

(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 7, 2021

To the Shareholders:

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

NOTICE OF THE 96TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce that the 96th Annual General Meeting of Shareholders of Mitsubishi Heavy Industries, Ltd. (“MHI”) will be held as described below.

With a view to preventing further spread of novel coronavirus disease (COVID-19), we request 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 5-29), and exercise your voting rights in advance as indicated in the “Instructions for voting,” on pages 3-4, by 5:30 p.m. on Monday, June 28, 2021 (Japan time).

1. Date and Time: Tuesday, June 29, 2021 at 10:00 a.m. (Japan time)

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

3. Purposes:

To report on the following items:

Item No. 1: Business Report, Consolidated Financial Statements for the 2020 fiscal year (from April 1, 2020 to March 31, 2021), 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 2020 fiscal year (from April 1, 2020 to March 31, 2021).

To consider and resolve the following proposals:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Partial Amendments to the Articles of Incorporation

Proposal No. 3: Election of 7 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)

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

Proposal No. 5: Election of 1 Substitute Director Who Is Serving as an Audit and Supervisory Committee Member

(End)

.....;

- Information concerning the following items is not included in the Attachment to the Notice of the 96th 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: Tuesday, June 29, 2021 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 5-29) 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 Monday, June 28, 2021 (Japan time)

Guidance for filling in the voting card

Proposal No. 1, Proposal No. 2 and Proposal No. 5:

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

Proposal No. 3 and Proposal No. 4:

- 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 5-29) and indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufig.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 Monday, June 28, 2021 (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.” There has been no change to this basic policy in the 2021 Medium-Term Business Plan.

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. Moreover, because the interim dividend was suspended in the fiscal year under review, the total annual dividend will be also ¥75 per share.

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: ¥25,262,642,775

3. Effective Date of Dividend Allocation

June 30, 2021

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reason for proposal

With respect to the current Articles of Incorporation of MHI, in order to prepare for situations in which the number of Directors who are serving as Audit and Supervisory Committee Members falls short of the number stipulated by laws and regulations, MHI proposes to newly establish a provision that the effect of the resolution in the case of the election of a substitute Director who is serving as an Audit and Supervisory Committee Member shall be two years, and a provision that the term of office of a Director who is serving as an Audit and Supervisory Committee Member elected as a substitute for a Director who is serving as an Audit and Supervisory Committee Member who retired from office before the expiration of the term of office shall be until the time the term of office of the retired Director who is serving as an Audit and Supervisory Committee Member is to expire.

2. Contents of amendments

The details of the amendments are as follows.

(Underlined portions indicate the proposed changes)

Current Articles of Incorporation	Proposed Amendments
<p>Article 21. (Election of Directors)</p> <ol style="list-style-type: none"> 1. The Directors shall be elected by a majority of voting rights of the shareholders present at a General Meeting of Shareholders, at which shareholders having one-third or more of the total voting rights of all shareholders entitled to exercise voting rights shall be present. 2. The election of Directors pursuant to the provision in the preceding paragraph shall be implemented, while making a distinction between the Directors who are Audit and Supervisory Committee Members and other Directors. 3. The election of Directors shall not be conducted by cumulative voting. (Newly established) 	<p>Article 21. (Election of Directors)</p> <ol style="list-style-type: none"> 1. The Directors shall be elected by a majority of voting rights of the shareholders present at a General Meeting of Shareholders, at which shareholders having one-third or more of the total voting rights of all shareholders entitled to exercise voting rights shall be present. 2. The election of Directors pursuant to the provision in the preceding paragraph shall be implemented, while making a distinction between the Directors who are Audit and Supervisory Committee Members and other Directors. 3. The election of Directors shall not be conducted by cumulative voting. 4. <u>A resolution for the election of a substitute Director who is an Audit and Supervisory Committee Member, pursuant to the provisions of Article 329, paragraph 3 of the Companies Act, shall remain in effect until the beginning of the Ordinary General Meeting of Shareholders with respect to the last business year ending within two years after such resolution.</u>
<p>Article 22. (Terms of Office of Directors)</p> <ol style="list-style-type: none"> 1. The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within one year after his/her election as Director. 2. The term of office of Directors who are Audit and Supervisory Committee Members shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within two years after his/her election as Director. (Newly established) 	<p>Article 22. (Terms of Office of Directors)</p> <ol style="list-style-type: none"> 1. The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within one year after his/her election as Director. 2. The term of office of Directors who are Audit and Supervisory Committee Members shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within two years after his/her election as Director. 3. <u>The term of office of a Director elected to serve as a substitute Audit and Supervisory Committee Member in order to fill a vacancy of an Audit and Supervisory Committee Member who retires prior to the expiration of his/her term, shall be the remainder of the predecessor's term.</u>

Proposal No. 3: Election of 7 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)

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

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

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2020)	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	15 out of 15 times	13 years
2	Seiji Izumisawa	Re-election	*President and CEO* ^{*1} (Member of the Board)	15 out of 15 times	4 years
3	Hisato Kozawa	Re-election	*Director (Member of the Board), Executive Vice President, CFO* ^{*2}	10 out of 10 times	1 year
4	Hitoshi Kaguchi	Newly nominated	(Newly nominated)	–	–
5	Naoyuki Shinohara	Re-election Outside Independent	Director (Member of the Board)	15 out of 15 times	6 years
6	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	15 out of 15 times	5 years
7	Nobuyuki Hirano	Newly nominated Outside Independent	Director (Member of the Board), Audit and Supervisory Committee Member	13 out of 15 times	2 years

*1 CEO: Chief Executive Officer

*2 CFO: Chief Financial Officer

(Notes)

1. An asterisk mark (*) indicates a Representative Director.
2. As Mr. Hisato Kozawa took up his position as of June 26, 2020 (on the date of the 95th 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.
3. As Mr. Nobuyuki Hirano is currently a Director (Member of the Board), Audit and Supervisory Committee Member of the Company, the number of times he attended the Board of Directors meetings and the number of his years in office as Director are shown for this position.

Position and Responsibility in MHI

Chairman of the Board

Number of MHI Shares Owned

39,800

Number of years in office as Director

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

13 years

Number of times attended Board of Directors meetings in FY2020

15 out of 15 times

Career summary

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

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

Important concurrent positions

Director, Mitsubishi Motors Corporation

Member of the Board, Mitsubishi Corporation

Reason for nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI Shares Owned

4,700

Number of years in office as Director

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

4 years

Number of times attended Board of Directors meetings in FY2020

15 out of 15 times

Career summary

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

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

Important concurrent positions

None

Reason for nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

*CSO (Chief Strategy Officer)

Position and Responsibility in MHI

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

Number of MHI Shares Owned

1,900

Number of years in office as Director

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

1 year

Number of times attended Board of Directors meetings in FY2020

10 out of 10 times

Career summary

April 1986 Joined Mitsubishi Heavy Industries, Ltd.

October 2019 Senior Vice President, CoCFO

April 2020 Senior Vice President, CFO

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

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

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

Important concurrent positions

None

Reason for nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

1,500

Number of years in office as Director

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

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Number of times attended Board of Directors meetings in FY2020

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Career summary

April 1984	Joined Mitsubishi Heavy Industries, Ltd.
April 2015	General Manager, Nuclear Energy Systems Division of Energy & Environment
April 2017	General Manager, Nuclear Energy Systems Division of Power Systems
April 2018	Senior Vice President, Deputy Head of Business Strategy Office
April 2019	Senior Vice President, CoCSO, Head of Marketing & Innovation Headquarters
April 2020	Executive Vice President, CSO
April 2021	Executive Vice President, CSO, President and CEO, Energy Systems (Present position)

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Hitoshi Kaguchi is being nominated for the position of a Director because he has extensive business experience in MHI, including having been involved in the technological development and business operation of nuclear power generation systems for many years. He served as CoCSO from April 2019 and as CSO since April 2020, planning and promoting MHI's overall strategy under the CEO. 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, playing a leading role in the overall planning of MHI's management policies, and hence MHI nominates Mr. Hitoshi Kaguchi as a candidate for Director.

