

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

[Security Code: 7011]

June 5, 2020

To the Shareholders:

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

NOTICE OF THE 95TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce that the 95th Annual General Meeting of Shareholders of Mitsubishi Heavy Industries, Ltd. (“MHI”) will be held as described below.

Given the current situation which requires efforts to prevent the further spread of novel coronavirus disease (COVID-19), the authorities are strongly encouraging people to refrain from going out. Upon careful deliberation on the situation, we have made the decision to hold the General Meeting of Shareholders while taking appropriate measures to prevent infection. With a view to preventing further spread of COVID-19, we request that you consider exercising your voting rights in advance, either in writing or via the Internet, and that you forgo visiting the General Meeting of Shareholders venue on the day.

Please examine the Reference Materials Relating to the General Meeting of Shareholders (pages 5-18), and exercise your voting rights as indicated in the “Instructions for voting,” on pages 3-4, by 5:30 p.m. on Thursday, June 25, 2020 (Japan time).

1. Date and Time: Friday, June 26, 2020 at 10:00 a.m. (Japan time)

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

Depending on the situation regarding COVID-19 until the date of the General Meeting of Shareholders, we may be forced to change the venue and the starting time. In that situation, the updated information will be posted on MHI’s website on the Internet (at the URL shown below).

3. Purposes:

To report on the following items:

Item No. 1: Business Report, Consolidated Financial Statements for the 2019 fiscal year (from April 1, 2019 to March 31, 2020), and Audit Report on the Consolidated Financial Statements by the Financial Auditor and Audit and Supervisory Committee.

Item No. 2: Non-consolidated Financial Statements for the 2019 fiscal year (from April 1, 2019 to March 31, 2020).

To consider and resolve the following proposals:

Proposal No. 1: Appropriation of Surplus

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

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

(End)

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- Information concerning the following items is not included in the Attachment to the Notice of the 95th Annual General Meeting of Shareholders, but is posted on MHI's website on the Internet (at the URL shown below) pursuant to the laws of Japan and the Article 16 of MHI's Articles of Incorporation.
 - (i) "Stock Acquisition Rights of MHI" and "Establishing a Framework for Ensuring Appropriate Business Conduct" of Business Report
 - (ii) "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" of Consolidated Financial Statements and "(Reference) Consolidated Statement of Cash Flows"
 - (iii) "Non-Consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" of Non-consolidated Financial Statements
 - Should there be a need to amend the Reference Materials Relating to the General Meeting of Shareholders, or the Business Report, the Consolidated and the Non-consolidated Financial Statements, the amended material will be posted on MHI's website on the Internet (at the URL shown below).

Website of MHI: <https://www.mhi.com/finance/stock/meeting/>

INSTRUCTIONS FOR VOTING

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

Attend the General Meeting of Shareholders

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

Date and Time: Friday, June 26, 2020 at 10:00 a.m.
(The reception desk will open at 9:00 a.m.) (Japan time)

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

- If you exercise your voting right by proxy, the proxy shall be limited to one other shareholder who has the voting right. In this case, in addition to the voting card for exercising voting rights as proxy and the letter of attorney, the proxy should submit the proxy’s own voting card.
- If you attend the General Meeting of Shareholders, we kindly ask you to bring this notice as reference documents describing the planned proceedings.

Exercise of Voting Rights in Writing

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5-18) and indicate whether you are for or against each proposal on the enclosed voting card and post it without affixing a postage stamp.

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

Exercise due date: No later than 5:30 p.m., on Thursday, June 25, 2020 (Japan time)

Guidance for filling in the voting card

Proposal No. 1 and Proposal No. 3:

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

Proposal No. 2:

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

Exercise of Voting Rights via the Internet

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5-18) and indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufg.jp/>). For details, please refer to the “Instructions for Voting Right via the Internet” on the following.

Exercise due date: No later than 5:30 p.m., on Thursday, June 25, 2020 (Japan time)

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

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

Instructions for Voting Right via the Internet

1. Access to the Website to Exercise of Voting Rights

Access by scanning the QR code

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

- For security reasons, the exercise of voting rights by means of the QR code may only be performed once. When changing the details of the exercise of voting rights, even if the QR code is scanned, it will be necessary to input the login ID and temporary password printed on the voting card.
 - Depending on the model of smartphone used, it may not be possible to login using the QR code. If this is the case, please exercise your voting rights in accordance with “Access by entering a login ID and password,” below.
- * QR Code is a registered trademark of DENSO WAVE INCORPORATED.

Access by entering a login ID and password

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

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

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

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

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

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

**REFERENCE MATERIALS
RELATING TO THE GENERAL MEETING OF SHAREHOLDERS**

Proposal No. 1: Appropriation of Surplus

In 2018 Medium-Term Business Plan, MHI has set a basic policy of implementing returns to shareholders with a consolidated dividend payout ratio of around 30% while considering a balance between “business growth” and “financial soundness.” (Evaluation of dividend payout ratio excludes the investments in Mitsubishi SpaceJet because of its extremely long-term payback period.)

Based on this policy and taking full account of our business results for the fiscal year under review, financial position as of the end of the fiscal year under review and others, MHI proposes to pay a dividend of ¥75 per share as the Year-end Dividend defined in Article 45 of the Articles of Incorporation. Combined with the Interim Dividend of ¥75 per share paid in December 2019, the total annual dividend will be ¥150 per share, an increase of ¥20 over that of the previous fiscal year (FY2018).

1. Kind of Dividend Property

Cash

2. Dividend Allocation and Total Amount of Dividends

Dividend allocation: ¥75 per share of MHI’s common stock

Total amount of dividends: ¥25,253,673,075

3. Effective Date of Dividend Allocation

June 29, 2020

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

The terms of the 6 current Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 7 Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) including raising the number of outside directors by one to enhance the management supervisory function.

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

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2019)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Shunichi Miyanaga	Re-election	Chairman of the Board	16 out of 16 times	12 years
2	Seiji Izumisawa	Re-election	*President and CEO* ^{*1} (Member of the Board)	16 out of 16 times	3 years
3	Masahiko Mishima	Re-election	*Director (Member of the Board), Executive Vice President, GC* ^{*2}	11 out of 11 times	1 year
4	Hisato Kozawa	Newly nominated	(Newly nominated)	–	–
5	Naoyuki Shinohara	Re-election Outside Independent	Director (Member of the Board)	16 out of 16 times	5 years
6	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	15 out of 16 times	4 years
7	Noriko Morikawa	Newly nominated Outside Independent	(Newly nominated)	–	–

*1 CEO: Chief Executive Officer

*2 GC: General Counsel

(Notes)

1. An asterisk mark (*) indicates a Representative Director.
2. As Mr. Masahiko Mishima took up his position as of June 27, 2019 (on the date of the 94th Annual General Meeting of Shareholders), the number of times he attended the Board of Directors meetings for the year is different from that of the other candidates for the position of a Director.

Position and Responsibility in MHI

Chairman of the Board

Number of MHI Shares Owned

33,200

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

12 years

The number of attendance at the Board of Directors meetings in FY2019

16 out of 16 times

Career summary

April 1972	Joined Mitsubishi Heavy Industries, Ltd.
April 2006	Senior Vice President, Deputy Head of Machinery Headquarters
May 2006	Senior Vice President, Deputy Head of Machinery & Steel Structures Headquarters
April 2008	Executive Vice President, Head of Machinery & Steel Structures Headquarters
June 2008	*Director (Member of the Board), Executive Vice President, Head of Machinery & Steel Structures Headquarters
April 2011	*Director (Member of the Board), Senior Executive Vice President, Head of the Presidential Administration Office
April 2013	*President and CEO (Member of the Board)
April 2014	*President and CEO (Member of the Board)
April 2019	Chairman of the Board (Present position)

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

Important concurrent positions

Director, Mitsubishi Motors Corporation

Member of the Board, Mitsubishi Corporation

Reason for the nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI Shares Owned

3,800

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

3 years

The number of attendance at the Board of Directors meetings in FY2019

16 out of 16 times

Career summary

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

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

Important concurrent positions

None

Reason for the nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

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

Number of MHI Shares Owned

5,200

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

1 year

The number of attendance at the Board of Directors meetings in FY2019

11 out of 11 times

Career summary

April 1979 Joined Mitsubishi Heavy Industries, Ltd.
 April 2015 Fellow, General Manager, Risk Solution Department of Business Strategy Office
 April 2016 Senior Vice President, Senior General Manager, Business Risk Management Division of Business Strategy Office
 October 2018 Executive Vice President, GC, Senior General Manager, Business Risk Management Division of Business Strategy Office
 January 2019 Executive Vice President, GC, Senior General Manager, Business Risk Management Division
 April 2019 Executive Vice President, GC
 June 2019 *Director (Member of the Board), Executive Vice President, GC (Present position)

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

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Masahiko Mishima is being re-nominated for the position of a Director because he has extensive experience in operations of machinery & steel structures and business risk management and has made a substantial contribution to reducing MHI's business risk as a whole and dealing with major projects, etc. He has been serving as GC since October 2018, promoting operations such as risk management, legal & general affairs, and management audits in response to MHI's business environment, etc. For these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term through participation in MHI's management decision-making as a person with expertise in the governance of MHI.

