MOVE THE WORLD FORWARD MITSUBISHI HEAVY INDUSTRIES GROUP

MHI REPORT 2019

FINANCIAL SECTION

For the Year Ended March 31, 2019

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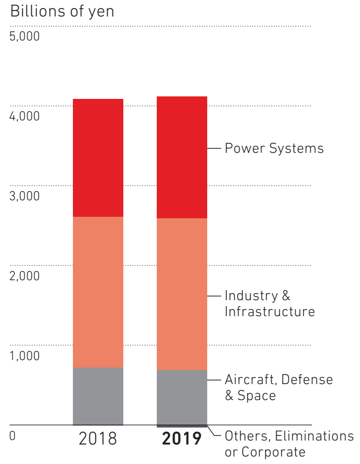
SEGMENT INFORMATION

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31, 2019 and 2018

REVENUE

Industry Segment	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Power Systems	¥1,482,457	¥1,525,108	$13,740,949
Industry & Infrastructure	1,890,078	1,907,871	17,189,575
Aircraft, Defense & Space	718,303	677,577	6,104,847
Others	120,748	71,661	645,652
Subtotal	4,211,588	4,182,218	37,681,034
Eliminations or Corporate	(125,909)	(103,874)	(935,886)
Total	¥4,085,679	¥4,078,344	$36,745,148

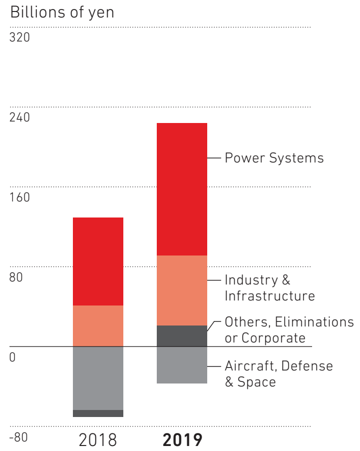


IMPAIRMENT LOSS

Industry Segment	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Power Systems	¥4,784	¥1,263	$11,379
Industry & Infrastructure	1,248	658	5,928
Aircraft, Defense & Space	102,304	70,618	636,255
Others	—	2,081	18749
Subtotal	108,337	74,622	672,330
Corporate	—	—	—
Total	¥108,337	¥74,622	$672,330

PROFIT FROM BUSINESS ACTIVITIES

Industry Segment	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Power Systems	¥87,689	¥132,897	$1,197,378
Industry & Infrastructure	41,055	70,132	631,876
Aircraft, Defense & Space	(63,558)	(37,469)	(337,588)
Others	4,443	35,977	324,146
Subtotal	69,630	201,537	1,815,812
Eliminations or Corporate	(11,453)	(14,813)	(133,462)
Total	¥58,176	¥186,724	$1,682,349



SHARE OF PROFIT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Industry Segment	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Power Systems	¥(2,921)	¥8,187	$73,763
Industry & Infrastructure	2,332	2,036	18,343
Aircraft, Defense & Space	—	—	—
Others	148	1,668	15,028
Subtotal	(440)	11,891	107,135
Corporate	3,110	(954)	(8,595)
Total	¥2,670	¥10,937	$98,540

DEPRECIATION AND AMORTIZATION

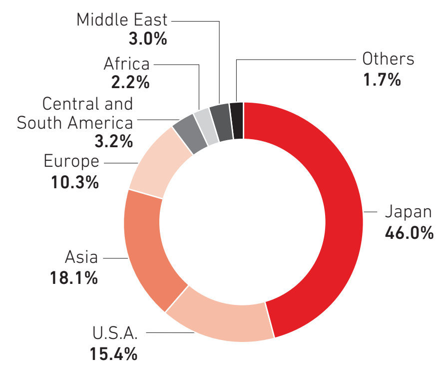
Industry Segment	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Power Systems	¥53,493	¥42,270	$380,845
Industry & Infrastructure	51,909	47,835	430,984
Aircraft, Defense & Space	57,503	27,520	247,950
Others	2,517	1,916	17,262
Subtotal	165,424	119,542	1,077,051
Corporate	8,315	5,364	48,328
Total	¥173,739	¥124,906	$1,125,380

REVENUE

Breakdown of Revenue by Customer Location	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	¥1,832,951	¥1,877,497	$16,915,911
U.S.A.	618,990	627,168	5,650,671
Asia	687,373	737,650	6,646,094
Europe	432,210	418,514	3,770,736
Central and South America	184,564	132,015	1,189,431
Africa	104,796	91,304	822,632
Middle East	149,153	123,721	1,114,704
Others	75,639	70,473	634,949
Total	¥4,085,679	¥4,078,344	$36,745,148

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥110.99=US$1, the exchange rate prevailing at March 31, 2019.

Composition of Overseas Revenue by Geographic Distribution



> ANALYSIS OF OPERATING RESULTS

Consolidated revenue decreased ¥7.3 billion, or 0.2% year on year, to ¥4,078.3 billion, due to lower revenue from the Aircraft, Defense & Space segment. This result was in spite of increased profit in the Power Systems and Industry & Infrastructure segments. Profit from business activities increased ¥128.5 billion, or 221.0%, to ¥186.7 billion, owing to a gain on sale of property, plant and equipment, as well as increased profit across all segments. Profit before income taxes increased ¥143.3 billion, or 365.5%, from the previous consolidated fiscal year, to ¥182.6 billion. Consequently, profit attributable to owners of the parent increased ¥108.6 billion from the previous consolidated fiscal year, to ¥101.3 billion.

> ANALYSIS OF FINANCIAL POSITION

Total assets as of March 31, 2019, were ¥5,142.7 billion, down ¥106.0 billion from their level one year earlier, mainly due to a decrease in contract assets.

Total liabilities were ¥3,393.9 billion, down ¥160.9 billion from the previous fiscal year-end. The decrease was attributable to such factors as a decline in bonds, borrowings, and other financial liabilities.

Total equity came to ¥1,748.8 billion, up ¥54.9 billion from the end of the previous fiscal year, due to the posting of ¥101.3billion in profit attributable to owners of the parent

> SOURCE OF FUNDS AND LIQUIDITY

Cash Flow Analysis

Net cash provided by operating activities amounted to ¥404.9 billion, ¥0.8 billion (0.2%) less than the preceding fiscal year, stemming from a smaller rate of decline in working capital paired with an increase in profit before income taxes.

Investing activities used net cash of ¥161.8 billion, a decrease of ¥76.3 billion year on year, as proceeds from sales of property, plant and equipment and intangible assets increased, and purchases of property, plant and equipment and intangible assets decreased.

Net cash used in financing activities was ¥255.5 billion, an increase of ¥143.2 billion compared with the previous consolidated fiscal year. This result was due largely to the repayment of short-term borrowings.

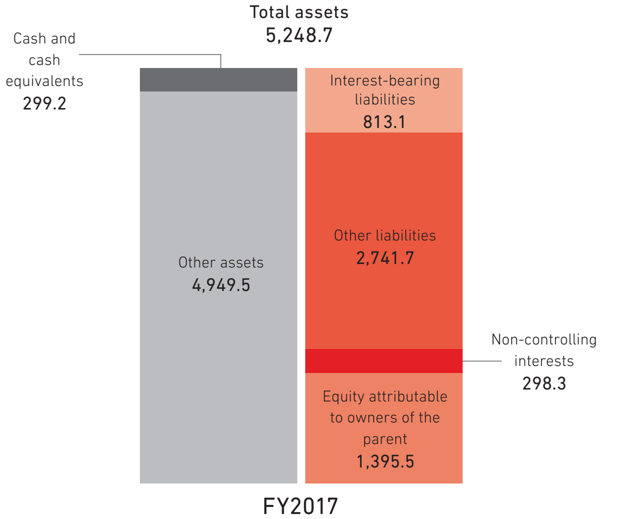
Primary Funding Requirements

MHI Group primarily requires funds in operating activities for working capital for manufacturing activities (materials, outsourcing, and personnel costs), business development expenses and other selling expenses related to winning new orders, and R&D expenses that enhance the competitiveness of its products, strengthen manufacturing capabilities and enable the launch of new businesses. In investing activities, funds are required for capital investments to grow businesses, raise productivity, and enable the launch of new businesses as well as for the purchase of investment securities related to the execution of business strategies.

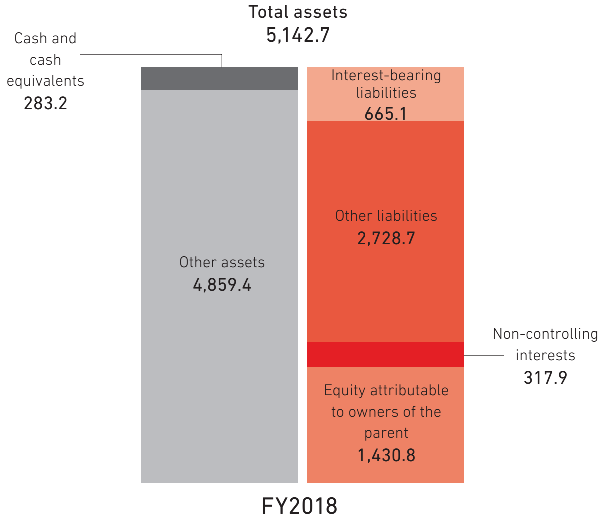
In growth areas, MHI Group is planning to purchase investment securities and execute necessary capital investments and R&D investment. As a whole, the Group plans to streamline its assets and selectively concentrate on core investment schemes, while anticipating funding requirements in future growth fields and closely monitoring the latest market environments and order trends.

CONSOLIDATED BALANCE SHEETS

In billions of yen



Equity ratio 26.6%
D/E ratio .... 0.48 times
ROE .... -0.5%



Equity ratio 27.8%
D/E ratio .... 0.38 times
ROE 7.2%

Breakdown of Interest-Bearing Debt and its Applications

The breakdown of interest-bearing debt as of March 31, 2019, was as follows:

In billions of yen

	Total	Due within one year	Due after one year
Short-term borrowings	170.1	170.1	—
Long-term borrowings	289.9	45.4	244.5
Bonds	205.0	65.0	140.0
Total	665.1	280.5	384.5

MHI Group is involved in various projects with comparatively long construction periods. It also owns numerous manufacturing facilities that employ large-scale machinery. Consequently, MHI Group must secure a stable level of working capital and funds for capital investments. In recent years, these types of necessary funds for capital investment have been increasing due to the expansion of MHI Group's business scale. Meanwhile, the Group has continued to work to streamline its assets and has repaid borrowings that have come due. As a result, the total interest-bearing debt of MHI Group at the end of fiscal 2018 was ¥665.1 billion, consisting of ¥280.5 billion due within one year and ¥384.5 billion due after one year.

The interest-bearing debt mentioned above is utilized as working capital and for capital investments required for business activities, and MHI Group plans to use these funds mainly in key growth fields that are expected to require funds, including thermal power systems and commercial aircraft.

Financial Policy

MHI Group funds its working capital and capital investments from its operating cash flows. Any additional requirements can be met with interest-bearing debt. In appropriately determining the amounts and methods of procuring long-term funds through long-term borrowings, bonds, and other means, MHI Group takes into account the funding requirements of its business plans, interest rate trends and other factors in the procurement environment, and the repayment schedule for its existing debt.

Additionally, in its efforts to reduce interest-bearing debt, MHI Group strives to efficiently utilize surplus funds within the Group using a cash management system. At the same time, MHI Group is working to improve asset efficiency by reducing trade receivables and inventories and by raising the utilization rate of its property, plant and equipment.

MHI Group considers the repurchase of treasury stock by taking into overall account a number of factors, including the state of progress on business plans, the Company's performance outlook, stock price trends, financial condition, and improvements in the financial market environment

> DIVIDEND POLICY

Under the 2018 Medium-Term Business Plan, MHI Group has adopted an ROE of 11% and owners' equity of ¥1,650.0 billion as numerical targets for fiscal 2020. In the process of reaching these targets, the Group formulated a basic policy of providing returns to shareholders at a dividend payout ratio of around 30%, while giving consideration to the balance between business growth and financial stability.

We will continue to uphold our basic policy on providing returns to shareholders.

As decided in MHI's Articles of Incorporation, the Group pays dividends from retained earnings to shareholders twice a year. These payments consist of an interim dividend with a record date of September 30 and a year-end dividend with a record date of March 31. Decisions on interim dividend payments are made by the Board of Directors, and decisions on year-end dividend payments are made at the General Meeting of Shareholders.

In accordance with the above policy and after taking into overall consideration such factors as the Group's operating performance during the fiscal year and financial conditions, the total dividend payment for fiscal 2018 was ¥130 per share, comprising the interim dividend of ¥65 per share, paid in December 2018, and the year-end dividend of ¥65 per share. Internal reserves will be utilized to further strengthen the Group's corporate structure and enhance the Group's business development going forward

OPERATIONAL RISKS

MHI Group, comprising MHI and its consolidated subsidiaries, is exposed to various risk factors, including the following: economic risks, such as currency exchange fluctuation and credit risks; political risks, such as trade restrictions and country risks; legal risks, such as product liability; disaster risks, such as natural disaster and accidents; market risks, such as stock price fluctuation and investment risks; and others. However, of the risks related to the state of our businesses and accounting, the items below are those that have the potential to significantly influence investor judgment. Items relating to the future are based on the judgment of the Group as of the end of fiscal 2018, the year ended March 31, 2019.

01 RISKS RELATED TO FINANCIAL POSITION, OPERATING RESULTS AND CASH FLOW STATUS

(1) Economic Conditions

The Group's operating results (including financial position, operating results, and cash flow status; hereinafter referred to collectively as "operating results") may be influenced by changes in economic conditions, both in Japan and in other countries and regions around the world. Such changes include movements in Japanese private sector investments and fluctuations in economic conditions overseas in the United States and Europe, as well as in emerging nations. However, as the global economy has become more complex, influences are no longer limited to the economic conditions of the countries and regions where the Group is engaged in business operations.

(2) Export and Overseas Operations

The Group is working toward the expansion of export and overseas businesses in countries and regions around the world. Therefore, several factors, including unforeseen difficulties in the local procurement of parts or with local construction, claims from contractual partners due to delivery delays or inadequate performance, and contractual partner defaults, have the potential to influence the Group's operating results. Furthermore, the Group is actively engaged in the creation and expansion of new business models, including participation in comprehensive infrastructure development projects in emerging nations. However, we cannot guarantee that we will be successful in securing projects when faced with intense competition, such as when other private corporations are supported by governments in securing contracts for large-scale infrastructure development projects, particularly in emerging nations.

(3) Currency Exchange Rate Fluctuations

Most of the Group's export and overseas business transactions are conducted in foreign currencies, such as the U.S. dollar and the Euro. Therefore, currency exchange rate fluctuations have the potential to influence our competitiveness. Moreover, changes in the cost competitiveness of overseas competitors due to currency exchange rate fluctuations have the potential to influence our competitiveness in domestic business. In cases where the Group and its domestic competitors are affected differently by currency exchange rate fluctuations, our domestic and overseas competitiveness with the corporations concerned may be affected. When making transactions in foreign currencies, we endeavor to hedge risk by increasing liabilities denominated in foreign currencies through the expansion of overseas procurement of materials and through forward exchange contracts. Nevertheless, currency exchange rate fluctuations have the potential to influence our operating results.

(4) Fund-raising

The Group takes trends in interest rates, including future forecasts, into consideration when implementing fund-raising activities, and strives to secure low interest rates and stable funding. However, significant fluctuations in interest rates and changes in the overall state of financial markets have the potential to influence our future operating results.

(5) Retirement Benefit Expenses and Liabilities

Group employee retirement benefit expenses and liabilities are calculated based on actuarial assumptions, the key assumption for which is the discount rate for retirement benefit liabilities, which is determined based on the return on high-quality corporate bonds at the fiscal year-end. This assumption is judged to be an appropriate estimation. Nevertheless, where actual outcomes differ from this assumption, or should this assumption change, the Group's future operating results may be affected.

02 RISKS RELATED TO RELIANCE ON PARTICULAR CLIENTS

(1) M&A and Alliances

The Group is engaged in the strengthening and expansion of many of its businesses through M&A and alliances with other companies. However, in the event that we are unable to realize these M&A and alliances due to changes in the market environment, or because of a decline in business competitiveness, revision of management strategies by these companies, or other unforeseen circumstances, the Group's business may be affected.

In July 2017, MHI submitted a request for arbitration relating to the demands against Hitachi, Ltd. (hereinafter "Hitachi") to pay price adjustment and other payments related to a boiler construction project in the Republic of South Africa, which was transferred to Mitsubishi Hitachi Power Systems Africa Proprietary Limited. This request is in relation to MHI's business integration with Hitachi in the thermal power generation systems field.

(2) Procurement of Materials

Group business activities necessitate the supply of raw materials, parts, machinery, and services from third parties in a timely, appropriate manner, and supplied items must be of sufficient quality and quantity. Due to the specialist nature of certain items, suppliers are limited, and changing suppliers can be difficult. If there is a problem with the quality of an item, a shortage in supply, a delivery delay, a halt in production due to a disaster, or other problem, the Group's businesses may be affected. Moreover, increases in the price of an item due to such factors as changes in supply and demand may affect the Group's operating results.

03 RISKS RELATED TO SPECIFIC PRODUCTS AND TECHNOLOGIES

(1) Product Competitiveness

The Group strives to achieve high customer evaluations of performance, reliability, and price of its products. We work hard to propose new functions and solutions that anticipate market trends, and we are working to strengthen the competitiveness of our products, particularly through R&D and capital investment. However, where the efforts of domestic and overseas competitors to strengthen product competitiveness are more effective than those of the Group, our businesses may be affected.

(2) Product Quality

The Group continually makes efforts to improve the quality and reliability of its products. However, product performance or delivery issues, or safety issues that arise in the use of our products, may lead to claims from contractual partners or other third parties, either domestically or overseas, in addition to the possibility of legal action brought against us. Furthermore, in such cases, we cannot guarantee that product liability insurance will compensate us for amounts we may be required to pay. In addition, deteriorating costs stemming from factors including changes in product specifications and process delays could affect the Group's operating results.

(3) Intellectual Property

The Group values its intellectual property, which comprises the outcomes of its R&D, as an important management resource. While appropriately preserving these resources through patent rights, we are engaged in the provision of technology to, and the introduction of technology from, third parties. However, we cannot guarantee that we will be able to either acquire or acquire under favorable conditions the technology we need from third parties. Moreover, if competitors took legal action against us regarding the use of intellectual property and we lost, we may become unable to use particular technologies, be liable for damages, or face obstacles in the continuation of our business activities. We cannot guarantee that we will not face legal action from current or former employees regarding compensation for employee invention.

04 RISKS RELATED TO LEGAL REGULATIONS

(1) Laws and Regulations

The Group conducts business in accordance with various domestic and overseas laws and regulations. These include laws and regulations related to taxation, the environment, and labor and occupational health and safety; economic laws and regulations, such as antitrust and anti-dumping laws; laws and regulations related to bribery and trade and exchange; business-related laws and regulations, such as the construction industry law; and the securities listing regulations at financial instrument exchanges. The Group endeavors to fully comply with these laws and regulations. In accordance with these laws and regulations, the Group may become subject to investigation or examination by the relevant authorities. Furthermore, the Group may be subject to administrative penalties, such as fines, reassessment, determination, the payment of surcharges, suspension of business, or other steps. Moreover, the Group may face legal action from the relevant authorities or other concerned parties for damages incurred. In September 2013, in a plea agreement entered into with the U.S. Department of Justice, MHI made an admission of the factual basis for a violation of U.S. antitrust laws regarding the sale of compressors and condensers for automobile air-conditioning systems to certain customers. Following the settlement of a plea agreement, legal action was taken against numerous businesses, including MHI and its subsidiaries, requiring them to pay civil damages in North America, and we are responding to this action.

(2) Environmental Regulations

The Group complies with various domestic and overseas environmental regulations related to air pollution, water pollution, soil and groundwater contamination, waste disposal, the use of toxic substances, energy conservation, and countermeasures to climate change. The Group's operating results may be affected in the following circumstances: environmental regulations are tightened in the future; the Group faces liabilities based on legal responsibilities related to its business activities in the past, present, or future; or the Group incurs costs when engaging in social responsibility initiatives, such as the voluntary removal of toxic substances.

05 RISKS RELATED TO EMPLOYEES AND RELATED COMPANIES

(1) Securing Human Resources

The competitiveness of the Group is supported by the exemplary specialist knowledge and skills of its employees in various areas, such as R&D, design, procurement, manufacturing, and construction. To secure a large number of excellent human resources and further expand our global business activities, we are actively engaged in recruiting activities both domestically and overseas. However, we cannot guarantee that we will be able to secure an adequate number of human resources. We are also working to nurture human resources by strengthening the transfer of technology and technical skills. However, we cannot guarantee that these measures will be sufficiently effective.

(2) Related Companies

MHI and its consolidated subsidiaries, associates, and joint ventures have established a framework for mutual cooperation. However, due to independent management, trends in business and the business performance of these companies may influence the Group's operating results.

06 OTHER RISKS

(1) Disasters

To minimize the occurrence of damage and the spread of damage in the event of storms, earthquakes, lightning strikes, floods, fires, the global spread of contagious diseases (pandemics), or various other disasters, the Group is engaged in the implementation of inspections and training as well as the establishment of communication systems and a business continuity plan (BCP). However, material and human loss, in addition to damage and loss of functionality to social infrastructure, may influence the Group's activities, particularly manufacturing activities at factories. Moreover, we cannot guarantee that damages will be covered by damage insurance.

(2) Information Security

The Group comes into contact with large amounts of confidential information, including that of clients, in the execution of its business activities. Furthermore, we possess confidential information regarding our technologies, operations, and other aspects of business. If confidential information is lost or leaked outside the Company due to computer viruses, unauthorized access, or other unforeseen circumstances, the Group's businesses may be affected.

CONSOLIDATED FINANCIAL STATEMENTS [IFRS]
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
As of March 31, 2019, 2018 and transition date

	Millions of yen			Thousands of U.S. dollars
ASSETS	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Current assets:				
Cash and cash equivalents (Notes 5 and 10)	¥ 242,404	¥ 299,237	**¥ 283,235**	**$ 2,551,896**
Trade and other receivables (Notes 6, 10, 24 and 35)	717,483	759,902	**717,414**	**6,463,771**
Other financial assets (Notes 7, 10 and 35)	38,953	27,591	**25,180**	**226,867**
Contract assets (Notes 24 and 35)	743,118	744,707	**625,749**	**5,637,886**
Inventories (Notes 11 and 24)	833,606	748,574	**739,252**	**6,660,527**
Indemnification asset for South African projects (Note 12)	409,521	445,920	**546,098**	**4,920,245**
Other current assets (Note 21)	271,137	214,992	**222,420**	**2,003,964**
Total current assets	3,256,226	3,240,925	**3,159,352**	**28,465,195**
Non-current assets:				
Property, plant and equipment (Notes 13 and 15)	791,265	773,186	**784,849**	**7,071,348**
Goodwill (Notes 14 and 15)	120,552	121,563	**121,117**	**1,091,242**
Intangible assets (Notes 14 and 15)	124,954	103,023	**107,799**	**971,249**
Investments accounted for using the equity method (Note 17)	145,754	205,198	**209,929**	**1,891,422**
Other financial assets (Notes 7, 10 and 35)	523,130	485,047	**447,888**	**4,035,390**
Deferred tax assets (Note 16)	102,442	121,138	**124,464**	**1,121,398**
Other non-current assets (Notes 15 and 21)	182,675	198,673	**187,320**	**1,687,719**
Total non-current assets	1,990,774	2,007,831	**1,983,371**	**17,869,817**
Total assets	¥5,247,000	¥5,248,756	**¥5,142,723**	**$46,335,012**

See accompanying notes to the consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars
LIABILITIES AND EQUITY	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Liabilities				
Current liabilities:				
Bonds, borrowings and other financial liabilities (Notes 9, 10 and 35)	¥ 552,209	¥ 517,537	**¥ 444,116**	**$ 4,001,405**
Trade and other payables (Notes 8,10 and 35)	750,867	801,154	**862,174**	**7,768,033**
Income taxes payable	31,233	27,251	**27,024**	**243,481**
Contract liabilities (Note 24)	831,707	914,697	**875,294**	**7,886,242**
Provisions (Note 19)	257,679	202,797	**216,531**	**1,950,905**
Other current liabilities (Note 21)	221,057	188,121	**161,717**	**1,457,041**
Total current liabilities	2,644,754	2,651,558	**2,586,859**	**23,307,135**
Non-current liabilities:				
Bonds, borrowings and other financial liabilities (Notes 9, 10 and 35)	693,335	656,129	**532,961**	**4,801,883**
Deferred tax liabilities (Note 16)	6,976	6,738	**4,012**	**36,147**
Retirement benefit liabilities (Note 20)	127,730	142,242	**154,105**	**1,388,458**
Provisions (Note 19)	10,611	18,747	**43,859**	**395,161**
Other non-current liabilities (Note 21)	82,158	79,474	**72,103**	**649,635**
Total non-current liabilities	920,811	903,332	**807,042**	**7,271,303**
Total liabilities	3,565,566	3,554,891	**3,393,901**	**30,578,439**
Equity (Note 36)				
Share capital (Note 22)	265,608	265,608	**265,608**	**2,393,080**
Capital surplus (Note 22)	187,433	185,937	**185,302**	**1,669,537**
Treasury shares	(4,609)	(4,081)	**(5,572)**	**(50,202)**
Retained earnings (Note 22)	844,450	830,057	**888,541**	**8,005,595**
Other components of equity (Note 30)	111,321	118,015	**96,998**	**873,934**
Equity attributable to owners of the parent	1,404,205	1,395,537	**1,430,878**	**12,891,954**
Non-controlling interests (Note 30)	277,228	298,327	**317,943**	**2,864,609**
Total equity	1,681,434	1,693,865	**1,748,821**	**15,756,563**
Total liabilities and equity	¥5,247,000	¥5,248,756	**¥5,142,723**	**$46,335,012**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Revenue (Note 24)	¥4,085,679	**¥4,078,344**	**$36,745,148**
Cost of sales	3,367,065	**3,310,210**	**29,824,398**
Gross profit	718,613	**768,133**	**6,920,740**
Selling, general and administrative expenses (Note 25)	545,068	**541,714**	**4,880,746**
Share of profit (loss) of investments accounted for using the equity method (Note 17)	2,670	**10,937**	**98,540**
Other income* (Note 26)	24,744	**64,503**	**581,160**
Other expenses (Note 26)	142,782	**115,135**	**1,037,345**
Profit from business activities	58,176	**186,724**	**1,682,349**
Finance income (Note 28)	5,884	**7,650**	**68,925**
Finance costs (Note 28)	24,828	**11,749**	**105,856**
Profit before income taxes	39,232	**182,624**	**1,645,409**
Income taxes (Note 16)	22,644	**54,153**	**487,908**
Profit	16,588	**128,471**	**1,157,500**
Profit (loss) attributable to:			
Owners of the parent	(7,320)	**101,354**	**913,181**
Non-controlling interests	23,909	**27,116**	**244,310**

	Yen		U.S. dollars
Earnings (loss) per share attributable to owners of the parent (Note 29)	2018	2019	2019
Basic earnings (loss) per share	¥(21.79)	**¥301.95**	**$2.721**
Diluted earnings (loss) per share	(21.80)	**301.44**	**2.716**

See accompanying notes to the consolidated financial statements.