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

1,400

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

6 years

Number of times attended Board of Directors meetings in FY2020

15 out of 15 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 nomination as a candidate for outside director and overview of expected roles

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

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 27-28) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

1,400

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

5 years

Number of times attended Board of Directors meetings in FY2020

15 out of 15 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 nomination as a candidate for outside director and overview of expected roles

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (stated on pages 27-28) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Position and Responsibility in MHI

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

Number of MHI Shares Owned

1,300

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

2 years

Number of times attended Board of Directors meetings in FY2020

13 out of 15 times

Career summary

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

Important concurrent positions

Senior Advisor, MUFG Bank, Ltd.
Audit & Supervisory Board Member, Toyota Motor Corporation
Director, Morgan Stanley
Chairman, Mitsubishi Memorial Foundation for Educational Excellence

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

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Nobuyuki Hirano meets the "Independence Criteria for Outside Directors" (stated on pages 27-28) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Although MUFG Bank, Ltd., at which he has served as Chairman of the Board of Directors, is a bank with which MHI has transactions, the bank is one of some lenders to MHI, and that bank is deemed not to fall under the definition of a lender that infringes upon the "Independence Criteria for Outside Directors." The ratio of borrowings from that bank in MHI's consolidated outstanding balance of loans payable is approximately 45%.

Moreover, although Mitsubishi Memorial Foundation for Educational Excellence, at which he serves as Chairman, receives donations from MHI, the amount of donations given to the foundation does not exceed the criteria amount set forth in the "Independence Criteria for Outside Directors," and this is deemed not to have any impact on his independence.

(Notes)

1. Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Mr. Nobuyuki Hirano 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, Mr. Ken Kobayashi and Mr. Nobuyuki Hirano, as independent directors, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan, and should they be elected as Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI will re-submit notifications specifying them as independent directors.
3. MHI has entered into a liability limitation agreement with Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Mr. Nobuyuki Hirano, which provides a limitation on their liabilities to compensate for damages under Article 423, paragraph (1) of the Companies Act, the amount of which is the higher of ¥10 million or the minimum amount of liability defined in Article 425, paragraph (1) of the Companies Act. Should Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Mr. Nobuyuki Hirano be elected, MHI is bound to continue the above-mentioned agreement with each of them.
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.

5. At MUFG Bank, Ltd., where Mr. Nobuyuki Hirano served as a member of the Board of Directors, the US Office of the Comptroller of the Currency (OCC) found MUFG Bank's internal control arrangements for the prevention of money laundering to be inadequate under the terms of the US Bank Secrecy Act, resulting in MUFG Bank coming to an agreement with the OCC in February 2019 to put in place corrective measures, etc.
6. MHI plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover indemnification and the litigation expenses arising from the legal liability of damages that are assumed by an insured in a case where the insured receives a claim etc. relating to the pursuit of liability arising from the performance of duties. However, the aforementioned policy does not cover losses, etc. arising from intentional misconduct or fraudulent acts by the aforementioned insured.
MHI's Directors are insureds under the aforementioned policy, and the full amount of the insurance premiums for all insureds is borne by MHI. For every candidate, if their election to the position of a Director is approved, they will become an insured under the aforementioned policy. During the terms of office of the elected Directors, MHI plans to renew the aforementioned policy with the same terms and conditions.

■ Opinions of the Audit and Supervisory Committee

In regard to the election, etc. and remuneration, etc. of Directors who are not serving as Audit and Supervisory Committee Members, all three outside directors who are serving as Audit and Supervisory Committee Members attended the Nomination and Remuneration 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, etc. and remuneration, etc. of Directors who are not serving as Audit and Supervisory Committee Members, based on the provisions of the Companies Act.

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

The terms of 4 of the 5 current Directors who are serving as Audit and Supervisory Committee Members, Mr. Toshifumi Goto, Ms. Christina Ahmadjian, Mr. Hiroo Unoura, and Mr. Nobuyuki Hirano will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 4 Directors who are serving as Audit and Supervisory Committee Members. The candidates for Directors who are serving as Audit and Supervisory Committee Members are as follows.

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

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2020)	The Number of Attendance at the Audit and Supervisory Committee Meetings (FY2020)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Setsuo Tokunaga	Newly nominated	(Newly nominated)	–	–	–
2	Hiroo Unoura	Re-election Outside Independent	Director (Member of the Board), Audit and Supervisory Committee Member	15 out of 15 times	15 out of 15 times	2 years
3	Noriko Morikawa	Newly nominated Outside Independent	Director (Member of the Board)	10 out of 10 times	–	1 year
4	Masako Ii	Newly nominated Outside Independent	(Newly nominated)	–	–	–

(Note)

As Ms. Noriko Morikawa is currently a Director (Member of the Board) who is not serving as an Audit and Supervisory Committee Member of the Company, the number of times she attended the Board of Directors meetings and the number of her years in office as Director are shown for this position. As she took up her position as of June 26, 2020 (on the date of the 95th Annual General Meeting of Shareholders), the number of times she attended the Board of Directors meetings for the year is different from that of the other candidates.

(Reference)

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

1

Setsuo Tokunaga
(October 20, 1958: 62 years old)
[Newly nominated]

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

2,000

Number of years in office as Director

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

—

Number of times attended Board of Directors meetings in FY2020

—

Number of times attended the Audit and Supervisory Committee meetings in FY2020

—

Career summary

April 1984 Joined Mitsubishi Heavy Industries, Ltd.
April 2015 General Manager, Research & Innovation Center of Technology & Innovation Headquarters
April 2016 General Manager, Research & Innovation Center
April 2017 Fellow, General Manager, Research & Innovation Center
June 2017 Fellow, Senior General Manager of Technology Strategy Office
April 2019 Senior Fellow, Senior Chief Researcher, Research & Innovation Center (Present position)

Important concurrent positions

None

Reason for nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Hiroo Unoura

(January 13, 1949: 72 years old)

[Re-election] [Outside] [Independent]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

3,000

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

2 years

Number of times attended Board of Directors meetings in FY2020

15 out of 15 times

Number of times attended the Audit and Supervisory Committee meetings in FY2020

15 out of 15 times

Career summary

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

Important concurrent positions

Advisor, Nippon Telegraph and Telephone Corporation

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

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Hiroo Unoura meets the "Independence Criteria for Outside Directors" (stated on pages 27–28) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

100

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

1 year

Number of times attended Board of Directors meetings in FY2020

10 out of 10 times

Number of times attended the Audit and Supervisory Committee meetings in FY2020

—

Career summary

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

Important concurrent positions

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

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

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Ms. Noriko Morikawa meets the “Independence Criteria for Outside Directors” (stated on pages 27-28) 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 director. Although MHI has a trading relationship with Bosch Corporation, where Ms. Noriko Morikawa served as an Executive Vice President and Director, the amount of transactions between Bosch Corporation and MHI is less than 0.1% of the total annual consolidated sales of Bosch Corporation and MHI, and does not exceed the amount criteria stipulated in the “Criteria for Independence of Outside Directors.”

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

—

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

—

Number of times attended Board of Directors meetings in FY2020

—

Number of times attended the Audit and Supervisory Committee meetings in FY2020

—

Career summary

July 1990	Researcher, The World Bank
April 1995	Associate Professor, Department of Economics, Yokohama National University
April 2004	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Business School
April 2005	Professor, School of International and Public Policy, Hitotsubashi University (Present position) Professor, Graduate School of Economics/Faculty of Economics, Hitotsubashi University (Present position)

Important concurrent positions

Professor, School of International and Public Policy, Hitotsubashi University
 Professor, Graduate School of Economics/Faculty of Economics, Hitotsubashi University
 Governor, Japan Broadcasting Corporation
 Director (Audit and Supervisory Committee Member), M3, Inc.

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

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Ms. Masako Ii meets the "Independence Criteria for Outside Directors" (stated on pages 27-28) 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 director.

(Notes)

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

Proposal No. 5: Election of 1 Substitute Director Who Is Serving as an Audit and Supervisory Committee Member

MHI proposes to elect 1 substitute Director who is serving as an Audit and Supervisory Committee Member to fill the vacancy in the number of Directors who are serving as Audit and Supervisory Committee Members stipulated in laws and regulations.