Special interest between the candidate and MHI

There is no special interest between Mr. Masahiko Mishima and MHI.

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

1,100

The number of years in office as Director

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

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The number of attendance at the Board of Directors meetings in FY2019

—

Career summary

April 1986	Joined Mitsubishi Heavy Industries, Ltd.
May 2019	Senior General Manager, Global Finance & Accounting Department
October 2019	Senior Vice President, CoCFO
April 2020	Senior Vice President, CFO* (Present position)

Important concurrent positions

None

Reason for the nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

※CFO (Chief Financial Officer)

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

1,100

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

5 years

The number of attendance at the Board of Directors meetings in FY2019

16 out of 16 times

Career summary

April 1975	Joined Ministry of Finance
July 2006	Director-General of the International Bureau, Ministry of Finance
July 2007	Vice Minister of Finance for International Affairs, Ministry of Finance
July 2009	Special Advisor to the Minister of Finance
February 2010	Special Advisor to the International Monetary Fund (IMF)
March 2010	Deputy Managing Director, the International Monetary Fund (IMF) (until February 2015)
June 2015	Director (Member of the Board), Mitsubishi Heavy Industries, Ltd. (Present position)
July 2015	Professor, Policy Alternatives Research Institute, The University of Tokyo (until March 2018)

Important concurrent positions

Statutory Auditor, Media Kobo, Inc.

Reason for the nomination as a candidate for outside director

Mr. Naoyuki Shinohara is being re-nominated for the position of an outside director because he has wide range of insights related to financial policy gained as a regulator and a global perspective gained as an international institution executive when he served as Vice Minister of Finance for International Affairs and Deputy Managing Director of the International Monetary Fund (IMF), even though he has not been involved in corporate management, except for acting as an outside director or outside statutory auditor. Based on these reasons, MHI judges that he will contribute to the improvement of the soundness and transparency of MHI's management decision-making through providing insightful views and frank assessments to MHI's management as an outside director, thereby contributing to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term.

Special interest between the candidate and MHI

There is no special interest between Mr. Naoyuki Shinohara and MHI.

Matters concerning the independence of outside director

Since Mr. Naoyuki Shinohara meets the "Independence Criteria for Outside Directors" (stated on pages 14-15) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer. Although MHI has a trading relationship with and donated to The University of Tokyo, where Mr. Naoyuki Shinohara served as a professor, the amount of trading and donation does not exceed the base amount stipulated in "Independence Criteria for Outside Directors," and therefore MHI judges that it will not affect his independence.

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

1,000

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

4 years

The number of attendance at the Board of Directors meetings in FY2019

15 out of 16 times

Career summary

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

Important concurrent positions

Chairman of the Board, Mitsubishi Corporation
 Director, Mitsubishi Motors Corporation
 Director, NISSIN FOODS HOLDINGS CO., LTD.

Reason for the nomination as a candidate for outside director

Mr. Ken Kobayashi is being re-nominated for the position of an outside director because he has extensive knowledge and experience as top executive who can perform well in global markets and because of his expertise in various fields, having served as a Member of the Board, President and CEO, and Chairman of the Board of Mitsubishi Corporation. Based on these reasons, MHI judges that he will contribute to the improvement of the soundness and transparency of MHI's management decision-making through providing insightful views and frank assessments to MHI's management as an outside director, thereby contributing to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term.

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (stated on pages 14-15) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

-

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

-

The number of attendance at the Board of Directors meetings in FY2019

-

Career summary

April 1981 Joined CHORI CO., LTD.
 August 1988 Joined Daiwa Securities America, Inc.
 September 1991 Joined ARTHUR ANDERSEN & CO.
 March 1995 Joined Motorola Inc.
 March 2005 Director of the Board, Motorola Inc.
 June 2009 Joined Bosch Corporation
 August 2010 Executive Vice President and Director, Bosch Corporation (until December 2018)

Important concurrent positions

Director / Audit & Supervisory Committee Member, CHORI CO, LTD.
 Director, Showa Denko K.K.

Reason for the nomination as a candidate for outside director

Ms. Noriko Morikawa is being nominated for the position of an outside director because of her experience in internal audit and accounting operations at foreign companies operating in Japan, in addition to which she possesses extensive knowledge and experience in global companies related to business management and organizational operation, such as overseeing administration departments in the role of manager. MHI judges that she will contribute to the improvement of the soundness and transparency of MHI's management decision-making through providing insightful views and frank assessments to MHI's management as an outside director, thereby contributing to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term.

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Ms. Noriko Morikawa meets the "Independence Criteria for Outside Directors" (stated on pages 14-15) provided by MHI, MHI judges her to be independent from its management. Accordingly, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that she is an independent officer. Although MHI has a trading relationship with Bosch Corporation, where Ms. Noriko Morikawa served as an Executive Vice President and Director, the amount of trading does not exceed the base amount stipulated in "Independence Criteria for Outside Directors," and therefore MHI judges that it will not affect her independence.

(Notes)

1. Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Ms. Noriko Morikawa are the candidates for outside directors as defined in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.
2. MHI has submitted notifications, specifying Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan. Furthermore, MHI will submit notifications specifying Ms. Noriko Morikawa as an independent officer.
3. The outline of liability limitation agreement is as follows:
 - (1) MHI has entered into a liability limitation agreement with Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, which provides a limitation on their liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which is the higher of ¥10 million or the minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act. Should Mr. Naoyuki Shinohara and Mr. Ken Kobayashi be elected, MHI is bound to continue the above-mentioned agreement with each of them.
 - (2) Should Ms. Noriko Morikawa be elected, MHI is bound to enter into a liability limitation agreement with her, which provides a limitation on her liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which will be the higher of ¥10 million or the minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act.
4. It was discovered that a wrongful act had been committed in connection with fuel consumption testing of a vehicle manufactured by Mitsubishi Motors Corporation, where Mr. Ken Kobayashi serves as an outside director. The discovery was made in April 2016, prior to Mr. Ken Kobayashi's becoming an outside director at the company. In September 2016, after Mr. Ken Kobayashi had become an outside director, the Ministry of Land, Infrastructure, Transport and Tourism indicated that it recognized wrongdoing in the course of internal testing conducted by Mitsubishi Motors Corporation for the purpose of re-examining vehicle fuel consumption values that had been found to be fraudulently fabricated. Furthermore, citing a violation of the Act against Unjustifiable Premiums and Misleading Representations in connection with language in documents that included catalogs of Mitsubishi Motors Corporation vehicles that had been involved in the fuel consumption testing, the Consumer Affairs Agency issued an administrative order and a surcharge payment order to the company in January and July 2017. In May 2018, it came to light that the training of some foreign technical interns at Mitsubishi Motors Corporation's Okazaki Plant had not been conducted in accordance with the technical intern training plan recognized by the Organization for Technical Intern Training, and in January 2019, the Ministry of Health, Labour and Welfare withdrew recognition of the technical intern training plan, and issued an order for improvement under the terms of the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees. Mr. Ken Kobayashi was aware of neither fact and has, at meetings of the Board of Directors and other opportunities, called for greater attention from the viewpoint of ensuring compliance. Furthermore, since these incidents came to light, he has been committed to thoroughly investigating the facts and taking steps to ensuring similar situations do not happen again.

■ Independence Criteria for Outside Directors

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

1. A person who is currently:
 - (i) A major shareholder of MHI (i.e., a shareholder who holds 10% or more of voting rights), or any executive (a person who executes operations) of such shareholder;
 - (ii) A counterparty with whom MHI transacts in cases when MHI's transaction amount with said counterparty in the last business year exceeded 2% of MHI's annual consolidated gross sales in amount, or any executive of said counterparty;
 - (iii) A counterparty that transacts with MHI in cases when said counterparty's transaction amount with MHI in the last business year exceeded 2% of said counterparty's annual consolidated gross sales in amount, or any executive of said counterparty;
 - (iv) A financial institution or any large creditor on which MHI is dependent to the extent that it is indispensable for MHI's financing and is not substitutable, or any executive of said financial institution or large creditor;

- (v) A certified public accountant or employee, partner or staff of an audit corporation serving as the financial auditor of MHI (excluding staff serving as an assistant);
 - (vi) Any executive of an organization that received a donation or subsidy from MHI exceeding ¥10 million or 30% of said organization's average annual total expenses in the last business year, whichever is higher;
 - (vii) An attorney, certified public accountant, certified tax accountant or any other consultant who received ¥10 million or more in the form of money or other financial benefits on average in the past three business years from MHI, other than remuneration as a MHI officer; or
 - (viii) Anyone who belongs to a law firm, audit corporation, tax accountant corporation, consulting firm or any other expert advisory firm that received payments accounting for 2% or more of its annual consolidated gross sales on average in the past three business years from MHI (excluding staff serving as an assistant).
2. A person who corresponded to any of the items from (i) to (vi) above at any point in time over the past three years.