*As stated in Note 3. "Significant Accounting Policies (14) Profit from business activities", Other income includes dividend income.
The amount of dividends in fiscal years ended March 31, 2018 and 2019 were 12,211 million yen and 11,647 million yen ($104,937 thousand) respectively.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit	¥16,588	**¥128,471**	**$1,157,500**
Items that will not be reclassified to profit or loss:			
Net gain (loss) from financial assets measured at FVTOCI (Notes 10 and 30)	27,984	**(12,753)**	**(114,902)**
Remeasurement of defined benefit plans (Notes 20 and 30)	12,739	**(6,996)**	**(63,032)**
Share of other comprehensive income (loss) of entities accounted for using the equity method (Notes 17 and 30)	1,476	**(178)**	**(1,603)**
Total	42,201	**(19,928)**	**(179,547)**
Items that may be reclassified to profit or loss:			
Cash flow hedges (Notes 30 and 35)	2,488	**(893)**	**(8,045)**
Hedge cost (Notes 30 and 35)	—	**(242)**	**(2,180)**
Exchange differences on translating foreign operations (Note 30)	(697)	**4,637**	**41,778**
Share of other comprehensive income (loss) of entities accounted for by the equity method (Notes 17 and 30)	(973)	**(8,828)**	**(79,538)**
Total	817	**(5,326)**	**(47,986)**
Total other comprehensive income	43,018	**(25,254)**	**(227,534)**
Comprehensive income	¥59,607	**¥103,216**	**$ 929,957**
Comprehensive income attributable to:			
Owners of the parent	¥33,006	**¥ 76,624**	**$ 690,368**
Non-controlling interests	26,601	**26,592**	**239,589**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen							
	Equity attributable to owners of the parent							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2017	¥265,608	¥187,433	¥(4,609)	¥844,450	¥111,321	¥1,404,205	¥277,228	¥1,681,434
Profit (loss)				(7,320)		(7,320)	23,909	16,588
Other comprehensive income (Note 30)					40,326	40,326	2,692	43,018
Comprehensive income (loss)				(7,320)	40,326	33,006	26,601	59,607
Transfer to retained earnings				33,633	(33,633)	—		—
Purchase of treasury shares			(21)			(21)		(21)
Disposal of treasury shares		64	360			425		425
Dividends (Note 23)				(40,305)		(40,305)	(6,128)	46,434
Other		(1,560)	189	(400)		(1,772)	626	(1,145)
Total transactions with owners	—	(1,496)	528	(40,706)	—	(41,673)	(5,502)	(47,176)
Balance as of March 31, 2018	¥265,608	¥185,937	¥(4,081)	¥830,057	¥118,015	¥1,395,537	¥298,327	¥1,693,865
Profit				**101,354**		**101,354**	**27,116**	**128,471**
Other comprehensive income (loss) (Note 30)					**(24,729)**	**(24,729)**	**(524)**	**(25,254)**
Comprehensive income (loss)				**101,354**	**(24,729)**	**76,624**	**26,592**	**103,216**
Transfer to retained earnings				**(3,712)**	**3,712**	**—**		**—**
Purchase of treasury shares			**(2,116)**			**(2,116)**		**(2,116)**
Disposal of treasury shares		**22**	**1**			**24**		**24**
Dividends (Note 23)				**(41,974)**		**(41,974)**	**(6,348)**	**(48,323)**
Other		**(657)**	**623**	**2,816**		**2,782**	**(628)**	**2,154**
Total transactions with owners	**—**	**(635)**	**(1,491)**	**(39,157)**	**—**	**(41,284)**	**(6,976)**	**(48,261)**
Balance as of March 31, 2019	**¥265,608**	**¥185,302**	**¥(5,572)**	**¥888,541**	**¥ 96,998**	**¥1,430,878**	**¥317,943**	**¥1,748,821**

	Thousands of U.S. dollars							
	Equity attributable to owners of the parent							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of March 31, 2018	$2,393,080	$1,675,259	$(36,769)	$7,478,664	$1,063,293	$12,573,538	$2,687,872	$15,261,419
Profit				**913,181**		**913,181**	**244,310**	**1,157,500**
Other comprehensive income (loss) (Note 30)					**(222,803)**	**(222,803)**	**(4,721)**	**(227,534)**
Comprehensive income (loss)				**913,181**	**(222,803)**	**690,368**	**239,589**	**929,957**
Transfer to retained earnings				**(33,444)**	**33,444**	**—**		**—**
Purchase of treasury shares			**(19,064)**			**(19,064)**		**(19,064)**
Disposal of treasury shares		**198**	**9**			**216**		**216**
Dividends (Note 23)				**(378,178)**		**(378,178)**	**(57,194)**	**(435,381)**
Other		**(5,919)**	**5,613**	**25,371**		**25,065**	**(5,658)**	**19,407**
Total transactions with owners	**—**	**(5,721)**	**(13,433)**	**(352,797)**	**—**	**(371,961)**	**(62,852)**	**(434,822)**
Balance as of March 31, 2019	**$2,393,080**	**$1,669,537**	**$(50,202)**	**$8,005,595**	**$ 873,934**	**$12,891,954**	**$2,864,609**	**$15,756,563**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 39,232	**¥ 182,624**	**$ 1,645,409**
Depreciation, amortization and impairment loss	279,151	**198,761**	**1,790,800**
Finance income and costs	7,286	**5,824**	**52,473**
Share of loss (profit) of investments accounted for using the equity method	(2,670)	**(10,937)**	**(98,540)**
Loss (gain) on sale of property, plant and equipment and intangible assets	(1,693)	**(41,218)**	**(371,366)**
Loss on disposal of property, plant and equipment and intangible assets	7,022	**6,519**	**58,735**
Decrease (increase) in trade receivables	(9,135)	**34,863**	**314,109**
Decrease (increase) in contract assets	4,066	**115,185**	**1,037,796**
Decrease (increase) in inventories and advanced payments	99,260	**17,229**	**155,230**
Increase (decrease) in trade payables	64,385	**51,014**	**459,626**
Increase (decrease) in contract liabilities	79,649	**(33,589)**	**(302,630)**
Increase (decrease) in provisions	(48,302)	**46,578**	**419,659**
Increase (decrease) in retirement benefit liabilities	11,033	**2,162**	**19,479**
Decrease (increase) in indemnification asset for South African projects	(40,410)	**(110,615)**	**(996,621)**
Others (Note 26)	(57,778)	**(15,480)**	**(139,472)**
Subtotal	431,098	**448,924**	**4,044,724**
Interest received	4,032	**5,149**	**46,391**
Dividends received (Note 26)	17,438	**15,232**	**137,237**
Interest paid	(8,456)	**(6,664)**	**(60,041)**
Income taxes paid	(38,360)	**(57,718)**	**(520,028)**
Net cash provided by operating activities	405,752	**404,924**	**3,648,292**
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangible assets	(267,103)	**(224,263)**	**(2,020,569)**
Proceeds from sales of property, plant and equipment and intangible assets	8,231	**43,509**	**392,008**
Purchases of investments (including investments accounted for using the equity method)	(105,442)	**(8,547)**	**(77,006)**
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	114,089	**26,975**	**243,039**
Disbursement of loans	(1,993)	**(5,088)**	**(45,841)**
Collection of loans	15,898	**3,167**	**28,534**
Others	(1,872)	**2,377**	**21,416**
Net cash used in investing activities	(238,193)	**(161,869)**	**(1,458,410)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings (Note 9)	25,446	**(60,613)**	**(546,112)**
Proceeds from long-term borrowings (Note 9)	3,859	**7,039**	**63,420**
Repayment of long-term borrowings (Note 9)	(96,841)	**(68,439)**	**(616,623)**
Proceeds from issuance of bonds (Note 9)	20,000	**—**	**—**
Payment for redemption of bonds (Note 9)	(60,000)	**(30,000)**	**(270,294)**
Proceeds from issuance of stock to non-controlling interests	519	**1,749**	**15,758**
Dividends paid to owners of the parent (Note 23)	(40,206)	**(41,888)**	**(377,403)**
Dividends paid to non-controlling interests	(6,128)	**(7,781)**	**(70,105)**
Proceeds from factoring agreements (Note 9)	209,031	**169,271**	**1,525,101**
Repayment of liabilities under factoring agreements (Note 9)	(166,146)	**(218,519)**	**(1,968,817)**
Others (Note 9)	(1,868)	**(6,394)**	**(57,608)**
Net cash used in financing activities	(112,334)	**(255,577)**	**(2,302,702)**
Effect of exchange rate changes on cash and cash equivalents	1,607	**(3,478)**	**(31,336)**
Net increase (decrease) in cash and cash equivalents	56,832	**(16,001)**	**(144,166)**
Cash and cash equivalents at the beginning of the year (Note 5)	242,404	**299,237**	**2,696,071**
Cash and cash equivalents at the end of the year (Note 5)	¥ 299,237	**¥ 283,235**	**$ 2,551,896**

See accompanying notes to the consolidated financial statements.

01 REPORTING ENTITY

Mitsubishi Heavy Industries, Ltd. (hereinafter referred to as "MHI") is a company incorporated in Japan. MHI's consolidated financial statements consist of accounts of MHI and its consolidated subsidiaries (hereinafter referred to as the "Group"). Based on the three business domains "Power Systems," "Industry & Infrastructure" and "Aircraft, Defense & Space," the Group is engaged in the development, manufacture, sale and after-sale service of a wide variety of products.

02 BASIS OF PREPARATION

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, as the Group meets the requirements of a "Specified Company" prescribed in Article 1-2 of said ordinance.

Since the Group applied IFRS from the fiscal year ended March 31, 2019, these are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2017. The method for the first-time adoption of IFRS used by the Group and the impact of the transition to IFRS on the Group's financial position, operating results and cash flows are as provided in Note 38. "First-time Adoption of IFRS."

These consolidated financial statements were approved by MHI's President Seiji Izumisawa on June 27, 2019.

(2) Presentation of currency

The Group's consolidated financial statements are presented in Japanese yen, which is also the Group's functional currency. Figures are presented in millions of yen and are rounded down to the nearest million yen, unless otherwise indicated.

U.S dollar amounts are included solely for convenience purposes. These translations should not be construed as representations that the Japanese yen actually represent, or have been or could be converted into U.S. dollars.

As the amounts shown in U.S. dollars are solely for convenience purposes, the prevailing rate at March 31, 2019 of ¥110.99=US$1 is used for the purpose of presenting U.S. dollar amounts in the accompanying consolidated financial statements.

(3) Basis of measurement

The Group's consolidated financial statements have been prepared on the historical cost basis, except for certain items, such as financial instruments and defined benefit liability (asset), as described in Note 3. "Significant Accounting Policies."

(4) Standards and interpretations not yet applied

New or amended standards and interpretations that have already been published are as follows. As of March 31, 2019, the Group has not applied these standards and interpretations.

Standards and interpretations		Mandatory application date (fiscal year beginning on and after the date)	Timing of application by the Group	Outline of new standards and amendments
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of the accounting treatment for leases

IFRS 16 introduces a single lessee accounting model, rather than classifying lessees' leases into finance leases and operating leases and, in principle, requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases in the consolidated statement of financial position.

However, a lessee may elect not to apply the requirements in the standards to short-term leases or leases of low value. The Group will apply this recognition exemption.

The impact of the application on the Group's consolidated financial statements is currently under evaluation.

(5) Use of estimates and judgements

In preparing these consolidated financial statements, the Group's management has made critical judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities as at the end of the reporting period. Although estimates and assumptions are based on the management's best judgements using past experience and available information, they may differ from actual future values. Estimates and underlying assumptions are continuously reviewed, and the effects of any revisions are recognized in the period in which the revision is made and any subsequent periods affected.

Information about judgements made in the application of accounting policies that have significant impacts on the amounts recognized in the consolidated financial statements are as follows:

- Scope of consolidation (Note 3. "Significant Accounting Policies (1) Basis of consolidation")
- Recognition of intangible assets arising from development (Note 3. "Significant Accounting Policies (8) Intangible assets")
- Recognition and measurement of revenue (Note 3. "Significant Accounting Policies (13) Revenue")

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Recoverable amount of non-financial assets (Note 3. "Significant Accounting Policies (10) Impairment of non-financial assets")
- Measurement of provisions (Note 3. "Significant Accounting Policies (11) Provisions")
- Measurement of defined benefit obligations (Note 3. "Significant Accounting Policies (12) Post-employment benefits")
- Recoverability of deferred tax assets (Note 3. "Significant Accounting Policies (17) Income taxes")

(6) Changes in estimates

(Changes in the depreciation method of property, plant and equipment)

Previously, MHI and its Japanese consolidated subsidiaries principally applied the declining-balance method of depreciation for property, plant and equipment (except for buildings, excluding the equipment within). Effective from April 1, 2018, MHI and its Japanese consolidated subsidiaries adopted the straight-line method of depreciation. MHI and its Japanese consolidated subsidiaries have assessed that the straight-line method of depreciation more accurately reflects the way in which economic benefits are derived from the Group's property, plant and equipment given the stability of operating conditions and the efforts made to improve the business structure in recent years. Due to this change, cost of sales decreased by ¥15,945 million ($139,607 thousand) and selling, general and administrative expenses decreased by ¥2,746 million ($24,740 thousand) compared with the amounts calculated using the previous method. Consequently, profit from business activities and profit before income taxes each increased by ¥18,692 million ($168,411 thousand).

03 SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity.

Subsidiaries' financial statements are included in the consolidated financial statements from the date on which control starts until the date on which control ends. If accounting policies adopted by subsidiaries differ from those adopted by MHI, the financial statements of those subsidiaries are adjusted. Balances of receivables and payables and transaction amounts between Group companies and unrealized gains or losses arising from transactions between Group companies are eliminated in the preparation of the consolidated financial statements.

b) Associates and joint ventures (entities accounted for using the equity method)

Associates are entities in which the Group has significant influence, but does not have control or joint control over the financial and operating policies.

Joint ventures are arrangements in which two or more parties, including the Group, have joint control under contractual arrangements, in which the Group has rights to the net assets of the arrangements. Joint control requires the unanimous consent of the jointly controlling parties in financial and operating decisions related to their activities.

Investments in associates and joint ventures are accounted for using the equity method (hereinafter referred to as "entities accounted for using the equity method"). Goodwill related to entities accounted for using the equity method is included in the carrying amount of investments, and is not amortized. When there is an indication that an investment in an entity accounted for using the equity method may be impaired, the carrying amount of the entire investment (including goodwill) is evaluated for impairment as a single asset.

If accounting policies adopted by associates or joint ventures accounted for using the equity method differ from those adopted by the Group in the application of the equity method, the equity method is applied after financial statements of those associates or joint ventures are adjusted. It is impracticable for certain entities accounted for using the equity method to align their closing date with that of the Group due to the intent of joint investors and other reasons. For such entities, the equity method is applied after necessary adjustments are made in relation to significant transactions or events during the period occurring from the difference in the closing date.

(2) Business combinations

Business combinations are accounted for using 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 the 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 as the difference between the fair value of consideration transferred in the acquisition of the entity less the net recognized amount of identifiable assets acquired and liabilities assumed as at the date of acquisition. If the fair value of consideration transferred in the acquisition is lower than the net recognized amount of assets acquired and liabilities assumed, the difference is recognized as profit.

When consideration for the business combination transferred from the Group includes assets or liabilities arising from a contingent consideration arrangement, it is measured at fair value on the acquisition date and is included as part of the above consideration transferred in the acquisition.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(3) Foreign currency translation

Foreign currency transactions are translated into the functional currencies of the Group 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 the 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 translation of financial statements of foreign operations are recognized in other comprehensive income. At the time of the disposal of a foreign operation, cumulative exchange differences recognized in other components of equity are transferred to profit or loss.

(4) Financial instruments

Financial instruments are recognized on the date when the Group becomes a contracting party to the financial instruments. Regular way purchases of financial assets 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, those assets 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 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, cancelled 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 and interest rate swap contracts, to hedge foreign currency risks and interest rate risks.

Derivative transactions are initially recognized at fair value on the date when the Group becomes party to the contract, and related transaction costs are expensed as incurred. After 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 cash flow hedges to derivative transactions related to foreign exchange and interest rates that meet the requirements for hedge accounting.

When a derivative transaction is designated as the hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized as other comprehensive income and the ineffectiveness is recognized immediately as profit or loss.

When applying a cash flow hedge to a currency swap contract, the Group designates the portion other than the currency basis spread as the hedging instrument and treats the currency basis spread as costs of hedging, and recognizes changes in its fair value in other components of equity through other comprehensive income.

The cash flow hedge accumulated in other components of equity is transferred to profit or loss in the same period during which cash flows of the hedged item affect profit or loss. However, when the hedged item is associated with acquisition of a non-financial asset, such an amount is accounted for as an adjustment to the initial acquisition cost of the non-financial asset.

When the Group recognizes the costs of hedging for a derivative transaction entered into in order to hedge a time-period related hedged item, it transfers the cumulative costs of hedging accumulated in other components of equity to profit or loss on a systematic and rational basis over the period during which the hedge adjustment from the hedging instrument could affect profit or loss.

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

d) Impairment of financial assets

For financial assets measured at amortized cost, the Group determines, at the end of each reporting period, whether credit risk on the asset has increased significantly since initial recognition. If the credit risk has increased significantly, a loss allowance at an amount equal to lifetime expected credit losses is recognized. If no significant increase in the credit risk is identified, a loss allowance at an amount equal to 12-month expected credit losses is recognized.

However, for trade receivables and contract assets, loss allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since the initial recognition.

Objective 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. Loss allowance for expected credit loss is recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible and subject only to insignificant risk of changes in value. Short-term investments mean investments that have a maturity of three months or less from the acquisition date.

(6) 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 moving average method

Work in process: principally specific identification method

Raw materials and supplies: principally moving average method

(7) Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment have been located.

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

The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures: 2 to 60 years

Machinery and vehicles: 2 to 20 years

Tools, furniture and fixtures: 2 to 20 years

Leased assets are depreciated over the shorter of the lease term or the useful life, unless there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

The depreciation method, estimated useful lives and residual value are reviewed at the end of the fiscal year and revised where necessary. As stated in Note 2. "Basis of Preparation (6) Changes in estimates," MHI and its Japanese consolidated subsidiaries have changed the depreciation method of property, plant and equipment since April 1, 2018.

(8) Intangible assets

Intangible assets are presented at the amount of acquisition 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 20 years

Customer relationship recognized through business combination: 2 to 13 years

Other: 3 to 15 years

Intangible assets with indefinite useful lives are presented at the amount of acquisition 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 intangible asset is technically and commercially feasible.
- The Group intends to complete the intangible asset and use or sell it.
- The Group is able to use or sell the intangible asset.
- The intangible asset's future economic benefits are probable.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development is reliably measurable.

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.

(9) Leases

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.

a) Leases as lessor

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 interest rate over the lease term and recognized in the fiscal year to which the profit is attributed. Lease revenues under operating leases are recognized equally over the lease term.

b) Leases as lessee

Leased assets and lease liabilities for finance leases are initially recognized at the lower of the present value of minimum lease payments or the fair value at the inception of the lease. After initial recognition, they are accounted for in accordance with the accounting policy applied to the asset. Lease payments are allocated to the balance of lease liabilities at a constant interest rate and are accounted for as finance costs and a reduction in lease liabilities.

Lease payments under operating leases are recorded as expenses on a straight-line method over the lease term.

(10) Impairment of non-financial assets

With regard to property, plant and equipment 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 conducts an impairment test annually or whenever there is any indication of impairment.

The recoverable amount of the asset or cash-generating unit is the higher of the fair value less costs of disposal 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.

(11) 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 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.

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

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

b) Defined contribution plans

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

(13) Revenue

The Group recognizes revenue at an amount that reflects the 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. 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 the fair value of 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 an asset. 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

With regard to revenue from the sale of goods, performance obligations are principally considered to be fulfilled at the time of delivery of the goods, at which point in time customers obtain control and revenue is recognized. 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.

b) Rendering of services and construction contracts

With regard to contracts for the rendering of services or construction contracts under which the control of goods or services promised in the contracts is transferred to customers over the contract term, revenue is recognized by measuring progress toward the complete satisfaction of the performance obligation. Progress is measured using a method that depicts the satisfaction of the performance obligation, and is principally estimated based on the proportion of costs incurred to fulfill the performance obligation against the expected total costs of fulfilling the performance obligation.

(14) 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 (loss) 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 sales of fixed assets, impairment losses on fixed 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.

(15) 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.

(16) Government grants

Government grants are recognized when the Group obtains reasonable assurance of both of the following matters.

- The Group's activities, status and others comply with the conditions attached to the receipt of the grants.
- The grants are paid to the Group.

Grants associated with revenue are presented by deducting the grants from related expenses.

(17) 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 by the end of the reporting period.

Deferred taxes are recognized in relation to temporary differences arising from differences between the carrying amount of assets and liabilities for accounting purposes and the related carrying amount for tax purposes, unused tax losses and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit 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 on investments in subsidiaries, associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference 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 profit 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 profit.

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.

04 OPERATING SEGMENT

(1) Overview of reporting segments

The reporting segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by MHI's Board of Directors to make decisions about resource allocation and assess their performance.

The Group has three reporting segments based on products and services: Power Systems; Industry & Infrastructure; and Aircraft, Defense & Space. These reporting segments correspond to the same three business domains of the Group, which have been defined by considering commonality of each business unit's customers, markets, core technologies, and business strategies. Each business domain engages in its business activities by formulating comprehensive strategies on products and services it provides in both domestic and overseas markets.

Main products and services belonging to each reporting segment are as follows:

Power Systems	Thermal power systems (Gas turbine combined cycle (GTCC) and Steam power), Nuclear power plant equipment (Light-water reactors, Nuclear fuel cycle & Advanced solutions), Wind power generators, Engines for aircraft, Compressors, Environmental plants, Marine machinery
Industry & Infrastructure	Material handling equipment, Turbochargers, Engines, Air-conditioning & refrigeration systems, Automotive thermal systems, Metals machinery, Commercial ships, Transportation systems, Chemical plants, Environmental systems, Mechatronics systems, Machine tools
Aircraft, Defense & Space	Commercial aircraft, Defense aircraft, Missile systems, Naval ships, Special vehicles, Maritime systems (torpedoes), Space systems

(2) Method for calculating revenue, profit or loss and other items by reporting segment

The accounting policies of the reporting segments are the same as the accounting policies described in the Note 3. "Significant Accounting Policies". Inter-segment revenue reflects arm's length transaction prices.

(3) Information about revenue, profit or loss and other items by reporting segment

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

	Millions of yen							
	Reporting segment: Power Systems	Reporting segment: Industry & Infrastructure	Reporting segment: Aircraft, Defense & Space	Reporting segment: Total	Others*1	Total	Inter-segment Eliminations*2	Consolidated
Revenue								
Revenue from external customers	¥1,465,130	¥1,865,294	¥715,316	¥4,045,742	¥ 39,937	¥4,085,679	¥ —	¥4,085,679
Inter-segment revenue and transfers	17,326	24,783	2,987	45,097	80,811	125,909	(125,909)	—
Total	¥1,482,457	¥1,890,078	¥718,303	¥4,090,839	¥120,748	¥4,211,588	¥(125,909)	¥4,085,679
Segment profit *3	87,689	41,055	(63,558)	65,186	4,443	69,630	(11,453)	58,176
Finance income								5,884
Finance costs								24,828
Profit before income taxes								39,232
Other items								
Depreciation and amortization	53,493	51,909	57,503	162,906	2,517	165,424	8,315	173,739
Impairment losses	4,784	1,248	102,304	108,337	—	108,337	—	108,337
Share of loss (profit) of investments accounted for using the equity method	¥ (2,921)	¥ 2,332	¥ —	¥ (589)	¥ 148	¥ (440)	¥ 3,110	¥ 2,670

*1. The "Others" classification includes construction, real estate, and information services, which are not included in any of the reporting segments.
*2. The ¥11,453 million negative adjustment to segment profit represents revenues and expenses not attributable to any of the reporting segments. The adjustment includes corporate research and development expenses and dividends on shares concerning corporate overall businesses, neither of which are linked to any specific segment.
*3. The segment profit represents profit from business activities.