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

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

Nobuhiro Oka

(April 5, 1963: 58 years old)

[Newly nominated] [Outside] [Independent]

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

—

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

—

Number of times attended Board of Directors meetings in FY2020

—

Number of times attended the Audit and Supervisory Committee meetings in FY2020

—

Career summary

April 1993	Registered as an attorney at law Joined Kajitani Law Offices
April 1997	Representative Partner, Takekawa & Oka Law Offices
October 2004	Representative Partner, Takekawa, Oka & Yoshino Law Offices
October 2013	Representative, Oka-Partners Law Office (Present position)

Important concurrent positions

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

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

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Nobuhiro Oka meets the “Independence Criteria for Outside Directors” (stated on pages 27–28) provided by MHI, MHI judges him to be independent from its management. Should he take up his position as a Director who is serving as an Audit and Supervisory Committee Member, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Although MHI has donated to Keio University, at which he serves as a professor, the amount donated to the University by MHI is ¥5 million or less and less than 0.1% of both the University’s average annual total expenses, and does not exceed the criteria amount set forth in the “Independence Criteria for Outside Directors,” and this is deemed not to have any impact on his independence.

(Notes)

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

Matters for Consideration for Proposals No. 3, No. 4 and No. 5

■ 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).

■ Independence Criteria for Outside Directors

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

1. A person who is currently:

- (i) A major shareholder of MHI (i.e., a shareholder who holds 10% or more of voting rights), or any executive (a person who executes operations) of such shareholder;
- (ii) A counterparty with whom MHI transacts in cases when MHI's transaction amount with said counterparty in the last business year exceeded 2% of MHI's annual consolidated gross sales in amount, or any executive of said counterparty;
- (iii) A counterparty that transacts with MHI in cases when said counterparty's transaction amount with MHI in the last business year exceeded 2% of said counterparty's annual consolidated gross sales in amount, or any executive of said counterparty;
- (iv) A financial institution or any large creditor on which MHI is dependent to the extent that it is indispensable for MHI's financing and is not substitutable, or any executive of said financial institution or large creditor;
- (v) A certified public accountant or employee, partner or staff of an audit corporation serving as the financial auditor of MHI (excluding staff serving as an assistant);
- (vi) Any executive of an organization that received a donation or subsidy from MHI exceeding ¥10 million or 30% of said organization's average annual total expenses in the last business year, whichever is higher;

- (vii) An attorney, certified public accountant, certified tax accountant or any other consultant who received ¥10 million or more in the form of money or other financial benefits on average in the past three business years from MHI, other than remuneration as a MHI officer; or
 - (viii) Anyone who belongs to a law firm, audit corporation, tax accountant corporation, consulting firm or any other expert advisory firm that received payments accounting for 2% or more of its annual consolidated gross sales on average in the past three business years from MHI (excluding staff serving as an assistant).
2. A person who corresponded to any of the items from (i) to (vi) above at any point in time over the past three years.

■ Structure of the Board of Directors After the Election

If Proposals No. 3 and No. 4 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 Director	Newly nominated Director
Shunichi Miyanaga	Chairman of the Board					
Seiji Izumisawa	President and CEO (Member of the Board)	○				
Hisato Kozawa	Director (Member of the Board), Executive Vice President, CFO	○				
Hitoshi Kaguchi	Director (Member of the Board), Executive Vice President, CSO, President and CEO, Energy Systems	○				○
Naoyuki Shinohara	Director (Member of the Board)			○	○	
Ken Kobayashi	Director (Member of the Board)			○	○	
Nobuyuki Hirano	Director (Member of the Board)			○	○	○
Koji Okura	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			
Setsuo Tokunaga	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			○
Hiroo Unoura	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	
Noriko Morikawa	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	○
Masako Ii	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	○

(End)

**ATTACHMENT TO THE NOTICE OF THE
96TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

BUSINESS REPORT FOR THE 2020 FISCAL YEAR

(April 1, 2020 to March 31, 2021)

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

I REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

During the fiscal year under review, despite the continued global spread of the novel coronavirus disease (COVID-19) there was a gradual resumption of economic activity, leading to the global economy showing signs of recovery. The Japanese economy followed the same pattern, with the recovery trend that emerged in the second half of the fiscal year being visible in such areas as the pickup in production activity. However, through the full fiscal year, output fell significantly below the levels of the previous fiscal year in both global and Japanese economies.

■ Orders, Sales and Profits/Losses

In this operating environment, consolidated orders received by MHI Group in the fiscal year under review decreased by ¥832.2 billion year on year to ¥3,336.3 billion, while revenue declined by ¥341.4 billion to ¥3,699.9 billion.

In terms of profit from business activities, Plants & Infrastructure Systems, Energy Systems, and Logistics, Thermal & Drive Systems all recorded decreases, but Aircraft, Defense & Space posted an increase, resulting in an overall improvement of ¥83.6 billion year on year to ¥54.0 billion, while profit before income taxes rose by ¥82.0 billion year on year to ¥49.3 billion.

Meanwhile, profit attributable to owners of parent came to ¥40.6 billion, ¥46.4 billion lower than in the previous fiscal year. This was because losses posted in previous fiscal years were recorded in deferred tax assets in the previous fiscal year.

■ MHI Group Initiatives in FY2020

The fiscal year under review was the final year of the 2018 Medium-Term Business Plan, in which MHI Group focused on strengthening its financial base, and on further expanding the scale and increasing the profitability of the business. However, we faced the issues of a global market contraction in the mainstay thermal power systems business, as well as the twin issues in other existing businesses of stagnation in business scale and intensified price competition, leading to reductions in profitability. Furthermore, MHI Group was struck by a dramatic deterioration in the business environment as a result of the spread of COVID-19.

In order to respond quickly to these changes, MHI Group formulated a new 2021 Medium-Term Business Plan for the period from FY2021 to FY2023 in the end of October 2020, half a year ahead of schedule, and has begun working on its initiatives.

- 2021 Medium-Term Business Plan

Under the 2021 Medium-Term Business Plan, MHI Group will give priority to the themes of “Return to and strengthen profitability” and “Opening up growth areas” rather than to expanding the scale of the business. The aim is to establish a business foundation for achieving TOP^{*1}, as well as a foundation for the leap forward needed to implement the next 2024 Medium-Term Business Plan. In terms of “Return to and strengthen profitability,” we have set financial indicator targets for the end of FY2023, consisting of a business profit margin of 7%, an ROE of 12%, and maintenance of interest-bearing debt at ¥900 billion. In order to achieve these, we have begun implementing specific measures for each business. As for “Opening up growth areas,” we position two areas as growth fields: Energy Transition, which is focused on resolving the changing societal issues arising from preparations for a decarbonized society; and New Mobility & Logistics, which responds to society’s needs with autonomous and intelligence-building technology by using digital technology to connect the diverse products of MHI Group. During the period of the 2021 Medium-Term Business Plan we will invest ¥180 billion in these areas, aiming to grow them into a future business with ¥1 trillion in size.

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

- Initiatives for growth

In the energy industry, the shift to clean energy driven by the structural transition is accelerating as part of the worldwide trend towards decarbonization. In the circumstances, MHI Group has taken the decision to leverage its technology and track record in this area and focus on the Energy Transition. We worked to help achieve a low-carbon and decarbonized society through use of our world-leading power generation technology, such as the combined cycle power plant validation facility, where long-term verification of the next-generation 1,650°C-class J-Series Air-Cooled (JAC) gas turbine is being conducted, at the Takasago Works of Mitsubishi Power, Ltd., which became a wholly owned subsidiary of MHI in September 2020. In preparation for the expansion of the CO₂ capture business, we actively participated in the feasibility studies and FEED^{*2} stages of multiple CO₂-capture projects in North America and Europe. In addition, we took steps to verify the new KS-21TM solvent at one of the world’s largest CO₂ capture test facilities, in Norway, in preparation for commercialization. Elsewhere, in order to strengthen and diversify the hydrogen value chain, we invested in companies in the United States and Europe that possess methane pyrolysis and water electrolysis technology, and are moving to enter the green hydrogen/ammonia

business in Australia. Furthermore, we transferred shares in our offshore wind turbine joint venture with Danish company Vestas Wind Systems A/S to Vestas, while acquiring new shares in Vestas itself, thus strengthening our partnership. Responding to this partnership, we established a joint venture with Vestas, for the sale of onshore and offshore wind power systems mainly in Japan.