■ Opinions of the Audit and Supervisory Committee

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

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

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

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

The candidate for a Director who is serving as an Audit and Supervisory Committee Member is as follows.

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

Koji Okura

(October 9, 1957: 62 years old)

[Newly nominated]

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

2,600

The number of years in office as outside director

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

—

The number of attendance at the Board of Directors meetings in FY2019

—

The number of attendance at the Audit and Supervisory Committee meetings in FY2019

—

Career summary

April 1980	Joined Mitsubishi Heavy Industries, Ltd.
October 2013	Vice President of Commercial Aviation & Transportation Systems
October 2015	Senior Vice President, Vice President of Commercial Aviation & Transportation Systems
January 2017	Senior Vice President, Vice President of Commercial Aviation & Transportation Systems President and CEO of Mitsubishi Heavy Industries Shipbuilding Co., Ltd. (until December 2017)
April 2017	Senior Vice President, Senior General Manager of Shipbuilding & Ocean Development Division, Industry & Infrastructure
January 2018	Senior Vice President (Present position) President & CEO of Mitsubishi Shipbuilding Co., Ltd. (Present position)

Important concurrent positions

None

Reason for the nomination as a candidate for outside director

Mr. Koji Okura has long experience in finance and accounting divisions at MHI, and therefore has extensive knowledge of finance and accounting. In addition, he possesses extensive business experience, such as holding various important positions in administrative division and business division, and serving as the president of a major subsidiary. MHI judges that his participation in its management decision-making will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term. MHI therefore nominates Mr. Koji Okura as a candidate for Director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Koji Okura and MHI.

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

■ Policy and Procedures for Nominating Candidates for Directors

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

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

When selecting Director candidates, the President and CEO prepare a proposed list of candidates based on the above policy and discuss such proposed list with the outside directors at the Nomination and Remuneration Meeting(s) constituted by the outside directors, the Chairman of the Board and the President and CEO. The Board of Directors selects the final Director candidates from the proposed candidates resulting from the meeting(s).

■ Structure of the Board of Directors After the Election

If Proposals No. 2 and No. 3 are approved as submitted, the Board of Directors is scheduled to be comprised of the following members.

Name	Position and Responsibility in MHI	Representative Director	Audit and Supervisory Committee Member	Outside Director	Independent Officer	Newly nominated Director
Shunichi Miyanaga	Chairman of the Board					
Seiji Izumisawa	President and CEO (Member of the Board)	○				
Masahiko Mishima	Director (Member of the Board), Executive Vice President, GC	○				
Hisato Kozawa	Director (Member of the Board), Senior Vice President, CFO	○				○
Naoyuki Shinohara	Director (Member of the Board)			○	○	
Ken Kobayashi	Director (Member of the Board)			○	○	
Noriko Morikawa	Director (Member of the Board)			○	○	○
Toshifumi Goto	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			
Koji Okura	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			○
Christina Ahmadjian	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	
Hiroo Unoura	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	
Nobuyuki Hirano	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	

(End)

**ATTACHMENT TO THE NOTICE OF THE
95TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

BUSINESS REPORT FOR THE 2019 FISCAL YEAR

(April 1, 2019 to March 31, 2020)

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

1 REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

During the fiscal year under review, despite concerns regarding such factors as trade friction between the US and China, and the exit of the United Kingdom from the European Union, the global economy had maintained a trend of moderate recovery, but subsequently slowed suddenly from the beginning of 2020 onward as a result of the novel coronavirus disease (COVID-19) as it became prevalent around the world. The Japanese economy had also been on a trend of recovery overall, notwithstanding the difficult export environment, but towards the end of the fiscal year under review it too experienced a significant decline, similar to that of the global economy.

■ Orders, Sales and Profits/Losses

In this operating environment, consolidated orders received by the MHI Group in the fiscal year under review declined in Industry & Infrastructure, but rose in Power Systems and Aircraft, Defense & Space, leading to an increase of ¥315.2 billion year on year, to ¥4,168.6 billion.

Revenue increased in Power Systems and in Aircraft, Defense & Space, but due to declines in Industry & Infrastructure, total revenue was flat year on year at ¥4,041.3 billion.

Although profit from business activities rose in Power Systems, an impairment loss on assets related to the Mitsubishi SpaceJet was recorded in Aircraft, Defense & Space, causing a deterioration of ¥230.1 billion year on year to a loss of ¥29.5 billion, while profit (loss) before income taxes worsened by ¥227.7 billion, resulting in a loss of ¥32.6 billion.

Profit attributable to owners of parent decreased by ¥23.1 billion year on year to ¥87.1 billion, despite recording of deferred tax assets.

(Note) The MHI Group has applied International Financial Reporting Standards (IFRS) 16

“Leases,” beginning with the fiscal year under review. Financial data for the previous fiscal year has been restated to reflect the retrospective application of this standard for the purposes of display and comparison.

■ MHI Group Initiatives in FY2019

In the fiscal year under review, which was the second year of the 2018 Medium-Term Business Plan, the MHI Group worked to achieve its unique management indicator of TOP^{*1}, building a financial base to allow the active allocation of funds to growth areas in response to changes in the market environment, while at the same time aggressively promoting a variety of initiatives such as implementing growth strategies and developing a global group management structure.

*1 Triple One Proportion (a status of achieving a proportion of revenue, total assets and market capitalization of 1:1:1)

- Implementing growth strategies

In terms of our growth strategies, in addition to centering our approach on actively committing management resources to the mass and medium-lot product businesses, we worked to expand the business over both the short term and the medium to long term, while keeping in mind the shared social values represented by ESG^{*2}, and the global indicators of the SDGs^{*3}.

First, in the material handling equipment business, in the North American market we made one of the largest dealerships a subsidiary, and went on to also make the decision to integrate sales companies within Japan, so as to strengthen the sales and service structure. In the air-conditioning & refrigeration systems business, the environmental friendliness and energy-saving technology of our high-efficiency next-generation centrifugal chillers, which use a refrigerant that has a very low environmental impact, achieved a positive response both in Japan and overseas, and received an award from the Minister of the Environment. In the wind power generation systems business, our joint venture with Danish company Vestas Wind Systems A/S received its first order for offshore wind power systems in the Asia-Pacific region, and subsequently also succeeded in winning orders for a Japanese project. In addition, in the engine business we developed the “EBLOX” triple hybrid stand-alone power supply system, which combines renewable energy and a reciprocating engine generator with storage batteries, to provide a distributed generation system that uses optimal stability control to satisfy diverse power supply needs.

Furthermore, at the thermal power systems business, in power generation facilities used for the long-term demonstration of next-generation high-efficiency gas turbines that achieve even higher temperatures at the turbine inlet, we accelerated development and verification of cutting-edge equipment that combines superior generation efficiency with reduced NOx emissions. In the US state of Utah, we received orders for GTCC^{*4} power generation equipment, the core of which consists of hydrogen-fired gas turbines. In this project, we plan to begin its operation at hydrogen cofiring ratio of 30% in 2025, rising to 100% hydrogen operation by 2045, and by linking this to the hydrogen storage business, in which the MHI Group is a participant, we will contribute to realizing the hydrogen society. In an international project aimed at realizing energy from nuclear fusion, in a global first, the Company completed the world's largest superconducting coil, which was the main structural component of the experimental fusion reactor being constructed in France. Additionally, the Company implemented medium- to long-term initiatives, including one where the Company has developed QoEn™ as an index to quantitatively suggest the ideal high-quality energy infrastructure from the three perspectives of society, the economy, and the environment, and in collaboration with the Australia's University of New South Wales, moved ahead with demonstration testing in the form of urban development in the Western Sydney region.

*2 Environment, Social, Governance

*3 Sustainable Development Goals

*4 Gas Turbine Combined Cycle

- Developing a global group management structure

During the fiscal year under review, in preparation for establishing the global group management structure to support the MHI Group's growth, the Company moved forward with reorganizations aimed at strengthening management in such a way as to balance stability with growth, ensure autonomous management of business divisions and the generation of group synergies, and have both flexibility and speed.

First, the Company established the Growth Strategy Office in April 2020. The objective of the Growth Strategy Office is to take into account major changes in social values and rapid development in technological innovation, opening up new business areas that existing business divisions have difficulty dealing with, and adopting a flexible approach to business development in combination with existing businesses.