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

	Millions of yen							
	Reporting segment: Power Systems	Reporting segment: Industry & Infrastructure	Reporting segment: Aircraft, Defense & Space	Reporting segment: Total	Others*1	Total	Inter-segment Eliminations*2	Consolidated
Revenue								
Revenue from external customers	¥1,514,804	¥1,866,575	¥675,672	¥4,057,053	¥21,290	¥4,078,344	¥ —	¥4,078,344
Inter-segment revenue and transfers	10,303	41,295	1,904	53,504	50,370	103,874	(103,874)	—
Total	¥1,525,108	¥1,907,871	¥677,577	¥4,110,557	¥71,661	¥4,182,218	¥(103,874)	¥4,078,344
Segment profit*3	132,897	70,132	(37,469)	165,560	35,977	201,537	(14,813)	186,724
Finance income								7,650
Finance costs								11,749
Profit before income taxes								182,624
Other items								
Depreciation and amortization	42,270	47,835	27,520	117,625	1,916	119,542	5,364	124,906
Impairment losses	1,263	658	70,618	72,541	2,081	74,622	—	74,622
Share of loss (profit) of investments accounted for using the equity method	¥ 8,187	¥ 2,036	¥ —	¥ 10,223	¥ 1,668	¥ 11,891	¥ (954)	¥ 10,937

*1. The "Others" classification includes asset management business, which are not included in any of the reporting segments.
*2. The ¥14,813 million ($133,462 thousand) negative adjustment to segment profit represents revenues and expenses not attributable to any of the reporting segments. The adjustment includes corporate research and development expenses and dividends on shares concerning corporate overall businesses, neither of which are linked to any specific segment.
*3. The segment profit represents profit from business activities.

	Thousands of U.S. dollars							
	Reporting segment: Power Systems	Reporting segment: Industry & Infrastructure	Reporting segment: Aircraft, Defense & Space	Reporting segment: Total	Others*1	Total	Inter-segment Eliminations*2	Consolidated
Revenue								
Revenue from external customers	$13,648,112	$16,817,506	$6,087,683	$36,553,320	$191,819	$36,745,148	$ —	$36,745,148
Inter-segment revenue and transfers	92,828	372,060	17,154	482,061	453,824	935,886	(935,886)	—
Total	$13,740,949	$17,189,575	$6,104,847	$37,035,381	$645,652	$37,681,034	$(935,886)	$36,745,148
Segment profit*3	1,197,378	631,876	(337,588)	1,491,665	324,146	1,815,812	(133,462)	1,682,349
Finance income								7,650
Finance costs								11,749
Profit before income taxes								182,624
Other items								
Depreciation and amortization	380,845	430,984	247,950	1,059,780	17,262	1,077,051	48,328	1,125,380
Impairment losses	11,379	5,928	636,255	653,581	18,749	672,330	—	672,330
Share of loss (profit) of investments accounted for using the equity method	$ 73,763	$ 18,343	$ —	$ 92,107	$ 15,028	$ 107,135	$ (8,595)	$ 98,540

*1. The "Others" classification includes asset management business, which are not included in any of the reporting segments.
*2. The ¥14,813 million ($133,462 thousand) negative adjustment to segment profit represents revenues and expenses not attributable to any of the reporting segments. The adjustment includes corporate research and development expenses and dividends on shares concerning corporate overall businesses, neither of which are linked to any specific segment.
*3. The segment profit represents profit from business activities.

(4) Information by product and service

This information is omitted because the classification of products and services is the same as the classification of reporting segments.

(5) Breakdown by geographical market

a) Revenue from external customers

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥1,832,951	¥1,877,497	$16,915,911
U.S.A.	618,990	627,168	5,650,671
Asia	687,373	737,650	6,646,094
Europe	432,210	418,514	3,770,736
Central and South America	184,564	132,015	1,189,431
Africa	104,796	91,304	822,632
Middle East	149,153	123,721	1,114,704
Others	75,639	70,473	634,949
Total	¥4,085,679	¥4,078,344	$36,745,148

*1. Revenue from external customers is classified based on their geographical location into a country or region depending on geographical proximity.
*2. The major countries or regions in the category:
(1) Asia...China, Indonesia, Thailand, India, South Korea, Taiwan, Singapore, Philippines, Macau, Vietnam, Hong Kong, Malaysia, Bangladesh
(2) Europe......Germany, Uzbekistan, United Kingdom, Poland, France, Netherlands, Spain, Russia, Italy, Greece, Turkmenistan, Austria, Sweden, Hungary, Belgium, Ukraine, Finland, Denmark
(3) Central and South America...Mexico, Brazil, Trinidad and Tobago, Panama, Argentina
(4) Africa...Liberia, South Africa, Egypt, Kenya, Tunisia
(5) Middle East......Qatar, Saudi Arabia, Turkey, United Arab Emirates, Iraq
(6) Others...Canada, Australia

b) Non-current assets

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Japan	¥ 890,986	¥ 864,912	¥ 897,364	$ 8,085,088
Overseas subtotal	267,905	258,108	239,638	2,159,095
Total	¥1,158,891	¥1,123,020	¥1,137,003	$10,244,193

*1. Financial instruments, investments accounted for using the equity method, deferred tax assets, and assets for retirement benefits are not included.

(6) Information about major customers

This information is omitted because there is no major external customer from which revenue accounts for 10% or more of the revenue recorded in the consolidated statement of profit or loss.

05 CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Cash and deposits	¥239,043	¥298,418	¥277,971	$2,504,468
Cash equivalents	3,360	818	5,264	47,427
Total	¥242,404	¥299,237	¥283,235	$2,551,896

All cash and cash equivalents are classified as financial assets measured at amortized cost.

06 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Trade receivables	¥643,203	¥655,790	¥619,376	$5,580,466
Other	74,280	104,112	98,037	883,295
Total	¥717,483	¥759,902	¥717,414	$6,463,771

All trade and other receivables other than lease receivables included in "Other" are classified as financial assets measured at amortized cost.

In the above table, the amounts of trade and other receivables to be collected after 12 months as of the transition date, March 31, 2018 and March 31, 2019, were ¥27,252 million, ¥10,710 million, and ¥6,323 million ($56,969 thousand), respectively.

07 OTHER FINANCIAL ASSETS

(1) Breakdown of other financial assets

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Financial assets at FVTPL				
Derivative assets*1	¥ 13,764	¥ 10,529	¥ 8,229	$ 74,141
Shares	2,739	3,336	—	—
Financial assets at FVTOCI				
Shares and other investments in capital	485,956	456,631	422,622	3,807,748
Financial assets measured at amortized cost				
Time deposits due more than three months	8,997	15,040	13,328	120,082
Other	50,626	27,101	28,889	260,284
Total	¥562,083	¥512,639	¥473,069	$4,262,266
Current assets	38,953	27,591	25,180	226,867
Non-current assets	523,130	485,047	447,888	4,035,390
Total	¥562,083	¥512,639	¥473,069	$4,262,266

*1. Derivative assets at FVTPL
Derivative assets include those designated as hedging instruments. The effective portion of any change in fair value of derivative assets is recognized as other comprehensive income.

(2) Shares and other investments in capital designated as FVTOCI

The Group holds shares and investments in capital primarily for the purpose of maintaining and strengthening relations with its business partners.

The Group has elected to present subsequent changes in fair value of shares and investments in capital held for the above purpose in other comprehensive income.

a) The breakdown of shares and other investments in capital designated as financial assets at FVTOCI

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Marketable securities*1	¥405,496	¥337,286	¥309,606	$2,789,494
Non-marketable securities*2	80,460	119,345	113,016	1,018,253
Total	¥485,956	¥456,631	¥422,622	$3,807,748

*1. Marketable securities designated as FVTOCI
Major marketable securities designated as FVTOCI, of entities in which the Group invests, as of the transition date, March 31, 2018 and March 31, 2019, are as follows.

Transition date (As of April 1, 2017)

Entity name	Amount (Millions of yen)
Mitsubishi Motors Corporation	84,987
Mitsubishi Corporation	40,156
Tokio Marine Holdings, Inc.	39,976
Central Japan Railway Company	26,890
Mitsubishi UFJ Financial Group, Inc.	24,959
Coca-Cola Bottlers Japan Inc.	14,065
Kirin Holdings Company, Limited	13,604
Mitsubishi Electric Corporation	12,012
Nippon Yusen Kabushiki Kaisha	9,644
SUZUKI MOTOR CORPORATION	9,417

As of March 31, 2018

Entity name	Amount (Millions of yen)
Mitsubishi Corporation	47,776
Tokio Marine Holdings, Inc.	39,984
Central Japan Railway Company	29,840
Kirin Holdings Company, Limited	18,344
Mitsubishi Motors Corporation	17,255
Coca-Cola Bottlers Japan Holdings Inc.	17,164
Mitsubishi Electric Corporation	12,798
SUZUKI MOTOR CORPORATION	11,675
NIKON CORPORATION	9,153
AGC Inc.	9,063

As of March 31, 2019

Entity name	Amount (Millions of yen)
Mitsubishi Corporation	51,315
Central Japan Railway Company	38,112
Tokio Marine Holdings, Inc.	27,167
Kirin Holdings Company, Limited	17,114
Mitsubishi Motors Corporation	12,891
Coca-Cola Bottlers Japan Holdings Inc.	11,015
Mitsubishi Electric Corporation	10,700
SUZUKI MOTOR CORPORATION	9,980
The Kansai Electric Power Company, Inc.	9,784
AGC Inc.	7,936

As of March 31, 2019

Entity name	Amount (Thousands of U.S. dollars)
Mitsubishi Corporation	462,338
Central Japan Railway Company	343,382
Tokio Marine Holdings, Inc.	244,769
Kirin Holdings Company, Limited	154,194
Mitsubishi Motors Corporation	116,145
Coca-Cola Bottlers Japan Holdings Inc.	99,243
Mitsubishi Electric Corporation	96,405
SUZUKI MOTOR CORPORATION	89,918
The Kansai Electric Power Company, Inc.	88,152
AGC Inc.	71,501

*2. Non-marketable securities designated as FVTOCI
Non-marketable securities designated as FVTOCI are mainly shares of nuclear energy related companies such as Japan Nuclear Fuel Service Limited and Orano S.A. The total fair value for nuclear energy related shares as of transition date, March 31, 2018 and March 31, 2019, were ¥6,875 million, ¥41,641 million, and ¥39,220 million ($353,365 thousand), respectively.

There are no material shares and concentrated investments in specific industries other than those listed in Notes 1 and 2.

b) Dividend income from financial assets at FVTOCI

The following are the amounts of dividend income from financial assets at FVTOCI that were recognized for the fiscal years ended March 31, 2018 and March 31, 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Dividend income from investments derecognized during the year	¥ 2,308	¥ 1,512	$ 13,622
Dividend income from investments held as of the year end	9,903	10,134	91,305
Total	¥12,211	¥11,647	$104,937

c) Financial assets at FVTOCI derecognized

The following are the fair values, at the date of derecognition, of derecognized financial assets at FVTOCI, and the associated accumulated gains or losses, and the amounts transferred to retained earnings during the fiscal years ended March 31, 2018 and March 31, 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Fair value at the date of derecognition	¥109,002	¥18,895	$170,240
Accumulated gains (losses)	¥ (26,036)	¥ 5,615	$ 50,590

Accumulated gains or losses that have been recognized as other components of equity are transferred from other components of equity to retained earnings when the fair value of financial assets measured at FVTOCI decreases significantly or when they are derecognized. Accumulated gains or losses (net of tax) transferred to retained earnings are for those investments that were sold and derecognized as a result of reviewing business relationships and those investments where the fair value decreased significantly. The amounts transferred to retained earnings for the fiscal years ended March 31, 2018 and March 31, 2019 were ¥21,284 million and ¥2,250 million ($20,272 thousand), respectively.

08 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Trade payables	¥594,618	¥649,406	¥682,668	$6,150,716
Electronically recorded obligations	101,164	107,778	124,393	1,120,758
Other	55,083	43,969	55,113	496,558
Total	¥750,867	¥801,154	¥862,174	$7,768,033

Trade and other payables are classified as financial liabilities measured at amortized cost.

09 BONDS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

(1) Breakdown of bonds, borrowings and other financial liabilities

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Financial liabilities measured at amortized cost				
Bonds*1	¥ 275,000	¥ 235,000	¥205,000	$1,847,013
Short-term borrowings*2, *3	205,679	229,584	170,124	1,532,786
Long-term borrowings*2, *3	444,887	348,586	289,989	2,612,748
Other	95,564	97,418	99,800	899,180
Financial liabilities at FVTPL				
Derivative liabilities*4	19,673	10,953	9,860	88,836
Liabilities under factoring agreements*5	146,994	189,793	140,405	1,265,023
Liabilities arising from put options held by non-controlling shareholders	48,893	53,363	51,974	468,276
Lease liabilities	8,852	8,966	9,921	89,386
Total	¥1,245,544	¥1,173,666	¥977,078	$8,803,297
Current liabilities	¥ 552,209	¥ 517,537	¥444,116	$4,001,405
Non-current liabilities	693,335	656,129	532,961	4,801,883
Total	¥1,245,544	¥1,173,666	¥977,078	$8,803,297

*1. The summary of bond issues is as follows:

Company name / Issue name	Date of issue	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	Interest rate	Date of maturity	As of March 31, 2019
		Millions of yen					Thousands of U.S. dollars
Mitsubishi Heavy Industries, Ltd.							
The 22nd Unsecured Corporate Bond	Sept. 12, 2007	¥ 60,000	¥ —	¥ —	2.030%	Sept. 12, 2017	$ —
The 24th Unsecured Corporate Bond	Dec. 9, 2009	50,000	50,000	50,000	1.482%	Dec. 9, 2019	450,491
The 25th Unsecured Corporate Bond	Sept. 4, 2013	30,000	30,000	—	0.366%	Sept. 4, 2018	—
The 26th Unsecured Corporate Bond	Sept. 4, 2013	15,000	15,000	15,000	0.877%	Sept. 4, 2023	135,147
The 27th Unsecured Corporate Bond	Sept. 3, 2014	15,000	15,000	15,000	0.243%	Sept. 3, 2019	135,147
The 28th Unsecured Corporate Bond	Sept. 3, 2014	25,000	25,000	25,000	0.381%	Sept. 3, 2021	225,245
The 29th Unsecured Corporate Bond	Sept. 3, 2014	30,000	30,000	30,000	0.662%	Sept. 3, 2024	270,294
The 30th Unsecured Corporate Bond	Sept. 2, 2015	10,000	10,000	10,000	0.221%	Sept. 2, 2020	90,098
The 31st Unsecured Corporate Bond	Sept. 2, 2015	10,000	10,000	10,000	0.630%	Sept. 2, 2025	90,098
The 32nd Unsecured Corporate Bond	Aug. 31, 2016	20,000	20,000	20,000	0.050%	Aug. 31, 2021	180,196
The 33rd Unsecured Corporate Bond	Aug. 31, 2016	10,000	10,000	10,000	0.240%	Aug. 31, 2026	90,098
The 34th Unsecured Corporate Bond	Aug. 29, 2017	—	10,000	10,000	0.104%	Aug. 29, 2022	90,098
The 35th Unsecured Corporate Bond	Aug. 29, 2017	—	10,000	10,000	0.330%	Aug. 27, 2027	90,098
Total		¥275,000	¥235,000	¥205,000			$1,847,013

*2. The interest rates on and repayment dates of borrowings are as follows:
The weighted average interest rates for short-term and long-term borrowings applicable to the fiscal year ended March 31, 2019, are 0.40% and 1.35%, respectively.
Long-term borrowings will be due in 2019 through 2029.

*3. Secured borrowings:
The amounts of borrowings for which collateral was pledged when the loan agreements were entered into as of the transition date, March 31, 2018 and March 31, 2019, were ¥1,370 million, ¥889 million, and ¥1,592 million ($14,343 thousand), respectively.

The breakdown of assets pledged as collateral is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Property, plant and equipment	¥2,341	¥1,209	¥ 878	$ 7,910
Inventories	262	264	1,231	11,091
Total	¥2,604	¥1,473	¥2,110	$19,010

Security interest is executed in case of breach of financial covenants or non-performance of the borrowing contracts.

*4. Derivatives at FVTPL
Derivative liabilities include those designated as hedging instruments. The effective portion of any change in fair value of such liabilities is recognized as other comprehensive income.

*5. Liabilities under factoring agreements

The Group converts trade receivables and other receivables into cash pursuant to factoring agreements as a measure of financing. Liabilities were recognized for factoring agreements that were not due for payment as of March 31, 2019, and the discount rates applied at the conclusion of the contracts were calculated taking into account interest rates applicable to ordinary borrowing contracts. The payment for these factoring agreements will be due in 2019 through 2021.

For assets that were transferred to third parties pursuant to a factoring agreement with recourse obligation on the Group in the event of non-payment by the debtor, the underlying assets are not derecognized because such transfers do not qualify for derecognition.

Additionally, receivables arising from contract assets that were transferred to third parties are not derecognized because such transfers do not qualify for derecognition.

The amounts of trade receivables transferred without qualifying for derecognition as of the transition date, March 31, 2018 and March 31, 2019, were ¥33,728 million, ¥54,785 million, and ¥13,816 million ($124,479 thousand), respectively. These amounts are included in "Trade and other receivables" in the consolidated statement of financial position.

In the same manner, the amounts of contract assets transferred without qualifying for derecognition as of the date of transition, March 31, 2018 and March 31, 2019, were ¥97,519 million, ¥123,951 million, and ¥117,428 million ($1,058,005 thousand), respectively. These amounts are included in "Contract assets" in the consolidated statement of financial position.

(2) Changes in liabilities arising from financing activities

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

	Millions of yen					
	Carrying amount as of April 1, 2017	Cash flows	Non-cash transactions: Changes in fair value	Non-cash transactions: Foreign currency translation	Non-cash transactions: Other	Carrying amount as of March 31, 2018
Bonds	¥ 275,000	¥(40,000)	¥ —	¥ —	¥ —	¥235,000
Short-term borrowings	205,679	25,446	—	(1,893)	351	229,584
Long-term borrowings	444,887	(92,982)	—	(3,492)	174	348,586
Liabilities under factoring agreements	146,994	42,885	—	(85)	—	189,793
Other*1	95,460	(1,758)	4,470	—	684	98,856
Total	¥1,168,020	¥(66,408)	¥4,470	¥(5,472)	¥1,210	¥1,101,821

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

	Millions of yen					
	Carrying amount as of April 1, 2018	Cash flows	Non-cash transactions: Changes in fair value	Non-cash transactions: Foreign currency translation	Non-cash transactions: Other	Carrying amount as of March 31, 2019
Bonds	¥ 235,000	¥ (30,000)	¥ —	¥ —	¥ —	¥205,000
Short-term borrowings	229,584	(60,613)	—	82	1,071	170,124
Long-term borrowings	348,586	(61,400)	—	2,801	1	289,989
Liabilities under factoring agreements	189,793	(49,248)	—	(140)	—	140,405
Other*1	98,856	(4,347)	(1,389)	(81)	2,216	95,254
Total	¥1,101,821	¥(205,610)	¥(1,389)	¥2,663	¥3,290	¥900,775

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars					
	Carrying amount as of April 1, 2018	Cash flows	Non-cash transactions: Changes in fair value	Non-cash transactions: Foreign currency translation	Non-cash transactions: Other	Carrying amount as of March 31, 2019
Bonds	$2,117,307	$ (270,294)	$ —	$ —	$ —	$1,847,013
Short-term borrowings	2,068,510	(546,112)	—	738	9,649	1,532,786
Long-term borrowings	3,140,697	(553,202)	—	25,236	9	2,612,748
Liabilities under factoring agreements	1,710,000	(443,715)	—	(1,261)	—	1,265,023
Other*1	890,674	(39,165)	(12,514)	(729)	19,965	858,221
Total	$9,927,209	$(1,852,509)	$(12,514)	$23,993	$29,642	$8,115,821

*1. Cash flows from liabilities classified as others in the above table is included in "Others" under cash flows from financing activities in the consolidated statement of cash flows.

10 FAIR VALUE MEASUREMENTS

(1) Method of fair value measurement

The method of measuring the fair values of financial assets and liabilities are as follows.

a) Cash and cash equivalents, trade and other receivables, trade and other payables, and liabilities under factoring agreements

These items are measured at carrying amount because it approximates fair value due to the short period to maturity or settlement.

b) Bonds and borrowings

Short-term borrowings are measured at carrying amount because it approximates fair value due to the short period to settlement.

The fair value of marketable bonds is measured at market price. The fair values of non-marketable bonds and long-term borrowings are measured by discounting the estimated future cash flows to the present value using the interest rate applicable to the borrowing over the same residual period with the same conditions.

c) Other financial assets, and other financial liabilities

The fair value of marketable shares and investments in capital are measured at market price. The fair value of non-marketable shares and investments in capital are 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.

d) Liabilities arising from put options held by non-controlling shareholders

Put options attributable to non-controlling interests granted to non-controlling shareholders of subsidiaries are initially recognized at the present value of the future exercise price as financial liabilities, the same amount of which is treated mainly as a deduction from capital surplus. After initial recognition, they are measured at amortized cost by using the effective interest method with subsequent changes recognized as capital surplus. The fair value of put options is determined by discounting the future cash flows to the present value.

(2) Financial assets and liabilities measured at fair value in the consolidated statement of financial position

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.

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

Transition date (As of April 1, 2017)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments in capital	¥405,496	¥ —	¥83,198	¥488,695
Derivatives	—	12,677	1,086	13,764
Total	¥405,496	¥12,677	¥84,285	¥502,459
Liabilities:				
Derivatives	—	17,411	2,262	19,673
Total	¥ —	¥17,411	¥ 2,262	¥ 19,673

As of March 31, 2018

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments in capital	¥337,286	¥ —	¥122,681	¥459,967
Derivatives	—	9,560	969	10,529
Total	¥337,286	¥9,560	¥123,650	¥470,497
Liabilities:				
Derivatives	—	8,858	2,095	10,953
Total	¥ —	¥8,858	¥ 2,095	¥ 10,953

As of March 31, 2019

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments in capital	¥309,606	¥ —	¥113,016	¥422,622
Derivatives	—	7,631	598	8,229
Total	¥309,606	¥7,631	¥113,614	¥430,852
Liabilities:				
Derivatives	—	7,549	2,311	9,860
Total	¥ —	¥7,549	¥ 2,311	¥ 9,860

As of March 31, 2019

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments in capital	$2,789,494	$ —	$1,018,253	$3,807,748
Derivatives	—	68,753	5,387	74,141
Total	$2,789,494	$68,753	$1,023,641	$3,881,899
Liabilities:				
Derivatives	—	68,015	20,821	88,836
Total	$ —	$68,015	$ 20,821	$ 88,836

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, 2018 and March 31, 2019.

b) The changes in fair value measurement of assets and liabilities categorized within Level 3 are as follows:

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

	Millions of yen					
	Balance as of April 1, 2017	Purchase	Other Comprehensive Income, Changes in fair value of financial assets at FVTOCI	Sale	Other	Balance as of March 31, 2018
Securities and investments in capital	¥83,198	¥34,567	¥2,582	¥(1,582)	¥3,914	¥122,681

There were no material changes for derivative assets and liabilities.

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

	Millions of yen					
	Balance as of April 1, 2018	Purchase	Other Comprehensive Income, Changes in fair value of financial assets at FVTOCI	Sale	Other	Balance as of March 31, 2019
Securities and investments in capital	¥122,681	¥2,432	¥(5,020)	¥(5,883)	¥(1,193)	¥113,016

There were no material changes for derivative assets and liabilities.

	Thousands of U.S. dollars					
	Balance as of April 1, 2018	Purchase	Other Comprehensive Income, Changes in fair value of financial assets at FVTOCI	Sale	Other	Balance as of March 31, 2019
Securities and investments in capital	$1,105,333	$21,911	$(45,229)	$(53,004)	$(10,748)	$1,018,253

The financial instruments categorized within Level 3 are assessed in accordance with the valuation policies and procedures approved by the responsible person of the Financial Management Division.

The material and unobservable inputs used in measuring the fair value of non-marketable equity instruments are the PBR (price-to-book ratio) of comparable companies, which are distributed within a range from 0.8 to 2.5 times for the fiscal year ended March 31, 2019 (0.7 to 2.1 times as of the transition date, 0.7 to 2.5 times for the fiscal year ended March 31, 2018). In addition, the fair values of such financial instruments increases (decreases) along with an increase (decrease) in the PBR. For financial assets and liabilities categorized within Level 3, a significant increase or decrease in fair value is not expected even if the unobservable inputs are changed to other reasonably possible alternative assumptions.

(3) Financial assets and liabilities not measured at fair value

	Millions of yen						Thousands of U.S. dollars	
	Transition date (As of April 1, 2017)		As of March 31, 2018		As of March 31, 2019		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥275,000	¥279,115	¥235,000	¥237,901	**¥205,000**	**¥207,354**	**$1,847,013**	**$1,868,222**
Long-term borrowings	¥444,887	¥449,583	¥348,586	¥361,197	**¥289,989**	**¥291,460**	**$2,612,748**	**$2,626,002**

For financial assets and liabilities measured at amortized cost that are not included in the above table, liabilities arising from put options held by non-controlling shareholders, and liabilities under factoring agreements, the carrying amount approximates the fair value. In terms of fair value measurement, bonds are categorized within Level 2, and all others are categorized within Level 3.