*2 Front End Engineering Design (Design approach used to investigate engineering issues and approximate costs at the stage before EPC)

- **Initiatives to address creation of innovation emergence and societal issues**

During the fiscal year under review, we invested in companies with innovative technology, and promoted initiatives to support those involved in manufacturing. MHI Group also opened “Yokohama Hardtech Hub” at the Honmoku Plant in Yokohama City. This is a shared creative space for venture firms, manufacturing companies, local government bodies, educational institutions, and other organizations, and we are conducting activities to develop it as a space for innovation emergence centered on technology.

As part of its efforts to respond to environmental issues by providing balanced energy infrastructure, MHI issued a green bond in November 2020. We also worked to contribute to achieving a decarbonized society, through our endorsement of the declaration on “Challenge Zero” initiative, which is being promoted by leading companies and organizations. In addition, MHI Group has designated new material issues (Materiality) as non-financial indicators to achieve growth over the medium to long term by resolving societal issues, and is moving forward with specific activities based on these.

- **Business activities during the COVID-19 pandemic**

In MHI Group, the impact of the COVID-19 pandemic has been particularly large in the commercial aircraft-related business and the mass and medium-lot products business. Throughout the fiscal year under review, MHI Group worked to devise a range of measures, such as reductions in fixed costs, including those involving personnel across MHI Group as a whole, cuts to external expenses, and revisions to investment plans, and managed to reduce selling, general and administrative expenses significantly.

MHI Group has for some time developed various systems to allow diverse work styles, but it has taken the opportunity offered by COVID-19 countermeasures to upgrade its systems, such as by putting in place a more substantial working-from-home environment, and expanding related tools so that a wide range of business and operational tasks can be performed remotely.

- **Initiatives for growth of existing businesses**

In Energy Systems, a new engine combustor manufacturing plant was built in Nagasaki for the aero engines business, and we are moving ahead with measures to strengthen systems in preparation for post-recovery growth in demand, and for further expansion of the customer base. In the shipbuilding-related businesses of Plants & Infrastructure Systems, we implemented initiatives such as maritime-related engineering services, support for marine vessel remote control/autonomous navigation, and system integration for ship propulsion units for an inter-business large project that transcend barriers between different parts of the industry. In Logistics, Thermal & Drive Systems, we took steps to grow the market for environmentally friendly products, and the MSV2 high-efficiency air-cooled heat pump chiller won an “Agency for Natural

Resources and Energy Commissioner's Award" at the FY2020 Energy Conservation Grand Prize Awards. In Aircraft, Defense & Space, MHI has entered into a formal contract with the Ministry of Defense for the new fighter jet program being led by Japan, whereby it has been selected as the contractor responsible for overall integration.

In addition, with the aim of better expressing its core competencies, MHI Group embarked on a review of its business portfolio from a long-term perspective. In the naval ship operations, we finalized its agreement to take over the naval and governmental ships business of Mitsui E&S Shipbuilding Co., Ltd, which will enable us to further strengthen the segment. We also made the decision to transfer the machine tools business to Nidec Corporation in order to ensure the future growth and development of the business foundation we have cultivated hitherto. In the shipbuilding business, as a result of investigating the effective use of a new shipbuilding area at the Koyagi Shipyard of the Nagasaki Shipyard & Machinery Works, we concluded an agreement to transfer this area to Oshima Shipbuilding Co., Ltd. in March 2021.

- Future direction of the Mitsubishi SpaceJet program

With regard to the development of the Mitsubishi SpaceJet (M90), delays in obtaining type certificate resulted in the need for detailed examination of the entire schedule from the beginning of 2020. The spread of COVID-19 then made ferry flight of the flight test vehicle to the United States impractical, which affected the implementation of test flights in the U.S., requiring a review of the entire schedule. At the same time the slump in demand for air travel dealt a severe blow to the airline industry, which constitutes the potential customer for this program, making it difficult to forecast the future aircraft demand.

Having taken into account the above-mentioned delays in the development and deterioration in the market environment, MHI Group took the decision to slowdown and temporarily pause development activity on the Mitsubishi SpaceJet. Since that point, we have continued the documentation process for obtaining type certificate on a reduced budget, while putting in place a business environment by monitoring market trends carefully and holding discussions with suppliers.

REVIEW OF BUSINESS SEGMENTS

Energy Systems

Consolidated orders received fell year on year, to ¥1,299.2 billion, due to such factors as a decline in steam power systems and GTCC (Gas Turbine Combined Cycle) systems on account of the large-scale new construction projects recorded in the previous year.

As a result of the decline in steam power systems and aero engines, revenue fell to ¥1,546.0 billion, below previous-year levels.

Profit from business activities was supported by a gain on sales of securities related to the offshore wind power systems business, but mainly due to a deterioration in the profitability of steam power systems work, and the disappearance of the one-off profits that were recorded in the previous fiscal year for a settlement of the dispute related to a South African project, the total posted a year-on-year decline to ¥127.6 billion.

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

Plants & Infrastructure Systems

With declines recorded in the commercial ships, engineering, and metals machinery businesses, following the delay of business negotiations due to the lockdowns that went into effect in various countries affected by COVID-19, consolidated orders received fell year on year, to ¥575.2 billion.

Declines recorded for engineering and metals machinery caused revenue to undershoot the previous-year levels, coming to ¥637.2 billion.

Profitability of business activities deteriorated over the previous fiscal year mainly due to the impact of the decline in revenues, and the segment posted a loss of ¥10.2 billion.

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

Logistics, Thermal & Drive Systems

Following the deterioration in business conditions caused by the COVID-19 pandemic, consolidated orders received were ¥868.0 billion, having been affected mainly by declines in material handling equipment and turbochargers.

Falls in material handling equipment and turbochargers caused revenue to decrease year on year to ¥860.3 billion.

Although there was improvement in profitability from reductions in fixed costs, the decline in revenue resulted in profit from business activities of ¥15.6 billion, lower than the level of the previous fiscal year.

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

Aircraft, Defense & Space

Following the slump in aircraft demand caused by the COVID-19 pandemic, commercial aircraft recorded a decline, resulting in consolidated orders received falling year on year to ¥626.2 billion.

There were increases in revenue at defense-related systems, such as missile systems and naval ships, but due to the decline in commercial aircraft overall revenue declined year on year to ¥702.1 billion.

A loss on business activities of ¥94.8 billion was recorded. This was an improvement over the previous year, due to a reduction in impairment losses 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

2 KEY ISSUES FOR MHI GROUP

In the 2021 Medium-Term Business Plan, MHI Group set out the two pillars of “Return to and strengthen profitability” and “Opening up growth areas,” and has been moving forward with successive initiatives in preparation for escaping as quickly as possible from the effects of COVID-19, and for building a foundation for securing steady profits and business growth.

- Accelerating energy transition

The global COVID-19 pandemic has significantly quickened the pace of change in social values. With regard to decarbonization in particular, the Japanese government has announced that it will reduce greenhouse gas emissions by 46% based on 2013 levels by 2030 as a target that will keep it on track to achieve the carbon-neutral status* by 2050, and Europe and the United States are also accelerating their efforts for the reduction. Getting onboard with this, MHI Group will contribute to initiatives for realizing the society of carbon-neutral status by developing decarbonization technology and by building a hydrogen value chain, etc.

For carbon neutrality, it is necessary to resolve the various issues needed to achieve that status in stages. First, we will work on improving the efficiency of existing coal-fired power generation facilities and on using hydrogen/ammonia mixed-combustion technology to shift towards lower carbon. To that end, in preparation for the shift to hydrogen combustion for GTCC, the Takasago Works of Mitsubishi Power is building an integrated system for conducting demonstration tests from hydrogen manufacture to power generation, and we will continue to push forward with our research in preparation for commercialization. Our goal is to transform the steam power (coal-fired power) systems business into the one which is mainly engaged in advanced after-sales services, while achieving the rapid real-world implementation of the ammonia mixed-combustion boilers with high-rate use of ammonia that are currently under development.