Also, in terms of modifications to the organization in April 2020, in preparation for a society in which the move towards low-carbon and carbon-free energy is accelerating, we have set up an Energy Systems domain that proposes solutions on both the energy and environmental fronts. In addition, reflecting the character of the businesses, we established a Plant & Infrastructure Systems domain, where made-to-order products constitute the core, and a Logistics, Thermal & Drive Systems domain, consisting mainly of mass and medium-lot products, rebuilding the structure to enable swift responses to the growth strategies of the respective businesses, and the issues they face. Moreover, in regard to the nuclear power business and machinery systems business, we have decided to enhance the flexibility of business management within the structure under the direct control of the President and CEO, just as we did with the Commercial Aviation Systems segment and Integrated Defense & Space Systems segment.

- Structural shift in the business of Mitsubishi Hitachi Power Systems, Ltd.

In preparation for the realization of a decarbonized society, Mitsubishi Hitachi Power Systems, Ltd. is moving ahead with the provision of solutions to support this transition period. In the services field in particular, Mitsubishi Hitachi Power Systems, Ltd. has established a new company specializing in the service business in the Philippines, and has concluded memoranda of understanding with regard to the operation and maintenance support for thermal power plants in Uzbekistan and Vietnam. In Mexico, it has signed contracts for the first deployment of the “MHPS-TOMONI[®]” digital solution service in a geothermal power station.

In addition, in December 2019, the Company and Hitachi, Ltd. have reached a settlement on a dispute relating to boiler construction projects in the Republic of South Africa. Under the settlement agreement, all the shares of Mitsubishi Hitachi Power Systems, Ltd. held by Hitachi, Ltd. are expected to be acquired by MHI, making Mitsubishi Hitachi Power Systems, Ltd. a wholly-owned subsidiary of the Company. Going forward, in addition to its existing thermal power generation systems, Mitsubishi Hitachi Power Systems, Ltd. will further strengthen its links to the various businesses within the MHI Group, seeking to accelerate the structural shift, centered on energy and the environment.

- Reorganizing the Mitsubishi SpaceJet business

In June 2019, Mitsubishi Aircraft Corporation changed the name of regional jet aircraft that is currently under development from “Mitsubishi Regional Jet (MRJ)” to “Mitsubishi SpaceJet” as it sought to rebuild the brand. In March 2020, the company succeeded in making the first flight of the tenth airframe, which is the most recent one and can be type certified, and preparations were made for the final stage of the test flight program.

With the aim of strengthening the development, manufacturing, sales and customer support functions of the commercial aircraft business going forward, the Company bought the CRJ (Canadair Regional Jet) business from Canada’s Bombardier Inc.

- Response to the novel coronavirus disease

In response to the novel coronavirus disease that has become increasingly serious since the beginning of the year, the MHI Group set up a countermeasures headquarters under the President and CEO, gathered information from across the Group to form a clear view of the situation, and put in place a working system to ensure the safety of employees in a timely manner. It also began surveying the impact on each business as early stage, and implemented countermeasures promptly, starting with those for the businesses where the effects are particularly large.

REVIEW OF BUSINESS SEGMENTS

Power Systems

Consolidated orders received rose above the level of the previous fiscal year to ¥1,772.1 billion, as a result of receiving a series of orders for such products as new types of GTCC power generation equipment, including those for hydrogen co-firing, in the North American market.

Revenue rose year on year to ¥1,590.2 billion, driven by increases in nuclear power plant equipment, aero engines and compressors.

Profit from business activities increased year on year to ¥144.3 billion, despite a sharp increase in construction costs acting to push down profits, due to gains posted in relation to the settlement with Hitachi, Ltd. in the dispute related to boiler construction projects in the Republic of South Africa.

Main Businesses
Gas power systems, steam power systems, nuclear power plant equipment (light water reactors/nuclear fuel cycle & advanced solutions), wind power generators, aero engines, compressors, environmental plants and marine machinery

Industry & Infrastructure

Consolidated orders received decreased year on year to ¥1,723.7 billion, affected by the slump in the demand for the automotive industry that originated in the trade friction between the US and China, and which led to declines in turbochargers and machine tools.

Revenue posted a year-on-year decline to ¥1778.0 billion, caused not only by the decline in orders received in turbochargers, but also by decreases in engineering business including transportation systems and chemical plants as well as commercial shipping.

Profit from business activities fell to below the level of the previous fiscal year, to ¥54.8 billion, with improvements in commercial shipping and metals machinery being insufficient to offset the effects of the decline in revenue from turbochargers, and so on.

Main Businesses
Material handling equipment, turbochargers, engines, air-conditioning & refrigeration systems, automotive thermal systems, metals machinery, commercial ships, transportation systems, chemical plants, environmental systems, machinery systems, machine tools

Aircraft, Defense & Space

Consolidated orders received rose year on year to ¥719.2 billion, driven by increases in defense-related systems, where orders included work to upgrade the capabilities of F-15 fighters, and space systems.

Revenue of ¥704.9 billion exceeded the level of the previous fiscal year, due to growth in all areas except for space systems and some other products.

Loss from business activities considerably deteriorated over the previous fiscal year to ¥208.7 billion, as a result of an impairment loss recorded on assets related to the Mitsubishi SpaceJet.

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

Others

While the total value of consolidated orders received decreased from the previous fiscal year to ¥70.1 billion, revenue rose year on year to ¥75.1 billion. Profit from business activities decreased from the previous fiscal year to ¥6.5 billion.

Main Businesses
Construction, real estate, etc.

2 KEY ISSUES FOR MHI GROUP

In the 2018 Medium-Term Business Plan, the MHI Group has sought a management balance between business growth and financial soundness. However, due to trade friction between the US and China, and the global spread of the novel coronavirus disease, the global economy, and the environment in which the MHI Group finds itself, have deteriorated dramatically since the time this plan was drawn up, and so we have begun implementing emergency countermeasures. We are also considering the effects of these events on the development schedule for the Mitsubishi SpaceJet business. In addition, we will further reinforce initiatives for the structural shift in the energy business, which has been affected by the acceleration of the worldwide trend towards low-carbon and carbon-free energy. Moreover, on the assumption that the impact of the novel coronavirus disease will be prolonged, and that the business environment will see further changes, we will bring forward the formulation of the next business plan.

- Emergency countermeasures taking into account the impact of the novel coronavirus disease

Currently, in the commercial aircraft related business and the mass and medium-lot product business, which have been significantly affected by the spread of the novel coronavirus disease, in addition to the emergency countermeasures that the MHI Group has already begun to implement, we are taking into account more serious circumstances than ever, and assuming the worst-case scenarios for the impact on the market. We are devising a range of steps such as reductions in fixed costs, including those involving personnel, reductions in external expenses, and revision to investment plans.

Businesses that provide made-to-order products for infrastructure-related companies and government agencies, which make up about two-thirds of the MHI Group's net sales, have also been affected primarily overseas in the form of slowdowns in the progress of projects for which we have already won orders leading to delays in the timing of recognition of sales, declines in new orders, paralysis of the supply chain, and so on. These effects could be prolonged. We will make group-wide efforts to flexibly implement measures aimed at minimizing the impact.

On the other hand, we consider the expansion in telecommuting by working from home as an opportunity to reform operations, and have begun a fundamental review of business processes related to corporate functions. Centering on the global headquarters, through acceleration of workstyle reforms and the increasing use of IT, we will work to improve business efficiency and productivity, opening the way to substantial reductions in indirect costs and more effective use of personnel resources.

- Response in the Mitsubishi SpaceJet business

With regard to the Mitsubishi SpaceJet business, delays in obtaining type certification had resulted in the need for a detailed examination of the entire schedule. Just at that point, the spread of the novel coronavirus disease affected the transportation (ferry flight) of the tenth and most recent airframe to the US, as well as the implementation of test flights in the US. Finally, the airline industry that provides our customers has been dealt a severe blow, and its business is in a critical state. Under these circumstances, as well as continuing our detailed examination of the development schedule, we will move forward with an appropriate level of budget.

- Structural transition in the energy business

In the energy industry, a shift to clean energy is progressing amid the recent worldwide trend towards low-carbon and carbon-free energy. The MHI Group views this as a business opportunity and will leverage all the power of the MHI Group to move forward with proactive proposals for optimal energy solutions. First, the name of Mitsubishi Hitachi Power Systems, Ltd., which is due to become a wholly-owned subsidiary of MHI, will be changed to Mitsubishi Power, Ltd. which will, while working to become even more competitive, continue to use its world-leading power generation technology to contribute to the realization of a decarbonized society. The MHI Group views Mitsubishi Power, Ltd. as the core of the energy business, and intends to transform it into a company that generates synergies between the related businesses within the MHI Group by utilizing the various technologies owned by the MHI Group, such as CCS^{*1}, CCU^{*2}, biomass, waste incineration, and renewable energy.

