**	**(68)**	**557**	**(53,258)**	**(18)**	**(52,788)**	**(8,458)**	**(61,246)**
Balance as of Mar. 31, 2024	**265,608**	**41,187**	**(4,828)**	**1,433,267**	**509,385**	**2,244,620**	**116,034**	**2,360,654**

(REFERENCE)
CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Yen)

	FY2023 (From Apr. 1, 2023 to Mar. 31, 2024)	FY2022 (From Apr. 1, 2022 to Mar. 31, 2023)
Cash flows from operating activities:		
Profit before income taxes	315,187	191,126
Depreciation, amortization and impairment loss	155,899	148,549
Finance income and costs	(32,582)	(2,147)
Share of profit of investments accounted for using the equity method	(2,149)	(13,502)
Loss (gain) on sale of PPE, and intangible assets	(29,028)	(29,018)
Loss on disposal of PPE, and intangible assets	7,594	7,154
Decrease (increase) in trade receivables	(60,305)	(32,978)
Decrease (increase) in contract assets	(29,697)	(64,500)
Decrease (increase) in inventories and advanced payments	(70,402)	(65,690)
Increase (decrease) in trade payables	20,734	(55,676)
Increase (decrease) in contract liabilities	118,637	32,436
Increase (decrease) in provisions	(3,445)	27,285
Increase (decrease) in retirement benefit liabilities	14,938	(3,102)
Others	(38,908)	(4,691)
Subtotal	366,472	135,244
Interest received	9,630	7,755
Dividends received	15,467	26,898
Interest paid	(11,181)	(13,114)
Income taxes paid	(49,201)	(75,894)
Net cash provided by operating activities	**331,186**	**80,888**
Cash flows from investing activities:		
Payments into fixed-term deposits	(25,556)	(26,067)
Proceeds from withdrawal of fixed-term deposits	18,728	28,809
Purchases of PPE and intangible assets	(160,486)	(131,905)
Proceeds from sales of PPE and intangible assets	37,263	38,062
Purchases of investments (including investments accounted for using the equity method)	(11,892)	(7,788)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	63,174	59,111
Payments for acquisition of businesses(including subsidiaries)	(73,589)	(4,420)
Proceeds from acquisition of businesses(including subsidiaries)	-	1,863
Net decrease (increase) in short-term loans	1,420	(1,932)
Disbursement of long-term loans	(417)	(48)
Collection of long-term loans	102	711
Payments for derivative transactions	(52,232)	(38,918)
Proceeds from derivative transactions	76,619	42,268
Others	(4,181)	(5,320)
Net cash provided by (used in) investing activities	**(131,048)**	**(45,575)**
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	9,284	(4,532)
Proceeds from long-term borrowings	23,000	50,966
Repayment of long-term borrowings	(64,649)	(97,656)
Proceeds from issuance of bonds	25,000	20,000
Payment for redemption of bonds	(15,000)	(10,000)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,024)	(24,473)
Dividends paid to owners of the parent	(50,289)	(38,531)
Dividends paid to non-controlling interests	(8,511)	(6,769)
Proceeds from factoring agreements	171,544	200,235
Repayment of liabilities under factoring agreements	(215,845)	(80,738)
Repayment of lease liabilities	(30,380)	(26,850)
Others	(2,030)	(551)
Net cash provided by (used in) financing activities	**(158,903)**	**(18,902)**
Effect of exchange rate changes on cash and cash equivalents	**42,388**	**16,995**
Net increase (decrease) in cash and cash equivalents	**83,623**	**33,406**
Cash and cash equivalents at beginning of the year	**347,663**	**314,257**
Cash and cash equivalents at end of the year	**431,287**	**347,663**

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: 257
   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 *1,2
   Principal affiliated companies accounted for using the equity method:
   FRAMATOME S.A.S.

   *1. 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.

   *2. 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.

e) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only if the Group currently has a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(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 70 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 in profit or loss, and remeasurement of defined benefit liability (asset) is recognized in other comprehensive income.

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.

(Income Tax Treatment under the Global Minimum Tax)

The Group applies the temporary exception established by amended IAS 12 “Income Taxes” dated May 23, 2023 regarding introduction of the Pillar Two model rules. The temporary exception stipulates that an entity shall neither recognize nor disclose information about deferred tax assets and liabilities arising from tax laws enacted or substantively enacted by national governments to introduce Pillar Two model rules. The introduction of the Pillar Two model rules will have no material impact on the financial position and operating results of the Group.