As a stable, scalable, carbon-free power source, and also as an important base load power source from the perspective of future stable supply of energy, nuclear power is expected to be made best use in future years for achieving carbon neutrality. Thus, we will deal with supporting restart efforts for existing light water reactor plants, building Specialized Security Facilities (SSF), and completing the nuclear fuel cycle. Setting a goal of commercialization in the middle of the 2030s, we will go ahead with development and commercialization of a next-generation light water reactors with the world’s highest levels of safety that adopt innovative technology.

With regard to the use of hydrogen/ammonia and CO₂ capture & utilization in preparation for the next stage, which is that of decarbonization, although these markets are still in their infancy, they are expected to expand rapidly as we approach 2050. In addition to actively participating in FEED projects in leading regions, we have begun investing in startups. We will continue our cooperative efforts with entities outside MHI over a wide area, both upstream and downstream, and also promote open innovation initiatives.

It is because MHI Group is accelerating such measures in relation to Energy Transition that it made the decision to integrate Mitsubishi Power into MHI in October 2021.

* Net-zero emissions measured by offsetting greenhouse emissions with the absorption rates of carbon sinks such as forests, etc.

- New Mobility & Logistics

We will undertake cross-functional initiatives, centered on the Growth Strategy Office established in April 2020, to open up new areas and to provide new value by applying digitalization and the use of AI to a wide range of products and technologies.

In order to respond to the increasingly diverse and sophisticated requests of customers, MHI Group is shifting away from its previous product-oriented model and towards a solutions business that will serve as a catalyst for new value creation by working with customers to solve their problems through the integration and control of a variety of mechanical systems.

Using the logistics business as a model case, we will respond to customer problems and latent needs by proposing solutions such as automated logistics, and a cold chain.

Due to increases in the standard of living in recent years and changes in lifestyles as well as a trend that has been further affected by COVID-19, the importance of building a cold chain to meet demand for transportation requiring rigorous temperature control has been increasing. Under MHI Group's previous model, the typical approach would have been to develop and offer the advanced equipment necessary to fulfill the customer's needs, such as highly efficient industrial freezer equipment. Going forward, rather than simply offering the stand-alone product, we will simultaneously offer collaboration with a variety of equipment to enable efficient warehouse operations, or frozen logistics engineering that controls the environment appropriately during storage and transportation, and work with customers to create solutions that target their problems directly.

By blending digital technology with the unique know-how that MHI Group has accumulated in the design and manufacture of a variety of (hardware) products, we will broaden initiatives to provide customer value across all our products, and offer solutions created by integrating a variety of intelligent machine systems.

- Return to and strengthen profitability

While caution is still required in relation to the impact of COVID-19, the aero engines business, which was one of the worst hit, has bottomed thanks to a demand recovery centered on the U.S., and we also expect the mass and medium-lot products business to recover to pre-coronavirus levels in FY2021. We are reorganizing the structure of the aero engines business to enable it to recover from the COVID-19 pandemic and return to growth. For the mass and medium-lot products business, we will maintain the structure at an appropriate level of fixed costs while taking steps to prepare for the coming expansion in demand. Conversely, the weakness in the aero structures business of the commercial aircraft division is expected to continue in FY2021, so we will accelerate fixed-cost reductions and reform of production processes in order to improve profitability.

As well as continuing to promote the rearrangement of the business portfolio from a long-term perspective, we will steadily implement the 2021 Medium-Term Business Plan as it relates to the shifting of personnel resources.

In other initiatives, we will reduce selling, general and administrative expenses through efficiency gains derived from the integration of Mitsubishi Power into MHI, and work to reduce expenses through improved asset management.

Recently, various societal issues, starting with environmental problems, have been attracting attention in the context of international frameworks such as the adoption of sustainable development goals (SDGs) and the expansion of ESG investment. Based on the recognition that

sustainability and compliance are key issues for management, MHI Group intends to develop its businesses and contribute to the sustainable development of society. 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)			
	FY2015	FY2016	FY2017	FY2017	FY2018	FY2019	FY2020
(Billions of Yen)							
Orders received	4,485.5	4,275.6	3,875.7	3,868.7	3,853.4	4,168.6	3,336.3
Net sales / Revenue	4,046.8	3,914.0	4,110.8	4,085.6	4,078.3	4,041.3	3,699.9
Overseas sales ratio/ Overseas revenue ratio	55.4%	53.5%	54.2%	55.1%	54.0%	51.9%	47.4%
Operating income	309.5	150.5	126.5	—	—	—	—
Operating income ratio	7.6%	3.8%	3.1%	—	—	—	—
Profit from business activities	—	—	—	58.1	200.5	(29.5)	54.0
Profit from business activities to revenue ratio	—	—	—	1.4%	4.9%	(0.7)%	1.5%
Income before income taxes / Profit before income taxes	132.6	169.7	128.0	39.2	195.0	(32.6)	49.3
Profit attributable to owners of parent	63.8	87.7	70.4	(7.3)	110.2	87.1	40.6
Total assets	5,500.7	5,481.9	5,487.6	5,248.7	5,240.3	4,985.6	4,810.7
Net assets / Total equity	1,999.7	2,104.1	2,164.4	1,693.8	1,728.6	1,290.0	1,439.3
Return on equity (ROE)	3.7%	5.1%	3.9%	(0.5)%	7.9%	6.6%	3.1%
Cash flows from operating activities	270.0	95.9	345.1	405.7	420.3	452.5	(94.9)
Cash flows from investing activities	(262.4)	8.7	(137.1)	(238.1)	(161.8)	(239.5)	(182.2)
Free cash flows	7.5	104.6	207.9	167.5	258.4	212.9	(277.1)
Cash flows from financing activities	(23.1)	(162.0)	(152.1)	(112.3)	(271.0)	(204.4)	221.7
Research and development expenses	150.6	160.7	176.8	176.8	152.1	146.8	125.7
Capital investment	166.5	197.3	144.0	144.0	137.4	148.1	116.5
Per share information of common stock (Yen)							
Earnings per share (EPS) / Basic earnings per share	190.17	261.24	209.82	(21.79)	328.52	259.39	120.92
Diluted earnings per share	189.72	260.71	209.39	(21.80)	327.97	259.06	120.83

Item	Japanese GAAP			International Financial Reporting Standards (IFRS)			
	FY2015	FY2016	FY2017	FY2017	FY2018	FY2019	FY2020
Book value per share (BPS) / Equity attributable to owners of parent per share	5,003.00	5,299.14	5,431.02	4,153.46	4,204.71	3,627.73	4,064.73

(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 FY2015.
2. The Company has voluntarily adopted the International Financial Reporting Standards (IFRS), beginning with FY2018. Financial data for FY2017 restated from Japanese GAAP to IFRS is presented above for comparison.
3. The Company has applied IFRS 16 “Leases,” beginning with the previous fiscal year. Financial data for FY2018 is recalculated, retrospectively applying this standard.

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

(Millions of Yen)

Segment	FY2015		FY2016	
	Orders Received	Net Sales	Orders Received	Net Sales
Energy & Environment	2,005,077	1,542,779	1,688,770	1,470,437
Commercial Aviation & Transportation Systems	607,136	548,510	415,158	515,358
Integrated Defense & Space Systems	447,743	485,070	702,199	470,606
Machinery, Equipment & Infrastructure	1,392,564	1,432,358	1,464,392	1,438,044
Others	162,873	177,335	160,477	175,926
Inter-Segment Eliminations	(129,857)	(139,244)	(155,302)	(156,354)
Total	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

[International Financial Reporting Standards (IFRS)]

(Millions of Yen)

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

(Millions of Yen)

Segment	FY2019		FY2020	
	Orders Received	Revenue	Orders Received	Revenue
Energy Systems	1,772,101	1,590,293	1,299,213	1,546,003
Plants & Infrastructure Systems	739,970	792,925	575,281	637,258
Logistics, Thermal & Drive Systems	985,962	990,105	868,095	860,307
Aircraft, Defense & Space	719,215	704,985	626,243	702,109
Inter-Segment Eliminations	(48,560)	(36,934)	(32,442)	(45,732)
Total	4,168,689	4,041,376	3,336,392	3,699,946

(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 FY2017, segment categories were changed to “Power Systems”; “Industry & Infrastructure”; “Aircraft, Defense & Space”; and “Others”. In FY2020, they were changed to “Energy Systems”; “Plants & Infrastructure Systems”; “Logistics, Thermal & Drive Systems”; and “Aircraft, Defense & Space”. Both orders received and net sales/revenue of each segment for FY2016 and FY2019 are presented using the new segment categories as well for reference.