*1 Carbon dioxide Capture and Storage

*2 Carbon dioxide Capture and Utilization

- Bringing forward the formulation of the 2021 Medium-Term Business Plan

Rather than only taking emergency countermeasures to devise drastic measures to minimize the effects of changes in the business environment and the spread of the novel coronavirus disease, we will begin formulating the next 2021 Medium-Term Business Plan ahead of schedule. Under the 2021 Medium-Term Business Plan, we will capture the changing needs of markets, customers and society, while striving to strengthen management of our business portfolio, streamline the business management structure, and promoting our growth strategies with more speed.

Since 2012, the MHI Group has continually reviewed the management of its business portfolio in accordance with its strategic business evaluation system, but this time, reflecting the drastic changes in the business environment, we will move ahead with further reform of the business, based on the decision axes including profitability and compatibility with growth strategies.

Next, in order to streamline the business management structure, in addition to the selection and concentration of businesses, the MHI Group will work on to reduce selling, general and administrative expenses by compressing the entire balance sheet by means of the reorganization of MHI Group companies and domestic bases, improving business efficiency, and promoting improvements to productivity such as mobilization of human resources.

Moreover, to accelerate the promotion of growth strategies, while maintaining and strengthening profitability by increasing the scale of the existing businesses, we will invest in growth areas, primarily related to energy and the environment, and work to create businesses that generate new added value. We will combine and enhance the various technologies that the MHI Group has developed hitherto, such as autonomous and intelligence-building technology, eco-friendly technology, and electrification technology that support innovation in the fields of energy and mobility, working together to pursue the provision of services, and the building of infrastructures, for a society in which everybody can live safely and securely.

With the recognition that compliance and CSR are key issues for management, MHI Group will thoroughly manage risks and work to contribute to the sustainable development of society with the implementation of the above measures. We ask our shareholders for their continued understanding and support in these endeavors.

3 OPERATING RESULTS AND FINANCIAL CONDITIONS

Item	Japanese GAAP				International Financial Reporting Standards (IFRS)		
	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	FY2019
(Billions of Yen)							
Orders received	4,699.1	4,485.5	4,275.6	3,875.7	3,868.7	3,853.4	4,168.6
Net sales / Revenue	3,992.1	4,046.8	3,914.0	4,110.8	4,085.6	4,078.3	4,041.3
Overseas sales ratio/ Overseas revenue ratio	53.4%	55.4%	53.5%	54.2%	55.1%	54.0%	51.9%
Operating income	296.1	309.5	150.5	126.5	–	–	–
Operating income ratio	7.4%	7.6%	3.8%	3.1%	–	–	–
Profit from business activities	–	–	–	–	58.1	200.5	(29.5)
Profit from business activities to revenue ratio	–	–	–	–	1.4%	4.9%	(0.7)%
Income before income taxes / Profit before income taxes	232.6	132.6	169.7	128.0	39.2	195.0	(32.6)
Profit attributable to owners of parent	110.4	63.8	87.7	70.4	(7.3)	110.2	87.1
Total assets	5,520.3	5,500.7	5,481.9	5,487.6	5,248.7	5,240.3	4,985.6
Net assets / Total equity	2,120.0	1,999.7	2,104.1	2,164.4	1,693.8	1,728.6	1,290.0
Return on equity (ROE)	6.5%	3.7%	5.1%	3.9%	(0.5)%	7.9%	6.6%
Cash flows from operating activities	212.8	270.0	95.9	345.1	405.7	420.3	452.5
Cash flows from investing activities	(174.1)	(262.4)	8.7	(137.1)	(238.1)	(161.8)	(239.5)
Free cash flows	38.6	7.5	104.6	207.9	167.5	258.4	212.9
Cash flows from financing activities	(45.8)	(23.1)	(162.0)	(152.1)	(112.3)	(271.0)	(204.4)
Research and development expenses	145.5	150.6	160.7	176.8	176.8	152.1	146.8
Capital investment	148.9	166.5	197.3	144.0	144.0	137.4	148.1
Per share information of common stock (Yen)							
Earnings per share (EPS) / Basic earnings per share	329.04	190.17	261.24	209.82	(21.79)	328.52	259.39
Diluted earnings per share	328.23	189.72	260.71	209.39	(21.80)	327.97	259.06

Item	Japanese GAAP				International Financial Reporting Standards (IFRS)		
	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	FY2019
Book value per share (BPS) / Equity attributable to owners of parent per share	5,306.47	5,003.00	5,299.14	5,431.02	4,153.46	4,204.71	3,627.73

(Notes)

1. On October 1, 2017, the Company conducted a consolidation of its shares on a one for 10 basis. The per-share information is calculated on the assumption that said consolidation was carried out at the beginning of FY2014.
2. The Company has voluntarily adopted the International Financial Reporting Standards (IFRS), beginning with the previous fiscal year. Financial data for FY2017 restated from Japanese GAAP to IFRS is presented above for comparison.
3. The Company has applied IFRS 16 “Leases,” beginning with the fiscal year under review. Financial data for the previous fiscal year is recalculated, retrospectively applying this standard.

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

(Millions of Yen)

Segment	FY2014		FY2015		FY2016	
	Orders Received	Net Sales	Orders Received	Net Sales	Orders Received	Net Sales
Energy & Environment	1,923,633	1,599,527	2,005,077	1,542,779	1,688,770	1,470,437
Commercial Aviation & Transportation Systems	999,266	529,598	607,136	548,510	415,158	515,358
Integrated Defense & Space Systems	417,424	483,964	447,743	485,070	702,199	470,606
Machinery, Equipment & Infrastructure	1,304,646 [1,344,776]	1,319,552 [1,347,463]	1,392,564	1,432,358	1,464,392	1,438,044
Others	190,870 [150,741]	182,836 [154,935]	162,873	177,335	160,477	175,926
Inter-Segment Eliminations	(136,722)	(123,368)	(129,857)	(139,244)	(155,302)	(156,354)
Total	4,699,119	3,992,110	4,485,538	4,046,810	4,275,694	3,914,018

(Millions of Yen)

Segment	FY2016		FY2017	
	Orders Received	Net Sales	Orders Received	Net Sales
Power Systems	1,726,396	1,448,400	1,437,547	1,493,962
Industry & Infrastructure	1,590,389	1,747,059	1,711,388	1,898,965
Aircraft, Defense & Space	955,097	703,402	721,575	722,992
Others	160,477	175,926	113,510	120,805
Inter-Segment Eliminations	(156,666)	(160,771)	(108,302)	(125,909)
Total	4,275,694	3,914,018	3,875,718	4,110,816

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

(Notes)

1. The orders received and net sales/revenue for each segment include inter-segment transactions, which are all cancelled using the “Inter-Segment Eliminations” term.
2. In FY2015, some businesses were reclassified from “Others” to “Machinery, Equipment & Infrastructure”. Both orders received and net sales/revenue of these segments for FY2014 are presented in parentheses using the new segment categories for reference.
3. In FY2017, segment categories were changed to “Power Systems”; “Industry & Infrastructure”; “Aircraft, Defense & Space”; and “Others”. Both orders received and net sales/revenue of each segment for FY2016 are presented using the new segment categories as well for reference.

4 FINANCING CONDITIONS

(Millions of Yen)

Item	Change from the End of FY2018 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2019
Short-term and Long-term borrowings	(86,816)	373,298
Commercial Papers	85,000	85,000
Bonds	(65,000)	140,000
Total	(66,816)	598,298

5 MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2019
MUFG Bank, Ltd.	170,712
Mizuho Bank, Ltd.	43,373
Sumitomo Mitsui Banking Corporation	39,000
Meiji Yasuda Life Insurance Company	30,000
Sumitomo Mitsui Trust Bank, Limited	22,500
Development Bank of Japan Inc.	22,124
Nippon Life Insurance Company	15,800
The Bank of Kyoto, Ltd.	6,900
The Dai-ichi Life Insurance Company, Limited	5,000
Sumitomo Life Insurance Company	2,000

6 CAPITAL INVESTMENT

Capital investment* during FY2019 amounted to ¥148,115 million. The main purposes of the investments were to strengthen technological capabilities, to improve the ability to be competitive and to enhance MHI's capabilities in the fields where MHI aims to aggressively expand its businesses in the future.

