

(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, 2022

To the Shareholders:

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

NOTICE OF THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce that the 97th Annual General Meeting of Shareholders of Mitsubishi Heavy Industries, Ltd. (“MHI”) will be held as described below.

For this General Meeting of Shareholders, you may exercise your voting rights in writing or via the Internet (as indicated in the “Instructions for voting,” on pages 3-4).

Please examine the Reference Materials Relating to the General Meeting of Shareholders (pages 5-22), and exercise your voting rights in advance, by 5:30 p.m. on Tuesday, June 28, 2022 (Japan time).

1. Date and Time: Wednesday, June 29, 2022 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 2021 fiscal year (from April 1, 2021 to March 31, 2022), 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 2021 fiscal year (from April 1, 2021 to March 31, 2022).

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

(End)

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- Information concerning the following items is not included in the Attachment to the Notice of the 97th 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.

Exercise of Voting Rights in Writing

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5-22) 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 Tuesday, June 28, 2022 (Japan time)

Guidance for filling in the voting card

Proposal No. 1, Proposal No. 2 and Proposal No. 4:

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

Proposal No. 3:

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

Exercise of Voting Rights via the Internet

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5-22) and indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufg.jp/>). For details, please refer to the “Instructions for Voting Right via the Internet” on the following.

Exercise due date: No later than 5:30 p.m., on Tuesday, June 28, 2022 (Japan time)

Attend the General Meeting of Shareholders

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

Date and Time: Wednesday, June 29, 2022 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.

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.”
- (2) Please note that the website will be unavailable every day from 2:00 a.m. to 5:00 a.m. (Japan time).
- (3) Shareholders will be responsible for the Internet connection charges and the communication charges, etc. arising from accessing the site “Procedures for Shareholders’ Meetings.”
- (4) Please contact the following if you have questions about the site “Procedures for Shareholders’ Meetings”:

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

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

REFERENCE MATERIALS
RELATING TO THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 1: Appropriation of Surplus

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

Based on this policy and taking full account of our business results for the fiscal year under review, financial position as of the end of the fiscal year under review and others, MHI proposes to pay a dividend of ¥55 per share as the Year-end Dividend defined in Article 45 of the Articles of Incorporation. Combined with the Interim Dividend of ¥45 per share paid in December 2021, the total annual dividend will be ¥100 per share, an increase of ¥25 over that of the previous fiscal year (FY2020).

1. Kind of Dividend Property

Cash

2. Dividend Allocation and Total Amount of Dividends

Dividend allocation: ¥55 per share of MHI’s common stock

Total amount of dividends: ¥18,528,406,160

3. Effective Date of Dividend Allocation

June 30, 2022

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

1. Reason for proposal

The revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022. Accordingly, MHI intends to make necessary amendments to its current Articles of Incorporation by establishing provisions to take measures for providing information that constitutes the content of Reference Materials relating to the General Meetings of Shareholders in electronic format and provisions to limit the scope of items to be stated in paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents. On the other hand, the provisions that provide for Posting on the Internet of Reference Materials relating to the General Meetings of Shareholders and Deeming of Such Posting as Provision of Information, which will no longer be required, will be deleted. In addition, supplementary provisions regarding the effective date, etc. of such establishment and deletion will be established.

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><u>Article 16. (Posting on the Internet of Reference Materials relating to the General Meetings of Shareholders and Deeming of Such Posting as Provision of Information)</u></p> <p><u>The Company may, in accordance with the provisions of an ordinance of the Ministry of Justice, post on the Internet information relating to matters that should be recorded or provided in reference materials relating to General Meetings of Shareholders, such as business reports, financial statements and consolidated financial statements, and upon the convocation of the applicable General Meeting of Shareholders, such posting of information shall be deemed as constituting provision to shareholders.</u></p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 16. (Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a General Meeting of Shareholders, it shall take measures for providing information that constitutes the content of reference materials for the General Meeting of Shareholders in electronic format.</u></p> <p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the ordinance of the Ministry of Justice from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p>SUPPLEMENTARY PROVISION</p> <p><u>Article 2. (Transitional measures concerning Measures, etc. for Providing Information in Electronic Format)</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>1. The deletion of Article 16 of the Articles of Incorporation (Posting on the Internet of Reference Materials relating to the General Meetings of Shareholders and Deeming of Such Posting as Provision of Information) and the establishment of the new Article 16 (Measures, etc. for Providing Information in Electronic Format) shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 16 of the Articles of Incorporation (Posting on the Internet of Reference Materials relating to the General Meetings of Shareholders and Deeming of Such Posting as Provision of Information) shall remain effective regarding any General Meeting of Shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. The provisions of this Article shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the General Meeting of Shareholders in the preceding paragraph, whichever is later.</u></p>

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 (FY2021)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Shunichi Miyanaga	Re-election	Chairman of the Board	14 out of 14 times	14 years
2	Seiji Izumisawa	Re-election	*President and CEO* ^{*1} (Member of the Board)	14 out of 14 times	5 years
3	Hisato Kozawa	Re-election	*Director (Member of the Board), Executive Vice President, CFO* ^{*2}	14 out of 14 times	2 years
4	Hitoshi Kaguchi	Re-election	*Director (Member of the Board), Executive Vice President, CSO* ^{*3} , President and CEO, Energy Systems	10 out of 10 times	1 year
5	Naoyuki Shinohara	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	7 years
6	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	6 years
7	Nobuyuki Hirano	Re-election Outside Independent	Director (Member of the Board)	13 out of 14 times	3 years

*1 CEO: Chief Executive Officer

*2 CFO: Chief Financial Officer

*3 CSO: Chief Strategy Officer

(Notes)

1. An asterisk mark (*) indicates a Representative Director.
2. As Mr. Hitoshi Kaguchi took up his position as of June 29, 2021 (on the date of the 96th 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.

Position and Responsibility in MHI

Chairman of the Board

Number of MHI Shares Owned

45,900

Number of years in office as Director

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

14 years

Number of times attended Board of Directors meetings in FY2021

14 out of 14 times

Career summary

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

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

Important concurrent positions

Director, Mitsubishi Motors Corporation

Member of the Board, Mitsubishi Corporation

Reason for nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI Shares Owned

7,300

Number of years in office as Director

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

5 years

Number of times attended Board of Directors meetings in FY2021

14 out of 14 times

Career summary

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

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

Important concurrent positions

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.

Position and Responsibility in MHI

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

Number of MHI Shares Owned

3,100

Number of years in office as Director

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

2 years

Number of times attended Board of Directors meetings in FY2021

14 out of 14 times

Career summary

April 1986 Joined Mitsubishi Heavy Industries, Ltd.