Notes on change in accounting policy

(Change in the treatment of intra-capital transfers related to the remeasurement of defined benefit liability (asset))

As stated in Basis of Preparation of Consolidated Financial Statements, 4. Accounting Policies, (8) Post-employment benefits, the Group has lump-sum payment on retirement and pension plans as post-employment benefit plans for employees. In the accounting treatment for defined benefit plans, the Group previously recognized the change in remeasurement of defined benefit liability (asset) as “Other comprehensive income” and immediately transferred the amount to “Retained earnings”. However, beginning the fiscal year ended March 31, 2024, the Group has decided to discontinue the transfer to retained earnings after remeasurement and to include the amount in “Other components of equity”.

It is because changing the presentation policy regarding the items within equity and presenting the cumulative amounts from remeasurement of defined benefit liabilities (assets) separately from “Retained earnings” allows the financial impacts of the defined benefit plans to be clearly indicated.

This change has been retroactively reflected in the consolidated financial statements for prior periods. Due to this change, “Retained earnings” in the consolidated statement of financial position increased by 25,385 million yen as of March 31, 2023 and decreased by 147,957 million yen as of March 31, 2024 and “Other components of equity” decreased accordingly as of March 31, 2023 and increased as of March 31, 2024 compared with the amounts calculated using the previous method.

(There is no change in the total amount of “Equity attributable to owners of parent”.)

“Transfer to retained earnings” in the consolidated statement of changes in equity also decreased by 173,342 million yen for the fiscal year ended March 31, 2024.

Notes on Accounting Estimates

Items whose amounts were recorded in the consolidated financial statements for the fiscal year ended March 31, 2024, based on accounting estimates, and that could have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2025, are as follows.

1. Recoverable amount of non-financial assets
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024:

     Non-financial assets: ¥ 1,278,431 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, 2024:

     Provisions: ¥ 295,968 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.

     The provision recognized in the fiscal year ended March 31, 2024, includes a provision for losses on construction contracts on long-term service agreements associated with the plant facilities that were delivered in the past fiscal year. The Group recognizes the provision based on the reasonable estimates of compensation for loss during the non-operational period and its associated costs necessary to fulfill the long-term service agreements.

3. Measurement of defined benefit obligations
   - Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024:

Retirement benefit assets:	¥ 368,493 million
Retirement benefit liabilities:	¥ 73,165 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, 2024:
     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, 2024:

Deferred tax assets:	¥ 297,017 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, 2024.

   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, 2024, were 22,985 million yen, 109,448 million yen and 63,065 million yen, respectively. Liabilities under factoring agreements (Bonds, borrowings and other financial liabilities) recognized for current and non-current liabilities were 116,342 million yen and 84,209 million yen, respectively.

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

Trade and other receivables	¥	16,453 million
Other financial assets（current）	¥	1,536 million
Contract assets	¥	737 million
Other financial assets（non-current）	¥	7,777 million

3. Accumulated depreciation of PPE ¥ 2,194,178 million

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

4. Guarantee obligations

   The Group mainly guarantees employees' loans from financial institutions. The total of guarantees was 20,232 million yen at the end of the fiscal year ended March 31, 2024.

Notes to the Consolidated Statement of Profit or Loss

(Major items included in profit from business activities in the fiscal year ended March 31, 2024)

Other income

- Dividend income
  Other income includes dividend income. The amount of dividend income included in the fiscal year ended March 31, 2024 was 11,180 million yen.

- 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 in connection with sales to third parties.

Notes to the Consolidated Statement of Changes in Equity

1. Type and number of the shares issued

   Common stock 337,364,781 shares*

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

   Common stock 96,700 shares*

* On April 1, 2024, MHI executed a ten-for-one stock split of its common shares. The number of shares before the stock split is disclosed as of the end of the fiscal year ended March 31, 2024.

3. Cash dividends

(1) Cash dividends paid

Resolution	Type of shares	Total cash dividends paid*1,2	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
Nov 6, 2023 Board of Directors Meeting	Common Stock	¥26,952 million	¥80	Sep 30, 2023	Dec 5, 2023	Retained earnings

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

*2 Total cash dividends paid in accordance with the resolution by the Board of Directors meeting held on Nov 6, 2023, include 67 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*1	Cash dividends per share*2	Record date	Effective date	Resource of dividends
Jun 27, 2024 Annual General Meeting of Shareholders	Common stock	¥40,432 million	¥120	Mar 31, 2024	Jun 28, 2024	Retained earnings

*1 Total cash dividends to be paid in accordance with the resolution by the ordinary general meeting of shareholders to be held on June 27, 2024, include 100 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

*2 On April 1, 2024, MHI executed a ten-for-one stock split of its common shares. As the record date for dividends was March 31, 2024, the amount of cash dividends per share shows the amount before the stock split.