* Based on reported figures for property, plant and equipment

Capital Investment by Business Segment

(Millions of Yen)

Segment	Amount	Main Items
Power Systems	48,803	Expansion of test facilities for gas turbines
Industry & Infrastructure	50,952	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	40,624	Expansion of production facilities for missile systems
Others & Common	7,734	—
Total	148,115	

7 EMPLOYEES

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

(Persons)

Segment	Number of Employees
Power Systems	24,444
Industry & Infrastructure	40,786
Aircraft, Defense & Space	10,734
Others & Common	5,667
Total	81,631

(Note)

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

(2) EMPLOYEES OF MHI

Number of Employees	Change from FY2018	Average Age	Average Number of Years of Service
14,501 persons	decrease of 33 employees	40.7 years old	17.6 years

(Note)

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

8 MAIN OFFICES & MANUFACTURING FACILITIES

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

(Note)

The main subsidiaries and their addresses are as presented below in “9 OUTLINES OF MAIN SUBSIDIARIES.”

9 OUTLINES OF MAIN SUBSIDIARIES

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Power Systems	Mitsubishi Hitachi Power Systems, Ltd.	Yokohama City	100,000 million Yen	65.0	Thermal power systems-related business
	PW Power Systems LLC	U.S.A.	450.0 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Hitachi Power Systems Americas, Inc.	U.S.A.	352.5 million US dollars	*100.0	Thermal power systems-related business
	MHI Holding Denmark ApS	Denmark	315.7 million Euros	100.0	Wind power generators-related business
	Mitsubishi Hitachi Power Systems Europe GmbH	Germany	98.0 million Euros	*100.0	Thermal power systems-related business
	Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi Prefecture	6,000 million Yen	100.0	Aero engines-related business
	Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	4,000 million Yen	100.0	Compressors-related business
	Mitsubishi Hitachi Power Systems Industries Co., Ltd.	Yokohama City	1,500 million Yen	*100.0	Thermal power systems-related business

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Industry & Infrastructure	Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.	Chiyoda-ku, Tokyo	35,000 million Yen	100.0	Material handling equipment-related business, Engines-related business, Turbochargers-related business
	Mitsubishi Heavy Industries Engineering, Ltd.	Yokohama City	20,000 million Yen	100.0	Chemical plant-related business, Transportation systems-related business
	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Chiyoda-ku, Tokyo	12,000 million Yen	100.0	Air-conditioning and refrigeration systems-related business, Automotive Thermal Systems-related business
	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Sagamihara City	5,000 million Yen	*100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Logisnext Co., Ltd.	Nagaokakyo City, Kyoto Prefecture	4,904 million Yen	*64.6	Material handling equipment-related business
	Mitsubishi Turbocharger and Engine Europe B.V.	Netherlands	38.3 million Euros	*100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Shipbuilding Co., Ltd.	Yokohama City	3,000 million Yen	100.0	Shipbuilding-related business
	Mitsubishi Heavy Industries Machine Tool Co., Ltd.	Ritto City, Shiga Prefecture	3,000 million Yen	100.0	Machine tools-related business
	Mitsubishi Heavy Industries Machinery Systems, Ltd.	Kobe City	2,005 million Yen	100.0	Machinery systems-related business

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Industry & Infrastructure	Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd.	Yokohama City	1,000 million Yen	*100.0	Environmental systems-related business
	MHI Plant Engineering & Construction Co., Ltd.	Yokohama City	100 million Yen	*100.0	Environmental systems-related business, Chemical plant-related business
	Primetals Technologies, Limited	United Kingdom	0.1 million Euros	*100.0	Metals machinery-related business
Aircraft, Defense & Space	Mitsubishi Aircraft Corporation	Nagoya City	135,000 million Yen	86.9	Commercial aircraft-related business
Others	MHI International Investment B.V.	Netherlands	245.0 million Euros	100.0	Investment for projects, financial operation within the MHI Group
	Mitsubishi Heavy Industries America, Inc.	U.S.A.	15.0 million US dollars	100.0	MHI products-related business in U.S.A.

(Notes)

1. The item marked with an asterisk (*) denotes the percentage of voting rights held by MHI's subsidiaries.
2. Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd. dissolved on account of the merger with MHI in April 2020.
3. Effective as of April 2020, MHI Plant Engineering & Construction Co., Ltd. changed its trade name to Mitsubishi Heavy Industries Transportation and Construction Engineering, Ltd.
4. Primetals Technologies, Limited became a wholly owned subsidiary of MHI's subsidiary company in January 2020.

STOCKS OF MHI

① TOTAL NUMBER OF SHARES AUTHORIZED TO BE ISSUED:

600,000,000 shares

② TOTAL NUMBER OF THE SHARES ISSUED:

337,364,781 shares

③ NUMBER OF SHAREHOLDERS:

241,224 persons (decrease of 4,014 persons from the end of FY2018)

④ MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,847,100	7.3
Japan Trustee Services Bank, Ltd. (Trust Account)	17,980,400	5.3
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,401,300	2.4
Meiji Yasuda Life Insurance Company	8,002,274	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,018,800	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,825,000	2.0
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Mitsubishi UFJ, Ltd.)	6,526,300	1.9
STATE STREET BANK WEST CLIENT – TREATY 505234	5,154,505	1.5
JP MORGAN CHASE BANK 385151	4,996,179	1.4
Mitsubishi Heavy Industries Employee Shareholding Association	4,611,969	1.3

(Note)

The ratios of shareholding are calculated excluding 649,140 treasury shares. The number of treasury shares does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (24,523 shares), Board Incentive Plan Trust I (145,200 shares) and Board Incentive Plan Trust II (700,100 shares).

OFFICERS

1 NAMES OF DIRECTORS, ETC.

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Chairman of the Board	Shunichi Miyanaga		Director, Mitsubishi Motors Corporation Member of the Board, Mitsubishi Corporation
*President and CEO (Member of the Board)	Seiji Izumisawa	CEO ^{*1} and CSO ^{*2}	
*Director (Member of the Board), Senior Executive Vice President	Masanori Koguchi	CFO ^{*3}	
*Director (Member of the Board), Executive Vice President	Masahiko Mishima	GC ^{*4}	
Director (Member of the Board)	Naoyuki Shinohara		Statutory Auditor, Media Kobo, Inc.
Director (Member of the Board)	Ken Kobayashi		Chairman of the Board, Mitsubishi Corporation Director, Mitsubishi Motors Corporation Director, NISSIN FOODS HOLDINGS CO., LTD.
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Toshifumi Goto		
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Hiroki Kato		
Director (Member of the Board) Audit and Supervisory Committee Member	Christina Ahmadjian		Professor, Hitotsubashi University, Graduate School of Business Administration Director, Japan Exchange Group, Inc. Director, Sumitomo Electric Industries, Ltd. Director, Asahi Group Holdings, Ltd.
Director (Member of the Board) Audit and Supervisory Committee Member	Hiroo Unoura		Advisor, Nippon Telegraph and Telephone Corporation

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Director (Member of the Board) Audit and Supervisory Committee Member	Nobuyuki Hirano		Member of the Board of Directors, Chairman (Corporate Executive), Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors, MUFG Bank, Ltd. Director, Morgan Stanley Audit & Supervisory Board Member, Toyota Motor Corporation Chairman, Mitsubishi Memorial Foundation for Educational Excellence

※1 CEO: Chief Executive Officer

※2 CSO: Chief Strategy Officer

※3 CFO: Chief Financial Officer

※4 GC: General Counsel

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2020.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, each a Director, and Ms. Christina Ahmadjian, Mr. Hiroo Unoura and Mr. Nobuyuki Hirano, each a Director who is serving as an Audit and Supervisory Committee Member, are outside directors as defined in Article 2, item (xv) of the Companies Act.
4. MHI has submitted notifications, specifying all MHI's outside directors as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
5. Mr. Hiroki Kato, a Director, Full-time Audit and Supervisory Committee Member, has extensive knowledge of finance and accounting from business experience in the accounting and finance departments of MHI.
6. Based on the judgment that given the size, characteristics, etc. of MHI's business, audit by full-time personnel is necessary for ensuring the effectiveness of the activities of the Audit and Supervisory Committee, MHI has prescribed in the Articles of Incorporation that Full-time Audit and Supervisory Committee Members shall be appointed. Pursuant to this provision, Mr. Toshifumi Goto and Mr. Hiroki Kato have been appointed as Full-time Audit and Supervisory Committee Members.
7. Mr. Masahiko Mishima, a Director, and Mr. Hiroo Unoura and Mr. Nobuyuki Hirano, each a Director who is serving as an Audit and Supervisory Committee Member, took up their positions as of June 27, 2019 (on the date of the 94th Annual General Meeting of Shareholders).
8. Mr. Shunichi Miyanaga, a Director, took up his position as Member of the Board of Mitsubishi Corporation as of June 21, 2019.
9. Mr. Nobuyuki Hirano, a Director who is serving as an Audit and Supervisory Committee Member, took up his position as Chairman of Mitsubishi Memorial Foundation for Educational Excellence as of October 1, 2019. In addition, he retired from his position as Member of the Board of Directors of MUFG Bank, Ltd. as of April 1, 2020.