October 2019 Senior Vice President, CoCFO

April 2020 Senior Vice President, CFO

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

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

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

Important concurrent positions

None

Reason for nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

*Director (Member of the Board), Executive Vice President, CSO, President and CEO, Energy Systems

Number of MHI Shares Owned

2,800

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 FY2021

10 out of 10 times

Career summary

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

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

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Hitoshi Kaguchi is being nominated for the position of a Director because he has extensive business experience in MHI, including having been involved in the technological development and business operation of nuclear power 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 re-nominates Mr. Hitoshi Kaguchi as a candidate for Director.

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

1,700

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

7 years

Number of times attended Board of Directors meetings in FY2021

14 out of 14 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 Advisory Council, etc., as an outside director. As MHI judges that his election will contribute to the improvement of the soundness and transparency of MHI's management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI re-nominates Mr. 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 page 20 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

1,800

**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 FY2021

14 out of 14 times

Career summary

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

Important concurrent positions

Member of the Board, Corporate Advisor, Mitsubishi Corporation
 Director, Mitsubishi Research Institute, Inc.
 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 gained as top executive of global companies, and he will provide insightful views and frank assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc., as an outside director. As MHI judges that his election will contribute to the improvement of the soundness and transparency of MHI's management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI re-nominates Mr. Ken Kobayashi as a candidate for outside director.

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (stated on page 20) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent director.

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

2,100

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

3 years

Number of times attended Board of Directors meetings in FY2021

13 out of 14 times

Career summary

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

Important concurrent positions

Senior Advisor, MUFG Bank, Ltd.

Director, Mitsubishi Research Institute, Inc.

Chairman, Mitsubishi Memorial Foundation for Educational Excellence

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

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Nobuyuki Hirano meets the "Independence Criteria for Outside Directors" (stated on page 20) 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 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 Regulations 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.
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. At Mitsubishi Motors Corporation, where Mr. Ken Kobayashi serves as an outside director, the Consumer Affairs Agency issued an administrative order and a surcharge payment order to the company in January and July 2017, 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. In addition, 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 Advisory Council and provided their respective opinions, and the full-time Audit and Supervisory Committee Members confirmed, such matters as the approach to remuneration structure and the specific computation method of remuneration, as well as the basic framework and approach relating to the Board of Directors and Directors of MHI and the policy for nominating the candidates for such Directors and made reports and participated in mutual discussions at a meeting of the Audit and Supervisory Committee.

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

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

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

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

Ryutaro Takayanagi

(August 26, 1958: 63 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 FY2021

—

Number of times attended the Audit and Supervisory Committee meetings in FY2021

—

Career summary

April 1981	Joined Mitsubishi Heavy Industries, Ltd.
April 2013	Chief Administrator, Management Audit Department
February 2014	Statutory Auditor (Full-time), Mitsubishi Hitachi Power Systems, Ltd.
September 2020	Statutory Auditor (Full-time), Mitsubishi Power, Ltd.
June 2021	Advisor Fellow, Statutory Auditors' Office, Mitsubishi Power, Ltd.
October 2021	Advisor Fellow, Internal Control Department of Energy Systems, Mitsubishi Heavy Industries, Ltd. (Present position)

Important concurrent positions

None

Reason for nomination as a candidate for Director

Mr. Ryutaro Takayanagi has extensive experience, such as holding important positions in administrative division and as a full-time statutory auditor at a major subsidiary, in addition to his extensive knowledge of finance and accounting, having been engaged for many years in the financial and accounting operations of MHI. As MHI judges that his participation in its management decision-making will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of its management decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI nominates Mr. Ryutaro Takayanagi 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. Ryutaro Takayanagi and MHI.

(Note)

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

MHI's Directors are insureds under the aforementioned policy, and the full amount of the insurance premiums for all insureds is borne by MHI. If Mr. Ryutaro Takayanagi's election to the position of a Director is approved, 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 and No. 4

■ Policy and Procedures for Nominating Candidates for Directors

As a company that provides the infrastructure that forms the foundation of society, MHI will work toward separating management oversight and execution in order to pursue the realization of supervision with a high degree of soundness and transparency, which includes an external point of view, and to improve the efficiency and flexibility concerning execution of business, which will promote sustained growth and improved corporate value in the medium- and long-term. In addition, the Board of Directors, after identifying the skills, etc., to be prepared in light of the management strategy, shall be composed in such fashion that it should as a whole be equipped with a good balance of knowledge, experience, competencies, etc., including diversity of gender, internationality, and career history, and in a proper size and compatible form.

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 Advisory Council constituted by the outside directors, the Chairman of the Board and the President and CEO. The Board of Directors selects the final Director candidates from the proposed candidates resulting from the council.

■ Independence Criteria for Outside Directors

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

1. A person who is currently:

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

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

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

If Proposals No. 3 and No. 4 are approved as submitted, the Board of Directors is scheduled to be comprised as shown in the table below.

MHI Group has set out Our Principles as the fundamental management philosophy and objectives and periodically formulates business plans in order to steadily fulfill these. The “2021 Medium-Term Business Plan” currently being progressed by MHI Group states that the mission is to integrate cutting-edge technology into expertise built up over many years to provide solutions to the changing social issues and provide better lives. For the oversight of MHI management that is involved in this mission, we believe it is important that there be knowledge, experience and expertise in social and economic issues, risk management and compliance, global corporate management, technology and digital, marketing, finance and accounting, and human resource development. MHI Board of Directors requires a good balance of these attributes.

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

Name	Position and Responsibility in MHI	Number of years in office (as of the conclusion of this General Meeting of Shareholders)	Outside Director	Independent Director	Knowledge, experience and expertise						
					Socio-Economic Issues	Risk Management / Compliance	Global Enterprise Management	Technology /Digitalization	Marketing	Finance Accounting	Human Resource
Shunichi Miyanaga	Chairman of the Board	14			○	○	○		○		
Seiji Izumisawa	President and CEO (Member of the Board)	5			○	○	○	○	○		
Hisato Kozawa	Director (Member of the Board), Executive Vice President, CFO	2			○	○				○	
Hitoshi Kaguchi	Director (Member of the Board), Executive Vice President, CSO, President and CEO, Energy Systems	1			○	○		○	○		
Naoyuki Shinohara	Director (Member of the Board)	7	○	○	○	○				○	
Ken Kobayashi	Director (Member of the Board)	6	○	○	○	○	○		○		
Nobuyuki Hirano	Director (Member of the Board)	3	○	○	○	○	○			○	
Setsuo Tokunaga	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	1			○	○		○			
Ryutaro Takayanagi	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Newly nominated			○	○				○	
Hiroo Unoura	Director (Member of the Board) Audit and Supervisory Committee Member	3	○	○	○	○	○		○		○
Noriko Morikawa	Director (Member of the Board) Audit and Supervisory Committee Member	2	○	○	○	○	○			○	○
Masako Ii	Director (Member of the Board) Audit and Supervisory Committee Member	1	○	○	○	○					○

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

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

MHI acquires and holds shares of companies if it judges that doing so is necessary as a means of developing its business strategies, creating business opportunities, and establishing, maintaining and strengthening business relationships. MHI acquires and holds only the shares of companies where MHI believes that mutual collaboration with those companies will lead to sustainable growth and medium- to long-term improvement in social value and economic value. Furthermore, MHI shall periodically, review and reduce shares acquired in the past.