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	279,559	－	164,187	443,746
Derivatives	－	4,582	679	5,261
Total	279,559	4,582	164,867	449,008
Liabilities：				
Derivatives	－	9,737	－	9,737
Total	－	9,737	－	9,737

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, 2023, and March 31, 2024.

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 *	73,962	72,285
Financial liabilities:		
Bonds	225,000	221,297
Long-term borrowings	371,153	361,235
Non-recourse borrowings	60,755	60,755

* 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".

Financial liabilities measured at amortized cost, which are included in the table above, are classified as either current or non-current under “Bonds, borrowings and other financial liabilities.” Non-recourse borrowings, which are classified as non-current, include borrowings for which the Company has obtained consent from the counterparty financial institutions to waive the right to demand lump-sum repayment in relation to financial covenants.

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)

	2023
Energy Systems	1,752,569
Plants & Infrastructure Systems	758,730
Logistics, Thermal & Drive Systems	1,310,359
Aircraft, Defense & Space	
Commercial aircraft	184,521
Defense & space equipment	605,820
Subtotal	790,342
Reporting segments total	4,612,001
Corporate & Eliminations*2	45,146
Total	4,657,147

*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 Basis of Preparation of Consolidated Financial Statements, 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)

	2023
Japan	1,950,028
U.S.A	1,053,196
Asia	701,020
Europe	480,010
Central and South America	175,402
Africa	31,465
Middle East	148,397
Others	117,625
Total	4,657,147

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

(1) Asia... China, Singapore, India, South Korea, Taiwan, Thailand, Vietnam, Philippines, Indonesia, Bangladesh, Macau, Hong Kong, and Malaysia

(2) Europe... Germany, United Kingdom, France, Uzbekistan, Netherlands, Italy, Spain, Poland, Sweden, Austria, Belgium, Greece, Finland, Denmark, Russia, Hungary, Serbia, and Bulgaria

(3) Central and South America... Mexico, Brazil, Panama, and Chile

(4) Africa... South Africa, Algeria, and Egypt

(5) Middle East... Saudi Arabia, United Arab Emirates, Turkey, Oman, Qatar, Israel, Kuwait, and Bahrain

(6) Others... Canada and 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, 2024, and the balance by reporting segment are as follows.

(Millions of yen)

	As of March 31, 2024
Energy Systems	4,283,891
Plants & Infrastructure Systems	1,569,657
Logistics, Thermal & Drive Systems	58,369
Aircraft, Defense & Space	2,474,222
Reporting segments total	8,386,141
Corporate & Eliminations *	14,434
Total	8,400,576

* "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 7 years
- Plants & Infrastructure Systems: Within 4 years
- Logistics, Thermal & Drive Systems: Within 1 year
- Aircraft, Defense & Space: Within 4 years

Per Share Information

Shareholders' equity per share	¥ 667.86
Basic income per share	¥ 66.07

* On April 1, 2024, MHI executed a ten-for-one stock split of its common shares. Shareholders' equity per share and Basic income per share are calculated assuming that the stock split was conducted at the beginning of the fiscal years ended March 31, 2024.

Significant Subsequent Events

On February 6, 2024, the Company's Board of Directors approved a stock split to be executed on April 1, 2024. The details of the stock split executed on April 1, 2024 were set out below:

(1) Purpose of the stock split

To facilitate investment in MHI by decreasing share unit price, thereby expanding investor base.

(2) Details of the stock split

a) Method of the stock split

MHI executed a stock split on the record date of March 31, 2024 (effectively March 29, 2024 due to the shareholder registry administrator's holiday falls on March 31, 2024), at a ratio of ten shares for one share of its common stock held by shareholders listed or recorded in the shareholder registry as of the end of that day.

b) Number of shares to be increased by the stock split

・Total Number of shares Issued before the stock split	337,364,781 shares
・Number of shares to be increased by the stock split	3,036,283,029 shares
・Total Number of shares Issued after the stock split	3,373,647,810 shares
・Total Number of Authorized shares after the stock split	6,000,000,000 shares

c) Schedule of the stock split

Date of public notice of the record date	March 8, 2024
Record Date	March 31, 2024
Effective Date	April 1, 2024

(3) Impact on per share information

The impact on per share information is described in the relevant sections.

(4) Others

There was no change in the amount of stated capital as a result of this stock split.