The following changes were instituted in the responsibilities of Directors as of April 1, 2020.

Position	Name	Responsibility
*President and CEO (Member of the Board)	Seiji Izumisawa	CEO
*Director (Member of the Board), Senior Executive Vice President	Masanori Koguchi	In charge of matters specially assigned by President and CEO

(Note)

An asterisk mark (*) indicates a Representative Director.

■ Outline of Liability Limitation Agreement

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

2 OUTSIDE OFFICERS

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

Position	Name	Name of Entity	Relations with MHI
Director	Naoyuki Shinohara	Media Kobo, Inc.	No notable relations
	Ken Kobayashi	Mitsubishi Motors Corporation	No notable relations
		NISSIN FOODS HOLDINGS CO., LTD.	No notable relations
Director, Audit and Supervisory Committee Member	Christina Ahmadjian	Hitotsubashi University	No notable relations
		Japan Exchange Group, Inc.	No notable relations
		Sumitomo Electric Industries, Ltd.	No notable relations
		Asahi Group Holdings, Ltd.	No notable relations
	Nobuyuki Hirano	Mitsubishi UFJ Financial Group, Inc.	No notable relations
		Morgan Stanley	No notable relations
		Toyota Motor Corporation	No notable relations
		Mitsubishi Memorial Foundation for Educational Excellence	Donations of cash, etc.

(Note)

The entities above are those listed in “1 NAMES OF DIRECTORS, ETC.” where an MHI outside officer serves as an “Executive” etc. as defined in Article 124, paragraph (1), item (i) of the Regulation for Enforcement of the Companies Act or as an “Outside Officer” etc. as defined in item (ii) of the same paragraph.

(2) PRINCIPAL ACTIVITIES

Position	Name	The Number of Attendance at the Board of Directors Meetings	The Number of Attendance at the Audit and Supervisory Committee Meetings
Director	Naoyuki Shinohara	16 out of 16 times	-
	Ken Kobayashi	15 out of 16 times	-
Director, Audit and Supervisory Committee Member	Christina Ahmadjian	16 out of 16 times	16 out of 16 times
	Hiroo Unoura	11 out of 11 times	10 out of 10 times
	Nobuyuki Hirano	9 out of 11 times	8 out of 10 times

(Note)

As Mr. Hiroo Unoura and Mr. Nobuyuki Hirano, each a Director who is serving as an Audit and Supervisory Committee Member, took their offices as of June 27, 2019 (on the date of the 94th Annual General Meeting of Shareholders), the number of attendance at the Board of Directors meetings and Audit and Supervisory Committee meetings for the year which they could attend is different from that of other Directors.

These Directors have expressed their views at the Board of Directors meetings on the overall management of MHI from their various perspectives based on their considerable experience and knowledge as business managers and so forth. Ms. Christina Ahmadjian, Mr. Hiroo Unoura and Mr. Nobuyuki Hirano have expressed their views at the Audit and Supervisory Committee meetings, on the overall activities of the Committee including auditing based on their considerable experience and knowledge, and they have also conducted on-site audits at the respective places of business, exchanged opinions with the financial auditor, and provided necessary proposals.

3 REMUNERATION, ETC. TO OFFICERS

(1) AMOUNT OF REMUNERATION, ETC.

Position	Total Amount of Remuneration, etc. (Millions of Yen)	Monetary Remuneration				Stock Remuneration	
		Basic Remuneration		Performance-linked Remuneration		Figures (persons)	Total Amount (Millions of Yen)
		Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)		
Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	507	7	268	1	13	4	225
(Outside Directors)	(30)	(2)	(30)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	197	7	197	—	—	—	—
(Outside Directors)	(55)	(5)	(55)	(—)	(—)	(—)	(—)
Total	705	14	466	1	13	4	225
(Outside Directors)	(85)	(7)	(85)	(—)	(—)	(—)	(—)

(Notes)

1. The figures include one of the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and two of the Directors who are serving as Audit and Supervisory Committee Members who retired during FY2019.
2. The amounts of remuneration in the performance-linked remuneration column in the table above are the estimated amounts.
3. The maximum permitted monetary remuneration amounts are ¥1,200 million (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members).
4. The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 519,000 Stock Award Points granted in total during FY2019 (equivalent to 51,900 shares of MHI) concerning the Board Incentive Plan Trust, which is a stock remuneration system that delivers or provides shares of MHI and money in the amount equivalent to liquidation value of shares of MHI based on Stock Award Points granted to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) in accordance with, among other factors, the rank of the position of each Director and the financial results of MHI. The maximum permitted amounts of Stock Award Points are 1,000,000 points (resolution of the 94th Annual General Meeting of Shareholders on June 27, 2019) per fiscal year for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors).
5. The maximum permitted monetary remuneration amounts are ¥300 million (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors who are serving as Audit and Supervisory Committee Members.

(2) POLICY FOR DETERMINING THE AMOUNT OF REMUNERATION, ETC. OR ITS CALCULATION METHOD AND THE METHOD OF DETERMINING SUCH POLICY

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

The policy for determining the amount of remuneration, etc. or its calculation method for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) has been determined by the Board of Directors.

- Remuneration of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) consists of basic remuneration, performance-linked remuneration, and stock remuneration from the perspective of reflecting financial results and sharing common value with shareholders.

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

- Outside directors are expected to provide objective opinions and suggestions from an external standpoint. In view of that role, they will be provided with basic remuneration (fixed remuneration commensurate with their duties) only.
- The amount of remuneration shall be set at appropriate levels consideration also of the situation in other companies and other factors.

For the purpose of further enhancing the transparency and fairness concerning the determination of remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI holds the Nomination and Remuneration Meeting(s) consisting of the outside directors, Chairman of the Board and President and CEO. During FY2019, MHI held six Nomination and Remuneration Meetings, in which President and CEO explained the policy stated above to outside directors and received opinions and advice from them.

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

The policy for determining the amount of remuneration, etc. or its calculation method for Directors who are serving as Audit and Supervisory Committee Members has been determined through discussion among Directors who are serving as Audit and Supervisory Committee Members.

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

FINANCIAL AUDITOR

1 NAME OF FINANCIAL AUDITOR

KPMG AZSA LLC

2 AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR

¥325 million

(Note)

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

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

The Audit and Supervisory Committee confirmed the policy and content of the audit plan, the basis for calculation of estimates, etc., which constitute the basis for remuneration of the financial auditor, and verified them by receiving necessary reports on them from internal departments concerned. As a result, the Audit and Supervisory Committee determined that they were appropriate for the financial auditor to conduct financial audit of MHI and agreed to the amount of remuneration shown in “2 AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR” above.

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

¥705 million

(Note)

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

5 CONTENTS OF WORKS OTHER THAN AUDITING

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

6 POLICY ON TERMINATING OR NOT REAPPOINTING THE FINANCIAL AUDITOR

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

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

(End)

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

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar. 31, 2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	283,235	281,626
Trade and other receivables	717,414	611,976
Other financial assets	25,180	28,539
Contract assets	625,749	576,061
Inventories	739,820	726,228
Indemnification assets for South African projects	546,098	407,800
Other current assets	222,390	206,261
Total current assets	3,159,890	2,838,493
Non-current assets		
Property, plant and equipment	777,228	792,920
Goodwill	121,117	124,500
Intangible assets	113,131	78,908
Right-of-use assets	90,335	96,201
Investments accounted for using the equity method	209,929	177,569
Investments in securities and other financial assets	447,888	391,538
Deferred tax assets	133,511	382,729
Other non-current assets	187,320	102,827
Total Non-current assets	2,080,463	2,147,196
Total assets	5,240,353	4,985,690
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	459,548	769,099
Trade and other payables	862,174	824,030
Income taxes payable	27,024	28,994
Contract liabilities	875,294	835,465
Provisions	215,475	199,496
Other current liabilities	157,273	151,657
Total Current liabilities	2,596,790	2,808,742
Non-current liabilities		
Bonds, borrowings and other financial liabilities	637,204	601,770
Deferred tax liabilities	4,012	7,318
Retirement benefit liability	154,105	145,890
Provisions	47,583	58,173
Other non-current liabilities	71,964	73,718
Total non-current liabilities	914,870	886,871
Total liabilities	3,511,660	3,695,614
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	185,302	49,667
Treasury shares	(5,572)	(5,374)
Retained earnings	869,238	886,307
Other components of equity	96,987	22,133
Equity attributable to owners of parent	1,411,564	1,218,343
Non-controlling interests	317,128	71,732
Total Equity	1,728,693	1,290,076
Total Liabilities and Equity	5,240,353	4,985,690

CONSOLIDATED STATEMENT OF PROFIT OR LOSS [IFRS]

(Millions of Yen)

	FY2018 (From Apr. 1, 2018 to Mar. 31, 2019)	FY2019 (From Apr. 1, 2019 to Mar. 31, 2020)
Revenue	4,078,344	4,041,376
Cost of sales	3,309,351	3,331,339
Gross Profit	768,992	710,036
Selling, general and administrative expenses	538,210	583,874
Share of profit of investments accounted for using the equity method	10,937	12,898
Other income *	64,472	67,751
Other expenses	105,621	236,350
Profit from business activities	200,570	(29,538)
Finance income	7,650	11,616
Finance expenses	13,161	14,738
Profit before income taxes	195,059	(32,660)
Income taxes	57,671	(139,945)
Profit	137,388	107,284
Profit attributable to:		
Owners of parent	110,271	87,123
Non-controlling interests	27,117	20,161

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	328.52	259.39
Diluted earnings per share	327.97	259.06

*Other income includes dividend income. The amount of dividends of FY 2018 is 11,647 Million Yen, and the amount of FY2019 is 12,096 Million Yen.

NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2020	As of Mar. 31, 2019 (Reference)
ASSETS		
Current assets:		
Cash and deposits	93,600	65,054
Trade notes receivable	17	220
Trade accounts receivable	73,585	56,878
Contract assets	99,662	109,351
Merchandise and finished products	902	1,123
Work in process	175,227	218,423
Raw materials and supplies	28,948	33,697
Income taxes receivable	-	5,383
Advances to suppliers	18,880	37,534
Prepaid expenses	723	399
Short-term loans receivable from subsidiaries and affiliates	521,095	3,185
Indemnification assets for South African projects	407,800	-
Other current assets	86,002	104,016
Allowance for doubtful accounts	(62)	(38)
Total current assets	1,506,382	635,230
Non-current assets:		
Property, plant and equipment:		
Buildings	187,298	193,682
Structures	19,656	19,870
Docks and facilities for shipbuilding	3,074	3,239
Machinery	43,615	49,111
Vessels	9	12
Aircraft	0	4
Vehicles and transportation equipment	1,146	1,182
Tools, equipment and furniture	18,432	18,371
Land	94,506	94,519
Leased assets	1,831	1,810
Construction in progress	15,146	18,881
Subtotal	384,718	400,686
Intangible assets:		
Software	3,270	8,404
Right of using facilities	265	293
Leased assets	24	12
Others	173	203
Subtotal	3,733	8,913
Investments and advances:		
Investment securities	231,332	322,062
Investments in shares of subsidiaries and affiliates	602,123	663,337
Investments in capital	1,063	1,063
Investments in capital of subsidiaries and affiliates	26,597	21,745
Long-term loans receivable from employees	28	34
Long-term loans receivable from subsidiaries and affiliates	78,611	836,536
Claims provable in bankruptcy, claims provable in rehabilitation and other	240	231
Long-term prepaid expenses	2,523	2,199
Prepaid pension cost	39,990	37,804
Deferred tax assets	259,641	36,101
Long-term receivables	476,838	17,048
Others	23,085	52,182
Allowance for doubtful accounts	(466,286)	(3,401)
Subtotal	1,275,790	1,986,944
Total non-current assets	1,664,243	2,396,544
TOTAL ASSETS	3,170,625	3,031,774

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar.31, 2018 (Reference)
<u>LIABILITIES</u>		
Current liabilities:		
Electronically recorded obligations	32,571	26,543
Trade accounts payable	199,504	188,607
Short-term borrowings	621,125	651,936
Current portion of long-term borrowings	44,974	35,978
Commercial Paper	85,000	-
Current portion of bonds	10,000	65,000
Lease obligations	496	447
Accrued payables	24,791	21,026
Accrued expenses	17,800	28,118
Income taxes payable	11,585	-
Contract liabilities	334,237	369,149
Deposits received	579,605	32,173
Provision for construction warranties	7,305	7,737
Provision for loss on construction contracts	4,953	4,757
Provision for loss on disputes	-	3,053
Provision for stock benefits	222	269
Asset retirement obligations	29	3
Other current liabilities	12,926	10,598
Total current liabilities	1,987,129	1,445,401
Non-current liabilities:		
Bonds	130,000	140,000
Long-term borrowings	210,795	192,052
Lease obligations	1,379	1,452
Provision for construction warranties	7,876	9,491
Provision for business structure improvement	3,294	3,294
Provision for stock benefits	1,332	947
Provision for loss on guarantees	8,169	-
Provision for treatment of PCB waste	4,826	6,364
Provision for environmental measures	6,938	7,077
Asset retirement obligations	2,648	2,571
Other non-current liabilities	26,734	24,990
Total non-current liabilities	403,994	388,242
TOTAL LIABILITIES	2,391,123	1,833,643
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,313	2,518
Total capital surplus	205,849	206,055
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	24,175	24,175
Reserve for reduction in costs of fixed assets	58,595	74,483
Reserve for accelerated depreciation	846	1,293
Earned surplus brought forward	147,597	490,510
Total revenue reserve	231,214	590,462
Total retained earnings	297,578	656,826
Treasury stock	(1,942)	(2,394)
Total stockholders' equity	767,094	1,126,095
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	15,951	72,225
Unrealized gain (loss) from hedging instruments	(4,810)	(1,977)
Total valuation, translation adjustments and others	11,141	70,247
Share subscription rights	1,266	1,787
TOTAL NET ASSETS	779,501	1,198,131
TOTAL LIABILITIES AND NET ASSETS	3,170,625	3,031,774

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019) (Reference)
Net sales	959,281	886,498
Cost of sales	806,736	754,036
Gross profit	152,545	132,461
Selling, general and administrative expenses	99,329	83,445
Operating income	53,215	49,016
Non-operating income:		
Interest income	7,809	7,325
Dividend income	75,924	32,467
Foreign exchange gain	3,504	-
Other income	2,072	1,440
Total non-operating income	89,311	41,232
Non-operating expenses:		
Interest expense	7,246	7,757
Interest on bonds	1,116	1,412
Loss on disposal of fixed assets	3,239	4,655
Foreign exchange loss	-	5,866
Litigation expenses	1,565	1,402
Provision for loss on disputes	-	3,053
Other expenses	7,334	11,515
Total non-operating expenses	20,502	35,663
Ordinary income	122,024	54,585
Extraordinary gain:		
Gain on sales of fixed assets	-	40,209
Gain on sales of investment securities	5,178	9,226
Gain on extinguishment of tie-in shares	-	77,393
Reversal of allowance for doubtful accounts	-	60,046
Litigation settlement	47,690	-
Total extraordinary gain	52,869	186,876
Extraordinary loss:		
Loss on revaluation of investment securities	7,334	14,596
Loss related to SpaceJet project	631,672	115,829
Business structure improvement expenses	-	3,750
Provision of allowance for doubtful accounts	14,195	3,091
Provision for loss on guarantees	7,944	-
Total extraordinary loss	661,147	137,268
Profit (loss) before income taxes	(486,253)	104,192
Income taxes:		
Current	27,138	5,272
Deferred	(201,266)	2,859
Profit (loss)	(312,125)	96,061

Independent Auditor's Report

May 20, 2020

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC
Tokyo Office, Japan

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Mitsubishi Heavy Industries, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note "Significant Subsequent Events" to the financial statements which describes that the Company agreed with Bombardier Inc., that the transaction pertaining to the acquisition of CRJ Program will close on June 1, 2020.

Our opinion is not modified in respect of this matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

(End)

Independent Auditor's Report

May 20, 2020

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC
Tokyo Office, Japan

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Mitsubishi Heavy Industries, Ltd. ("the Company") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

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

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

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

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and the

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

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

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

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

(End)

Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee of the Company has audited the Directors' execution of their duties during the 2019 fiscal year, from April 1, 2019, to March 31, 2020. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

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

Based on the foregoing methods, the Audit and Supervisory Committee examined the Business Report and the related supplementary schedules for the 2019 fiscal year under review, non-consolidated financial statements for the same fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the related supplementary schedules as well as consolidated financial statements for the same fiscal year (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements).

2. Results of audit:

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

In our opinion:

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

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

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

(3) Result of audit of the consolidated financial statements

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

May 21, 2020

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

Hiroki Kato (seal)
Full-time Audit and Supervisory Committee
Member

Toshifumi Goto (seal)
Full-time Audit and Supervisory Committee
Member

Christina Ahmadjian (seal)
Audit and Supervisory Committee Member

Hiroo Unoura (seal)
Audit and Supervisory Committee Member

Nobuyuki Hirano (seal)
Audit and Supervisory Committee Member

(Note)

Ms. Christina Ahmadjian, Mr. Hiroo Unoura and Mr. Nobuyuki Hirano are outside directors as defined in Article 2, item (xv) and Article 331, paragraph (6) of the Companies Act.

(End)