Based on this policy, MHI sold 34 issues/¥97.8 billion (including partial sales of 9 issues) of its holdings in FY2021, and the total amount recorded on the balance sheet as of the end of FY2021 was ¥337.6 billion (down ¥61.1 billion from the end of FY2020).

Furthermore, listed shares held by MHI for purposes other than pure investment include shares in Vestas Wind Systems A/S (“Vestas”) and shares in HydrogenPro AS (“HydrogenPro”) (Combined total amount recorded on the balance sheet as of the end of FY2021 was ¥93.9 billion). MHI has designated “Energy Transition” as a growth area in the 2021 Medium-Term Business Plan, and these shares were acquired with the aim of maintaining and strengthening relationships as a strategic partner with both companies, in the renewable energy field and green hydrogen business field, respectively.

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

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

Number of Issues and Amount Recorded on the Balance Sheet

	As of the end of FY2021	
	Number of issues	Total amount recorded on balance sheet (Billions of Yen)
Non-listed shares	148	46.8
Shares other than non-listed shares [of which, Vestas and HydrogenPro]	38 [2]	290.8 [93.9]
Total	186	337.6

(End)

**ATTACHMENT TO THE NOTICE OF THE
97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

BUSINESS REPORT FOR THE 2021 FISCAL YEAR

(April 1, 2021 to March 31, 2022)

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

1 REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

During the fiscal year under review, the world economy benefited from the novel coronavirus disease (COVID-19) countermeasures and the progressive normalization of economic and social activities, recording continuous growth despite semiconductor shortages and rising upward pressure on prices. On the other hand, the invasion of Ukraine by Russia at the end of the fiscal year under review sparked uncertainty over the outlook.

Despite the ups and downs caused by multiple declarations of state of emergency due to COVID-19, the Japanese economy overall was on track for a moderate recovery, but the rise in tension following the situation in Ukraine, soaring resource prices and the accelerating depreciation of the yen, among other factors, have led to deepening concern about downside risks.

■ Orders, Sales and Profits/Losses

In this operating environment, consolidated orders received by the MHI Group rose in all divisions, including Logistics, Thermal & Drive Systems (where medium-lot products recovered from the effects of COVID-19), leading to an increase of ¥731.3 billion year on year, to ¥4,067.7 billion.

Revenue decreased in Aircraft, Defense & Space, but due to increases in Logistics, Thermal & Drive Systems, Energy Systems, and Plants & Infrastructure Systems, total revenue increased by ¥160.3 billion year on year to ¥3,860.2 billion.

In terms of profit from business activities, Energy Systems decreased, but improvements and increases in Aircraft, Defense & Space, Plants & Infrastructure Systems, and Logistics, Thermal and Drive Systems resulted in an overall increase of ¥106.1 billion year on year to ¥160.2 billion, and profit before income taxes rose by ¥124.3 billion year on year to ¥173.6 billion.

Profit attributable to owners of parent increased by ¥72.9 billion year on year to ¥113.5 billion.

■ MHI Group Initiatives in FY2021

In the medium-term business plan that was begun in October 2020 (“2021 MTBP”) to quickly address the dramatic deterioration in the business environment, we designated the two focal themes of “Return to and strengthen profitability” and “Opening up growth areas.” Based on these we set targets in the four areas of profitability, growth, financial stability, and shareholder returns. By steadily implementing various measures in the fiscal year under review, despite semiconductor shortages, rising prices, and soaring transportation costs, progress of the indicators towards achieving our targets for FY2023, is in line with the plan.

- Return to and strengthen profitability

In the fiscal year under review, the MHI Group took further steps to return to and strengthen profitability in order to build a foundation for a leap forward in the next medium-term business plan.

In material handling equipment, we worked to expand the solutions business through such measures as reinforcing the sales networks of overseas subsidiaries, and developing laser-guided autonomous forklift. In air-conditioning & refrigeration systems, we sought to enhance product competitiveness primarily by implementing a full model change for multi-split type air-conditioners and launching a new series of products, while the Q-ton Circulation air-source circulation heat pump won praise for its environmentally friendly, energy-conserving technology. In aero engines, the new plant in Nagasaki city that combines high productivity and efficiency was able to make its first shipments in only a short time after beginning operations. In transportation systems, where we are strengthening our services business, we won an order in Singapore for a project to increase transportation capacity. In the naval ship operations, Mitsubishi Heavy Industries Maritime Systems Co., Ltd., which was the recipient of the Naval and Governmental Ships business transferred from Mitsui E&S Shipbuilding Co., Ltd., saw a smooth start to operations with the successful handover of a training ship and a multi mission frigate. In the steam power business, we are implementing significant structural changes to address demand for after-sales service, and working toward efficiency improvements by means of organizational consolidation, such as by concentrating boiler production in Nagasaki. We are also making steady progress in optimizing asset management to increase the liquidity of the balance sheet.

- Carbon Neutrality Declaration

With the aim of helping to resolve a variety of social issues, including planetary environmental problems, the MHI Group contributes not only through products and technology, but also by promoting sustainability as being integral to business operations through various activities performed over the whole of the business process.

In the previous fiscal year, the MHI Group has identified material issues (Materiality) that it should address, and in October 2021 the Materiality Council was newly established, chaired by the President and CEO. In this way we have put in place a structure to embody sustainability management at the business level through measures focused on materiality.

The MHI Group’s most important mission in relation to these initiatives is to leverage its accomplishments in the field of decarbonization to contribute to climate change countermeasures for the purpose of realizing a carbon-neutral society, an issue that is global in scale. The MHI Group published its “2040 Carbon Neutrality Declaration,” based on the recognition that in order

to achieve the government goals for 2050, it is essential for the MHI Group to achieve its own targets ahead of them.