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. Business combination

   On October 2, 2023, the Group acquired all of its shares of Concentric, LLC (the "Concentric"), a top provider of industrial power solutions in North America, from OnPoint Group.

   (1) Outline of acquisition

   Concentric will take steps under its new ownership as a member of the Group to promote zero emissions, energy conservation and electrification with the aim of improving our services provided to customers of its North American data center, logistics warehouses and industrial facilities. It will also utilize the cutting-edge technology and knowledge gained through its partnership with the Group to provide sustainable power solutions.

   Particularly, as the world digital technology evolves, the demand for data center is rapidly growing, and the industry is faced with the challenges of how to adopt zero emission power sources and energy conservation. The MHI Group aims to provide solutions to such global challenges by providing total energy solutions that offer data centers as a one-stop service that encompasses power systems, cooling systems, and control and monitoring.

   The acquisition aims for energy optimization in data centers and logistics warehouses and reduction in CO_2 emissions in cooperation with Concentric, which has a customer network spanning the entire North American region.

   (2) Consideration of acquisition and Settlement Method

   a) Consideration of acquisition

   USD479 million (¥71,772 million) *

   * Converted at ¥149.58/$1(as of October 1, 2023)

   b) Settlement method

   Payment in cash

   c) Acquisition related cost

   In the fiscal year ended March 31, 2024, acquisition related cost amounted to 1,651 million yen and were recorded in selling, general and administrative expenses.

(3) The fair value of assets and liabilities and goodwill at the date of acquisition

(Millions of yen)

Items	Amount*1
Consideration of acquisition	71,772
Assets acquired	
Current assets	15,089
Non-current assets*2	33,621
Total of assets acquired	48,710
Liabilities assumed	
Current liabilities	9,718
Non-current liabilities	1,991
Total of liabilities assumed	11,709
Goodwill*3	34,771

*1 Converted at ¥149.58/$1(as of October 1, 2023). In addition, the amounts of assets acquired and liabilities assumed were provisionally calculated based on the currently available information since the allocation of the consideration of acquisition has not been completed as of March 31, 2024.

*2 Non-current assets include 30,215 million yen of intangible assets.

*3 The main components of the goodwill represent synergies with the existing business that are expected to arise from the acquisition, and excess earning power. Goodwill recognized in the fiscal year ended March 31, 2024 was calculated on a provisional basis based on the identifiable assets as of the acquisition date, and the recognized amount of goodwill may change as the amount of identifiable assets changes. The goodwill recognized is expected to be deductible for tax purposes.

(4) Impact on operating results

On and after the acquisition date, Concentric contributed revenue of 28,236 million yen and loss of (309) million yen to the Group's consolidated statement of profit or loss for the fiscal year ended March 31, 2024.

The impact above included temporary costs related to the integration.

In addition, assuming the business combination had been completed on April 1, 2023 such an impact on the consolidated statement of profit or loss was deemed immaterial, and therefore, omitted from the inclusion in the consolidated statement of profit or loss.

3. Transfer of fixed asset

On February 28, 2024, our Board of Directors approved an ownership transfer of one of its fixed assets as described below.

(1) Reasons for the transfer

To make effective use of management resources and strengthen its financial position.

(2) Asset designated for transfer

Description　Plant land (a part of the Honmoku Plant)

Location　38-8, Nishikicho, Naka-ku, Yokohama, Kanagawa

(3) Transfer schedule

Contract signed	February 29, 2024
Transfer date(planned)	September 30, 2024 and March 31, 2025 *

* MHI plans to set up a trust for the transferred asset and transfer the trust beneficiary

right based on the trust. The transfer date is the date of the transfer of the trust beneficiary right for the transferred asset. The asset will be transferred in two parts.

(4) Impact of the transfer on financial results

As a result of the transfer of the fixed asset cited, approximately 50 billion yen of gain on sale of non-current assets will be recognized for the fiscal year ending March 31, 2025.

NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2024	As of Mar. 31, 2023 (Reference)
ASSETS		
Current assets:		
Cash and deposits	259,063	165,416
Trade notes receivable	104	159
Trade accounts receivable	264,349	190,581
Contract assets	421,047	340,818
Merchandise and finished products	34,845	29,167
Work in progress	249,077	243,067
Raw materials and supplies	50,406	47,669
Income taxes receivable	-	11,098
Advances to suppliers	105,320	69,967
Prepaid expenses	2,078	1,966
Short-term loans receivable	4,271	644
Short-term loans receivable from subsidiaries and affiliates	35	32
Other current assets	102,380	108,019
Allowance for doubtful accounts	(60)	(91)
Total current assets	**1,492,921**	**1,208,517**
Non-current assets:		
PPE :		
Buildings	214,892	198,518
Structures	26,875	26,484
Docks and facilities for shipbuilding	2,314	2,062
Machinery	92,245	97,254
Vessels	28	34
Aircraft	0	0
Vehicles and transportation equipment	964	901
Tools, equipment and furniture	18,878	18,788
Land	131,135	113,175
Leased assets	5,847	6,436
Construction in progress	23,340	21,376
Subtotal	**516,522**	**485,031**
Intangible assets:		
Software	4,367	4,233
Right of using facilities	707	782
Goodwill	-	5,139
Leased assets	78	1,104
Others	278	299
Subtotal	**5,431**	**11,559**
Investments and advances:		
Investment securities	317,631	308,880
Investments in shares of subsidiaries and affiliates	698,934	673,012
Investments in capital	1,060	1,060
Investments in capital of subsidiaries and affiliates	46,388	85,449
Long-term loans receivable	63	79
Long-term loans receivable from employees	1	5
Long-term loans receivable from subsidiaries and affiliates	81,192	81,207
Claims provable in bankruptcy, claims provable in rehabilitation and other	649,991	8,605
Long-term prepaid expenses	5,473	4,720
Prepaid pension cost	13,355	12,016
Deferred tax assets	281,599	258,259
Long-term receivables	5,898	580,132
Others	14,784	16,420
Allowance for doubtful accounts	(650,935)	(584,854)
Subtotal	**1,465,441**	**1,444,996**
Total non-current assets	**1,987,395**	**1,941,587**
TOTAL ASSETS	**3,480,317**	**3,150,105**

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2024	As of Mar.31, 2023 (Reference)
LIABILITIES		
Current liabilities:		
Electronically recorded obligations	-	1,535
Trade accounts payable	339,881	317,453
Short-term borrowings	350,450	399,585
Current portion of long-term borrowings	68,000	51,500
Current portion of bonds	30,000	15,000
Lease obligations	3,215	3,634
Accrued payables	88,045	70,265
Accrued expenses	36,458	28,805
Income taxes payable	29,285	-
Contract liabilities	678,537	463,962
Deposits received	17,716	15,040
Provision for product warranties	4,595	4,472
Provision for construction warranties	28,351	27,184
Provision for losses on construction contracts	48,429	56,580
Provision for business structure improvement	1,925	4,782
Provision for stock benefits	393	366
Provision for losses on subsidiaries and affiliates	425	709
Asset retirement obligations	54	0
Other current liabilities	11,571	6,233
Total current liabilities	**1,737,334**	**1,467,110**
Non-current liabilities:		
Bonds	195,000	200,000
Long-term borrowings	286,900	331,900
Lease obligations	17,333	22,285
Provision for product warranties	10,976	11,512
Provision for construction warranties	5,713	6,163
Provision for business structure improvement	3,641	4,151
Provision for stock benefits	2,394	1,292
Provision for retirement benefits	6,578	19,347
Provision for losses on guarantees	10,015	3,190
Provision for treatment of PCB waste	1,607	1,875
Provision for environmental measures	7,260	7,238
Provision for losses on subsidiaries and affiliates	-	1,778
Asset retirement obligations	8,241	7,037
Other non-current liabilities	24,525	21,694
Total non-current liabilities	**580,187**	**639,467**
TOTAL LIABILITIES	**2,317,521**	**2,106,578**
NET ASSETS		
Stockholders' equity:		
Common stock	**265,608**	**265,608**
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	1,886	2,063
Total capital surplus	**205,422**	**205,600**
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	4,831	9,663
Reserve for reduction in costs of fixed assets	93,934	81,068
Reserve for accelerated depreciation	-	55
Earned surplus brought forward	446,808	352,252
Total revenue reserve	**545,574**	**443,039**
Total retained earnings	**611,938**	**509,402**
Treasury stock	**(1,312)**	**(1,369)**
Total stockholders' equity	**1,081,657**	**979,242**
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	**83,560**	**64,325**
Unrealized gain (loss) from hedging instruments	**(2,832)**	**(569)**
Total valuation, translation adjustments and others	**80,728**	**63,756**
Share subscription rights	**410**	**528**
TOTAL NET ASSETS	**1,162,795**	**1,043,526**
TOTAL LIABILITIES AND NET ASSETS	**3,480,317**	**3,150,105**