11 INVENTORIES

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Merchandise and finished products	¥177,099	¥173,152	**¥177,331**	**$1,597,720**
Work in progress	399,710	348,585	**350,867**	**3,161,248**
Raw materials and supplies	157,254	139,822	**138,735**	**1,249,977**
Capitalized contract costs	99,542	87,013	**72,318**	**651,572**
Total	¥833,606	¥748,574	**¥739,252**	**$6,660,527**

The amounts of inventories to be used or sold after 12 months from the year-end were ¥191,614 million, ¥176,279 million, and ¥131,009 million ($1,180,367 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively.

For the fiscal years ended March 31, 2018 and March 31, 2019, inventory balances reduced as a result of the write-down to net realizable value. Write-downs of inventories recognized as expenses were ¥20,593 million and ¥8,223 million ($74,087 thousand), respectively.

For details of the contract costs included in inventories, refer to Note 24. "Revenue."

12 INDEMNIFICATION ASSET FOR SOUTH AFRICAN PROJECTS

On February 1, 2014 (hereinafter referred to as the "Effective Date of Company Split"), MHI and Hitachi, Ltd. ("Hitachi") integrated their businesses centered on thermal power generation systems into Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), a consolidated subsidiary of MHI, through a spin-off in the form of an absorption type company split.

As part of this business integration, the assets and liabilities, contracts with customers and others, and rights and obligations thereunder, regarding the boiler construction projects for Medupi and Kusile Power Stations (the "South African Projects"), for which Hitachi Power Africa Proprietary Limited ("HPA"), a consolidated subsidiary of Hitachi in the Republic of South Africa, and other companies received orders in 2007, were transferred (the "South African Asset Transfer") from HPA to Mitsubishi Hitachi Power Systems Africa Proprietary Limited ("MHPS-Africa"), a consolidated subsidiary of MHI.

At the time the contract for the South African Asset Transfer was concluded, MHI was aware that major losses were probable and asserted this to Hitachi. Therefore, it was agreed in the contract that Hitachi and HPA would be responsible for contingent liabilities arising from events that occurred prior to the Effective Date of Company Split as well as for any claims that had already accrued as of said date, while MHPS and MHPS-Africa would be responsible for the execution of the projects on and after the Effective Date of Company Split. On that basis, it was also agreed in the contract to first retrospectively refine the project schedule and the cash flow estimates, as of the Effective Date of Company Split, then to determine the definitive price of the South African Asset Transfer based on them, and then to adjust the difference between the tentative price and the definitive price.

On March 31, 2016, MHI demanded that Hitachi pay ZAR 48,200 million (equivalent to approximately ¥379.0 billion ($3,414 million) when converted at a rate of ¥7.87 to 1 ZAR) to MHPS-Africa as part of the difference between the tentative price and the definitive price (price adjustment and other payments) according to the contract (the "Part of Demands for Payment on March 2016"). In the Part of Demands for Payment on March 2016, MHI explicitly stated to Hitachi that the amount that Hitachi and HPA were obliged to pay under the contract for the South African Asset Transfer significantly exceeded ZAR 48,200 million and that MHI reserved the right to make additional demands.

Then, on January 31, 2017, MHI demanded that Hitachi pay ZAR 89,700 million (equivalent to approximately ¥763.4 billion ($6,878 million) when converted at a rate of ¥8.51 to 1 ZAR) as the price adjustment and other payments (the "Demands for Payment on January 2017"), which included the aforementioned Part of Demands for Payment on March 2016. In the Demands for Payment on January 2017, MHI retrospectively refined the project schedule and the cash flow estimates, as of the Effective Date of Company Split in accordance with the contract for the South African Asset Transfer, and thereby demonstrated that the amount that Hitachi and HPA were obliged to pay significantly exceeded ZAR 48,200 million as stated in the Part of Demands for Payment on March 2016.

However, given that MHI and Hitachi had been unable to reach an agreement as of July 31, 2017, MHI decided that it had become necessary to submit a request for arbitration to the Japan Commercial Arbitration Association as stated in the above contract which states demands against Hitachi for the payment of ZAR 90,779 million (equivalent to approximately ¥774.3 billion ($6,976 million) when converted at a rate of ¥8.53 to 1 ZAR) as the price adjustment and other payments relating to the South African Projects.

Given that it was already expected as at the Effective Date of Company Split that the South African Projects would incur a loss, MHPS-Africa etc. have the right to receive the price adjustment and other payments from Hitachi or HPA in the amount calculated under the above contract. Furthermore, there is a discrepancy between the amount of anticipated losses included in the assets and liabilities regarding HPA's South African Asset Transfer immediately before the Effective Date of Company Split (January 31, 2014) and the amount of the losses that MHI believes were already expected at the time. Presently, there is yet to be an agreement on the assets and liabilities.

MHI recorded the amount measured by loss on project expected to be incurred at the date of transition, March 31, 2018 and March 31, 2019, out of the claims against Hitachi described above in the item "Indemnification asset for South African projects" in the consolidated statement of financial position. This amount is a portion of the demand in the aforementioned request for arbitration.

13 PROPERTY, PLANT AND EQUIPMENT

Changes in book values, and acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows:

(1) Book values

	Millions of yen					
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Construction in progress	Total
Transition date (As of April 1, 2017)	¥325,334	¥218,548	¥46,492	¥155,967	¥ 44,921	¥791,265
Acquisition	1,985	15,885	4,912	35	116,432	139,251
Depreciation*1	(26,562)	(74,249)	(44,210)	—	—	(145,022)
Impairment*2	(1,652)	(10,324)	(1,683)	(61)	(1,160)	(14,882)
Transfer of accounts	24,217	49,568	38,157	39	(106,970)	5,012
Transfer to held-for-sale	(2,907)	—	—	(3,389)	—	(6,297)
Sales or disposals	(1,898)	(3,939)	(729)	(260)	(3,631)	(10,458)
Exchange differences	(677)	1,019	(239)	113	17	234
Other changes	2,282	10,973	2,719	372	(2,267)	14,081
As of March 31, 2018	¥320,122	¥207,482	¥45,421	¥152,817	¥ 47,342	¥773,186
Acquisition	2,867	19,525	3,824	88	111,106	137,412
Depreciation*1	(20,121)	(54,336)	(21,562)	—	—	(96,019)
Impairment*2	(2,197)	(11,456)	(1,399)	(54)	(6,876)	(21,984)
Transfer of accounts	20,780	48,550	26,587	34	(88,635)	7,318
Transfer to held-for-sale	(1,592)	(237)	(18)	(648)	0	(2,495)
Sales or disposals	(5,763)	(4,800)	(680)	(2,602)	(5,587)	(19,434)
Exchange differences	925	358	210	142	132	1,768
Other changes	1,535	6,785	(394)	148	(2,976)	5,099
As of March 31, 2019	¥316,558	¥211,871	¥51,988	¥149,927	¥54,504	¥784,849

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Construction in progress	Total
As of March 31, 2018	$2,884,241	$1,869,375	$409,235	$1,376,853	$426,542	$6,966,267
Acquisition	25,831	175,916	34,453	792	1,001,045	1,238,057
Depreciation*1	(181,286)	(489,557)	(194,269)	—	—	(865,113)
Impairment*2	(19,794)	(103,216)	(12,604)	(486)	(61,951)	(198,071)
Reversal of impairment losses	—	—	—	—	—	—
Transfer of accounts	187,224	437,426	239,544	306	(798,585)	65,933
Transfer to held-for-sale	(14,343)	(2,135)	(162)	(5,838)	0	(22,479)
Sales or disposals	(51,923)	(43,247)	(6,126)	(23,443)	(50,337)	(175,096)
Exchange differences	8,334	3,225	1,892	1,279	1,189	15,929
Other changes	13,830	61,131	(3,549)	1,333	(26,813)	45,941
As of March 31, 2019	$2,852,130	$1,908,919	$468,402	$1,350,815	$491,071	$7,071,348

(2) Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Construction in progress	Total
Transition date (As of April 1, 2017)	¥854,927	¥1,315,517	¥511,175	¥157,386	¥44,921	¥2,883,929
As of March 31, 2018	857,030	1,302,822	526,728	154,237	47,342	2,888,162
As of March 31, 2019	¥841,961	¥1,310,156	¥533,788	¥151,185	¥54,504	¥2,891,595

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Construction in progress	Total
As of March 31, 2019	$7,585,917	$11,804,270	$4,809,334	$1,362,149	$491,071	$26,052,752

(3) Accumulated depreciation and accumulated impairment losses

	Millions of yen					
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Construction in progress	Total
Transition date (As of April 1, 2017)	¥529,593	¥1,096,969	¥464,682	¥1,418	—	¥2,092,663
As of March 31, 2018	536,907	1,095,340	481,307	1,420	—	2,114,976
As of March 31, 2019	¥525,403	¥1,098,285	¥481,799	¥1,258	—	¥2,106,746

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Construction in progress	Total
As of March 31, 2019	$4,733,786	$9,895,350	$4,340,922	$11,334	$—	$18,981,403

*1. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss
*2. For details of impairment, refer to Note 15. "Impairment of Non-Financial Assets."
*3. The balance of property, plant and equipment as of each fiscal year-end includes the following carrying amount of finance lease assets.

	Millions of yen				
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Total
Transition date (As of April 1, 2017)	¥1,407	¥1,455	¥ 804	¥1,161	¥4,828
As of March 31, 2018	1,490	1,988	496	1,100	5,076
As of March 31, 2019	¥1,302	¥3,642	¥1,132	¥1,149	¥7,227

	Thousands of U.S. dollars				
	Buildings and structures	Machinery and transportation equipment	Tools, equipment and furniture	Land	Total
As of March 31, 2019	$11,730	$32,813	$10,199	$10,352	$65,113

14 GOODWILL AND INTANGIBLE ASSETS

Changes in book values, and acquisition cost, accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

(1) Book values

Millions of yen

	Goodwill	Internal development*3	Technologies recognized through business combinations	Customer relations recognized through business combinations	Software	Other	Total
Transition date (As of April 1, 2017)	¥120,552	¥ —	¥40,463	¥31,752	¥19,944	¥32,793	¥245,507
Acquisition	—	101,316	—	—	12,579	3,550	117,446
Amortization*1	—	—	(6,993)	(7,191)	(8,086)	(6,446)	(28,718)
Impairment*2	(130)	(88,620)	—	—	(1,832)	(1,078)	(91,661)
Transfer of accounts	—	—	—	—	4,097	(4,097)	—
Sale or disposal	—	—	—	—	(4,478)	(25)	(4,505)
Exchange differences	1,284	—	(281)	256	28	(310)	976
Other changes	(141)	(12,695)	—	—	(267)	(1,351)	(14,456)
As of March 31, 2018	¥121,563	¥ —	¥33,188	¥24,816	¥21,985	¥23,032	¥224,587
Acquisition	105	76,154	—	—	6,902	3,303	86,464
Amortization*1	—	—	(6,980)	(7,185)	(8,404)	(6,316)	(28,886)
Impairment*2	—	(51,256)	—	—	(1,096)	(284)	(52,637)
Transfer of accounts	—	—	—	—	521	750	1,271
Sale or disposal	—	—	—	—	(127)	(24)	(152)
Exchange differences	(579)	—	437	(115)	(12)	45	(225)
Other changes	28	(2,425)	0	0	1,328	(435)	(1,503)
As of March 31, 2019	¥121,117	¥22,472	¥26,644	¥17,515	¥21,095	¥20,071	¥228,917

Thousands of U.S. dollars

	Goodwill	Internal development*3	Technologies recognized through business combinations	Customer relations recognized through business combinations	Software	Other	Total
As of March 31, 2018	$1,095,260	$ —	$299,017	$223,587	$198,080	$207,514	$2,023,488
Acquisition	946	686,133	—	—	62,185	29,759	779,025
Amortization*1	—	—	(62,888)	(64,735)	(75,718)	(56,906)	(260,257)
Impairment*2	—	(461,807)	—	—	(9,874)	(2,558)	(474,249)
Transfer of accounts	—	—	—	—	4,694	6,757	11,451
Transfer to assets held for sale	—	—	—	—	—	(27)	(27)
Sale or disposal	—	—	—	—	(1,144)	(216)	(1,369)
Exchange differences	(5,216)	—	3,937	(1,036)	(108)	405	(2,027)
Other changes	252	(21,848)	0	0	11,965	(3,919)	(13,541)
As of March 31, 2019	$1,091,242	$202,468	$240,057	$157,807	$190,062	$180,836	$2,062,501

(2) Acquisition cost

Millions of yen

	Goodwill	Internal development*3	Technologies recognized through business combinations	Customer relations recognized through business combinations	Software	Other	Total
Transition date (As of April 1, 2017)	¥206,125	¥368,860	¥59,214	¥59,645	¥64,672	¥76,952	¥ 835,470
As of March 31, 2018	206,471	457,481	58,807	59,599	64,019	73,192	919,571
As of March 31, 2019	¥207,701	¥531,210	¥59,328	¥59,711	¥66,039	¥76,887	¥1,000,879

Thousands of U.S. dollars

	Goodwill	Internal development*3	Technologies recognized through business combinations	Customer relations recognized through business combinations	Software	Other	Total
As of March 31, 2019	$1,871,348	$4,786,106	$534,534	$537,985	$594,999	$692,738	$9,017,740

(3) Accumulated amortization and accumulated impairment losses

Millions of yen

	Goodwill	Internal development*3	Technologies recognized through business combinations	Customer relations recognized through business combinations	Software	Other	Total
Transition date (As of April 1, 2017)	¥85,573	¥368,860	¥18,750	¥27,893	¥44,727	¥44,158	¥589,963
As of March 31, 2018	84,907	457,481	25,619	34,782	42,034	50,159	694,984
As of March 31, 2019	¥86,584	¥508,737	¥32,683	¥42,196	¥44,943	¥56,816	¥771,962

Thousands of U.S. dollars

	Goodwill	Internal development*3	Technologies recognized through business combinations	Customer relations recognized through business combinations	Software	Other	Total
As of March 31, 2019	$780,106	$4,583,629	$294,467	$380,178	$404,928	$511,901	$6,955,239

*1. Amortization of amortizable intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

*2. For details of impairment, refer to Note 15. "Impairment of Non-Financial Assets".

*3. Assets still in business development phases that are determined not to be ready for their intended use are classified into intangible assets with indefinite useful lives based on the analysis that the period over which such assets are expected to generate future economic benefits is not foreseeable.
Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

*4. The balances of intangible assets for each fiscal year include the carrying amount of finance lease assets as follows:

Millions of yen

	Software	Other	Total
Transition date (As of April 1, 2017)	¥62	¥—	¥62
As of March 31, 2018	18	1	19
As of March 31, 2019	¥12	¥—	¥12

Thousands of U.S. dollars

	Software	Other	Total
As of March 31, 2019	$108	$—	$108

15 IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) MRJ (Mitsubishi Regional Jet) project

a) The amount of impairment losses on non-financial assets

As a result of the impairment test performed in accordance with IFRS requirements, the recoverable amount of property, plant and equipment and intangible assets relating to the MRJ project belonging to the Aircraft, Defense & Space segment calculated based on the discounted future cash flows expected to be derived from the assets, fell below the carrying amount because it takes a long period of time to recoup the investment funds. Therefore, impairment losses of ¥427,067 million, ¥102,237 million, and ¥68,044 million ($613,064 thousand) were recognized as of the date of transition and for the fiscal years ended March 31, 2018 and March 31, 2019, respectively. The impairment losses as of the date of transition are included in adjustments to retained earnings as of the date of transition while those for the fiscal years ended March 31, 2018 and March 31, 2019 are included in "Other expenses" in the consolidated statement of profit or loss.

b) Method for determining the recoverable amount

The recoverable amount is measured at the value in use calculated in accordance with IFRS requirements. The value in use is calculated by discounting the future cash flows projected based on the MRJ business plan, approved by management, to the present value. The period of projected future cash flows extends until the fiscal year ending March 31, 2037 based on the projected sales period. The pre-tax discount rates were 15.1%, 15.8% and 12.9% as of the date of transition and for the fiscal years ended March 31, 2018 and March 31, 2019, respectively. We consider such a long projected sales period to be reasonable given the product life cycle in the aircraft industry. The future cash flows for the business plan period are estimated by considering factors such as the demand forecast and the growth rate in the regional jet market.

The amount of impairment losses from non-financial assets relating to the MRJ project

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	**For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**	**For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**
Property, plant and equipment	¥ 54,704	¥ 11,453	**¥16,371**	**$147,499**
Intangible assets	372,363	90,783	**51,672**	**465,555**
Total	¥427,067	¥102,237	**¥68,044**	**$613,064**

(2) Other impairments

In addition to the item (1) above, the Group impaired some of its operating assets by reducing the carrying amount to the recoverable amount because these assets can no longer achieve the return initially expected.

The impairment losses are included in "Other expenses" in the consolidated statement of profit or loss.

The amount of impairment losses from non-financial assets relating to other businesses

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	**For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**	**For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**
Property, plant and equipment	¥—	¥3,428	**¥5,613**	**$50,572**
Intangible assets	—	878	**964**	**8,685**
Other non-current assets	—	1,793	**—**	**—**
Total	¥—	¥6,100	**¥6,578**	**$59,266**

(3) Impairment test for goodwill

As described in the significant accounting policies, the Group performs impairment tests annually, or whenever there is an indication of impairment. The total amounts of goodwill were ¥120,552 million, ¥121,563 million, and ¥121,117 million ($1,091,242 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively. The breakdown of the carrying amount of goodwill by cash-generating unit is as follows.

The breakdown of carrying amount of major goodwill by cash generating unit

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Material handling equipment	¥51,479	¥51,287	**¥50,383**	**$453,941**
GTCC	20,560	20,416	**20,655**	**186,097**
Steam power	¥25,194	¥25,097	**¥24,644**	**$222,038**

The recoverable amount is measured at the value in use. The value in use reflects past experience and external sources of information, and is calculated by discounting the future cash flows projected based on the business plan, approved by management, and the growth rate to the present value.

As of the date of transition and for the fiscal years ended March 31, 2018 and March 31, 2019, the recoverable amounts of all the cash-generating units exceeded the carrying amount, and thus impairment losses were not recognized.

For impairment tests of goodwill, the weighted average cost of capital set for each cash-generating unit was applied as a discount rate. The discount rates used for the impartment tests were 4.3% to 7.8%, 4.3% to 7.8%, and 3.5% to 8.0% as of the date of transition and for the fiscal years ended March 31, 2018 and March 31, 2019, respectively.

The value in use sufficiently exceeded the carrying amount of the cash-generating units, and it is unlikely that any material impairment would occur even if the key assumptions used for the impairment tests changes within a reasonably foreseeable range.

16 INCOME TAXES

(1) Deferred tax assets and liabilities

a) The breakdown of major factors for deferred tax assets and liabilities

For the fiscal year ended March 31, 2018

	Millions of yen			
	As of April 1, 2017	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2018
Deferred tax assets				
Retirement benefits liabilities	¥ 65,110	¥ 4,586	¥ (5,616)	¥ 64,080
Provisions	46,149	(3,203)	—	42,946
Unused tax losses	32,923	(8,865)	—	24,057
Excess of book depreciation over tax depreciation	19,444	3,454	—	22,898
Valuation difference on property, plant and equipment	13,880	766	—	14,646
Contract liabilities	23,621	(1,507)	—	22,113
Accrued expenses, etc.	7,903	703	—	8,606
Loss on valuation of inventories	12,379	813	—	13,193
Loss allowance for expected credit losses	2,206	(414)	—	1,792
Valuation difference on securities	17,079	—	(12,252)	4,827
Other	78,946	12,916	(1,888)	89,974
Total deferred tax assets	¥319,646	¥ 9,249	¥(19,757)	¥309,138
Deferred tax liabilities				
Valuation difference on securities	36,784	(3,110)	12,795	46,469
Gain (loss) on contribution of securities to retirement benefit trust	54,355	(6,926)	—	47,429
Reserve for advanced depreciation of non-current assets	35,510	(9,530)	—	25,980
Tax benefits recognized under the Act on Strengthening Industrial Competitiveness	30,547	(10,027)	—	20,520
Intangible assets recognized through business combinations	15,856	(4,057)	—	11,798
Other	51,128	(8,759)	172	42,541
Total deferred tax liabilities	¥224,181	¥(42,410)	¥12,968	¥194,739

For the fiscal year ended March 31, 2019

	Millions of yen			
	As of March 31, 2018	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2019
Deferred tax assets				
Retirement benefits liabilities	¥ 64,080	¥ 3,396	¥ 3,622	¥ 71,099
Provisions	42,946	8,703	—	51,649
Unused tax losses	24,057	(1,598)	—	22,458
Excess of book depreciation over tax depreciation	22,898	(502)	—	22,396
Valuation difference on property, plant and equipment	14,646	5,674	—	20,321
Contract liabilities	22,113	(3,692)	—	18,421
Accrued expenses, etc.	8,606	7,910	—	16,516
Loss on valuation of inventories	13,193	1,528	—	14,721
Loss allowance for expected credit losses	1,792	5,444	—	7,237
Valuation difference on securities	4,827	—	182	5,009
Other	89,974	(24,239)	(2,157)	63,578
Total deferred tax assets	¥309,138	¥ 2,624	¥ 1,647	¥313,410
Deferred tax liabilities				
Valuation difference on securities	46,469	—	(876)	45,593
Gain (loss) on contribution of securities to retirement benefit trust	47,429	(1,920)	—	45,509
Reserve for advanced depreciation of non-current assets	25,980	8,243	—	34,223
Tax benefits recognized under the Act on Strengthening Industrial Competitiveness	20,520	(9,946)	—	10,574
Intangible assets recognized through business combinations	11,798	(3,480)	—	8,318
Other	42,541	6,509	(310)	48,741
Total deferred tax liabilities	¥194,739	¥ (593)	¥ (1,186)	¥192,958

For the fiscal year ended March 31, 2019

	Thousands of U.S. dollars			
	As of March 31, 2018	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2019
Deferred tax assets				
Retirement benefits liabilities	$ 577,349	$ 30,597	$ 32,633	$ 640,589
Provisions	386,935	78,412	—	465,348
Unused tax losses	199,234	(33,264)	—	165,969
Excess of book depreciation over tax depreciation	216,749	(14,397)	—	202,342
Valuation difference on property, plant and equipment	206,306	(4,522)	—	201,783
Contract liabilities	16,145	49,049	—	65,204
Accrued expenses, etc.	131,957	51,121	—	183,088
Loss on valuation of inventories	118,866	13,767	—	132,633
Loss allowance for expected credit losses	77,538	71,267	—	148,806
Valuation difference on securities	43,490	—	1,639	45,130
Other	810,649	(218,389)	(19,434)	572,826
Total deferred tax assets	$2,785,277	$ 23,641	$ 14,839	$2,823,767
Deferred tax liabilities				
Valuation difference on securities	427,326	(17,298)	—	410,027
Gain (loss) on contribution of securities to retirement benefit trust	418,677	—	(7,892)	410,784
Reserve for advanced depreciation of non-current assets	234,075	74,267	—	308,343
Tax benefits recognized under the Act on Strengthening Industrial Competitiveness	184,881	(89,611)	—	95,269
Intangible assets recognized through business combinations	106,297	(31,354)	—	74,943
Other	383,286	58,644	(2,793)	439,147
Total deferred tax liabilities	$1,754,563	$ (5,342)	$(10,685)	$1,738,516

b) Deferred tax assets and liabilities recognized in the consolidated statement of financial position

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Deferred tax assets	¥102,442	¥121,138	¥124,464	$1,121,398
Deferred tax liabilities	¥ 6,976	¥ 6,738	¥ 4,012	$ 36,147

c) Unused tax losses and deductible temporary differences for unrecognized deferred tax assets

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Unused tax losses	¥304,241	¥356,945	¥348,455	$3,139,517
Deductible temporary differences	271,107	492,594	541,774	4,881,286
Total	¥575,348	¥849,540	¥890,230	$8,020,812

In recognizing the deferred tax assets, the Group assesses whether it is possible that part or all of the deductible temporary differences and unused tax losses, etc. are to be utilized against future taxable profits. For the assessment of the recoverability of deferred tax assets, the Group assesses that it is probable that the tax benefit will be realized based on the level of past taxable profits and the projection of future taxable profits for the period when the deferred tax assets can be recognized.

d) The amount of unused tax losses for unrecognized deferred tax assets and the expiration year

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Year 1	¥ 12,962	¥ 24,017	¥ 15,101	$ 136,057
Year 2	16,042	16,226	11,711	105,514
Year 3	9,215	12,555	11,394	102,657
Year 4	11,385	12,593	10,431	93,981
Year 5 or later	254,633	291,551	299,815	2,701,279
Total	¥304,241	¥356,945	¥348,455	$3,139,517

Local taxes in Japan (corporate inhabitant tax and corporate enterprise tax) are included in the amount of unused tax losses, and the tax rates are less than 10%.

e) The aggregated amount of temporary differences associated with investments for unrecognized deferred tax liabilities

The aggregated amount of temporary differences associated with investments in subsidiaries and associates for unrecognized deferred tax liabilities as of the date of transition, March 31, 2018 and March 31, 2019, were ¥223,657 million, ¥290,494 million, and ¥285,213 million ($2,569,717 thousand), respectively. The deferred tax liabilities associated with said temporary differences are not recognized when the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse within the foreseeable future.