The primary objective of this declaration is to reduce CO₂ emissions (Scope 1 and Scope 2^{*1}) from factories arising as a result of the production activities of the MHI Group by 50% from FY2014 levels by 2030, and to virtually zero by 2040. The secondary objective is to reduce CO₂ emitted mainly by customers using MHI Group products (Scope 3^{*2}), taking into account the portion contributed by CCUS^{*3}, so as to lower CO₂ emissions for the value chain as a whole by 50% from FY2019 levels by 2030, and to virtually zero by 2040.

As it works towards achieving these objectives, the MHI Group will actively collaborate with partners, countries, governments, research agencies, and other organizations around the world under the principle of “MISSION NET ZERO.”

*1 Scope 1 refers to CO₂ emitted directly by the Company, while Scope 2 refers mainly to indirect CO₂ emissions arising from the use of electricity. The criteria used for calculation are conformant with the GHG Protocol, which is an international standard for the calculation and reporting of greenhouse gases.

*2 Scope 3 refers to indirect CO₂ emissions other than Scope 1 and Scope 2 for the MHI Group value chain as a whole. Calculation criteria are conformant with the GHG Protocol.

*3 Carbon dioxide Capture, Utilization and Storage

- Opening up growth areas

To achieve the MISSION NET ZERO target of virtually zero CO₂ emissions by 2040, the 2021 MTBP designates areas of growth: Energy Transition, which seeks decarbonization of the energy supply side; and New Mobility & Logistics, which aims to achieve lower energy usage, labor savings and decarbonization on the energy demand side. In the fiscal year under review, the MHI Group aggressively promoted these initiatives as well as decarbonization, intelligence-building, and automation initiatives for existing businesses.

In order to strengthen the framework for promoting Energy Transition, in October 2021 we integrated Mitsubishi Power, Ltd. into MHI. We also continued to steadily build a track record of high-efficiency power generation. Recent achievements include winning orders for our JAC heavy frame gas turbines, which offer world-leading efficiency, from Uzbekistan, shipping to the UAE and Brazil, and beginning operation of the second such turbine at a super large-scale gas turbine combined cycle (GTCC) project in Thailand. Furthermore, we worked to improve the sophistication and efficiency of customer facilities management and maintenance by offering the TOMONITM intelligent solutions service, and opening the fifth global facility for TOMONI HUB, which provides support for performance optimization, in Germany. In development of hydrogen gas turbines, we demonstrated satisfactory progress as we move towards commercialization in 2025, achieving 50% mixed hydrogen firing during combustor test for large frame gas turbines. At the Takasago Machinery Works development and production site, we also began preparations for launching Takasago Hydrogen Park, which will be the world’s first demonstration facility to integrate everything from hydrogen production to power generation. In gas engines for cogeneration systems, we also successfully tested mix combustion of municipal gas and hydrogen for the first time in Japan. Moreover, we moved ahead with development of ammonia combustion technology for use in thermal power plant boilers.

In metals machinery business, we began operation of a pilot plant, at an Austrian steelmaking site, that uses hydrogen as a reducing agent to cut CO₂ emissions to nearly zero, enabling us to respond to demands for decarbonization in the steel industry.

In the area of nuclear power generation, we made a significant contribution to achieving more than 40 years in operation for the first time in Japan by exerting our comprehensive technological capabilities as a plant manufacturer and implementing measures to increase safety at existing plants in compliance with new regulatory requirements.

With regard to CCUS, which is attracting attention as an effective means of achieving a carbon-neutral society, the new KS-21TM amine-based solvent jointly developed with The Kansai Electric Power Co., Inc., recently completed trials in Norway at one of the largest CO₂ capture test facilities in the world. Together with the Advanced KM CDR ProcessTM, a cutting-edge CO₂ capture technique in which KS-21TM is used, this won the “Ministry of Economy, Trade and Industry Minister’s Award” at the 2021 Outstanding Energy-Efficient and Decarbonizing Industrial Machinery & Systems Awards. We also made progress in activities aimed at promoting adoption of CO₂ capture in Japan and overseas, such as conducting demonstration testing at a domestic cement plant and entering into a memorandum of understanding for feasibility studies at an aluminum smelting plant in Bahrain.

With the aim of drawing together knowledge from both inside and outside the MHI Group, in addition to investing in a US company that has innovative technology for utilizing CO₂, we have decided to participate in an international project aimed to achieve business in CO₂ shipping to establish a CCUS value chain that straddles both land and sea, and have also received an order for the construction of the world’s first ship for demonstration testing of liquified CO₂ transportation for CCUS.

In New Mobility & Logistics, we worked on the development of businesses that will contribute to safe, secure, and comfortable living by energy-saving, labor-saving and decarbonizing initiatives for machinery and systems on the energy demand side, in order to help achieve a carbon-neutral society.

In the field of logistics, we completed joint development of a product for automated material handling solutions within warehouses, which is now on sale. In addition to automation for picking and tasks related to warehouse receiving and dispatch, we also began testing autonomous forklifts for loading and unloading goods from trucks outside the warehouse, a task that is usually performed by humans.

In data centers, which are seeing rising demand for additional capacity due to the progressive digitalization of society, we conducted demonstration testing for a device that uses liquid to cool electronic circuit boards directly, and which succeeded in achieving significant reductions in power consumption compared to previous models. We also demonstrated a micro data center the size of a shipping container.

REVIEW OF BUSINESS SEGMENTS

Energy Systems

With the global trend towards decarbonization gathering pace, orders received for the installation of new GTCC and biomass power generation facilities, which play an important role in the Energy Transition, resulting in consolidated orders received rising year on year to ¥1,444.3 billion.

Revenue rose year on year to ¥1,651.0 billion, mainly due to increases in GTCC, nuclear power systems.

Despite an increase in steam power systems and aero engines, profit from business activities of ¥86.2 billion was lower than in the previous fiscal year, when a gain on share transfer was recorded in relation to the offshore wind power systems business.

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

Plants & Infrastructure Systems

Due to global increases in steel demand, orders in metals machinery and other businesses are expanding, and the commercial ships and engineering markets are also trending towards recovery, resulting in consolidated orders received rising year on year to ¥890.9 billion.

Revenue rose year on year to ¥651.8 billion, driven mainly by increases in metals machinery and environmental systems.

Despite some additional expenses in overseas construction work, the effects of structural reforms and other factors led to increases in engineering and metals machinery, resulting in profit from business activities recording improvement over the previous year, to ¥23.6 billion.