4 FINANCING CONDITIONS

(Millions of Yen)

Item	Change from the End of FY2019 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2020
Short-term and Long-term borrowings	141,324	514,623
Commercial Papers	111,000	196,000
Bonds	55,000	195,000
Total	307,324	905,623

5 MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2020
MUFG Bank, Ltd.	230,998
Mizuho Bank, Ltd.	66,892
Sumitomo Mitsui Banking Corporation	61,102
Meiji Yasuda Life Insurance Company	45,000
Sumitomo Mitsui Trust Bank, Limited	35,500
Nippon Life Insurance Company	23,300
Development Bank of Japan Inc.	16,150
The Dai-ichi Life Insurance Company, Limited	8,000
The Bank of Kyoto, Ltd.	7,000
Taiyo Life Insurance Company	3,000

6 CAPITAL INVESTMENT

Capital investment* during FY2020 amounted to ¥116,558 million. The main purposes of the investments were to strengthen technological capabilities, to improve the ability to be competitive and to enhance MHI's capabilities in the fields where MHI aims to aggressively expand its businesses in the future.

* Based on reported figures for property, plant and equipment

Capital Investment by Business Segment

(Millions of Yen)

Segment	Amount	Main Items
Energy Systems	41,318	Expansion of test facilities for gas turbines
Plants & Infrastructure Systems	9,159	Expansion of facilities related to metals machinery
Logistics, Thermal & Drive Systems	28,187	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	23,739	Expansion of production facilities for space systems
Others & Common	14,152	—
Total	116,558	

7 EMPLOYEES

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

(Persons)

Segment	Number of Employees
Energy Systems	24,323
Plants & Infrastructure Systems	15,145
Logistics, Thermal & Drive Systems	23,592
Aircraft, Defense & Space	11,258
Others & Common	5,656
Total	79,974

(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 FY2019	Average Age	Average Number of Years of Service
14,553 persons	increase of 52 employees	41.3 years old	18.1 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, Takasago City Hyogo Prefecture, Hiroshima City, Nagoya City, Yokohama City, Sagamihara 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), 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
Energy Systems	Mitsubishi Power, Ltd.	Yokohama City	100,000 million Yen	100.0	Thermal power systems-related business
	Mitsubishi Power Aero LLC	U.S.A.	450.0 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Power Americas, Inc.	U.S.A.	352.5 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi Prefecture	6,000 million Yen	100.0	Aero engines-related business
	Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	4,000 million Yen	100.0	Compressors-related business
Plants & Infrastructure Systems	Mitsubishi Heavy Industries Engineering, Ltd.	Yokohama City	20,000 million Yen	100.0	Engineering-related business
	Mitsubishi Shipbuilding Co., Ltd.	Yokohama City	3,000 million Yen	100.0	Shipbuilding-related business
	Mitsubishi Heavy Industries Machinery Systems, Ltd.	Kobe City	2,005 million Yen	100.0	Machinery systems-related business
	Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd.	Yokohama City	1,000 million Yen	*100.0	Environmental systems-related business
	Primetals Technologies, Limited	United Kingdom	0.1 million Euros	*100.0	Metals machinery-related business

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Logistics, Thermal & Drive Systems	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Chiyoda-ku, Tokyo	12,000 million Yen	100.0	Air-conditioning and refrigeration systems-related business, Automotive thermal systems-related business
	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Sagamihara City	5,000 million Yen	100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Logisnext Co., Ltd.	Nagaokakyo City, Kyoto Prefecture	4,913 million Yen	64.6	Material handling equipment-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 Power, Ltd. (previously known as Mitsubishi Hitachi Power Systems, Ltd.) became a wholly owned subsidiary of MHI in September 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:

245,450 persons (increase of 4,226 persons from the end of FY2019)

4 MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,667,800	8.2
Custody Bank of Japan, Ltd. (Trust Account)	17,672,100	5.2
Meiji Yasuda Life Insurance Company	8,002,274	2.3
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Mitsubishi UFJ, Ltd.)	6,526,300	1.9
Custody Bank of Japan, Ltd. (Trust Account 7)	6,137,200	1.8
Mitsubishi Heavy Industries Employee Shareholding Association	5,566,176	1.6
STATE STREET BANK WEST CLIENT – TREATY 505234	5,134,705	1.5
Custody Bank of Japan, Ltd. (Trust Account 5)	4,817,600	1.4
JPMorgan Securities Japan Co., Ltd.	4,496,980	1.3
Custody Bank of Japan, Ltd. (Trust Account 6)	4,270,500	1.2

(Note)

The ratios of shareholding are calculated excluding 529,544 treasury shares. The number of treasury shares does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (19,687 shares), Board Incentive Plan Trust I (114,100 shares) and Board Incentive Plan Trust II (550,800 shares).

5 STATUS OF SHARES GRANTED TO OFFICERS AS COMPENSATION FOR EXECUTION OF DUTIES DURING FY2020

	Number of Shares	Number of Persons Eligible for Grants
Director (Member of the Board) (excluding Directors who are serving as Audit and Supervisory Committee Members and Outside Directors)	29,700	3
Outside Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	–	–
Directors who are serving as Audit and Supervisory Committee Members	4,600	2

(Notes)

1. The number of shares includes shares granted to retired officers, and shares granted to officers as compensation for execution of duties during their term as Senior Vice Presidents of MHI, or as directors or senior vice presidents of its subsidiaries.
2. The number of shares in the table includes shares that were liquidated to provide payment in cash (14,900 shares of the 29,700 shares, and 2,400 shares of the 4,600 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	
*Director (Member of the Board), Executive Vice President	Masahiko Mishima	GC**2	
*Director (Member of the Board), Senior Vice President	Hisato Kozawa	CFO**3	
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)	Noriko Morikawa		Director / Audit & Supervisory Committee Member, CHORI CO, LTD. Director, Showa Denko K.K.
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	Koji Okura		
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. Director, Morgan Stanley Audit & Supervisory Board Member, Toyota Motor Corporation Chairman, Mitsubishi Memorial Foundation for Educational Excellence

※1 CEO: Chief Executive Officer

※2 GC: General Counsel

※3 CFO: Chief Financial Officer

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2021.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Ms. Noriko Morikawa, 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 directors, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
5. Mr. Koji Okura, 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. Koji Okura have been appointed as Full-time Audit and Supervisory Committee Members.
7. Mr. Hisato Kozawa and Ms. Noriko Morikawa, each a Director, and Mr. Koji Okura, a Director who is serving as a Full-time Audit and Supervisory Committee Member, took up their positions as of June 26, 2020 (on the date of the 95th Annual General Meeting of Shareholders).
8. Mr. Nobuyuki Hirano, a Director who is serving as an Audit and Supervisory Committee Member, retired from his position as Chairman (Corporate Executive), Mitsubishi UFJ Financial Group, Inc. as of April 1, 2021.

The following changes were instituted in the positions of Directors as of April 1, 2021.

Position	Name	Responsibility
*Director (Member of the Board), Executive Vice President	Hisato Kozawa	CFO

(Note)

An asterisk mark (*) indicates a Representative Director.

■ Outline of Liability Limitation Agreement

MHI has entered into liability limitation agreements with Directors: Mr. Naoyuki Shinohara; Mr. Ken Kobayashi; and Ms. Noriko Morikawa, 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.