(2) Income taxes recognized through profit or loss

The breakdown of income taxes recognized through profit or loss for each consolidated fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current tax expense			
Current period	¥ 58,610	¥51,709	$465,888
Prior period restatement	3,417	5,662	51,013
Total of current tax expense	62,028	57,371	516,902
Deferred tax expense			
Arising and reversal of temporary differences	(42,296)	1,711	15,415
Changes in tax rates or the imposition of new taxes	4,466	1,271	11,451
Other	(1,553)	(6,201)	(55,869)
Total of deferred tax expense	(39,383)	(3,218)	(28,993)
Total tax expense	¥ 22,644	¥54,153	$487,908

(3) Reconciliation of income tax rate

The breakdown of major reconciling items between the effective statutory tax rate and the average actual tax rate are as follows:

	2018	2019
Effective statutory tax rate in Japan	30.7%	**30.4%**
Non-deductible expenses	16.6%	**1.3%**
Non-taxable revenues	(21.2)%	**(1.9)%**
Share of profit (loss) of investments accounted for using the equity method	(2.1)%	**(1.7)%**
Changes in unrecognized deferred tax assets	34.9%	**6.6%**
Tax credit for experiment and research expenses	(13.6)%	**(2.7)%**
Revision to year-end deferred tax assets due to a change in tax rate*1	11.4%	**0.1%**
Other	1.0%	**(2.5)%**
Average actual tax rate	57.7%	**29.7%**

*1. Revision to the amounts of deferred tax assets and liabilities due to a change in income tax rates:
Given that the Tax Cuts and Jobs Act was enacted in the United States in December 2017 and the federal corporate tax rate was reduced, the amounts of deferred tax assets and liabilities attributable to the consolidated subsidiaries of MHI located in the United States were revised for the previous consolidated fiscal year based on the amended tax rate.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(1) Individually immaterial associates

The total carrying amount of investments in individually immaterial associates accounted for using the equity method were ¥102,584 million, ¥174,848 million, and ¥179,321 million ($1,615,650 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively. The total amount of equity shares on comprehensive income of the Group for the fiscal years ended March 31, 2018 and March 31, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Profit or loss	¥10,015	**¥ 7,893**	**$ 71,114**
Other comprehensive income	1,956	**(4,084)**	**(36,796)**
Total comprehensive income	¥11,972	**¥ 3,809**	**$ 34,318**

Although more than 50% of the voting rights of Mitsubishi Mahindra Agricultural Machinery Co., Ltd. are held by the Group, it is treated as an equity-method associate in consideration of the Group's shareholding ratio, including preferred shares and provisions of the shareholders agreement. Furthermore, although less than 20% of voting rights of Framatome S.A.S. are held by the Group, it is treated as an equity-method associate based on the judgement that the Group has significant influence due primarily to the composition of officers of Framatome S.A.S.

(2) Individually immaterial joint ventures

The carrying amount of investments in individually immaterial joint ventures accounted for using the equity method were ¥43,169 million, ¥30,350 million, and ¥30,608 million ($275,772 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively. The total amount of equity shares on comprehensive income of the Group for the fiscal years ended March 31, 2018 and March 31, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit or loss	¥(7,345)	**¥ 3,043**	**$ 27,416**
Other comprehensive income	(1,453)	**(4,922)**	**(44,346)**
Total comprehensive income	¥(8,798)	**¥(1,878)**	**$(16,920)**

18 LEASES

The breakdown of future minimum lease payments under non-cancellable operating leases by maturity is as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Within one year	¥18,352	¥17,615	**¥22,831**	**$205,703**
After one year but not more than five years	60,143	58,760	**75,903**	**683,872**
More than five years	¥40,543	¥30,231	**¥29,791**	**$268,411**

With respect of lease payments under operating leases, ¥37,013 million and ¥33,557 million ($302,342 thousand) were recorded as expenses for the fiscal years ended March 31, 2018 and 2019, respectively.

19 PROVISIONS

Changes in provisions are as follows:

	Millions of yen For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)				
	Loss on construction contracts	Product and construction warranties	Levies	Other	Total
Balance as of April 1, 2018	¥ 86,582	¥ 95,357	¥12,610	¥26,993	¥221,544
Increase	65,898	54,977	12,027	17,637	150,541
Decrease (utilization)	(36,373)	(38,071)	(12,255)	(9,549)	(96,249)
Decrease (reversal)	(2,205)	(16,203)	(352)	(2,954)	(21,716)
Other (Exchange rate differences, etc.)	(5,187)	7,298	(2)	4,162	6,271
Balance as of March 31, 2019	¥108,714	¥103,359	¥12,027	¥36,289	¥260,391
Current liabilities	108,714	83,755	12,027	12,034	216,531
Non-current liabilities	—	19,604	—	24,255	43,859
Total	¥108,714	¥103,359	¥12,027	¥36,289	¥260,391

	Thousands of U.S. dollars For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)				
	Loss on construction contracts	Product and construction warranties	Levies	Other	Total
Balance as of April 1, 2018	$780,088	$859,149	$113,613	$243,202	$1,996,071
Increase	593,729	495,332	108,361	158,906	1,356,347
Decrease (utilization)	(327,714)	(343,012)	(110,415)	(86,034)	(867,186)
Decrease (reversal)	(19,866)	(145,986)	(3,171)	(26,615)	(195,657)
Other (Exchange rate differences, etc.)	(46,733)	65,753	(18)	37,498	56,500
Balance as of March 31, 2019	$979,493	$931,246	$108,361	$326,957	$2,346,076
Current liabilities	979,493	754,617	108,361	108,424	1,950,905
Non-current liabilities	—	176,628	—	218,533	395,161
Total	$979,493	$931,246	$108,361	$326,957	$2,346,076

(1) Loss on construction contracts

To provide for losses from construction contracts for which the Group is fulfilling its contract obligations, the Group identifies construction contracts for which it is certain at the end of the reporting period that the Group will incur a loss and the amount of the loss is reasonably estimable, and then recognizes provisions for losses that are expected for the next fiscal year and onward. The timing of cash outflows depends on the progress of the project in the future.

The Group recognizes a provision for losses that are expected to be incurred from South African projects while recognizing the gross amount of the claims to Hitachi as "Indemnification asset for South African projects" (Note 12. "Indemnification Asset for South African Projects").

(2) Product and construction warranties

To provide for expenditures incurred after the delivery of construction, for example product warranty expenses, the Group estimates and recognizes warranty expenses expected to be incurred in the future based primarily on past experience. The provision is utilized as customers make warranty claim.

(3) Levies

The Group recognizes provisions for the expected amount of levies imposed by governments for the Group to engage in business. The levies are expected to be paid within one year from the end of the reporting period.

(4) Other

Other provisions include asset retirement obligations.

As the Group is involved in nuclear businesses, it owns facilities for processing the radioactive waste of nuclear fuel and for carrying out research and development on safety of nuclear fission reactor materials. However, the asset retirement obligations associated with the disposal and demolition of such facilities are not recognized because costs are not reasonably estimable at present since technology applied to demolition processes as well as laws and ordinances, which regulate such process methods have not been developed yet.

20 EMPLOYEE BENEFITS

(1) Retirement benefits

To provide retirement benefits to employees, the Group has established and maintained defined benefit plans, lump-sum retirement benefit plans, and defined contribution plans. Each company funds the defined benefit plans by periodically making contributions to entrusted financial institutions. The financial institutions provide benefits when qualified employees retire.

Each company sets up the Retirement Benefits Management Committee through which responsible departments share information on retirement lump-sum payment and retirement benefits plans, accounting for retirement benefits, and plan asset management as well as comprehensively review, exchange opinions and engage in discussions regarding its retirement benefit plans.

As the defined benefit obligations are measured based on actuarial assumptions, they are exposed to the risk of fluctuating assumptions, such as discount rates. Plan assets are composed primarily of marketable stocks, bonds, and other interest-bearing securities, which are exposed to the risks of fluctuating stock prices and interest rates.

Lump-sum retirement benefit plans provide a lump-sum payment at the time of retirement, and the benefit is calculated based on factors such as the salary level at retirement and the number of years of service. MHI and certain subsidiaries have an obligation to pay benefits directly to retirees.

The defined contribution plans require employees who elect to participate in the plan and MHI and certain subsidiaries as employer to make contributions over a participation period, and plan participants themselves are responsible for the management of plan assets. Benefits are paid by the trustee.

a) Defined benefit plans

i. The breakdown of net defined benefit liability recognized in the consolidated statement of financial position

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Present value of defined benefit obligations	¥540,535	¥546,257	¥555,177	$5,002,045
Fair value of plan assets	473,361	477,441	465,156	4,190,972
Net defined benefit liability	¥ 67,173	¥ 68,816	¥ 90,020	$ 811,064
Amounts presented in the consolidated statement of financial position				
Retirement benefit liabilities	127,730	142,242	154,105	1,388,458
Retirement benefit assets	60,556	73,426	64,084	577,385
Net defined benefit liability	¥ 67,173	¥ 68,816	¥ 90,020	$ 811,064

ii. Changes in present value of defined benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance as of April 1	540,535	¥546,257	$4,921,678
Current service cost	¥38,808	39,686	357,563
Interest expense	3,456	3,207	28,894
Remeasurement			
Actuarial gains and losses arising from changes in demographic assumptions	(476)	(187)	(1,684)
Actuarial gains and losses arising from changes in financial assumptions	1,730	5,007	45,112
Actuarial gains and losses arising from experience adjustment	2,589	2,679	24,137
Past service cost	424	237	2,135
Payment of benefits	(38,426)	(39,945)	(359,897)
Changes from business combinations	(3,426)	—	—
Other	1,043	(1,765)	(15,902)
Balance as of March 31	¥546,257	¥555,177	$5,002,045

iii. Changes in fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance as of April 1	¥473,361	¥477,441	$4,301,657
Interest income	3,012	2,523	22,731
Remeasurement			
Return on plan assets (excluding amounts included in net interest on the net defined benefit asset)	21,350	(3,119)	(28,101)
Contributions to the plan (by the employer)	14,412	14,638	131,885
Payment of benefits	(34,827)	(25,541)	(230,119)
Changes from business combinations	(1,309)	—	—
Other	1,441	(785)	(7,072)
Balance as of March 31	¥477,441	¥465,156	$4,190,972

iv. The breakdown of fair value of plan assets

Transition date (As of April 1, 2017)

	Millions of yen		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Shares issued by Japanese companies	¥212,640	¥ —	¥212,640
Shares issued by foreign companies	24,735	2,506	27,241
Bonds issued by Japanese companies	70,590	—	70,590
Bonds issued by foreign companies	78,601	6,127	84,729
Cash and deposits	20,146	—	20,146
General accounts for life insurance	—	20,560	20,560
Other	—	37,451	37,451
Total	¥406,715	¥66,646	¥473,361

As of March 31, 2018

	Millions of yen		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Shares issued by Japanese companies	¥218,134	¥ —	¥218,134
Shares issued by foreign companies	22,068	2,820	24,888
Bonds issued by Japanese companies	55,836	—	55,836
Bonds issued by foreign companies	90,106	6,288	96,394
Cash and deposits	20,494	—	20,494
General accounts for life insurance	—	19,164	19,164
Other	—	42,527	42,527
Total	¥406,640	¥70,800	¥477,441

As of March 31, 2019

	Millions of yen		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Shares issued by Japanese companies	¥211,101	¥ —	¥211,101
Shares issued by foreign companies	28,991	3,460	32,451
Bonds issued by Japanese companies	45,713	—	45,713
Bonds issued by foreign companies	89,717	7,993	97,710
Cash and deposits	17,602	—	17,602
General accounts for life insurance	—	16,937	16,937
Other	—	43,639	43,639
Total	¥393,124	¥72,031	¥465,156

As of March 31, 2019

	Thousands of U.S. dollars		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Shares issued by Japanese companies	$1,901,982	$ —	$1,901,982
Shares issued by foreign companies	261,203	31,173	292,377
Bonds issued by Japanese companies	411,865	—	411,865
Bonds issued by foreign companies	808,334	72,015	880,349
Cash and deposits	158,590	—	158,590
General accounts for life insurance	—	152,599	152,599
Other	—	393,179	393,179
Total	$3,541,976	$648,986	$4,190,972

The total amounts of plan assets include retirement benefit trust set up for the defined benefit plans and the lump-sum retirement benefit plan.

The amounts were ¥197,626 million, ¥203,720 million, and ¥195,292 million ($1,759,545 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively.

Further, 30% of exposures to interest rate risk against defined benefit obligations are covered by using debt instruments combined with interest rate swaps. The pension fund was managed based on said policies for the fiscal years ended March 31, 2019 and 2018.

All exposures to foreign exchange risks are hedged using forward exchange contracts.

v. The significant actuarial assumptions used in determining present value of defined benefit obligations

	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Discount rate	Mainly 0.6%	Mainly 0.5%	**Mainly 0.4%**

As to the significant actuarial assumptions, the result of the sensitivity analysis (the impact on the defined benefit obligations) based on reasonably possible changes is as follow:

	Millions of yen						Thousands of U.S. dollars	
	Transition date (As of April 1, 2017)		As of March 31, 2018		As of March 31, 2019		As of March 31, 2019	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact in the event of 0.5 percentage point change in the discount rate	¥(35,251)	¥38,050	¥(36,280)	¥39,216	**¥(35,188)**	**¥37,845**	**$(317,037)**	**$340,976**

vi. Plan asset management policy

The Group ensures it is able to provide benefits in the form of pensions and lump-sum payments. To this end, a target asset allocation is established to ensure that necessary returns are received stably over the long term and the Group makes diversified investments in a broad range of assets, including bonds and stocks, within permissible risk parameters. We also periodically assess the investment status and financial condition of the plan assets and the asset management environment and revise the asset management if necessary. For contributions to the pension funds, we review the amount of contribution periodically by, for example, recalculating the amount once every three years to balance the future financial position of the pension plan in compliance with relevant laws and regulations.

The Group makes contributions based on an appropriate actuarial calculation to fund the benefits. The amount of contributions expected to be paid to the defined benefit plans for the fiscal year ending March 31, 2020 is ¥14,674 million.

vii. The maturity analysis of defined benefit obligations is as follows:

	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Weighted average duration (year)	14.37	14.64	**13.62**

b) Defined contribution plans

Expenses for the defined contribution plans for the fiscal years ended March 31, 2018 and March 31, 2019 were ¥9,878 million and ¥8,994 million ($81,034 thousand), respectively.

(2) Employee benefits expenses

The aggregated amounts of employee benefit expenses recognized for the fiscal years ended March 31, 2018 and March 31, 2019 were ¥787,519 million and ¥791,598 million ($7,132,156 thousand), respectively.

21 OTHER ASSETS AND LIABILITIES

(1) The breakdown of other assets

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Advances to suppliers and prepaid expenses	¥164,230	¥149,026	**¥137,945**	**$1,242,859**
Retirement benefit assets	60,556	73,426	**64,084**	**577,385**
Consumption tax receivables (Incl. VAT receivables)	28,880	22,419	**37,335**	**336,381**
Income tax receivables	33,605	5,762	**9,941**	**89,566**
Others	166,538	163,032	**160,434**	**1,445,481**
Total	¥453,812	¥413,666	**¥409,741**	**$3,691,692**
Current assets	271,137	214,992	**222,420**	**2,003,964**
Non-current assets	182,675	198,673	**187,320**	**1,687,719**
Total	¥453,812	¥413,666	**¥409,741**	**$3,691,692**

(2) The breakdown of other liabilities

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Accrued expenses	¥170,508	¥127,898	**¥106,042**	**$ 955,419**
Liabilities in respect of government grants	62,806	63,856	**64,310**	**579,421**
Accrued consumption taxes (Incl. VAT payables)	8,664	11,313	**9,353**	**84,268**
Others	61,237	64,527	**54,114**	**487,557**
Total	¥303,215	¥267,595	**¥233,820**	**$2,106,676**
Current liabilities	221,057	188,121	**161,717**	**1,457,041**
Non-current liabilities	82,158	79,474	**72,103**	**649,635**
Total	¥303,215	¥267,595	**¥233,820**	**$2,106,676**

22 EQUITY AND OTHER EQUITY ITEMS

(1) The number of shares authorized, shares issued and treasury shares

	Shares	
	2018	2019
The number of shares authorized*1:		
Common shares	600,000,000	**600,000,000**
The number of shares issued*1:		
at the beginning of the year	3,373,647,813	**337,364,781**
Changes during the year*2	(3,036,283,032)	**—**
at the end of the year	337,364,781	**337,364,781**

*1. Both the shares authorized and the shares issued are no-par value common stock. All of the shares issued are paid in full.
The number of treasury shares included in the shares issued were 15,513,870 shares, 1,370,499 shares, and 1,654,039 shares as of the date of transition, March 31, 2018 and March 31, 2019, respectively. The number of MHI's common shares held by the Stock Grant ESOP Trust, and the Officer Remuneration BIP Trust I&II were 5,735,246 shares, 509,888 shares, and 847,808 shares as of the date of transition, March 31, 2018 and March 31, 2019, respectively. The number of MHI's common shares held by its associates were 84,530 shares, 7,428 shares, and 4,328 shares as of the date of transition, March 31, 2018 and March 31, 2019, respectively.

*2. As of October 1, 2017, the Company consolidated shares at a rate of one share per 10 shares of common stock. As a result, the number of shares issued decreased by 3,036,283,032 shares.

(2) Details and purpose of surplus accounts included in equity

a) Capital surplus

The capital surplus account is composed of amounts arising from equity transactions that are not included in share capital. A major component of the capital surplus account is the legal capital reserve.

The Companies Act of Japan ("the Companies Act") requires that at least half of paid-in capital be appropriated as share capital and the rest be appropriated as legal capital reserve within capital surplus. In addition, under the Companies Act, legal capital reserve can be transferred to share capital upon approval at the General Meeting of Shareholders.

b) Retained earnings

The retained earnings account is composed of legal retained earnings and other retained earnings.

The Companies Act requires that 10 percent of retained earnings appropriated for dividends be reserved either as legal capital surplus or legal retained earnings until the total amount of legal capital surplus or legal retained earnings reaches 25 percent of the amount of share capital.

Upon fulfilling certain requirements, such as a resolution at the General Meeting of Shareholders, the amount of legal retained earnings may be reduced, and part or all of the reduction may be transferred to share capital.

While the amount available for distribution allowed by the Companies Act is calculated based on the amount of retained earnings recognized in the Company's accounting book prepared in accordance with generally accepted accounting principles in Japan, legal retained earnings are excluded from the calculation of the amount available for distribution.

23 DIVIDENDS

The total dividends for each fiscal year are as follows.

(1) For the fiscal year ended March 31, 2018 From April 1, 2017 to March 31, 2018

a) Dividends paid

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Total cash dividends paid (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
June 22, 2017								
Annual General Meeting of Shareholders	Common Stock	¥20,183	$189,975	¥6	$0.0564	March 31, 2017	June 23, 2017	Retained earnings
October 31, 2017								
Board of Directors	Common Stock	¥20,187	$190,013	¥6	$0.0564	September 30, 2017	December 5, 2017	Retained earnings

*1. Total dividends paid in accordance with the resolution passed at the Annual General Meeting of Shareholders held on June 22, 2017 includes ¥34 million of dividends for the stocks held by the Stock Grant ESOP (Employee Stock Ownership Plan) Trust and Officer Remuneration BIP (Board Incentive Plan) Trust I&II.
*2. Total dividends paid in accordance with the resolution passed by the Board of Directors on October 31, 2017 includes ¥31 million of dividends for the stocks held by the Stock Grant ESOP (Employee Stock Ownership Plan) Trust and Officer Remuneration BIP (Board Incentive Plan) Trust I&II.
*3. As the record date for dividends is September 30, 2017, the amount of dividends per share shows the amount prior to the share consolidation as of October 1, 2017.

b) Dividends which the record date is within the fiscal year ended March 31, 2018, but take effect in the fiscal year ending March 31, 2019

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Total cash dividends paid (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
June 21, 2018								
Annual General Meeting of Shareholders	Common Stock	¥20,190	$181,908	¥60	$0.5405	March 31, 2018	June 22, 2018	Retained earnings

*1. Total dividends paid in accordance with the resolution passed at the Annual General Meeting of Shareholders held on June 21, 2018, include ¥30 million of dividends for the stocks held by the Stock Grant ESOP (Employee Stock Ownership Plan Trust) and Officer Remuneration BIP (Board Incentive Plan) Trust I&II.

(2) For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

a) Dividends paid

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Total cash dividends paid (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
June 21, 2018								
Annual General Meeting of Shareholders	Common Stock	¥20,190	$181,908	¥60	$0.5405	March 31, 2018	June 22, 2018	Retained earnings
October 31, 2018								
Board of Directors	Common Stock	¥21,873	$197,071	¥65	$0.5856	September 30, 2018	December 5, 2018	Retained earnings

*1. Total dividends paid in accordance with the resolution passed at the Annual General Meeting of Shareholders held on June 21, 2018, include ¥30 million ($270 thousand) of dividends for the stocks held by the Stock Grant ESOP (Employee Stock Ownership Plan) Trust and Officer Remuneration BIP (Board Incentive Plan Trust) I&II.
*2. Total dividends paid in accordance with the resolution passed by the Board of Directors meeting held on October 31, 2018, include ¥59 million ($531 thousand) of dividends for the stocks held by the Stock Grant ESOP (Employee Stock Ownership Plan) Trust and Officer Remuneration BIP (Board Incentive Plan) Trust I&II.

b) Dividends which the record date is within the fiscal year ended March 31, 2019, but take effect in the fiscal year ending March 31, 2020

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Total cash dividends paid (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
June 27, 2019								
Annual General Meeting of Shareholders	Common Stock	¥21,876	$197,098	¥65	$0.5856	March 31, 2019	June 28, 2019	Retained earnings

*1. Total dividends paid in accordance with the resolution passed at the Annual General Meeting of Shareholders held on June 27, 2019, include ¥55 million ($495 thousand) of dividends for the stocks held by the Stock Grant ESOP (Employee Stock Ownership Plan) Trust and Officer Remuneration BIP (Board Incentive Plan) Trust I&II.

24 REVENUE

(1) Disaggregation of revenue

The Group is composed of three business domains: Power Systems; Industry & Infrastructure; and Aircraft, Defense & Space, whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resource allocation and assess their performance. Therefore, turnover recognized from these businesses is presented as revenue.

The Group further disaggregates revenue from contracts with customers. Specifically, revenue of the Industry & Infrastructure business domain is disaggregated into "mass and medium lot manufactured products" and "individual made-to-order products" based on the timing of transferring goods or services. Revenue of the Aircraft, Defense & Space business domain is disaggregated into "commercial aircraft" and "defense and space equipment" based on the types of markets or customers.

For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

Millions of yen

	Reporting segments: Power Systems	Industry & Infrastructure			Aircraft, Defense & Space			Total	Other*3	Total
		Mass and medium lot manufactured products*1	Individual made-to-order products*2	Subtotal	Commercial aircraft	Defense and space equipment	Subtotal			
Revenue from external customers	¥1,465,130	¥1,040,294	¥825,000	¥1,865,294	¥237,653	¥477,663	¥715,316	¥4,045,742	¥39,937	¥4,085,679

*1. The "Mass and medium lot manufactured products" category within the Industry & Infrastructure segment includes lot manufactured products including material handling equipment, engines, turbochargers, air-conditioning & refrigeration systems, automotive thermal systems, and machine tools.
*2. The "Individual made-to-order products" category within the same segment above includes metals machinery, chemical plants, transportation systems, commercial ships, and environmental systems.
*3. The "Other" category includes construction, real estate and information services not included in any of the reporting segments.

For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

Millions of yen

	Reporting segments: Power Systems	Industry & Infrastructure			Aircraft, Defense & Space			Total	Other*3	Total
		Mass and medium lot manufactured products*1	Individual made-to-order products*2	Subtotal	Commercial aircraft	Defense and space equipment	Subtotal			
Revenue from external customers	¥1,514,804	¥1,080,881	¥785,694	¥1,866,575	¥218,408	¥457,264	¥675,672	¥4,057,053	¥21,290	¥4,078,344

*1. The "Mass and medium lot manufactured products" category within the Industry & Infrastructure segment includes lot manufactured products including material-handling equipment, engines, turbochargers, air-conditioning & refrigeration systems, automotive thermal systems, and machine tools.
*2. The "Individual made-to-order products" category within the same segment above includes metals machinery, chemical plants, transportation systems, commercial ships, and environmental systems.
*3. The "Others" classification includes asset management business, which are not included in any of the reporting segments.

For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

Thousands of U.S. dollars

	Reporting segments: Power Systems	Industry & Infrastructure			Aircraft, Defense & Space			Total	Other*3	Total
		Mass and medium lot manufactured products*1	Individual made-to-order products*2	Subtotal	Commercial aircraft	Defense and space equipment	Subtotal			
Revenue from external customers	$13,648,112	$9,738,544	$7,078,962	$16,817,506	$1,967,816	$4,119,866	$6,087,683	$36,553,320	$191,819	$36,745,148

*1. The "Mass and medium lot manufactured products" category within the Industry & Infrastructure segment includes lot manufactured products including material-handling equipment, engines, turbochargers, air-conditioning & refrigeration systems, automotive thermal systems, and machine tools.
*2. The "Individual made-to-order products" category within the same segment above includes metals machinery, chemical plants, transportation systems, commercial ships, and environmental systems.
*3. The "Others" classification includes asset management business, which are not included in any of the reporting segments.

The Group is engaged in the sales of products, performance of constructions and rendering of services in the Power Systems domain, the Industry & Infrastructure domain, the commercial aircraft category, and the defense and space equipment category.