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

Logistics, Thermal & Drive Systems

Consolidated orders received rose year on year to ¥992.3 billion, driven mainly by increased orders for material handling equipment and air conditioning & refrigeration systems as they recovered from the effects of COVID-19.

As a result of the increase in material handling equipment, air-conditioning & refrigeration systems, engines, etc., revenue rose year on year to ¥986.5 billion.

Although there was an impact from production adjustments by automobile manufacturers as a result of surging material and distribution costs, and the shortage of semiconductors, the overall increase in revenue drove a year-on-year increase of ¥30.6 billion in profit from business activities.

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

Aircraft, Defense & Space

Consolidated orders received rose year on year to ¥774.2 billion, driven primarily by increased orders for defense-related systems, such as defense aircraft, missile systems and naval ships.

Revenue declined year on year to ¥605.2 billion, mainly due to decreases in commercial aviation systems, missile systems, and space systems.

The effects of cost reduction measures including reductions in fixed costs as well as reduced expenses for the Mitsubishi SpaceJet, among others, led to profit from business activities recording improvement over the previous year, to ¥20.0 billion.

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

2 KEY ISSUES FOR MHI GROUP

The MHI Group envisages MISSION NET ZERO contributing to the realization of a carbon-neutral world and a sustainable society in which safe, secure and comfortable living can become reality. For that reason, it is necessary to achieve both decarbonization on the energy supply side and lower energy usage, labor savings and decarbonization on the energy demand side. In accordance with the 2021 MTBP, we will continue to promote various initiatives aimed at opening up these growth areas, while making steady progress towards achieving our FY2023 targets through our program of returning to and strengthening profitability.

- Decarbonization of the energy supply side (Energy Transition)

With regard to Energy Transition, as the awareness of the need for carbon neutrality has risen around the world, we have entered the stage where specific considerations are gathering speed. In response, the MHI Group will proceed with demonstration tests at the Takasago Hydrogen Park to facilitate the shift to hydrogen combustion for gas turbines in order to decarbonize existing coal-fired power generation facilities. In doing so, our goal is to commercialize 100% hydrogen-fired small to mid-size gas turbines and heavy-duty gas turbines by 2025 and 2030 respectively. In parallel with this and as a transitional measure, we are working on improving the efficiency of existing coal-fired power generation facilities and their shift towards lower carbon by using ammonia mixed-combustion technology.

For nuclear power generation facilities, the merits of which are being recognized once again from the perspectives of decarbonization and energy security, we will work steadily on initiatives to restart existing plants in Japan, and to support for fuel reprocessing. In addition to working on designs for next-generation light water reactors with improved safety for new installations in the 2030s, as a leading company in the field we are promoting a variety of other initiatives, such as developing high-temperature gas-cooled reactors that enable the stable production of hydrogen in large volumes, and collaboration with TerraPower in the United States on the development of fast breeder reactors.

In order to achieve carbon neutrality, it is essential that such initiatives seek not only to control emissions of CO₂ into the atmosphere but also to capture CO₂. The MHI Group has a high global market share in large-scale CO₂ capture plants for the power generation and chemical industries, and intends to expand business in this area. For this reason, in addition to working on CO₂ capture that will be required in the near future in industries such as steel and cement where reductions in CO₂ are difficult, we are also moving forward commercialization of compact CO₂ capture systems for industrial facilities, where demand is projected to rise. We will use this for broadening of our lineup from large through compact offerings to further encourage adoption of these products. In addition to application of our automated operation and remote monitoring technology, we will also offer CaaS*, where we install, operate, and maintain CO₂ capture plants, and create other new services business focused on capturing, transporting, storing, and using CO₂. In this way we will address the diverse needs that will arise from the development of the CO₂ ecosystem. Among which, in the area of transportation, we will work toward early commercialization of liquified CO₂ carriers. Moreover, by taking steps to encourage the use of CO₂ by exploring technology through open innovation, and developing digital platforms to visualize the volume of the CO₂ in value chain, we seek to become a key player in this field.

* Capture as a Service, CO₂ as a Service

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

In parallel with the promotion of Energy Transition, which is decarbonization on the energy supply side, we will promote lower energy usage, labor savings and decarbonization on the demand side of systems, helping achieve safe, secure and comfortable living by building intelligence into social infrastructure.

First, with regard to building intelligence into logistics, to provide one-stop solutions to customers that combine high-quality material handling, power, and air conditioning & refrigeration equipment in accordance with their needs, we will steadily enhance the competitiveness of each of the products that support logistics. We have already established a track record in autonomous forklifts and in refrigeration equipment using natural CO₂ refrigerants, but going forward we will seek to link such equipment, automate, and achieve further optimizations and improvements in efficiency. For example, we will achieve revolutionary energy savings and decarbonization by integrating and harmoniously combining automated and labor-saving logistics with air conditioning & refrigeration and power supply.

Energy savings and decarbonization are also strongly sought after by data centers where there has been a remarkable increase in the volume of data transmitted and processed in line with the evolution of digital society. The MHI Group provides highly efficient air-cooling & refrigeration systems and power systems for large data centers, and by balancing reductions in operating costs derived from further maximizing energy efficiency with improvements in reliability, we will contribute to the rollout of this infrastructure. In the future, the evolution of distributed data processing will lead to rising demand for smaller data centers, and so we are working on commercializing a micro data center the size of a shipping container.

In addition to the above, by providing a portfolio of highly reliable, resilient, and high-precision products and services, the MHI Group has the technology platform for digital transformation in the form of data analysis, AI technology, simulation technology, and other areas. Through leveraging these strengths and intelligently connecting products and services, we will work together with customers on creation of solutions and value chains that further demonstrate the potential power of composite mechanical systems.

- Return to and strengthen profitability

Although markets are recovering, mainly overseas, there are innumerable causes of concern, including the uncertainty concerning future development in the COVID-19 situation, shortage of semiconductors, and the changes in energy supply, price increases, and soaring transportation costs catalyzed by the Russian invasion of Ukraine. While paying careful attention to such changes in the external environment, the MHI Group will deploy measures to adapt to changing circumstances and ensure profitability.

In the thermal power generation systems business and the metals machinery business, we are moving forward with the provision of digital services such as operation and maintenance using remote systems. In the medium-lot products business, we will accelerate the strengthening and expansion of our sales and service networks. In the aero structures (Tier 1) business of the commercial aviation systems, where the market downturn has become prolonged, in addition to continuing to reduce fixed costs and implement other measures to improve earnings until the market recovers, we will respond to surging costs for raw materials and transportation in each business by setting appropriate prices. Following the increasing instability in the global geopolitical situation, in the field of national security we will act in accordance with governmental

policy. Moreover, we will continue to use asset management to reduce expenses, and work to achieve further improvements in the operational efficiency of corporate departments through digital transformation. We will also continue as before with the shift of human resources, and structural reforms, including reviews of the business portfolio.