■ Outline of the Directors and Officers Liability Insurance Policy

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

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

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	Purchase of missile system components, etc.
		NISSIN FOODS HOLDINGS CO., LTD.	No notable relations
	Noriko Morikawa	CHORI CO, LTD.	No notable relations
		Showa Denko K.K.	Purchase of naval ship components, etc.
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	15 out of 15 times	-
	Ken Kobayashi	15 out of 15 times	-
	Noriko Morikawa	10 out of 10 times	
Director, Audit and Supervisory Committee Member	Christina Ahmadjian	14 out of 15 times	14 out of 15 times
	Hiroo Unoura	15 out of 15 times	15 out of 15 times
	Nobuyuki Hirano	13 out of 15 times	13 out of 15 times

(Note)

As Ms. Noriko Morikawa, a Director, took her office as of June 26, 2020 (on the date of the 95th Annual General Meeting of Shareholders), the number of attendance at the Board of Directors meetings for the year which they could attend is different from that of other Directors.

Based on their considerable experience and knowledge, these Directors have offered views and assessments from their respective standpoints at meetings of the Board of Directors, the Nomination and Remuneration Meetings, etc., performing supervision of the overall management of MHI. Based on their considerable experience and knowledge, Ms. Christina Ahmadjian, Mr. Hiroo Unoura and Mr. Nobuyuki Hirano have expressed their views at the Audit and Supervisory Committee meetings in relation to the overall activities of the Committee, including auditing, and they have also conducted interviews with various departments, etc., 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)	399	8	233	5	79	4	85
(Outside Directors)	(39)	(3)	(39)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	186	6	186	—	—	—	—
(Outside Directors)	(53)	(3)	(53)	(—)	(—)	(—)	(—)
Total	585	14	420	5	79	4	85
(Outside Directors)	(93)	(6)	(93)	(—)	(—)	(—)	(—)

(Notes)

1. The figures include one of the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and one of the Directors who are serving as Audit and Supervisory Committee Members who retired during FY2020.
2. The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 376,000 Stock Award Points granted in total during FY2020 (equivalent to 37,600 shares of MHI).

(2) MATTERS CONCERNING BASIC REMUNERATION

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

Standard amount based on role + Additional amount based on duties

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

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

(3) MATTERS CONCERNING PERFORMANCE-LINKED REMUNERATION

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

Performance-linked remuneration shall be determined with reference to consolidated earnings for the fiscal year under review, and shall also take into account the roles of each Director and the

earnings and achievements, etc. of the business for which they are responsible, based on the following calculation method.

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

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

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

In FY2020, profit before income taxes was ¥49.3 billion, against a target (initial forecast) of ¥0 million.

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

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

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

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

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

In FY 2019, MHI had a loss before income taxes of ¥32.6 billion, against a target (initial forecast) of a profit of ¥210.0 billion.

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

- The maximum permitted monetary remuneration amount for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (including outside directors) was set at ¥1,200 million per fiscal year by resolution of the 90th Annual General Meeting of Shareholders held on June 26, 2015. The number of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) as of the conclusion of the Annual General Meeting of Shareholders in question was nine, including two outside directors.

- The maximum permitted amount of Stock Award Points that may be granted to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) was set at 1,000,000 points (equivalent to 100,000 shares of MHI) per fiscal year by resolution of the 94th Annual General Meeting of Shareholders held on June 27, 2019). The number of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) as of the conclusion of the Annual General Meeting of Shareholders in question was four.
- The maximum permitted monetary remuneration amount for Directors who are serving as Audit and Supervisory Board Members was set at ¥300 million per fiscal year by resolution of the 90th Annual General Meeting of Shareholders held on June 26, 2015. The number of Directors who are serving as Audit and Supervisory Board Members as of the conclusion of the Annual General Meeting of Shareholders in question was five, including three outside directors.

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

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

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

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

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

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

- The amount of remuneration shall be set at appropriate levels while also giving consideration to the situation in other companies and other factors.
 - For the purpose of further enhancing the transparency and fairness concerning the determination of remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI holds the Nomination and Remuneration Meeting(s) consisting of the outside directors, Chairman of the Board and President and CEO. At such meetings the President and CEO explains to outside directors the policy and method used to determine details of individual remuneration, etc. for Directors, and obtains opinions and advice on the subject from the outside directors.
- During FY2020, MHI held two Nomination and Remuneration Meetings.

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

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

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

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

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

determine details of individual remuneration, etc. for Directors, and reports back to the Board of Directors on the results of this allocation.

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

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

FINANCIAL AUDITOR

1 NAME OF FINANCIAL AUDITOR

KPMG AZSA LLC

2 AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR

¥331 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

¥769 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, 2021	As of Mar. 31, 2020 (Reference)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	245,421	281,626
Trade and other receivables	655,181	611,976
Other financial assets	30,677	28,539
Contract assets	578,936	576,061
Inventories	713,498	726,228
Indemnification asset for South African projects	-	407,800
Other current assets	230,955	206,261
Total current assets	2,454,670	2,838,493
Non-current assets:		
Property, plant and equipment	779,696	792,920
Goodwill	124,500	124,500
Intangible assets	74,722	78,908
Right-of-use assets	93,321	96,201
Investments accounted for using the equity method	182,897	177,569
Other financial assets	560,213	391,538
Deferred tax assets	378,338	382,729
Other non-current assets	162,365	102,827
Total non-current assets	2,356,056	2,147,196
TOTAL ASSETS	4,810,727	4,985,690
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Bonds, borrowings and other financial liabilities	445,147	769,099
Trade and other payables	763,731	824,030
Income taxes payable	12,237	28,994
Contract liabilities	731,814	835,465
Provisions	207,876	199,496
Other current liabilities	184,453	151,657
Total current liabilities	2,345,260	2,808,742
Non-current liabilities:		
Bonds, borrowings and other financial liabilities	790,862	601,770
Deferred tax liabilities	6,597	7,318
Retirement benefit liabilities	124,432	145,890
Provisions	50,485	58,173
Other non-current liabilities	53,699	73,718
Total non-current liabilities	1,026,076	886,871
TOTAL LIABILITIES	3,371,337	3,695,614
<u>EQUITY</u>		
Share capital	265,608	265,608
Capital surplus	47,265	49,667
Treasury shares	(4,452)	(5,374)
Retained earnings	952,528	886,307
Other components of equity	105,393	22,133
Equity attributable to owners of the parent	1,366,342	1,218,343
Non-controlling interests	73,047	71,732
TOTAL EQUITY	1,439,390	1,290,076
TOTAL LIABILITIES AND EQUITY	4,810,727	4,985,690

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of Yen)

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2019 (From April 1, 2019 to March 31, 2020) (Reference)
Revenue	3,699,946	4,041,376
Cost of sales	3,116,464	3,331,339
Gross profit	583,482	710,036
Selling, general and administrative expenses	531,383	583,874
Share of profit (loss) of investments accounted for using the equity method	15,158	12,898
Other income *	167,698	67,751
Other expenses	180,873	236,350
Profit (loss) from business activities	54,081	(29,538)
Finance income	11,677	11,616
Finance costs	16,404	14,738
Profit (loss) before income taxes	49,355	(32,660)
Income taxes	6,153	(139,945)
Profit	43,202	107,284
Profit attributable to:		
Owners of the parent	40,639	87,123
Non-controlling interests	2,562	20,161

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share	120.92	259.39
Diluted earnings per share	120.83	259.06

*Note:

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

The amount of dividends in FY2020 is 10,664 Million Yen, and the amount in FY2019 is 12,096 Million Yen (reference).

NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2021	As of Mar. 31, 2020 (Reference)
ASSETS		
Current assets:		
Cash and deposits	38,989	93,600
Trade notes receivable	74	17
Trade accounts receivable	98,882	73,585
Contract assets	88,362	99,662
Merchandise and finished products	986	902
Work in process	153,552	175,227
Raw materials and supplies	34,387	28,948
Income taxes receivable	35,463	-
Advances to suppliers	25,008	18,880
Prepaid expenses	1,164	723
Short-term loans receivable from subsidiaries and affiliates	3,354	521,095
Indemnification assets for South African projects	-	407,800
Other current assets	84,199	86,002
Allowance for doubtful accounts	(23)	(62)
Total current assets	564,403	1,506,382
Non-current assets:		
Property, plant and equipment:		
Buildings	186,657	187,298
Structures	19,284	19,656
Docks and facilities for shipbuilding	2,132	3,074
Machinery	39,867	43,615
Vessels	22	9
Aircraft	0	0
Vehicles and transportation equipment	1,155	1,146
Tools, equipment and furniture	17,348	18,432
Land	91,270	94,506
Leased assets	1,492	1,831
Construction in progress	10,397	15,146
Subtotal	369,629	384,718
Intangible assets:		
Software	3,443	3,270
Right of using facilities	248	265
Leased assets	32	24
Others	137	173
Subtotal	3,861	3,733
Investments and advances:		
Investment securities	398,745	231,332
Investments in shares of subsidiaries and affiliates	1,066,754	602,123
Investments in capital	1,063	1,063
Investments in capital of subsidiaries and affiliates	37,369	26,597
Long-term loans receivable from employees	19	28
Long-term loans receivable from subsidiaries and affiliates	78,617	78,611
Claims provable in bankruptcy, claims provable in rehabilitation and other	7,555	240
Long-term prepaid expenses	2,904	2,523
Prepaid pension cost	38,673	39,990
Deferred tax assets	237,909	259,641
Long-term receivables	520,550	476,838
Others	23,251	23,085
Allowance for doubtful accounts	(523,837)	(466,286)
Subtotal	1,889,577	1,275,790
Total non-current assets	2,263,068	1,664,243

TOTAL ASSETS

2,827,472

3,170,625

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2021	As of Mar.31, 2020 (Reference)
LIABILITIES		
Current liabilities:		
Electronically recorded obligations	22,111	32,571
Trade accounts payable	184,930	199,504
Short-term borrowings	423,175	621,125
Current portion of long-term borrowings	21,900	44,974
Commercial Paper	196,000	85,000
Current portion of bonds	45,000	10,000
Lease obligations	463	496
Accrued payables	21,891	24,791
Accrued expenses	27,551	17,800
Income taxes payable	-	11,585
Contract liabilities	311,486	334,237
Deposits received	12,779	579,605
Provision for construction warranties	7,755	7,305
Provision for loss on construction contracts	5,097	4,953
Provision for business structure improvement	9,504	-
Provision for stock benefits	227	222
Provision for losses on subsidiaries and affiliates	567	-
Asset retirement obligations	73	29
Other current liabilities	8,364	12,926
Total current liabilities	1,298,882	1,987,129
Non-current liabilities:		
Bonds	150,000	130,000
Long-term borrowings	402,511	210,795
Lease obligations	1,047	1,379
Provision for construction warranties	7,284	7,876
Provision for business structure improvement	3,900	3,294
Provision for stock benefits	1,372	1,332
Provision for loss on guarantees	242	8,169
Provision for treatment of PCB waste	3,462	4,826
Provision for environmental measures	7,132	6,938
Provision for losses on subsidiaries and affiliates	8,960	-
Asset retirement obligations	6,046	2,648
Other non-current liabilities	23,010	26,734
Total non-current liabilities	614,971	403,994
TOTAL LIABILITIES	1,913,853	2,391,123
NET ASSETS		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,247	2,313
Total capital surplus	205,783	205,849
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	19,334	24,175
Reserve for reduction in costs of fixed assets	63,409	58,595
Reserve for accelerated depreciation	477	846
Earned surplus brought forward	227,673	147,597
Total revenue reserve	310,895	231,214
Total retained earnings	377,259	297,578
Treasury stock	(1,584)	(1,942)
Total stockholders' equity	847,067	767,094
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	70,607	15,951
Unrealized gain (loss) from hedging instruments	(4,878)	(4,810)
Total valuation, translation adjustments and others	65,729	11,141

Share subscription rights	821	1,266
TOTAL NET ASSETS	913,618	779,501
TOTAL LIABILITIES AND NET ASSETS	2,827,472	3,170,625

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2019 (From April 1, 2019 to March 31, 2020) (Reference)
Net sales	916,770	959,281
Cost of sales	796,557	806,736
Gross profit	120,213	152,545
Selling, general and administrative expenses	95,684	99,329
Operating income	24,528	53,215
Non-operating income:		
Interest income	2,637	7,809
Dividend income	131,390	75,924
Foreign exchange gain	1,958	3,504
Other income	3,574	2,072
Total non-operating income	139,562	89,311
Non-operating expenses:		
Interest expense	5,504	7,246
Interest on bonds	641	1,116
Loss on disposal of fixed assets	4,692	3,239
Litigation expenses	162	1,565
Other expenses	8,737	7,334
Total non-operating expenses	19,739	20,502
Ordinary income	144,350	122,024
Extraordinary gain:		
Gain on sales of fixed assets	44,994	-
Gain on sales of investment securities	5,363	5,178
Gain on extinguishment of tie-in shares	7,471	-
Litigation settlement	-	47,690
Total extraordinary gain	57,830	52,869
Extraordinary loss:		
Loss on revaluation of investment securities	10,025	7,334
Loss on impairment of fixed assets	13,942	-
Loss related to SpaceJet project	76,106	631,672
Business structure improvement expenses	4,563	-
Provision of allowance for doubtful accounts	-	14,195
Provision for loss on guarantees	-	7,944
Total extraordinary loss	104,637	661,147
Profit (loss) before income taxes	97,542	(486,253)
Income taxes:		
Current	(6,278)	27,138
Deferred	(1,114)	(201,266)
Profit (loss)	104,934	(312,125)

May 17, 2021

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, 2021 and for the year from April 1, 2020 to March 31, 2021 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.

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 with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

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 (“the financial statements and the supplementary schedules”) of Mitsubishi Heavy Industries, Ltd. (“the Company”) as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 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 the supplementary schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note “Significant Subsequent Events” which describes, the Company decided at the Board of Directors on May 10, 2021 on a policy to succeed to the businesses such as thermal power generation business of its consolidated subsidiary, Mitsubishi Power, Ltd. by absorption-type company split.

Our opinion is not affected by the matter described above.

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

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 with regard to the design, implementation and maintenance of the Company's financial reporting process.

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

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.

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 2020 fiscal year, from April 1, 2020, to March 31, 2021. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

- (1) The Audit and Supervisory Committee received reports regularly from Directors, employees, etc. on the resolutions of the Board of Directors concerning the matters listed in Article 399-13, paragraph (1), items (i)(b) and (i)(c) of the Companies Act as well as the development and operation status of the system that has been put in place based on said resolutions (internal control system), requested explanation as necessary and expressed its opinion. The Committee also received reports from Directors, etc. and KPMG AZUSA LLC on the status of the evaluation and audit of internal controls over financial reporting under the Financial Instruments and Exchange Act and requested explanation as necessary.
- (2) In accordance with the audit policy, audit plan, etc., established by the Audit and Supervisory Committee, the Committee, in coordination with the internal auditing department and other departments concerned, attended important meetings, received reports from Directors, employees, etc. on the status of their execution of duties, requested explanation as necessary, inspected important documents, etc., and conducted investigations regarding the status of the business operations and properties of the Company at Head Office and Works, etc. Regarding the Company's subsidiaries, the Audit and Supervisory Committee sought to facilitate communication and exchange information with directors, statutory auditors and others of the Company's subsidiaries and, when necessary, received reports from these subsidiaries on the status of their businesses.
- (3) The Audit and Supervisory Committee monitored and examined whether the financial auditor maintained its independence and carried out its audits in an appropriate manner, received reports from the financial auditor on the status of the execution of its duties and, when necessary, attended its audits and requested explanations.
- (4) The Audit and Supervisory Committee received a notification from the financial auditor that it has established the "system for ensuring appropriate execution of duties" (matters specified in the items under Article 131 of the 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 2020 fiscal year, non-consolidated financial statements for the same fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the related supplementary schedules as well as consolidated financial statements for the same fiscal year (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements).

2. Results of audit:

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

In our opinion:

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

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

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

(3) Result of audit of the consolidated financial statements

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

May 25, 2021

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

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

Koji Okura (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)