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2023 (From April 1, 2023 to March 31, 2024)	FY2022 (From April 1, 2022 to March 31, 2023) (Reference)
Net sales	**1,729,653**	**1,549,487**
Cost of sales	**1,413,637**	**1,326,839**
Gross profit	**316,016**	**222,647**
Selling, general and administrative expenses	**242,438**	**211,296**
Operating income	**73,578**	**11,351**
Non-operating income:		
Interest income	3,384	4,003
Dividend income	50,576	80,160
Foreign exchange gains	21,778	10,802
Other income	2,846	8,108
Total non-operating income	**78,585**	**103,074**
Non-operating expenses:		
Interest expenses	11,468	9,476
Interests on bonds	892	819
Losses on disposal of fixed assets	5,567	4,535
Provision for losses on guarantees	6,825	3,190
Provision of allowance for doubtful accounts	112	226
Provision for losses on subsidiaries and affiliates	-	709
Other expenses	7,019	6,161
Total non-operating expenses	**31,885**	**25,118**
Ordinary income	**120,278**	**89,308**
Extraordinary gains:		
Gains on sales of investment securities	34,361	33,373
Gains on sales of fixed assets	28,355	24,940
Gains on extinguishment of tie-in shares	9,256	1,087
Total extraordinary gains	**71,973**	**59,400**
Extraordinary losses:		
Losses on revaluation of investment securities	25,453	18,160
Losses on impairment of fixed assets	-	15,247
Business structure improvement expenses	-	7,599
Losses related to SpaceJet project	-	5,949
Total extraordinary losses	**25,453**	**46,955**
Profit before income taxes	**166,798**	**101,753**
Income taxes:		
Current	40,327	10,940
Deferred	(26,600)	(7,750)
Profit	**153,071**	**98,564**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(From April 1, 2023 to March 31, 2024)

(Millions of Yen)

	Stockholders' equity										
	Common stock	Capital surplus			Retained earnings						
					Legal reserve	Revenue reserve					Total retained earnings
		Capital reserve	Other capital reserve	Total capital surplus		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, 2023	**265,608**	**203,536**	**2,063**	**205,600**	**66,363**	**9,663**	**81,068**	**55**	**352,252**	**443,039**	**509,402**
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				-			15,909		(15,909)	-	-
Reversal of reserve for reduction in costs of fixed assets				-			(3,042)		3,042	-	-
Reversal of reserve for accelerated depreciation				-				(55)	55	-	-
Cash dividends				-					(50,536)	(50,536)	(50,536)
Profit (loss)				-					153,071	153,071	153,071
Purchase of treasury stock				-						-	-
Disposal of treasury stock			(177)	(177)						-	-
Net changes in items other than stockholders' equity				-						-	-
Total changes in the period	**-**	**-**	**(177)**	**(177)**	**-**	**(4,831)**	**12,866**	**(55)**	**94,555**	**102,535**	**102,535**
Balance as of Mar. 31, 2024	**265,608**	**203,536**	**1,886**	**205,422**	**66,363**	**4,831**	**93,934**	**-**	**446,808**	**545,574**	**611,938**

	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, 2023	**(1,369)**	**979,242**	**64,325**	**(569)**	**63,756**	**528**	**1,043,526**
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		(50,536)			-		(50,536)
Profit (loss)		153,071			-		153,071
Purchase of treasury stock	(39)	(39)			-		(39)
Disposal of treasury stock	96	(80)			-		(80)
Net changes in items other than stockholders' equity		-	19,234	(2,262)	16,971	(118)	16,853
Total changes in the period	**57**	**102,415**	**19,234**	**(2,262)**	**16,971**	**(118)**	**119,268**
Balance as of Mar. 31, 2024	**(1,312)**	**1,081,657**	**83,560**	**(2,832)**	**80,728**	**410**	**1,162,795**

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).

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 and claims provable in bankruptcy, claims provable in rehabilitation and other, 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, 2024, and could have a material impact on the non-consolidated financial statements for the fiscal year ending March 31, 2025, 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, 2024:

     Total of PPE and Intangible assets: ¥ 527,428 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, investments in shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates
   - Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024:

     Investment securities: ¥ 317,631 million

     Investments in shares of subsidiaries and affiliates: ¥ 698,934 million

     Investments in capital of subsidiaries and affiliates: ¥ 46,388 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, 2024, 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 in outsourcing expenses through in-house production of replacement parts.

3. Provisions

- Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024:

Allowance for doubtful accounts	¥	650,995 million
Provision for product warranties	¥	15,571 million
Provision for construction warranties	¥	34,064 million
Provision for losses on construction contracts	¥	48,429 million
Provision for business structure improvement	¥	5,566 million
Provision for stock benefits	¥	2,787 million
Provision for losses on subsidiaries and affiliates	¥	425 million
Provision for losses on guarantees	¥	10,015 million
Provision for treatment of PCB waste	¥	1,607 million
Provision for environmental measures	¥	7,260 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.