• Sales of products
The Group determines that performance obligations have been satisfied when customers obtain control of the products. Hence, revenue from sales of products is usually recognized upon the delivery of goods.

• Performance of construction and rendering of services
Since the control of goods or services promised is being transferred to customers over the contracted period as per the contract, the Group recognizes revenue from performance of construction and rendering of services over time based on the progress towards complete satisfaction of a performance obligation. The progress is measured by specifying the satisfaction of performance obligation. Measurements are mainly based on the ratio of the estimated costs incurred to satisfy the performance obligation over a certain period, against the estimated total costs to fully satisfy the contractual obligation.

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 constructions, warranties on performance and delivery are provided, which leads to a reduction in revenue to the extent of the expected refund liability to customers incurred, as a result of unsatisfied obligations.

(2) The breakdown of revenue by geographical market

For the breakdown of revenue by geographical market, refer to Note 4. "Operating Segment."

(3) Contract balances

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Receivables from contracts with customers	¥650,035	¥666,621	**¥630,434**	**$5,680,097**
Contract assets	743,118	744,707	**625,749**	**5,637,886**
Contract liabilities	¥831,707	¥914,697	**¥875,294**	**$7,886,242**

Significant changes in contract assets and liabilities

Changes to contract assets mainly occured as a result of the recognition of revenue (leading to increases in contract assets) and transfers to trade receivables (leading to decreases in contract assets).

Changes to contract liabilities mainly occured as a result of advance payments from customers (leading to increases in contract liabilities) and the recognition of revenue (leading to decreases in contract liabilities).

Of the above-mentioned decreases in contract liabilities as a result of the recognition of revenue, amounts transferred from the beginning balance of contract liabilities were ¥442,726 million and ¥418,958 million ($3,774,736 thousand) for the fiscal years ended March 31, 2018 and March 31, 2019, respectivly.

All revenues recognized for performance obligations satisfied (or partially satisfied) in the previous periods are immaterial.

(4) 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, 2019, and the balance by reporting segment are as follows.

For reporting periods prior to April 1, 2018, the transaction prices allocated to the remaining performance obligations are not disclosed by applying the exemptions under IFRS 1.

As of March 31, 2019

	Millions of yen					
	Reporting segments				Other*1	Total
	Power Systems	Industry & Infrastructure	Aircraft, Defense & Space	Total		
Remaining performance obligations	¥3,297,839	¥1,181,956	¥914,300	¥5,394,097	¥311	¥5,394,408

*1. The "Other" category includes general services not included in any of the reporting segments.

As of March 31, 2019

	Thousands of U.S. dollars					
	Reporting segments				Other*1	Total
	Power Systems	Industry & Infrastructure	Aircraft, Defense & Space	Total		
Remaining performance obligations	$29,712,938	$10,649,211	$8,237,679	$48,599,846	$2,802	$48,602,648

*1. The "Other" category includes general services not included in any of the reporting segments.

The transaction amounts allocated to the remaining performance obligations in the three business domains, namely Power Systems, Industry & Infrastructure 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 fulfilled over the span of one year or longer.

The Industry & Infrastructure domain includes the mass and medium lot manufactured products business (material-handling equipment, engines, turbochargers, air-conditioning & refrigeration systems, automotive thermal systems, and machine tools). As the mass and medium lot manufactured products business is characterized by the fact that there is no significant difference in timing between contract execution and revenue recognition, the amount of the transaction price allocated to the remaining performance obligations in the business is insignificant, and such obligations are expected to be satisfied largely within one year.

(5) Assets recognized from the costs to obtain or fulfil contracts with customers

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Assets recognized from the costs to obtain contracts	¥ 1,008	¥ 942	**¥ 919**	**$ 8,280**
Assets recognized from the costs to fulfil contracts	98,534	86,071	**71,398**	**643,283**
Total	¥99,542	¥87,013	**¥72,318**	**$651,572**

The Group recognizes assets only to the extent that it is probable that the incremental costs of obtaining contracts and direct cost of fulfilling contracts will be recoverable, which is included in "Inventories" in the consolidated statement of financial position.

The majority of such assets recognized by the Group as the incremental costs of obtaining contracts are mainly commissions paid to trading companies used in obtaining construction contracts. These assets are amortized in accordance with the transference pattern of goods or services to customers for the relevant construction contracts.

In addition, assets recognized from the costs for expected future contracts are mainly costs for designing mass production drawings or making jigs dedicated for new models and products that had been incurred prior to the conclusion of contracts with customers. After the contracts were concluded, said assets are amortized in accordance with the transference pattern of goods or services to customers.

For the fiscal years ended March 31, 2018 and March 31, 2019, the amount of amortization for the assets recognized from the contract costs were ¥19,201 million and ¥18,687 million ($168,366 thousand) respectively. While the amount of impairment losses were ¥139 million and ¥3,082 million ($27,768 thousand), respectively.

25 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Employee benefit expenses	¥218,731	**¥216,218**	**$1,948,085**
Research and development expenses*1	59,846	**59,816**	**538,931**
Business development expenses	51,373	**51,441**	**463,474**
Remuneration and fees	42,972	**43,120**	**388,503**
Depreciation and amortization	30,331	**29,386**	**264,762**
Loss allowance for expected credit losses	6,802	**1,222**	**11,010**
Others	135,011	**140,509**	**1,265,960**
Total	¥545,068	**¥541,714**	**$4,880,746**

*1. The Group recognizes research and development expenses in selling, general and administrative expenses.

26 OTHER INCOME AND EXPENSES

The breakdown of other income and expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other income			
Gain on sale of property, plant and equipment	¥ 1,693	¥ 41,218	$ 371,366
Dividend income*1	12,211	11,647	104,937
Compensation income	—	3,378	30,435
Insurance recovery gain	3,078	578	—
Others	7,760	7,680	69,195
Total	¥ 24,744	¥ 64,503	$ 581,160
Other expenses			
Impairment losses	108,337	74,622	672,330
Business structure improvement expenses	10,634	8,599	77,475
Loss on sale and retirement of property, plant and equipment, and intangible assets	7,022	6,519	58,735
Loss allowance for expected credit losses	1,056	3,661	32,984
Others	15,731	21,732	195,801
Total	¥142,782	¥115,135	$1,037,345

*1 In the consolidated statement of cash flows, dividend income is included in "Others" under cash flows from operating activities. As stated in Note 7. "Other Financial Assets", all dividend income is derived from financial assets at FVTOCI.

27 GOVERNMENT GRANTS

Government grants received by the Group principally relate to research and development activities.

Government grants recorded for the fiscal years ended March 31, 2018 and 2019 were ¥6,395 million and ¥6,741 million ($60,735 thousand), respectively, and deducted mainly from research and development expenses.

28 FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income and finance costs are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Finance income			
Interest income			
Financial assets measured at amortized cost	¥ 4,155	¥ 5,226	$ 47,085
Others	1,729	2,424	21,839
Total	¥ 5,884	¥ 7,650	$ 68,925
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	9,924	6,042	54,437
Foreign exchange loss	10,385	543	4,892
Others	4,518	5,165	46,535
Total	¥24,828	¥11,749	$105,856

29 EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share attributable to owners of the parent is as follows:

	Millions of yen	
	2018	2019
Profit (attributable to owners of the parent)	(7,320)	101,354

	Thousands of shares	
	2018	2019
Weighted-average number of common shares outstanding during the period	335,928	335,662
Impact of the dilutive effect: share subscription rights	606	522
Weighted-average number of common shares outstanding during the period after impact of the dilutive effect	336,535	336,184

	Yen	
	2018	2019
Earnings per share (attributable to owners of the parent)		
Basic earnings per share	(21.79)	301.95
Diluted earnings per share	(21.80)	301.44

	Thousands of U.S. dollars
	As of March 31, 2019
Profit (attributable to owners of the parent)	913,181

	U.S. dollars
	2019
Earnings per share (attributable to owners of the parent)	
Basic earnings per share	2.72
Diluted earnings per share	2.71

30 OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME

(1) Other components of equity

Changes in each item of other components of equity are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at FVTOCI			
Balance at the beginning of the year	¥113,204	¥120,794	$1,088,332
Changes during the year	28,875	(12,761)	(114,974)
Transfer to retained earnings	(21,284)	(2,250)	(20,272)
Balance at the end of the year	120,794	105,782	953,076
Remeasurement of defined benefit plans			
Balance at the beginning of the year	¥ —	¥ —	$ —
Changes during the year	12,348	(5,963)	(53,725)
Transfer to retained earnings	(12,348)	5,963	53,725
Balance at the end of the year	—	—	—
Cash flow hedges			
Balance at the beginning of the year	¥ (1,882)	¥ (880)	$ (7,928)
Changes during the year	1,002	(8,880)	(80,007)
Balance at the end of the year	(880)	(9,760)	(87,935)
Hedge cost			
Balance at the beginning of the year	¥ —	¥ —	$ —
Changes during the year	—	(242)	(2,180)
Balance at the end of the year	—	(242)	(2,180)
Exchange differences on translating foreign operations			
Balance at the beginning of the year	¥ —	¥ (1,899)	$ (17,109)
Changes during the year	(1,899)	3,118	28,092
Balance at the end of the year	(1,899)	1,219	10,982
Other components of equity			
Balance at the beginning of the year	¥111,321	¥118,015	$1,063,293
Changes during the year	40,326	(24,729)	(222,803)
Transfer to retained earnings	(33,633)	3,712	33,444
Balance at the end of the year	118,015	96,998	873,934

(2) Breakdown of each item of other comprehensive income included in non-controlling interests

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at FVTOCI	¥ 894	¥(269)	$(2,423)
Remeasurement of defined benefit plans	83	(933)	(8,406)
Cash flow hedges	545	(243)	(2,189)
Exchange differences on translating foreign operations	1,169	922	8,307
Other comprehensive income	¥2,692	¥(524)	$(4,721)

(3) Other comprehensive income

The breakdown of each item of other comprehensive income and related impact of tax effects (including non-controlling interests) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Items that will not be reclassified to profit (loss)			
Net gain (loss) from financial assets measured at FVTOCI			
Amount arising during the year	¥ 42,639	¥(12,175)	$(109,694)
Before tax effects	42,639	(12,175)	(109,694)
Tax effects	(14,654)	(578)	(5,207)
After tax effects	27,984	(12,753)	(114,902)
Remeasurement of defined benefit plans			
Amount arising during the year	¥ 17,506	¥(10,618)	$ (95,666)
Before tax effects	17,506	(10,618)	(95,666)
Tax effects	(4,766)	3,622	32,633
After tax effects	12,739	(6,996)	(63,032)
Share of other comprehensive income (loss) of entities accounted for by the equity method			
Amount arising during the year	¥ 1,476	¥(178)	$ (1,603)
Before tax effects	1,476	(178)	(1,603)
Tax effects	—	—	—
After tax effects	1,476	(178)	(1,603)
Items that may be reclassified to profit (loss)			
Cash flow hedges			
Amount arising during the year	¥ 1,560	¥ (2,518)	$ (22,686)
Reclassification adjustments	931	787	7,090
Before tax effects	2,491	(1,731)	(15,595)
Tax effects	(3)	837	7,541
After tax effects	2,488	(893)	(8,045)
Hedge cost			
Amount arising during the year	¥ —	¥ (311)	$ (2,802)
Reclassification adjustments	—	(37)	(333)
Before tax effects	—	(348)	(3,135)
Tax effects	—	105	946
After tax effects	—	(242)	(2,180)
Exchange differences on translating foreign operations			
Amount arising during the year	¥ (879)	¥ 4,656	$ 41,949
Reclassification adjustments	128	34	306
Before tax effects	(750)	4,690	42,256
Tax effects	53	(53)	(477)
After tax effects	(697)	4,637	41,778
Share of other comprehensive income (loss) of entities accounted for by the equity method			
Amount arising during the year	¥ (419)	¥ (9,629)	(86,755)
Reclassification adjustments	(553)	801	7,216
Before tax effects	(973)	(8,828)	(79,538)
Tax effects	—	—	—
After tax effects	(973)	(8,828)	(79,538)
Total other comprehensive income	¥ 43,018	¥(25,254)	$(227,534)

31 RELATED PARTY TRANSACTIONS

(1) Transactions with affiliates and joint ventures

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Balance of receivables *1	¥ 77,878	¥ 72,142	¥ 60,614	$546,121
Balance of payables	¥113,115	¥124,724	¥102,051	$919,461

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Revenue	¥238,416	¥231,298	$2,083,953
Purchases	¥ 58,166	¥ 75,445	$ 679,745

*1. The Group provides loans to some related parties. The largest borrower is ATMEA S.A.S.
The total amounts of loans to related parties were ¥16,707 million, ¥18,218 million, and ¥19,661 million ($177,142 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively. The Group sets loss allowances for the loans as ¥1,993 million, ¥10,286 million, and ¥12,529 million ($112,884 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively.
The loans receivable and the loss allowances shown in the table above are net amounts.

(2) Remuneration for management personnel

Remuneration amount for directors is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Short-term remuneration	¥582	¥633	$5,703
Share-based remuneration	99	93	837
Total	¥681	¥726	$6,541

Other than above, the amount of welfare expenses, which is borne by MHI when appointing directors, for the fiscal years ended March 31, 2018 and March 31, 2019 were ¥10 million and ¥11 million ($99 thousand), respectively.

32 MAJOR SUBSIDIARIES

The Group's major subsidiaries are as follows:

Name of subsidiary	Location	Ownership percentage of voting rights*1 Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Power Systems				
Mitsubishi Hitachi Power Systems, Ltd.*2	Nishi-ku, Yokohama City	65.0%	65.0%	65.0%
Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi	100%	100%	100%
Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	100%	100%	100%
Mitsubishi Heavy Industries Marine Machinery & Equipment Co., Ltd.	Nagasaki City, Nagasaki	100%	100%	100%
Mitsubishi Hitachi Power Systems Environmental Solutions, Ltd.	Nishi-ku, Yokohama City	100% (100%)	100% (100%)	100% (100%)
PW Power Systems, LLC	Connecticut, U.S.A.	100% (100%)	100% (100%)	100% (100%)
MHI Holding Denmark ApS	Copenhagen, Denmark	100%	100%	100%
Mitsubishi Hitachi Power Systems Americas, Inc.	Florida, U.S.A.	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Hitachi Power Systems Europe GmbH	Duisburg, Germany	100% (100%)	100% (100%)	100% (100%)
Industry & Infrastructure				
Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.	Chiyoda-ku, Tokyo	100%	100%	100%
Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Chuo-ku, Sagamihara City	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Heavy Industries Engineering, Ltd.	Nishi-ku, Yokohama City	—	100%	100%
Mitsubishi Heavy Industries Thermal Systems, Ltd.	Minato-ku, Tokyo	100%	100%	100%
Mitsubishi Logisnext Co., Ltd.	Nagaokakyo City, Kyoto	50.9% (50.9%)	50.9% (50.9%)	50.9% (50.9%)
Mitsubishi Shipbuilding Co., Ltd.	Nishi-ku, Yokohama City	-	100%	100%
Mitsubishi Heavy Industries Machine Tool Co., Ltd.	Ritto City, Shiga	100%	100%	100%
Mitsubishi Heavy Industries Machinery Systems, Ltd.	Hyogo-ku, Kobe City	100%	100%	100%
Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd.	Nishi-ku, Yokohama City	100%	100% (100%)	100% (100%)
Mitsubishi Heavy Industries Engine Systems Co., Ltd.	Shinagawa-ku, Tokyo	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Heavy Industries Air-Conditioning & Refrigeration Corporation	Minato-ku, Tokyo	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Heavy Industries Marine Structure Co., Ltd.	Nagasaki City, Nagasaki	100%	100%	100%
MHI Plant Engineering & Construction., Ltd.	Nishi-ku, Yokohama City	—	100% (100%)	100% (100%)
Logisnext UniCarriers Co., Ltd.	Moriguchi City, Osaka	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Caterpillar Forklift Europe B.V.	Almere, The Netherlands	97.5% (97.5%)	97.5% (97.5%)	97.5% (97.5%)
Mitsubishi Turbocharger Asia Co., Ltd.	Chonburi, Thailand	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Caterpillar Forklift America Inc.	Texas, U.S.A.	93.1% (93.1%)	93.1% (93.1%)	93.1% (93.1%)
Mitsubishi Heavy Industries-Haier (Qingdao) Air-Conditioners Co., Ltd.	Shandong, China	55.0% (55.0%)	55.0% (55.0%)	55.0% (55.0%)
UniCarriers Americas Corporation	Illinois, U.S.A.	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Heavy Industries-Mahajak Air Conditioners Co., Ltd.	Bangkok, Thailand	81.8% (81.8%)	81.8% (81.8%)	81.8% (81.8%)
Mitsubishi Turbocharger and Engine Europe B.V.	Almere, The Netherlands	100% (100%)	100% (100%)	100% (100%)
Shanghai MHI Turbocharger Co., Ltd.	Shanghai, China	56.2% (56.2%)	56.2% (56.2%)	56.2% (56.2%)
Mitsubishi Turbocharger and Engine America, Inc.	Illinois, U.S.A	100% (100%)	100% (100%)	100% (100%)
Mitsubishi Logisnext Europe B.V.	Enschede, The Netherlands	100% (100%)	100% (100%)	100% (100%)
Primetals Technologies, Ltd.	London, U.K.	51.0% (51.0%)	51.0% (51.0%)	51.0% (51.0%)

Name of subsidiary	Location	Ownership percentage of voting rights*1 Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Aircraft, Defense & Space				
Mitsubishi Aircraft Corporation	Minato-ku, Nagoya City	64.6%	64.6%	86.9%
Others				
MHI International Investment B.V.	Almere, The Netherlands	100%	100%	100%
Mitsubishi Heavy Industries (China) Co., Ltd.	Beijing, China	100%	100%	100%
Mitsubishi Heavy Industries Asia Pacific Pte. Ltd.	Singapore	100%	100%	100%
Mitsubishi Heavy Industries America, Inc.	Texas, U.S.A.	100%	100%	100%
Mitsubishi Heavy Industries Europe, Ltd.	London, U.K.	100%	100%	100%
Mitsubishi Heavy Industries (Thailand)Ltd.	Bangkok, Thailand	—	—	100% (100%)
Mitsubishi Heavy Industries (Shanghai) Co., Ltd	Shanghai, China	100% (100%)	100% (100%)	100% (100%)
Other subsidiaries*3		194 Companies	190 companies	193 companies

*1. The numbers in brackets in the ownership percentage of voting rights represent the percentage of indirect ownership, out of the total ownership percentage.

*2. Summarized financial information and others of Mitsubishi Hitachi Power Systems, Ltd. are as follows. Its non-controlling interests are of certain importance in the consolidated financial statements.

	Millions of yen Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	Thousands of U.S. dollars As of March 31, 2019
Current assets	¥1,381,182	¥1,507,453	**¥1,693,032**	**$15,253,914**
Non-current assets	363,651	388,183	**387,308**	**3,489,575**
Current liabilities	980,589	1,075,845	**1,203,163**	**10,840,282**
Non-current liabilities	79,433	82,131	**83,260**	**750,157**
Total equity	¥ 684,811	¥ 737,658	**¥ 793,916**	**$ 7,153,040**
Revenue	—	1,130,833	**1,125,123**	**10,137,156**
Profit (loss)	—	53,948	**56,399**	**508,144**
Total comprehensive income	—	54,059	**56,128**	**505,703**
Dividends paid to non-controlling shareholders	—	1,934	**1,375**	**12,388**
Profit (loss) allocated to non-controlling shareholders	—	20,865	**21,158**	**190,629**
Accumulated non-controlling interests	¥ 219,954	¥ 240,876	**¥ 257,286**	**$ 2,318,100**
Percentage of non-controlling interests	32.12%	32.65%	**32.41%**	

*3. The number of other companies at the transition date is based on the scope of consolidation for the fiscal year ended March 31, 2017.

33 COMMITMENTS

(1) Commitments related to the acquisition of property, plant and equipment

The amounts committed for the purchase of property, plant and equipment where the purchase has already been committed but has not been inspected for acceptance were ¥42,289 million, ¥36,230 million, and ¥25,568 million ($230,363 thousand) as of the transition date, March 31, 2018 and March 31, 2019, respectively.

(2) Commitments related to the acquisition of intangible assets

The amounts committed for the purchase of intangible assets where the purchase has already been committed but has not been inspected for acceptance were ¥1,416 million, ¥701 million, and ¥641 million ($5,775 thousand) as of the transition date, March 31, 2018 and March 31, 2019, respectively.

(3) Commitments to joint ventures

The Group is committed to making capital investments in some joint ventures.

The amounts committed by the Group for new or additional capital investments were ¥33,801 million, ¥29,210 million, and ¥24,063 million ($216,803 thousand) as of the transition date, March 31, 2018 and March 31, 2019, respectively.

34 CONTINGENT LIABILITIES

(Contingent liabilities relating to change in MRJ delivery timing)
MHI announced in January 2017 that the scheduled delivery timing of the first MRJ would be changed from mid-2018 to mid-2020, and has continued discussions on the delivery timing with existing customers.

Going forward, it is possible that additional liabilities will arise depending on the results of the discussion with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.

35 RISK MANAGEMENT

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 its operating activities and has established risk management policies and frameworks to avoid or reduce these risks.

(1) Credit risk management

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

The Group regularly manages the 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 for credit enhancement purposes. The Group also tries to reduce credit risk by utilizing letters 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 allowance for expected credit loss for "Trade and other receivables" and "Contract assets" presented in the Consolidated statement of financial position are always measured at an amount equal to the lifetime expected credit losses (Simplified approach).

As a general rule, loss allowance for expected credit losses for financial assets measured at amortized cost other than those noted above are measured at the same amounts as the 12-month expected credit losses. However, when payments have not been made within due dates, the Group considers that there has been a significant increase in credit risk since initial recognition, and recognizes loss allowances for expected credit losses (ECL) at an amount equal to the lifetime expected credit losses (General approach).

For financial assets with a significant increase in credit risk, if full or partial collection of receivables is considered extremely difficult, for example when a debtor requests a major modification in payment conditions because of serious financial difficulties, it is deemed to be a default. When a debtor is deemed to be in default or when events such as the commencement of legal liquidation proceedings due to bankruptcy of debtor take place, the Group considers such financial assets to be credit-impaired. The Group also directly reduces the carrying amount of financial assets when it is evident that the amount of the financial assets cannot be collected in the future.

The amount of ECL is measured as follows:
- Trade and other receivables and contract assets
  Based on the simplified approach, receivables and contract assets are classified according to the customers' credit risk characteristics. The ECL are measured by multiplying a provision rate determined by adjusting forecasts such as future economic conditions to the rate of past credit losses calculated based on this classification.
- Other financial assets measured at amortized cost
  Based on the general approach, ECL for receivables that are not deemed to have a significant increase in credit risk are assumed by multiplying the total carrying amount of the financial assets by a provision rate calculated by adjusting forecasts, such as future economic conditions, to the rate of past credit losses for the same kind of assets. ECL for financial assets that are deemed to have a significant increase in credit risk and credit-impaired financial assets are determined as the difference between the present value of estimated future cash flows discounted by the initial effective interest rate of the assets and the gross carrying amount of the assets.

a) Balances of loss allowance for ECL for assets

		Millions of yen			Thousands of U.S. dollars
Measurement method of credit losses	Classification	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Simplified approach		¥1,422,536	¥1,438,454	¥1,283,447	$11,563,627
General approach	Measured at an amount equal to the 12-month ECL	94,236	104,336	97,534	878,763
	Measured at an amount equal to the lifetime ECL	—	—	—	—
	Measured at an amount equal to the lifetime ECL (credit impaired)	¥ 13,596	¥ 14,814	¥ 17,399	$ 156,761

Credit ratings of financial assets within the same classification in the table above are largely the same.

b) Changes in loss allowances for ECL are as follows:

For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

	Millions of yen				
	Balance at the beginning of the year	Changes during the year	Decrease during the year (utilization)	Other changes*1	Balance at the end of the year
Allowances using the simplified approach	14,256	(514)	(723)	(737)	12,281
Allowances using the general approach					
Other than credit-impaired financial assets	1,047	239	(339)	317	1,266
Credit-impaired financial assets*2	1,993	8,293	—	—	10,286

For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

	Millions of yen				
	Balance at the beginning of the year	Changes during the year	Decrease during the year (utilization)	Other changes*1	Balance at the end of the year
Allowances using the simplified approach	¥12,281	¥1,094	¥(1,045)	¥(370)	¥11,960
Allowances using the general approach					
Other than credit-impaired financial assets	1,266	(122)	(195)	(187)	759
Credit-impaired financial assets*2	¥10,286	¥3,322	¥ —	¥ —	¥13,609

For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

	Thousands of U.S. dollars				
	Balance at the beginning of the year	Changes during the year	Decrease during the year (utilization)	Other changes*1	Balance at the end of the year
Allowances using the simplified approach	$110,649	$9,856	$(9,415)	$(3,333)	$107,757
Allowances using the general approach					
Other than credit-impaired financial assets	11,406	(1,099)	(1,756)	(1,684)	6,838
Credit-impaired financial assets*2	$ 92,675	$29,930	$ —	$ —	$122,614

*1. Other changes include adjustments for foreign currency translation gains and losses.
*2. Loss allowances on credit-impaired financial assets increased due to a deterioration in financial positions of debtors as of March 31, 2018 and March 31, 2019, respectively. Credit-impaired financial assets include loans to ATMEA S.A.S., which is stated in Note 31. "Related Party Transactions".

c) Financial guarantee contracts

The Group has provided guarantees with respect to borrowings made by the Group's associates from financial institutions.