The MHI Group, through its MISSION NET ZERO activities, will work on carbon neutralization initiatives while seeking to improve both environmental value and economic value, contributing to solving social problems and the realization of a sustainable society. We continue to acknowledge the importance of compliance as an issue as we develop and grow the business as described above, and 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)				
	FY2016	FY2017	FY2017	FY2018	FY2019	FY2020	FY2021
(Billions of Yen)							
Orders received	4,275.6	3,875.7	3,868.7	3,853.4	4,168.6	3,336.3	4,067.7
Net sales / Revenue	3,914.0	4,110.8	4,085.6	4,078.3	4,041.3	3,699.9	3,860.2
Overseas sales ratio/ Overseas revenue ratio	53.5%	54.2%	55.1%	54.0%	51.9%	47.4%	51.1%
Operating income	150.5	126.5	–	–	–	–	–
Operating income ratio	3.8%	3.1%	–	–	–	–	–
Profit from business activities	–	–	58.1	200.5	(29.5)	54.0	160.2
Profit from business activities to revenue ratio	–	–	1.4%	4.9%	(0.7)%	1.5%	4.2%
Income before income taxes / Profit before income taxes	169.7	128.0	39.2	195.0	(32.6)	49.3	173.6
Profit attributable to owners of parent	87.7	70.4	(7.3)	110.2	87.1	40.6	113.5
Total assets	5,481.9	5,487.6	5,248.7	5,240.3	4,985.6	4,810.7	5,116.3
Net assets / Total equity	2,104.1	2,164.4	1,693.8	1,728.6	1,290.0	1,439.3	1,662.5
Return on equity (ROE)	5.1%	3.9%	(0.5)%	7.9%	6.6%	3.1%	7.7%
Cash flows from operating activities	95.9	345.1	405.7	420.3	452.5	(94.9)	285.5
Cash flows from investing activities	8.7	(137.1)	(238.1)	(161.8)	(239.5)	(182.2)	16.3
Free cash flows	104.6	207.9	167.5	258.4	212.9	(277.1)	301.8
Cash flows from financing activities	(162.0)	(152.1)	(112.3)	(271.0)	(204.4)	221.7	(255.7)
Research and development expenses	160.7	176.8	176.8	152.1	146.8	125.7	113.6
Capital investment	197.3	144.0	144.0	137.4	148.1	116.5	115.0
Per share information of common stock (Yen)							
Earnings per share (EPS) / Basic earnings per share	261.24	209.82	(21.79)	328.52	259.39	120.92	338.24
Diluted earnings per share	260.71	209.39	(21.80)	327.97	259.06	120.83	338.05

Item	Japanese GAAP		International Financial Reporting Standards (IFRS)				
	FY2016	FY2017	FY2017	FY2018	FY2019	FY2020	FY2021
Book value per share (BPS) / Equity attributable to owners of parent per share	5,299.14	5,431.02	4,153.46	4,204.71	3,627.73	4,064.73	4,696.42

(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 FY2016.
2. The Company has voluntarily adopted the International Financial Reporting Standards (IFRS), beginning with FY2018. Financial data for FY2017 restated from Japanese GAAP to IFRS is presented above for comparison.
3. The Company has applied IFRS 16 “Leases,” beginning with FY2019. Financial data for FY2018 is recalculated, retrospectively applying this standard.

Orders Received and Net Sales / Revenue by Segment

[Japanese GAAP]

(Millions of Yen)

Segment	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		FY2021	
	Orders Received	Revenue	Orders Received	Revenue	Orders Received	Revenue
Energy Systems	1,772,101	1,590,293	1,299,213	1,546,003	1,444,358	1,651,086
Plants & Infrastructure Systems	739,970	792,925	575,281	637,258	890,982	651,886
Logistics, Thermal & Drive Systems	985,962	990,105	868,095	860,307	992,305	986,534
Aircraft, Defense & Space	719,215	704,985	626,243	702,109	774,248	605,292
Corporate or Elimination	(48,560)	(36,934)	(32,442)	(45,732)	(34,164)	(34,516)
Total	4,168,689	4,041,376	3,336,392	3,699,946	4,067,730	3,860,283

(Notes)

1. The orders received and net sales/revenue for each segment include inter-segment transactions, which are all cancelled for their respective segments using the “Inter-Segment Eliminations” and “Corporate or Elimination” terms.
2. In 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 FY2020 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2021
Short-term and Long-term borrowings	15,310	529,933
Commercial Papers	(196,000)	—
Bonds	10,000	205,000
Total	(170,689)	734,933

5 MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2021
MUFG Bank, Ltd.	236,954
Mizuho Bank, Ltd.	66,721
Sumitomo Mitsui Banking Corporation	60,773
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.	11,150
The Dai-ichi Life Insurance Company, Limited	8,000
The Bank of Kyoto, Ltd.	7,200
Taiyo Life Insurance Company	3,000

6 CAPITAL INVESTMENT

Capital investment* during FY2021 amounted to ¥115,048 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	43,978	Expansion of facilities related to light water reactors
Plants & Infrastructure Systems	4,939	Expansion of facilities related to metals machinery
Logistics, Thermal & Drive Systems	37,558	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	22,954	Expansion of facilities related to missile systems
Others & Common	5,617	—
Total	115,048	

7 EMPLOYEES

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

(Persons)

Segment	Number of Employees
Energy Systems	23,279
Plants & Infrastructure Systems	13,489
Logistics, Thermal & Drive Systems	23,997
Aircraft, Defense & Space	11,005
Others & Common	6,221
Total	77,991