  The aforementioned provision includes a provision for losses on construction contracts on long-term service agreements associated with the plant facilities that were delivered in the past fiscal year. MHI recognizes the provision based on the reasonable estimates of compensation for loss during the non-operational period and costs necessary to fulfill the long-term service agreements.

4. Measurement of defined benefit obligations

- Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024:

Prepaid pension cost:	¥	13,355 million
Provision for retirement benefits:	¥	6,578 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, 2024:

  Sales: ¥1,729,653 million

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

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

6. Recoverability of deferred tax assets

- Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024:

  Deferred tax assets: ¥ 281,599 million

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

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

Notes to the Non-Consolidated Balance Sheet

1. Accumulated depreciation

Accumulated depreciation of PPE	¥1,492,499 million

2. Guarantee obligations

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

Mitsubishi Power Europe GmbH	¥ 19,438 million
Employees (Residence fund loan, etc.)	¥ 8,213 million
MHI RJ Aviation ULC	¥ 5,813 million
CBC INDUSTRIAS PESADAS S.A.	¥ 3,882 million
Others	¥ 18,999 million
Total	¥ 56,346 million

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

Mitsubishi Heavy Industries Asia Pacific Pte. Ltd.	¥ 1,706 million
Mitsubishi Heavy Industries Compressor Corporation	¥ 1,635 million
Mitsubishi Heavy Industries Marine Machinery & Equipment Co., Ltd	¥ 493 million
Mitsubishi Shipbuilding Co., Ltd.	¥ 405 million
Others	¥ 403 million
Total	¥ 4,644 million

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

Short-term monetary receivables	¥ 184,911 million
Long-term monetary receivables	¥ 650,971 million
Short-term monetary payables	¥ 401,412 million
Long-term monetary payables	¥ 292 million

Notes to the Non-Consolidated Statement of Income

1. Transactions with subsidiaries and affiliated companies

Sales	¥	265,410 million
Purchases	¥	317,277 million
Transactions other than operating transactions	¥	82,488 million

2. Losses on revaluation of investment securities

   Losses on revaluation of investment securities include 8,801 million yen of losses on the revaluation of shares of subsidiaries and affiliates and 10,120 million yen of losses on the revaluation of capital of subsidiaries and affiliates.

3. Gains on sales of PPE

   With respect to owned property, such as land, gains on sales of PPE are recorded in connection with sales to third parties.

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

The number of treasury stock

Common stock	428,426 shares

* On April 1, 2024, MHI executed a ten-for-one stock split of its common shares. The number of shares before the stock split was disclosed as of March 31, 2024.

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. 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, 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	MSJ Asset Management Company	Direct 94.98%	Lending of funds	Claim for outstanding receivables, etc. Funds lending (*1)(*2)	¥ 65,778 million ¥ 5,300 million	Claims provable in bankruptcy, claims provable in rehabilitation and other	¥ 641,386 million
Subsidiary	MHI Holding Denmark Aps	Direct 100.0%	Interlocking officers	Funds borrowing (*3)	¥ 8,730 million	Short-term borrowings	¥ 61,590 million
Subsidiary	Mitsubishi Power, Ltd.	Direct 100.0%	Interlocking officers	Deals as an agent under the Service Agreement, etc.(*4)	¥ 2,121 million	Trade accounts receivable Contract liabilities	¥ 47,423 million ¥ 38,230 million
Subsidiary	Mitsubishi Heavy Industries Engineering, Ltd.	Direct 100.0%	Entrustment of business, etc.	Company split (*5) Split assets Split liabilities	 ¥ 112,449 million ¥ 52,412 million	 - -	 - -
Subsidiary	Mitsubishi Heavy Industries America, Inc.	Direct 100.0%	Interlocking officers	Investment in kind (*6)	¥ 72,420 million	-	-

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

*1. During the fiscal year ended March 31, 2024, provision of allowance for doubtful accounts of 65,993 million yen was recognized. The total amount of provision of allowance for doubtful accounts was 640,640 million yen as of March 31, 2024. As a result of offsetting of provision of allowance for doubtful accounts with transaction amounts in the table, the impact on the Non-Consolidated Statement of Income is immaterial.

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

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

*4. Prices and other transaction terms and conditions are determined based on, among other factors, the nature of the services and associated expenses for execution.