Guarantees outstanding were ¥20,085 million, ¥17,519 million, and ¥34,249 million ($308,577 thousand) as of the date of transition, March 31, 2018 and March 31, 2019, respectively. These guarantees are not included in the tables a) and b) above because the credit risk related to these guarantees is limited and not material.

(2) Liquidity risk management

The Group's "Bonds, borrowings and other financial liabilities" and "Trade 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 factoring agreements.

The Group has 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.

Maturity amounts of the remaining contracts of the Group's financial liabilities are as follows:

Transition date (As of April 1, 2017)

	Millions of yen				
	Carrying amount	Total undiscounted contractual cash flows	One year or less	More than one year and less than five years	More than five years
Non-derivative liabilities					
Trade and other payables	¥ 750,867	¥ 750,867	¥ 729,553	¥ 20,993	¥ 319
Bonds	275,000	282,702	62,650	153,821	66,231
Short-term borrowings	205,679	205,679	205,679	—	—
Long-term borrowings	444,887	469,029	103,617	215,998	149,413
Liabilities under factoring agreements	146,994	146,994	123,229	23,764	—
Liabilities arising from put options held by non-controlling shareholders	48,893	48,893	—	48,893	—
Lease liabilities	8,852	10,945	1,903	4,480	4,560
Other financial liabilities	95,564	105,101	56,125	29,589	19,386
Derivative liabilities	19,673	19,673	10,236	9,436	—
Total	¥1,996,411	¥2,039,885	¥1,292,996	¥506,977	¥239,911

As of March 31, 2018

	Millions of yen				
	Carrying amount	Total undiscounted contractual cash flows	One year or less	More than one year and less than five years	More than five years
Non-derivative liabilities					
Trade and other payables	¥ 801,154	¥ 801,154	¥ 783,823	¥ 16,712	¥ 618
Bonds	235,000	240,432	31,475	132,978	75,979
Short-term borrowings	229,584	229,584	229,584	—	—
Long-term borrowings	348,586	366,494	73,821	213,657	79,015
Liabilities under factoring agreements	189,793	189,793	134,284	55,509	—
Liabilities arising from put options held by non-controlling shareholders	53,363	53,363	—	53,363	—
Lease liabilities	8,966	10,857	1,909	4,757	4,190
Other financial liabilities	97,418	106,255	51,771	36,813	17,671
Derivative liabilities	10,953	10,953	4,479	6,474	—
Total	¥1,974,821	¥2,008,889	¥1,311,149	¥520,266	¥177,474

As of March 31, 2019

	Millions of yen				
	Carrying amount	Total undiscounted contractual cash flows	One year or less	More than one year and less than five years	More than five years
Non-derivative liabilities					
Trade and other payables	¥ 862,174	¥ 862,174	¥ 847,555	¥ 14,531	¥ 87
Bonds	205,000	208,958	66,365	82,064	60,528
Short-term borrowings	170,124	170,124	170,124	—	—
Long-term borrowings	289,989	303,284	49,219	198,991	55,073
Liabilities under factoring agreements	140,405	140,405	99,317	41,087	—
Liabilities arising from put options held by non-controlling shareholders	51,974	51,974	—	51,974	—
Lease liabilities	9,921	11,764	2,520	5,269	3,974
Other financial liabilities	99,800	102,708	60,493	25,933	16,281
Derivative liabilities	9,860	9,860	4,951	4,909	—
Total	¥1,839,252	¥1,861,257	¥1,300,548	¥424,763	¥135,945

As of March 31, 2019

	Thousands of U.S. dollars				
	Carrying amount	Total undiscounted contractual cash flows	One year or less	More than one year and less than five years	More than five years
Non-derivative liabilities					
Trade and other payables	$ 7,768,033	$ 7,768,033	$ 7,636,318	$ 130,921	$ 783
Bonds	1,847,013	1,882,674	597,936	739,381	545,346
Short-term borrowings	1,532,786	1,532,786	1,532,786	—	—
Long-term borrowings	2,612,748	2,732,534	443,454	1,792,873	496,197
Liabilities under factoring agreements	1,265,023	1,265,023	894,828	370,186	—
Liabilities arising from put options held by non-controlling shareholders	468,276	468,276	—	468,276	—
Lease liabilities	89,386	105,991	22,704	47,472	35,805
Other financial liabilities	899,180	925,380	545,031	233,651	146,688
Derivative liabilities	88,836	88,836	44,607	44,229	—
Total	$16,571,330	$16,769,591	$11,717,704	$3,827,038	$1,224,840

Financial guarantee contracts are not included in the tables above.

The obligation to pay under financial guarantee contracts arises upon request. Guarantees outstanding are as specified in (1) c).

(3) Market risk management

a) Foreign currency risk management

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

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

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

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

(i) Exposure to foreign currency risk

Major exposure to foreign currency risk in the Group (in net amounts) is as follows.

Amounts where the foreign currency risk is hedged through derivative transactions are excluded.

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
U.S. dollars	¥(52,469)	¥18,023	**¥58,558**	**$527,597**
Euros	¥ 24,978	¥26,577	**¥36,732**	**$330,948**

(ii) Foreign exchange sensitivity analysis

When the yen's value increases by 1% against the U.S. dollar and the Euro at the end of each fiscal year, an impact on profit before income taxes of the Group is as follows.

This analysis is based on the assumption that other variable factors (such as balances and interest rates) are constant.

	Millions of yen		Thousands of U.S. dollars
Profit before income taxes	2018	**2019**	**2019**
U.S. dollars	¥(180)	**¥(587)**	**$(5,288)**
Euros	¥(266)	**¥(366)**	**$(3,297)**

b) Interest rate risk management

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

(i) Exposure to interest rate risk

Exposure to interest rate risk in the Group is as follows.

Amounts where the interest rate risk is hedged through derivative transactions are excluded.

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Borrowings with variable interest rates	¥127,658	¥143,667	¥83,501	$752,329

(ii) Interest rate sensitivity analysis

The table below shows an impact on profit before income taxes of the Group arising from financial instruments that are affected by interest rate fluctuations when interest rates increase by 1% in each fiscal year.

In this analysis, the calculation is made by multiplying financial instruments with variable interest rates (excluding deposits) held by the Group at the end of each fiscal year by 1%, assuming that all other variables are constant, and not considering changes in balances in the future, effects of fluctuations in exchange rates, diversification effects of refinancing periods and timing of interest rate revision in relation to the borrowings with variable interest rates, etc.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit before income taxes	¥(1,437)	¥(835)	$(7,523)

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 holding these shares 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 necessity that arises from business operations, such as collaboration with other companies.

(i) Exposure to share price fluctuation

The total amount of marketable stocks at the end of each consolidated fiscal year is as follows.

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Marketable stocks	¥405,496	¥337,286	¥309,606	$2,789,494

(ii) Sensitivity analysis of share price fluctuation

If the value of marketable stocks and investments held by the Group at the end of each consolidated fiscal year decreases by 10%, the impact on other comprehensive income (before tax effect deduction) in the consolidated statement of comprehensive income is as follows.

In this analysis, it is assumed that the other fluctuation factors are constant.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other comprehensive income (After tax deduction)	¥(23,380)	¥(21,539)	$(194,062)

d) The impact of derivative transactions designated as hedges in the consolidated statement of financial position

(i) Derivative instruments designated as cash flow hedges

Transition data (As of April 1, 2017)

	Millions of yen			
			Carrying amount of hedging instruments	
Hedging instruments	Contract amount/ notional amount	Of which, more than 1 year	Assets	Liabilities
Foreign exchange risk				
Forward exchange contracts	¥ 60,166	¥ 19,975	¥1,924	¥ 735
Interest rate risk				
Interest rate swap	¥201,640	¥151,640	¥ —	¥4,568

As of March 31, 2018

	Millions of yen			
			Carrying amount of hedging instruments	
Hedging instruments	Contract amount/ notional amount	Of which, more than 1 year	Assets	Liabilities
Foreign exchange risk				
Forward exchange contracts	¥ 37,827	¥ 31,607	¥1,120	¥ 162
Interest rate risk				
Interest rate swap	¥143,468	¥138,106	¥ —	¥1,833

As of March 31, 2019

	Millions of yen			
			Carrying amount of hedging instruments	
Hedging instruments	Contract amount/ notional amount	Of which, more than 1 year	Assets	Liabilities
Foreign exchange risk				
Forward exchange contracts	¥ 48,873	¥ 7,290	¥1,429	¥ 811
Currency swap	594	445	573	—
Interest rate risk				
Interest rate swap	¥117,928	¥82,403	¥ —	¥2,841

As of March 31, 2019

	Thousands of U.S. dollars			
			Carrying amount of hedging instruments	
Hedging instruments	Contract amount/ notional amount	Of which, more than 1 year	Assets	Liabilities
Foreign exchange risk				
Forward exchange contracts	$ 440,336	$ 65,681	$12,875	$ 7,306
Currency swap	5,351	4,009	5,162	—
Interest rate risk				
Interest rate swap	$1,062,510	$742,436	$ —	$25,596

Major transactions of the Group's foreign exchange contracts designated as hedges are selling U.S. dollars and buying Japanese yen. The average contract rate is 115.47 yen per U.S. dollar, 115.06 yen per U.S. dollar, and 109.65 yen per U.S. dollar as of the date of transition, March 31, 2018 and March 31, 2019, respectively.

Currency swaps are mainly used as hedging instruments (fixed amounts to be paid in yen and fixed amounts to be received in U.S. dollar) for U.S. dollar borrowings at fixed interest rates. The average contract rate for exchanges of principals is 110.17 yen per U.S. dollar as of March 31, 2019. The Group enters into interest rate swaps that mainly exchange variable interest rate payments for fixed interest rate payments. The average contract rate is 1.70%, 2.16%, and 2.19% as of the date of transition, March 31, 2018 and March 31, 2019, respectively.

The hedging instruments above are classified and recorded in "Other financial assets" or "Bonds, borrowings and other financial liabilities" of current and non-current assets or liabilities in the consolidated statement of financial position.

(ii) Cash flow hedge reserve and hedge cost reserve

	Millions of yen			Thousands of U.S. dollars
	Transition date (As of April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**	**As of March 31, 2019**
Cash flow hedge reserve				
Foreign exchange risk				
Forward exchange contracts	¥ 1,294	¥ 395	**¥(8,424)**	**$(75,898)**
Currency swap	—	—	**641**	**5,775**
Interest rate risk				
Interest rate swap	(3,177)	(1,275)	**(1,977)**	**(17,812)**
Total	¥(1,882)	¥ (880)	**¥(9,760)**	**$(87,935)**
Hedging cost reserve				
Currency swap	—	—	**(242)**	**(2,180)**
Total	¥ —	¥ —	**¥ (242)**	**$ (2,180)**

The Group documents the hedging relationship between a hedging instrument and a hedged item, as well as risk management objectives and strategies for entering into a variety of hedging transactions at the inception of transactions in order to assess whether the hedging relationship meets the qualifying criteria for hedge accounting. The Group also assesses and documents at the inception of the hedge whether the hedging relationship meets all of the hedge effectiveness requirements when a derivative used for a hedging transaction to offset changes in the cash flows of a hedged item, and continues to review the hedging relationship even after the start of the transaction.

The Group sets an appropriate hedge ratio at the inception of the hedging relationship based on the quantity of the hedged item and the quantity of the hedging instrument. As a result, the Group's hedge ratio has a 1:1 relationship in principle.

The Group assumes that no significant ineffective portion of hedges arises because the credit risk related to the hedging instruments of the Group is limited. This assumption is also based on the following facts: the periods of exchange contracts are not on a long-time basis; the reference interest rate indices used for interest rate swap contracts are the same as those for the hedged borrowings with variable interest rates; and currency swap contracts (excluding the foreign currency basis spread) are designated as hedging instruments and their terms match the critical terms of the hedged borrowings denominated in foreign currencies.

Since the ineffective portion of hedges recognized in profit or loss are not material, and changes in the value of hedged items approximate those in the fair value of hedging instruments, the Group omits the specification of changes in the value of the hedged items, used as a basis for recognizing the hedge ineffectiveness. No cash flow hedge reserve arises from hedging relationships for which hedge accounting has been discontinued.

All of the hedge cost reserves are recognized in respect of currency swap contracts to hedge time-period related hedged items.

e) Impact on the consolidated statement of profit or loss and the consolidated statement of comprehensive income

The impact of applying hedge accounting on the consolidated statement of profit or loss and the consolidated statement of comprehensive income is as follows:

As of March 31, 2018

	Millions of yen		
	Changes in the fair value of hedging instruments recognized in other comprehensive income	Amount transferred from other components of equity to profit or loss as a reclassification adjustment	Line item of profit or loss transferred as a reclassification adjustment
Foreign exchange risk			
Forward exchange contracts	¥(1,174)	¥ (702)	Finance income
Interest rate risk			
Interest rate swap	¥ 2,734	¥1,633	Finance costs

As of March 31, 2019

	Millions of yen		
	Changes in the fair value of hedging instruments recognized in other comprehensive income	Amount transferred from other components of equity to profit or loss as a reclassification adjustment	Line item of profit or loss transferred as a reclassification adjustment
Foreign exchange risk			
Forward exchange contracts	¥(2,196)	¥ 899	Finance costs
Currency swap	1,454	(881)	Finance income
Interest rate risk			
Interest rate swap	¥(1,777)	¥ 769	Finance costs

As of March 31, 2019

	Thousands of U.S. dollars		
	Changes in the fair value of hedging instruments recognized in other comprehensive income	Amount transferred from other components of equity to profit or loss as a reclassification adjustment	Line item of profit or loss transferred as a reclassification adjustment
Foreign exchange risk			
Forward exchange contracts	$(19,785)	$ 8,099	Finance costs
Currency swap	13,100	(7,937)	Finance income
Interest rate risk			
Interest rate swap	$(16,010)	$ 6,928	Finance costs

36 CAPITAL MANAGEMENT

It is a top priority for the Group to maintain or improve asset efficiency in its business activities. In accordance with its key policy, while maintaining financial soundness by generating stable free cash flows and increasing profitability, the Group strives to enhance corporate value stably over the long term by promoting growth strategies based on its long-term vision.

Based on the policy above, the Group sets and monitors return on equity attributable to owners of the parent (ROE), the ratio of equity attributable to owners of the parent, and the debt-to-equity (D/E) ratio as the target metrics of the Medium-term Business Plan as follows:

	Transition date (As of April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Return on equity attributable to owners of the parent (ROE) (%)	—	(0.52)	**7.17**
Ratio of equity attributable to owners of the parent (%)	26.76	26.59	**27.82**
D/E ratio (debt ratio) (%)	55.05	48.01	**38.03**

The Group is not subject to any material capital requirements.

37 SUBSEQUENT EVENTS

On June 25, 2019, MHI decided to acquire the Canadair Regional Jet (CRJ) program of the Canadian company Bombardier Inc. Details of the acquisition are as follows.

(1) Overview of the Acquisition

With this agreement, the Group will acquire the maintenance, support*1, refurbishment, marketing, and sales activities, as well as the type certificate for the CRJ Series*2 aircraft. This acquisition will complement the development, production, sales and customer support of the Mitsubishi SpaceJet family*3, (currently under development by the Group), thereby supporting the Group's future growth.

*1. Production and maintenance of service manuals, supply of spare parts, technical support, crew and mechanic training, MRO (maintenance repair and overaul), etc.
*2. The Canadair Regional Jet (CRJ) is a series of small passenger jets seating 50 to 100 persons, manufactured and sold by Bombardier Aerospace, the aircraft division of Bombardier Inc.
*3. The Mitsubishi SpaceJet Family is a next-generation series of regional jets being developed by the Group.

(2) Overview of Bombardier

1. Name	Bombardier. Inc.
2. Location	800, boulevard René-Lévesque West Montréal (Québec) H3B 1Y8, Canada
3. Representative	Alain Bellemare, President and Chief Executive Officer
4. Main Lines of Business	Provision of railway vehicles, systems, signals and other solutions; Design, manufacture, and customer service for business jets; Design, manufacture, and customer service for commercial aircraft; Design and manufacture of structural parts
5. Capital (at March 31,2019)	USD 2,971 million
6. Date of Establishment	June 19, 1902

(3) Overview of Bombardier's Commercial Aircraft Division and the Business to be acquired within that Division

1. Business Overview	Design, manufacture, and customer service for commercial aircraft (CRJ Series & Q-series)
2. Business Results for the Subject Business Division	Fiscal year ended December 31, 2018 Revenue: USD 1,756 million
3. Business to be acquired	Within the above Bombardier commercial aircraft division, the CRJ series business (excluding the manufacturing functions) Content and Scope: The maintenance, support, refurbishment, marketing, and sales activities, as well as the type certificate for the CRJ Series aircraft, including the related services and support network located in Montréal, Quebec, and Toronto, Ontario, and its service centers located in Bridgeport, West Virginia, and Tucson, Arizona. The CRJ production facility in Mirabel, Québec will remain with Bombardier. Bombardier will continue to supply components and spare parts and will assemble the current CRJ backlog on behalf of the Group. CRJ production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft. • Types: CRJ100/200 (50 seats, production discontinued), CRJ700 (70 seats), CRJ900 (90 seats), CRJ1000 (100 seats)
4. Others	• In addition to the cash consideration of $550 million payable to Bombardier upon closing, the Group will assume liabilities amounting to approximately $200 million Bombardier will also transfer its net beneficial interest in the Regional Aircraft Securitization Program (RASPRO), which is valued at approximately $180 million to the Group. • Bombardier will retain certain liabilities representing a portion of the credit and residual value guarantees totaling approximately $400 million This amount is fixed and not subject to future changes in aircraft value, and payable by Bombardierover the next four years.

(4) Acquisition Amount and Settlement Method

a) Acquisition Amount

USD 550 million*1 (approx. JPY 59 billion*2)

*1. Final amount will be decided based on the terms of the Transfer Agreement, including financial figures etc. subjecting the above amount to possible change.

*2 Converted at ¥107/$1 (rate at June 25, 2019)

b) Payment Method

Payment of the acquisition amount in cash on the day the transaction is completed

c) Completion of the Transaction

Completion upon review by the Committee on Foreign Investment in the United States, and national antitrust authorities

d) Others

The agreement contemplates a reverse breakup fee payable by MHI under certain circumstances.

(5) Timeline

Resolution by the Board of Directors	June 25, 2019
Conclusion of the Contract	June 25, 2019
Completion of Acquisition	Late 2019 - Early 2020

(6) Overview of the Accounting Treatment

The business transfer is an "acquisition" accounted for under IFRS 3 Business Combinations, with goodwill and intangible assets expected to be incurred.

(7) Future Outlook

After the completion of the transaction, the fair value and goodwill of the assets acquired and liabilities assumed will be measured based on the determined transfer price after working capital adjustment, and the goodwill will be allocated to the relevant cash-generating units. The information will be disclosed as soon as a reasonable estimate can be made regarding the impact that they have on the business results for the current fiscal year.

38 FIRST-TIME ADOPTION OF IFRS

The Group prepared its consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2019. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the fiscal year ended March 31, 2018, and the date of transition to IFRS is April 1, 2017.

(1) Exemption in IFRS 1

IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires, as a general rule, a company adopting IFRS for the first time to apply the provisions required under IFRSs retrospectively. However, IFRS 1 allows exemptions from retrospective application of some IFRS requirements on first-time adoption of IFRS. The Group elected to apply the following exemptions:

a) Business combinations

The Group elected not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition. The Group has continued using the carrying amount of goodwill as of the date of transition under Japanese GAAP previously adopted.

b) Share-based remuneration

The Group elected not to apply IFRS 2 retrospectively to stock options vested before the date of transition.

c) Deemed cost

The Group uses the fair value of some items of property, plant and equipment as of the date of transition as the deemed cost under IFRSs on that date.

d) Leases

The Group applies IFRIC 4 to arrangements existing as of the date of transition based on circumstances as of the date of transition.

e) Foreign currency translation adjustment

The Group elected to deem foreign currency translation adjustment to be zero as of the date of transition.

f) Compound financial instruments

The Group elected not to retrospectively split compound financial instruments with no liability component outstanding as of the date of transition into liability and equity components.

g) Financial instruments

The Group elected to designate investments in equity instruments as financial assets measured at fair value through other comprehensive income based on facts and circumstances existing as of the date of transition.

(2) Reconciliations from Japanese GAAP to IFRS

The impact of the transition from Japanese GAAP to IFRS on the consolidated financial position, operating results, and cash flows of the Group is as follows. Items that do not affect retained earnings and comprehensive income are included in "Adjustments of differences in presentation," whereas items that affect retained earnings and comprehensive income are included in "Adjustments of differences in recognition and measurement" in the reconciliation schedules below.

a) Reconciliation of equity

Reconciliation of equity as of the date of transition (April 1, 2017)

	Millions of yen					
Presentation under Japanese GAAP	Japanese GAAP	Adjustments of differences in presentation	Adjustments of differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Current assets						**Current assets**
Cash and deposits	¥ 248,040	¥ (5,636)	¥ —	¥ 242,404		Cash and cash equivalents
Trade receivables	1,180,143	(491,570)	28,910	717,483	A	Trade and other receivables
	—	38,953	—	38,953		Other financial assets
	—	554,937	188,180	743,118	A,E	Contract assets
Merchandise and finished products	178,884	(178,884)	—	—		
Work in process	989,336	(989,336)	—	—		
Raw materials and supplies	157,330	(157,330)	—	—		
	—	1,293,807	(460,200)	833,606	C,E,L	Inventories
Deferred tax assets	114,274	(114,274)	—	—		
Indemnification asset for the South African project	294,955	—	114,566	409,521	B	Indemnification Asset for South African projects
Other current assets	368,088	(98,594)	1,643	271,137		Other current assets
Allowance for doubtful accounts	(8,959)	8,959	—	—		
Total current assets	3,522,095	(138,969)	(126,899)	3,256,226		**Total current assets**
Non-current assets						**Non-current assets**
Property, plant and equipment	935,078	(73,737)	(70,075)	791,265	D,F	Property, plant and equipment
Goodwill	120,552	—	—	120,552	G	Goodwill
Intangible assets	128,896	(525)	(3,415)	124,954	C,D	Intangible assets
Investments and advances						
Investment securities	578,758	(578,758)	—	—		
Long-term loans	17,778	(17,778)	—	—		
	—	127,335	18,418	145,754	H	Investments accounted for using the equity method
	—	526,606	(3,476)	523,130	H,J	Other financial assets
Asset for retirement benefit	60,556	(60,556)	—	—		
Deferred tax assets	13,060	114,274	(24,892)	102,442	I	Deferred tax assets
Others	113,407	45,688	23,579	182,675	C	Other non-current assets
Allowance for doubtful accounts	(8,204)	8,204	—	—		
Total non-current assets	1,959,883	90,752	(59,861)	1,990,774		**Total non-current assets**
Total assets	¥5,481,978	¥(48,217)	¥(186,761)	¥5,247,000		**Total assets**

	Millions of yen					
Presentation under Japanese GAAP	Japanese GAAP	Adjustments of differences in presentation	Adjustments of differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Current liabilities						**Current liabilities**
Trade payables	¥736,502	¥107,169	¥(92,805)	¥750,867	E	Trade and other payables
Electronically recorded obligations	99,560	(99,560)	—	—		
Short-term borrowings	205,679	(205,679)	—	—		
Current portion of long-term borrowings	97,729	(97,729)	—	—		
Current portion of bonds	60,000	(60,000)	—	—		
	—	447,159	105,049	552,209	A	Bonds, borrowings and other financial liabilities
Income taxes payable	31,233	—	—	31,233		Income taxes payable
Advance payments received on contracts	777,654	—	54,053	831,707	B,E	Contract liabilities
Provision for product warranties	14,899	(14,899)	—	—		
Provision for loss on construction contracts	49,853	(49,853)	—	—		
Provision for loss on passenger vessel construction business	18,463	(18,463)	—	—		
Provision for business structure improvement	6,585	(6,585)	—	—		
Provision for share-based payment arrangements	366	(366)	—	—		
	—	174,995	82,684	257,679	B,E	Provisions
Other current liabilities	428,734	(219,011)	11,334	221,057		Other current liabilities
Total current liabilities	2,527,262	(42,823)	160,315	2,644,754		**Total current liabilities**
Non-current liabilities						**Non-current liabilities**
Bonds	215,000	(215,000)	—	—		
Long-term borrowings	347,157	(347,157)	—	—		
	—	607,456	85,878	693,335	A,K	Bonds, borrowings and other financial liabilities
Deferred tax liabilities	85,689	349	(79,061)	6,976	I	Deferred tax liabilities
Liability for retirement benefits	123,160	3,505	1,064	127,730		Retirement benefit liabilities
Provision for treatment of PCB waste	6,485	(6,485)	—	—		
Provision for stock benefits	1,247	(1,247)	—	—		
	—	10,611	—	10,611		Provisions
Other non-current liabilities	71,858	(58,645)	68,945	82,158	B,L	Other non-current liabilities
Total non-current liabilities	850,598	(6,613)	76,826	920,811		**Total non-current liabilities**
Total liabilities	3,377,860	(49,436)	237,142	3,565,566		**Total liabilities**
Net assets						**Equity**
Common stock	265,608	—	—	265,608		Share capital
Capital surplus	203,658	3,756	(19,981)	187,433	K	Capital surplus
Treasury stock	(4,609)	—	—	(4,609)		Treasury shares
Retained earnings	1,214,749	—	(370,299)	844,450		Retained earnings
Accumulated other comprehensive income (loss)	100,113	—	11,208	111,321	I,J	Other components of equity
Share subscription rights	2,536	(2,536)	—	—		
				1,404,205		Equity attributable to owners of the parent
Non-controlling interests	322,059	—	(44,830)	277,228	K	Non-controlling interests
Total net assets	2,104,118	1,219	(423,903)	1,681,434		**Total equity**
Total liabilities and net assets	¥5,481,978	¥(48,217)	¥(186,761)	¥5,247,000		**Total liabilities and equity**