(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 FY2020	Average Age	Average Number of Years of Service
22,755 persons	increase of 8,202 employees	41.6 years old	18.5 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), Hitachi Works (Hitachi City, Ibaraki Prefecture), Kure Works (Kure City, Hiroshima Prefecture), Meirei District (Kiyosu City, Aichi Prefecture)
Offices	Hokkaido Office (Sapporo City), Tohoku Office (Sendai City), Hokuriku Office (Toyama City), Chubu Office (Nagoya City), Kansai Office (Osaka City), Chugoku Office (Hiroshima City), Shikoku Office (Takamatsu City), Kyushu Office (Fukuoka City)
Main Bases Overseas	<p>[Offices] 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 EMEA, Ltd. (United Kingdom), Mitsubishi Heavy Industries France S.A.S. (France), MHI Russia LLC (Russia), MHI Technologies S.A.E (Egypt), Mitsubishi Heavy Industries (China) Co., Ltd. (China), Mitsubishi Heavy Industries (Shanghai) Co., Ltd. (China), Mitsubishi Heavy Industries, (Hong Kong) Ltd. (China), Mitsubishi Heavy Industries India Private Ltd. (India), Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. (Singapore), Mitsubishi Heavy Industries (Thailand) Ltd. (Thailand), PT Mitsubishi Heavy Industries Indonesia (Indonesia), MHI Australia, Pty. Ltd. (Australia)</p>

(Notes)

1. The main subsidiaries and their addresses are as presented below in “9 OUTLINES OF MAIN SUBSIDIARIES.”
2. In April 2022, MHI Australia, Pty. Ltd. changed its trade name to Mitsubishi Heavy Industries Australia, Pty. Ltd.

9 OUTLINES OF MAIN SUBSIDIARIES

Segment	Name of Company	Address	Capital	Percentage of Voting Rights (%)	Main Business
Energy Systems	Mitsubishi Power Aero LLC	U.S.A.	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	Commercial ships-related business
	Mitsubishi Heavy Industries Machinery Systems, Ltd.	Kobe City	2,005 million Yen	100.0	Machinery systems-related business
	Mitsubishi Heavy Industries 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	4,924 million Yen	64.6	Material handling equipment-related business
Aircraft, Defense & Space	MHI RJ Aviation Inc.	U.S.A.	0.2 million US dollars	*100.0	Commercial aviation-related business
Others	MHI International Investment B.V.	Netherlands	245.0 million Euros	100.0	Investment for projects, financial operation within the MHI Group
	Mitsubishi Heavy Industries America, Inc.	U.S.A.	15.0 million US dollars	100.0	MHI products-related business in U.S.A.

(Note)

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

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:

247,846 persons (increase of 2,396 persons from the end of FY2020)

4 MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	52,606,900	15.6
Custody Bank of Japan, Ltd. (Trust Account)	17,067,500	5.0
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
Mitsubishi Heavy Industries Employee Shareholding Association	6,168,403	1.8
STATE STREET BANK WEST CLIENT – TREATY 505234	5,528,205	1.6
JP MORGAN CHASE BANK 385781	3,664,538	1.0
Mitsubishi Heavy Industries Trading-Partner Shareholding Association	3,277,500	0.9
STATE STREET BANK AND TRUST COMPANY 505001	3,142,966	0.9
STATE STREET BANK AND TRUST COMPANY 505225	3,084,454	0.9

(Note)

The ratios of shareholding are calculated excluding 484,669 treasury shares. The number of treasury shares does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (43,287 shares), Board Incentive Plan Trust I (257,900 shares) and Board Incentive Plan Trust II (869,900 shares).

5 STATUS OF SHARES GRANTED TO OFFICERS AS COMPENSATION FOR EXECUTION OF DUTIES DURING FY2021

	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)	33,300	4
Outside Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	–	–
Directors who are serving as Audit and Supervisory Committee Members	4,100	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 (16,800 shares of the 33,300 shares, and 2,100 shares of the 4,100 shares).

OFFICERS

1 NAMES OF DIRECTORS, ETC.

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

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Director (Member of the Board) Audit and Supervisory Committee Member	Noriko Morikawa		Director / Audit & Supervisory Committee Member, CHORI CO, LTD. Director, Showa Denko K.K.
Director (Member of the Board) Audit and Supervisory Committee Member	Masako Ii		Professor, School of International and Public Policy, Hitotsubashi University Professor, Graduate School of Economics/Faculty of Economics, Hitotsubashi University Governor, Japan Broadcasting Corporation Director (Audit and Supervisory Committee Member), M3, Inc.

※1 CEO: Chief Executive Officer

※2 CFO: Chief Financial Officer

※3 CSO: Chief Strategy Officer

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2022.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Naoyuki Shinohara, Mr. Ken Kobayashi and Mr. Nobuyuki Hirano, each a Director, and Mr. Hiroo Unoura, Ms. Noriko Morikawa and Ms. Masako Ii, each a Director who is serving as an Audit and Supervisory Committee Member, are outside directors as defined in Article 2, item (xv) of the Companies Act.
4. MHI has submitted notifications, specifying all MHI's outside directors as independent directors, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
5. Mr. 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. Koji Okura and Mr. Setsuo Tokunaga have been appointed as Full-time Audit and Supervisory Committee Members.
7. Mr. Hitoshi Kaguchi and Mr. Nobuyuki Hirano, each a Director, and Mr. Setsuo Tokunaga, a Director who is serving as a Full-time Audit and Supervisory Committee Member, and Ms. Noriko Morikawa and Ms. Masako Ii, each a Director who is serving as an Audit and Supervisory Committee Member, took up their positions as of June 29, 2021 (on the date of the 96th Annual General Meeting of Shareholders).
8. Mr. Ken Kobayashi, a Director, retired from his position as Chairman of the Board, Mitsubishi Corporation as of March 31, 2022. In addition, he took up his position as Member of the Board, Corporate Advisor of said company as of April 1, 2022.
9. Mr. Ken Kobayashi and Mr. Nobuyuki Hirano, each a Director, took up their positions as Director, Mitsubishi Research Institute, Inc. as of December 17, 2021.
10. Mr. Nobuyuki Hirano, a Director, took up his position as Senior Advisor, MUFG Bank, Ltd. as of April 1, 2021.
11. Mr. Hiroo Unoura, a Director who is serving as an Audit and Supervisory Committee Member, took up his position as Member of the Board, KADOKAWA CORPORATION as of

June 22, 2021. In addition, he retired from his position as Advisor, Nippon Telegraph and Telephone Corporation as of June 30, 2021, and took up his position as Senior Advisor of said company as of July 1, 2021.