*5. For details, refer to Other notes, 2. Business combination.

*6. Shares of subsidiaries were invested.

Per Share Information

Book value per share	¥ 345.85
Net income per share	¥ 45.55

* On April 1, 2024, MHI executed a ten-for-one stock split of its common shares. The book value per share and net income per share were calculated assuming that the stock split was conducted at the beginning of the fiscal years ended March 31, 2024.

Significant Subsequent Events

On February 6, 2024, the Company's Board of Directors approved a stock split to be executed on April 1, 2024. The details of the stock split executed on April 1, 2024 were set out below:

(1) Purpose of the stock split

To facilitate investment in MHI by decreasing share unit price, thereby expanding investor base.

(2) Details of the stock split

a) Method of the stock split

MHI executed a stock split on the record date of March 31, 2024 (effectively March 29, 2024 due to the shareholder registry administrator's holiday falls on March 31, 2024), at a ratio of ten shares for one share of its common stock held by shareholders listed or recorded in the shareholder registry as of the end of that day.

b) Number of shares to be increased by the stock split

・Total Number of shares Issued before the stock split	337,364,781 shares
・Number of shares to be increased by the stock split	3,036,283,029 shares
・Total Number of shares Issued after the stock split	3,373,647,810 shares
・Total Number of Authorized shares after the stock split	6,000,000,000 shares

c) Schedule of the split

Date of public notice of the record date	March 8, 2024
Record Date	March 31, 2024
Effective Date	April 1, 2024

(3) Impact on per share information

The impact on per share information is described in the relevant section.

(4) Others

There will be no change in the amount of stated capital as a result of this stock split.

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. Business combination

   MHI succeeded to the businesses such as engineering business, of its consolidated subsidiary, Mitsubishi Heavy Industries Engineering, Ltd. by absorption-type company split. The details are as follows. *

   (1) Purpose of Absorption-Type Company Split

   In order to further accelerate the Energy Transition which serves as the growth engine of MHI’s group, MHI succeeded to the businesses such as engineering business of Mitsubishi Heavy Industries Engineering, Ltd. by way of an absorption-type company split on April 1, 2023.

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

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

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

   Since Mitsubishi Heavy Industries Engineering, Ltd. is a wholly owned subsidiary of MHI, any of its shares, cash and other assets were not allotted.

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

   Trade Name: Mitsubishi Heavy Industries Engineering, Ltd.

   Details of Business: Engineering, manufacturing, procurement, construction, marketing and after-sale servicing of chemical plants, transportation systems and products, and environmental products

   (5) Schedule of Absorption-Type Company Split

   April 1, 2023

   (6) Other

   In conjunction with the Merger, “Gain on extinguishment of tie-in shares” of 9,256 million yen was recorded as “Extraordinary gain” for the fiscal year ended March 31, 2024 in the financial results of MHI on a non-consolidated basis.

* Mitsubishi Heavy Industries Engineering, Ltd. changed its company name to MHI Engineering, Ltd. as of April 1, 2023.

3. Transfer of fixed asset

On February 28, 2024, our Board of Directors approved an ownership transfer of one of its fixed assets as described below.

(1) Reasons for the transfer

To make effective use of management resources and strengthen its financial position.

(2) Asset designated for transfer

Description Plant land (a part of the Honmoku Plant)
Location 38-8, Nishikicho, Naka-ku, Yokohama, Kanagawa

(3) Transfer schedule

Contract signed	February 29, 2024
Transfer date(planned)	September 30, 2024 and March 31, 2025 *

* MHI plans to set up a trust for the transferred asset and transfer the trust beneficiary right based on the trust. The transfer date is the date of the transfer of the trust beneficiary right for the transferred asset. The assets will be transferred in two parts.

(4) Impact of the transfer on financial results

As a result of the transfer of the fixed asset cited, approximately 50 billion yen of gain on sale of non-current assets will be recognized for the fiscal year ending March 31, 2025.

Independent Auditor's Report

May 21, 2024

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC
Tokyo Office, Japan

Hirotaka Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masataka Kunimoto
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, 2024 and for the year from April 1, 2023 to March 31, 2024 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 judgement.
- 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, actions taken to eliminate threats or safeguards applied.

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 21, 2024

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC
Tokyo Office, Japan

Hirotaka Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masataka Kunimoto
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, 2024 and for the year from April 1, 2023 to March 31, 2024 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, actions taken to eliminate threats or safeguard sapplied.

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 2023 fiscal year, from April 1, 2023, to March 31, 2024. 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 2023 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 24, 2024

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)