Reconciliation of equity as of March 31, 2018

	Millions of yen					
Presentation under Japanese GAAP	Japanese GAAP	Adjustments of differences in presentation	Adjustments of differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Current assets						**Current assets**
Cash and deposits	¥ 313,458	¥ (14,221)	¥ —	¥ 299,237		Cash and cash equivalents
Trade receivables	1,232,742	(524,073)	51,233	759,902	A	Trade and other receivables
	—	27,591	—	27,591		Other financial assets
	—	610,060	134,646	744,707	A,E	Contract assets
Merchandise and finished products	173,152	(173,152)	—	—		
Work in process	899,839	(899,839)	—	—		
Raw materials and supplies	139,822	(139,822)	—	—		
	—	1,182,013	(433,439)	748,574	C,E,L	Inventories
Deferred tax assets	108,954	(108,954)	—	—		
Indemnification asset for the South African project	400,903	—	45,016	445,920	B	Indemnification Asset for South African projects
Other current assets	319,337	(108,415)	4,070	214,992		Other current assets
Allowance for doubtful accounts	(8,998)	8,998	—	—		
Total current assets	3,579,212	(139,815)	(198,471)	3,240,925		**Total current assets**
Non-current assets						**Non-current assets**
Property, plant and equipment	867,884	(26,705)	(67,993)	773,186	D,F	Property, plant and equipment
Goodwill	105,125	—	16,437	121,563	G	Goodwill
Intangible assets	107,655	—	(4,632)	103,023	C,D	Intangible assets
Investments and advances						
Investment securities	605,434	(605,434)	—	—		
Long-term loans	18,623	(18,623)	—	—		
	—	186,870	18,327	205,198	H	Investments accounted for using the equity method
	—	493,324	(8,276)	485,047	H,J	Other financial assets
Asset for retirement benefits	73,426	(73,426)	—	—		
Deferred tax assets	27,350	108,954	(15,166)	121,138	I	Deferred tax assets
Others	109,548	67,398	21,727	198,673	C	Other non-current assets
Allowance for doubtful accounts	(6,608)	6,608	—	—		
Total non-current assets	1,908,440	138,966	(39,575)	2,007,831		**Total non-current assets**
Total assets	¥5,487,652	¥(848)	¥(238,047)	¥5,248,756		**Total assets**

	Millions of yen					
Presentation under Japanese GAAP	Japanese GAAP	Adjustments of differences in presentation	Adjustments of differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Current liabilities						**Current liabilities**
Trade payables	¥771,324	¥98,853	¥(69,023)	¥801,154	E	Trade and other payables
Electronically recorded obligations	106,968	(106,968)	—	—		
Short-term borrowings	229,584	(229,584)	—	—		
Current portion of long-term borrowings	68,956	(68,956)	—	—		
Current portion of bonds	30,000	(30,000)	—	—		
	—	397,854	119,683	517,537	A	Bonds, borrowings and other financial liabilities
Income taxes payable	27,251	—	—	27,251		Income taxes payable
Advance payments received on contracts	899,642	—	15,054	914,697	B,E	Contract liabilities
Provision for product warranties	13,936	(13,936)	—	—		
Provision for loss on construction contracts	64,896	(64,896)	—	—		
Provision for business structure improvement (current)	6,739	(6,739)	—	—		
Provision for share-based payment arrangements (current)	781	(781)	—	—		
	—	168,500	34,296	202,797	B,E	Provisions
Other current liabilities	318,138	(142,374)	12,356	188,121		Other current liabilities
Total current liabilities	2,538,219	971	112,367	2,651,558		**Total current liabilities**
Non-current liabilities						**Non-current liabilities**
Bonds	205,000	(205,000)	—	—		
Long-term borrowings	279,630	(279,630)	—	—		
	—	532,916	123,213	656,129	A,K	Bonds, borrowings and other financial liabilities
Deferred tax liabilities	77,590	367	(71,218)	6,738	I	Deferred tax liabilities
Liability for retirement benefits	137,893	3,142	1,207	142,242		Retirement benefit liabilities
Provision for treatment of PCB waste	6,911	(6,911)	—	—		
Provision for stock benefits	1,148	(1,148)	—	—		
		18,747	—	18,747		Provisions
Other non-current liabilities	76,789	(65,876)	68,561	79,474	B,L	Other non-current liabilities
Total non-current liabilities	784,963	(3,394)	121,763	903,332		**Total non-current liabilities**
Total liabilities	3,323,183	(2,422)	234,130	3,554,891		**Total liabilities**
Net assets						**Equity**
Common stock	265,608	—	—	265,608		Share capital
Capital surplus	213,898	3,703	(31,664)	185,937	K	Capital surplus
Treasury stock	(4,081)	—	—	(4,081)		Treasury shares
Retained earnings	1,244,492	—	(414,435)	830,057		Retained earnings
Accumulated other comprehensive income (loss)	104,874	—	13,141	118,015	I,J	Other components of equity
Share subscription rights	2,129	(2,129)	—	—		
				1,395,537		Equity attributable to owners of the parent
Non-controlling interests	337,547	—	(39,219)	298,327	K	Non-controlling interests
Total net assets	2,164,469	1,574	(472,178)	1,693,865		**Total equity**
Total liabilities and net assets	¥5,487,652	¥ (848)	¥(238,047)	¥5,248,756		**Total liabilities and equity**

b) Reconciliation of total comprehensive income

Reconciliation of total comprehensive income for the previous fiscal year ended March 31, 2018

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Adjustments of differences in presentation (Millions of yen)	Adjustments of differences in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Notes	Presentation under IFRS
Net sales	¥4,110,816	¥ (4,052)	¥(21,085)	¥4,085,679	E	**Revenue**
Cost of sales	3,379,874	(4,052)	(8,755)	3,367,065	E,F	Cost of sales
Gross profit	730,942	—	(12,329)	718,613		**Gross profit**
Selling, general and administrative expenses	604,412	—	(59,344)	545,068	C,F,G,H	Selling, general and administrative expenses
	—	58,765	(34,021)	24,744	M	Other income
	—	42,379	100,402	142,782	D	Other expenses
	—	3,230	(560)	2,670		Share of profit (loss) of investments accounted for using the equity method
Operating income	126,530	19,616	(87,969)	58,176		**Profit from business activities**
Non-operating income	35,272	(30,886)	1,499	5,884		Finance income
Non-operating expenses	47,340	(24,850)	2,338	24,828		Finance costs
Extraordinary gain	31,303	(31,303)	—	—		
Extraordinary loss	17,723	(17,723)	—	—		
Profit before income taxes	128,042	—	(88,809)	39,232		**Profit before income taxes**
Total income taxes	31,868	—	(9,224)	22,644	I	Income taxes
Profit	96,173	—	(79,585)	16,588		**Profit**
Profit attributable to non-controlling interests	25,689	—	(1,780)	23,909		Profit (loss) attributable to non-controlling interests
Profit attributable to owners of the parent	70,484	—	(77,804)	(7,320)		Profit (loss) attributable to owners of the parent
Other comprehensive income (loss):						**Other comprehensive income (loss):**
						Items that will not be reclassified to profit (loss):
Valuation difference on available-for-sale securities	(648)	—	28,633	27,984	I,M	Financial assets measured at FVTOCI
Remeasurements of defined benefit plans	9,501	—	3,237	12,739		Remeasurement of defined benefit plans
Share of other comprehensive income (loss) of entities accounted for by the equity method	(857)	1,317	1,016	1,476		Share of other comprehensive income (loss) of entities accounted for using the equity method
				42,201		Total of items that will not be reclassified to profit or loss
						Items that may be reclassified to profit (loss):
Deferred gains or losses on hedges	2,488	—	—	2,488		Cash flow hedges
Translation adjustments	(1,790)	—	1,092	(697)		Exchange differences on translating foreign operations
	—	(1,317)	344	(973)		Share of other comprehensive income (loss) of entities accounted for by the equity method
				817		Total of items that may be reclassified to profit or loss
Total other comprehensive income (loss):	8,694	—	34,324	43,018		**Total other comprehensive income (loss)**
Comprehensive income (loss):	¥104,868	—	¥(45,260)	¥59,607		**Comprehensive income (loss)**

(Notes on reconciliations of equity, profit or loss and comprehensive income)

The Group reclassified and reconciled differences between Japanese GAAP and IFRS regarding recognition and measurement in order to comply with provisions of IFRS. The major reclassifications and reconciliations are as follows:

(i) Reclassifications

- Rights to consideration from revenue, which were included and presented in notes and accounts receivable under Japanese GAAP, are reclassified and separately presented as "Contract assets" under IFRS, except where the rights are unconditional and therefore presented as "Trade and other receivables."
- Allowance for doubtful accounts, which was separately presented under Japanese GAAP, are directly deducted mainly from trade and other receivables under IFRS.
- Merchandise and finished products, work in process, and raw materials and supplies, which were separately presented under Japanese GAAP, are presented in aggregate as "Inventories" under IFRS.
- Equity method investments, which were included and presented in investment securities under Japanese GAAP, are separately presented as "Investments accounted for using the equity method" under IFRS.
- Under Japanese GAAP, deferred tax assets and deferred tax liabilities were presented in the current and non-current assets sections, and the current and non-current liabilities sections, respectively. However, they are presented as non-current items under IFRS.

(ii) Reconciliation of differences in recognition and measurement

(A) Trade receivables

Certain trade receivables that were derecognized in relation to factoring agreements under Japanese GAAP do not satisfy the requirements for derecognition under IFRS, therefore these receivables are not derecognized and other financial liabilities are recognized.

Under IFRS 1, with regard to "derecognition of financial assets and financial liabilities," retrospective application is permitted when an entity has obtained necessary information for the application at the time of transaction. The Group has retrospectively reconciled transactions for the factoring agreements as of the transition date in accordance with this provision.

As a result, "Trade and other receivables" increased by ¥31,234 million and ¥51,233 million as of the date of transition and March 31, 2018, respectively.

"Contract assets" increased by ¥97,519 million and ¥123,951 million as of the date of transition and March 31, 2018, respectively.

"Bonds, borrowings and other financial liabilities" (current) increased by ¥105,049 million and ¥119,683 million as of the date of transition and March 31, 2018, respectively.

"Bonds, borrowings and other financial liabilities" (non-current) increased by ¥23,764 million and ¥55,509 million as of the date of transition and March 31, 2018, respectively.

(B) Indemnification asset for South African projects

Under Japanese GAAP, the amount that roughly corresponds to the amount of net expenditure already expended, which should be indemnified under the contract for the transfer of South African assets, was presented in assets as indemnification asset for South African projects. Allowance for future net loss was not provided because indemnification for this amount by Hitachi, Ltd. is expected. Under IFRS, out of the claims against Hitachi Ltd. under the contract for the transfer of South African assets, the amount measured on the basis of project-related losses that were estimated as of the transition date and March 31, 2018 were recorded in aggregate as "Indemnification asset for South African projects."

As a result, "Indemnification asset for South African projects" increased by ¥114,566 million and ¥45,016 million as of the date of transition and March 31, 2018, respectively.

"Provisions" increased by ¥84,691 million and ¥25,846 million as of the date of transition and March 31, 2018, respectively.

"Contract liabilities" increased by ¥25,887 million and ¥16,583 million as of the date of transition and March 31, 2018, respectively.

"Other non-current liabilities" increased by ¥3,987 million and ¥2,586 million as of the date of transition and March 31, 2018, respectively.

(C) Intangible assets from development expenditure

Under Japanese GAAP, development expenses were expensed as research and development expenses in selling, general and administrative expenses as incurred, and some of the expenses related to the mass production of new products and new models were recorded as work in process or other non-current assets. Under IFRS, only development expenses that satisfy IFRS's capitalization requirements are recognized as intangible assets.

As a result, "Intangible assets" increased by ¥368,860 million and ¥470,177 million as of the date of transition and March 31, 2018, respectively. (This includes an amount of ¥87,656 million, which was already expensed as research and development expenses before the date of transition.)

"Inventories" decreased by ¥263,954 million and ¥309,094 million as of the date of transition and March 31, 2018, respectively.

"Other non-current assets" decreased by ¥17,249 million and ¥19,140 million as of the date of transition and March 31, 2018, respectively.

"Selling, general and administrative expenses" decreased by ¥54,285 million for the fiscal year ended March 31, 2018.

(D) Impairment losses on non-financial assets

Under Japanese GAAP, the Group judged whether or not an impairment loss should be recognized, by comparing total undiscounted future cash flows expected from assets with their carrying amount. Under IFRS, the Group calculates the recoverable amount as the value in use based on discounted future cash flows expected from assets, and recognizes an impairment loss for certain property, plant and equipment and intangible assets whose recoverable amount is lower than the carrying amount.

As a result, "Property, plant and equipment" decreased by ¥54,704 million and ¥53,883 million as of the date of transition and March 31, 2018, respectively. "Intangible assets" decreased by ¥372,363 million and ¥475,421 million as of the date of transition and March 31, 2018, respectively.

"Other expenses" increased by ¥102,237 million for the fiscal year ended March 31, 2018.

(E) Revenue recognition criteria

Principally, for each of the following items, the revenue recognition criteria have been changed in a manner that complies with IFRS.

Under Japanese GAAP, the percentage of completion method was mainly applied to transactions based on certain forms of contract, such as construction contracts. However, under IFRS, for transactions where the control of goods or services is transferred to customers over a certain period of time, regardless of the legal form of the contract, revenue is recognized over time. In addition, while under Japanese GAAP the method for measuring the percentage of completion for long-term maintenance works is based on the recognition of revenue at the time of obtaining consideration, IFRS uses the cost-based method. Consequently, the timing of recording revenues, cost of sales, and provisions (including reversing provisions) may differ from Japanese GAAP.

Under Japanese GAAP, revenue related to works that were already inspected for acceptance by customers was fully recognized and work costs expected in the future were recorded as trade payables. Under IFRS, for construction works with remaining performance obligations, the corresponding revenue recognition is withheld and the transaction price corresponding to these performance obligations is principally recorded as contract liabilities.

Moreover, costs related to construction works conducted when a contract for the work is not obtained, which were capitalized as work in process, etc. under Japanese GAAP, are qualified as costs to obtain or fulfill a contract and are capitalized only when the costs are expected to be recovered and meet the requirements for capitalization under IFRS. Consequently, inventories decreased, compared with those under Japanese GAAP.

As a result, "Contract assets" increased by ¥90,660 million and ¥10,694 million as of the date of transition and March 31, 2018, respectively.

"Inventories" decreased by ¥179,349 million and ¥105,351 million as of the date of transition and March 31, 2018, respectively.

"Trade and other payables" decreased by ¥91,644 million and ¥69,023 million as of the date of transition and March 31, 2018, respectively.

"Contract liabilities" increased by ¥28,517 million as of the date of transition and decreased by ¥1,528 million as of March 31, 2018.

"Provisions" decreased by ¥14,060 million and ¥4,160 million as of the date of transition and March 31, 2018, respectively. "Revenue" decreased by ¥14,694 million for the fiscal year ended March 31, 2018.

"Cost of sales" decreased by ¥6,115 million for the fiscal year ended March 31, 2018.

(F) Property, plant and equipment

On transition to IFRS, the Group elected to apply the optional exemption to use the fair values at the transition date for certain property, plant and equipment, as deemed cost. The fair value of property, plant and equipment to which deemed cost has been applied, as of the transition date, was ¥20,477 million, and "property, plant and equipment" decreased by ¥9,168 million.

In addition, in the adoption of IFRS, estimates for residual value were reviewed and depreciation was adjusted accordingly.

As a result, "Property, plant and equipment" decreased by ¥15,668 million as of the date of transition.

"Cost of sales" decreased by ¥2,233 million for the fiscal year ended March 31, 2018.

"Selling, general and administrative expenses" decreased by ¥304 million for the fiscal year ended March 31, 2018.

(G) Goodwill

Goodwill was amortized over a certain period of time under Japanese GAAP. However, under IFRS, goodwill is not amortized, thus the amortization of goodwill that was recorded on and after the transition date under Japanese GAAP has been reversed.

As a result, "Goodwill" increased by ¥16,437 million as of March 31, 2018.

"Selling, general and administrative expenses" decreased by ¥16,484 million for the fiscal year ended March 31, 2018.

(H) Investments accounted for using the equity method

In certain entities accounted for using the equity method, development expenses were expensed under Japanese GAAP, but under IFRS, such expenses that satisfy the requirements for the capitalization of development expenses are recorded as assets. As a result, "Investments accounted for using the equity method" increased. In addition, as a result of the implementation of impairment testing under IFRS, impairment losses were made with respect to equity method investments and allowances were made with respect to financial assets related to the impaired investment. Consequently, "Investments accounted for using the equity method" was reduced, and an allowance for doubtful accounts was provided for loans whose recoverability is not expected, which included loans to these investees.

As a result, "Investments accounted for using the equity method" increased by ¥9,152 million and ¥8,959 million as of the date of transition and March 31, 2018, respectively.

"Other financial assets" (non-current) decreased by ¥1,993 million and ¥10,286 million as of the date of transition and March 31, 2018, respectively.

"Selling, general and administrative expenses" increased by ¥9,184 million for the fiscal year ended March 31, 2018.

(I) Deferred tax assets

With regard to deductible temporary differences for which deferred tax assets could not be recorded under Japanese GAAP, the recoverability of deferred tax assets was reviewed according to IFRS.

As a result, "Deferred tax assets" increased by ¥18,726 million and ¥16,865 million as of the date of transition and March 31, 2018, respectively.

"Other components of equity" decreased by ¥8,974 million and ¥3,382 million as of the date of transition and March 31, 2018, respectively.

As a result of offsetting "Deferred tax liabilities" against "Deferred tax assets," which includes "Deferred tax assets" arising from other IFRS-related reconciliations, "Deferred tax assets" and "Deferred tax liabilities" decreased by the same amounts of ¥78,133 million and ¥70,979 million as of the date of transition and March 31, 2018, respectively.

(J) Fair value of unlisted shares and investments in capital

Although unlisted shares and investments in capital were evaluated by the cost method under Japanese GAAP, they are measured at fair value under IFRS.

As a result, "Other financial assets" (non-current) increased by ¥32,463 million and ¥34,145 million as of the date of transition and March 31, 2018, respectively.

"Other components of equity" increased by ¥28,261 million and ¥28,070 million as of the date of transition and March 31, 2018, respectively.

(K) Liabilities arising from put options held by non-controlling shareholders

With regard to certain non-controlling interests in subsidiaries, if the Group's obligations to purchase these non-controlling interests at the request of non-controlling shareholders under certain conditions have been set forth, under IFRS, such non-controlling interests are recognized as financial liabilities, and capital surplus and non-controlling interests are decreased.

As a result, "Bonds, borrowings and other financial liabilities" (non-current) increased by ¥48,893 million and ¥53,363 million as of the date of transition and March 31, 2018, respectively.

"Capital surplus" decreased by ¥19,981 million and ¥21,692 million as of the date of transition and March 31, 2018, respectively.

"Non-controlling interests" decreased by ¥31,215 million and ¥32,554 million as of the date of transition and March 31, 2018, respectively.

(L) Government grants

Grants that were accounted for as a reduction in research and development expenses or inventories at the time of receiving the grants under Japanese GAAP are recorded as liabilities until reasonable assurance can be obtained about exemption of the repayment of the grants under IFRS.

As a result, "Inventories" increased by ¥7,645 million and ¥8,179 million as of the date of transition and March 31, 2018, respectively.

"Other non-current liabilities" increased by ¥62,806 million and ¥63,856 million as of the date of transition and March 31, 2018, respectively.

(M) Shares at FVTOCI and gain or loss on sales of investments in capital

Gain or loss on sales of investment securities, which was recorded as extraordinary gain or loss under Japanese GAAP, was transferred immediately to retained earnings from other components of equity under IFRS.

As a result, "Other income" decreased by ¥31,303 million for the fiscal year ended March 31, 2018.

The impact of these reconciliations of differences in the recognition and measurement of retained earnings as of the date of transition and March 31, 2018 is as follows:

	Millions of yen	
	Transition date As of April 1, 2017	As of March 31, 2018
(A) Reconciliation related to recognition of trade receivables	¥ —	¥ —
(B) Indemnification asset for South African projects	—	—
(C) Intangible assets from development expenditure	87,656	141,942
(D) Impairment of non-financial assets	(415,536)	(517,006)
(E) Revenue recognition criteria	(6,562)	(12,071)
(F) Property, plant and equipment	(17,190)	(15,426)
(G) Goodwill	—	14,390
(H) Investments accounted for using the equity method	9,594	3,398
(I) Deferred tax assets	27,700	20,247
(J) Fair value of unlisted shares and investments in capital	(1,572)	(1,157)
(K) Liabilities arising from put options held by non-controlling shareholders	—	—
(L) Government grants	(51,220)	(51,581)
(M) Shares at FVTOCI and gain or loss on sales of investments in capital	—	—
Others	(3,167)	2,828
Adjustments to retained earnings	¥(370,299)	¥(414,435)

c) Adjustments to cash flows

For the fiscal year ended March 31, 2018, cash flows from operating activities increased by ¥60,643 million, cash flows from investing activities decreased by ¥101,012 million, and cash flows from financing activities increased by ¥39,779 million in the consolidated statement of cash flows disclosed under IFRS compared with the consolidated statement of cash flows prepared under Japanese GAAP.

There are two major contributing factors to these increases and decrease as follows:

- Cash flows arising from factoring agreements that do not qualify for derecognition of financial assets were classified into cash flows from operating activities under Japanese GAAP, but are classified into cash flows from financing activities under IFRS.
- Expenditures related to capitalized development expenses were classified into cash flows from operating activities under Japanese GAAP because the expenditures were made in relation to inventories, but are classified into cash flows from investing activities under IFRS because they were made in relation to intangible assets.

39 OTHERS

(1) Quarterly Information for the Fiscal Year Ended March 31, 2019

Cummulative balance	Millions of yen 1st Quarter	2nd Quarter	3rd Quarter	Year Total	Thousands of U.S. dollars Year Total
Revenue	906,107	1,872,064	2,899,279	4,078,344	36,745,148
Profit before income taxes	34,089	65,127	104,323	182,624	1,645,409
Profit attributable to owners of the parent	15,059	25,497	35,363	101,354	913,181

Cummulative	Yen 1st Quarter	2nd Quarter	3rd Quarter	Year Total	U.S. dollars Year Total
Earnings per share attributable to owners of the parent–basic	44.86	75.97	105.36	301.95	2,720

Three months	Yen 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	U.S. dollars 4th Quarter
Earnings per share attributable to owners of the parent–basic	44.86	31.10	29.39	196.58	1,771

(2) Major Lawsuits

a) On July 31, 2017, MHI filed a demand for arbitration against Hitachi, Ltd. seeking performance of the obligation to pay approximately ZAR 90,779 million (equivalent to approximately ¥774.3 billion ($6,976 million) when converted at a rate of ¥8.53 to 1 ZAR) as the price adjustment and other payments (for details, refer to Note 12. "Indemnification Asset for South African Projects").

b) In January 2014, Mitsui O.S.K. Lines, Ltd. filed a lawsuit against MHI seeking compensation for damage sustained in a marine accident of a ship constructed by MHI. Then, the insurance company, shipper, joint operator and others also filed a similar lawsuit against MHI. In response, MHI filed a countersuit against Mitsui O.S.K. Lines, Ltd. in March 2016 demanding payment of the contract amount for the work for reinforcing the hull structure of the same type of ship in this case, which was executed at the request of said company, and the lawsuit is currently still in dispute. MHI believes that the ship has no flaws under the Product Liability Act and MHI has no tort liability, and will assert its legitimacy in this lawsuit.

c) In October 2017, Korea East-West Power Co., Ltd. ("EWP") filed a demand for arbitration against MHI and its consolidated subsidiary, Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), to the Korean Commercial Arbitration Board, seeking compensation for damages in relation to non-operating losses due to a burnout accident that occurred during the commissioning period of steam turbine generation facilities. EWP has claimed that this burnout accident was caused by an intentional act or gross negligence of MHPS, and MHI and that MHPS shall bear liability for the damages under the contract and the laws of South Korea. With regard to these claims, MHI and MHPS believe that MHPS had neither the intention nor the gross negligence and will assert that the responsibility of MHPS is limited under the contract.

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Independent Auditor's Report

To the Board of Directors of Mitsubishi Heavy Industries, Ltd.

We have audited the accompanying consolidated financial statements of Mitsubishi Heavy Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Heavy Industries, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

1 We draw attention to Note 12 "Indemnification Asset for South African Projects" in Notes to the Consolidated Statement of Financial Position, which describes, Mitsubishi Heavy Industries, Ltd.("MHI") demanded that Hitachi, Ltd.("Hitachi") pay the price adjustment and other payments regarding the boiler construction projects in the Republic of South Africa. Meanwhile, MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment.

2 We draw attention to Note 34 "Contingent liabilities" in Notes to the Consolidated Statement of Financial Position, which describes, going forward, it is possible that additional liabilities will arise depending on the results of consultations with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.

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3 We draw attention to Note 37 "Subsequent Events", which describes, on June 25 2019, MHI decided to acquire the Canadian Regional Jet (CRJ) program of Canadian company Bombardier Inc.

Our opinion is not modified in respect of these matters.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 27, 2019
Tokyo, Japan