■ Outline of Liability Limitation Agreement

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

■ Outline of the Directors and Officers Liability Insurance Policy

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

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

2 OUTSIDE OFFICERS

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

Position	Name	Name of Entity	Relations with MHI	
Director	Naoyuki Shinohara	Media Kobo, Inc.	No notable relations	
	Ken Kobayashi	Mitsubishi Motors Corporation	No notable relations	
		Mitsubishi Research Institute, Inc.	Consignment of consulting services, etc.	
		NISSIN FOODS HOLDINGS CO., LTD.	No notable relations	
	Nobuyuki Hirano	Mitsubishi Research Institute, Inc.	Consignment of consulting services, etc.	
		Morgan Stanley	No notable relations	
		Toyota Motor Corporation	No notable relations	
		Mitsubishi Memorial Foundation for Educational Excellence	Donations of cash, etc.	
	Director, Audit and Supervisory Committee Member	Hiroo Unoura	KADOKAWA CORPORATION	No notable relations
		Noriko Morikawa	CHORI CO, LTD.	No notable relations
Showa Denko K.K.			Purchase of naval ship components, etc.	
Masako Ii		Hitotsubashi University	No notable relations	
		Japan Broadcasting Corporation	No notable relations	
		M3, Inc.	No notable relations	

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

Position	Name	The Number of Attendance at the Board of Directors Meetings	The Number of Attendance at the Audit and Supervisory Committee Meetings	Overview of the Duties Undertaken in Relation to the Role Expected to Be Fulfilled as Outside Director
Director, Audit and Supervisory Committee Member	Noriko Morikawa	14 out of 14 times	10 out of 10 times	Ms. Noriko Morikawa performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on her experience in internal audit and accounting operations at foreign companies operating in Japan, in addition to her extensive knowledge and experience in global companies related to business management and organizational operation, such as overseeing administration departments in the role of manager. In addition, based on her considerable knowledge and experience, Ms. Noriko Morikawa has expressed her views at the Audit and Supervisory Committee meetings in relation to the overall activities of the Committee, including auditing, and she has also conducted interviews with various departments, etc., exchanged opinions with the financial auditor, and provided necessary proposals.
	Masako Ii	10 out of 10 times	10 out of 10 times	Ms. Masako Ii performs supervision of MHI's overall management by providing views and assessments to the Board of Directors meetings and Nomination and Remuneration Advisory Council, etc. based on her advanced knowledge cultivated as a researcher in the field of health economics, as a professor at a graduate school and abundant global experience as a researcher at The World Bank and as a governor of the Japan Broadcasting Corporation. In addition, based on her considerable knowledge and experience, Ms. Masako Ii has expressed her views at the Audit and Supervisory Committee meetings in relation to the overall activities of the Committee, including auditing, and she has also conducted interviews with various departments, etc., exchanged opinions with the financial auditor, and provided necessary proposals.

(Note)

As Ms. Noriko Morikawa, a Director who is serving as an Audit and Supervisory Committee Member, retired from her office of Director as of June 29, 2021 (on the date of the 96th Annual General Meeting of Shareholders) and assumed the office of Director who is serving as an Audit and Supervisory Committee Member on the same date, the number of attendance at the Audit and Supervisory Committee meetings for the year that she was able to attend is different from that of other Directors. In addition, as Ms. Masako Ii, a Director who is serving as an Audit and Supervisory Committee Member, assumed her office as of June 29, 2021 (on the date of the 96th Annual General Meeting of Shareholders), the number of attendance at the Board of Directors meetings and Audit and Supervisory Committee meetings for the year that she was able to attend is different from that of other Directors.

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)	538	9	243	5	180	4	114
(Outside Directors)	(43)	(4)	(43)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	158	8	158	—	—	—	—
(Outside Directors)	(54)	(5)	(54)	(—)	(—)	(—)	(—)
Total	696	17	401	5	180	4	114
(Outside Directors)	(98)	(9)	(98)	(—)	(—)	(—)	(—)

(Notes)

- The figures include two Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) who retired as of June 29, 2021 (on the date of the 96th Annual General Meeting of Shareholders) (one of whom was appointed a Director who is an Audit and Supervisory Committee Member on the same day), and three Directors who are serving as Audit and Supervisory Committee Members who retired on June 29, 2021 (one of whom was appointed a Director (excluding Directors who are serving as Audit and Supervisory Committee Members)) on the same day.
- The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 378,000 Stock Award Points granted in total during FY2021 (equivalent to 37,800 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 and outside directors is set at a reasonable level of fixed remuneration.

(3) MATTERS CONCERNING PERFORMANCE-LINKED REMUNERATION

The indicator used as the basis for calculating performance-linked remuneration is consolidated profit 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.

Role-based payment coefficient \times Profit before income taxes for the given fiscal year \div 10,000
 \times 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 FY2021, profit before income taxes was ¥173.6 billion, against a target (initial forecast) of ¥130.0 billion.

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

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

Role-based standard points \times 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 FY2020, MHI had a profit before income taxes of ¥49.3 billion, against a target (initial forecast) of ¥0 million.

(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) (excluding outside directors) as of the conclusion of the Annual General Meeting of Shareholders in question was four.
- The maximum permitted monetary remuneration amount for Directors who are serving as Audit and Supervisory 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 in the amount equivalent to liquidation value of shares of MHI shall be delivered or provided based on Stock Award Points calculated and granted in accordance with, among other factors, the role of each Director and financial results of MHI using the system of Board Incentive Plan Trust to raise the motivation of Directors to contribute to the medium- to long-term improvement of financial results and enhancement of the corporate value of the entire MHI Group.

<p>Policy on the proportions of different types of remuneration</p>	<p>The standard for the remuneration of MHI's president was set at roughly 30% basic remuneration, 40% performance-linked remuneration, and 30% stock remuneration (in the event that profit 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-linked 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 Advisory Council consisting of the outside directors, Chairman of the Board and President and CEO. At such meetings the President and CEO explains to outside directors the policy and method used to determine details of individual remuneration, etc. for Directors, and obtains opinions and advice on the subject from the outside directors.
- During FY2021, MHI held five Nomination and Remuneration Advisory Council.

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

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

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

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

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

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

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

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

FINANCIAL AUDITOR

1 NAME OF FINANCIAL AUDITOR

KPMG AZSA LLC

2 AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR

¥401 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

¥783 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, 2022	As of Mar. 31, 2021 (Reference)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	314,257	245,421
Trade and other receivables	744,466	655,181
Other financial assets	70,952	30,677
Contract assets	654,972	578,936
Inventories	798,601	713,498
Other current assets	219,875	230,955
Total current assets	2,803,126	2,454,670
Non-current assets:		
Property, plant and equipment ("PPE")	790,204	779,696
Goodwill	128,690	124,500
Intangible assets	70,400	74,722
Right-of-use assets	98,255	93,321
Investments accounted for using the equity method	212,828	182,897
Other financial assets	487,430	560,213
Deferred tax assets	352,261	378,338
Other non-current assets	173,144	162,365
Total non-current assets	2,313,214	2,356,056
TOTAL ASSETS	5,116,340	4,810,727
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Bonds, borrowings and other financial liabilities	304,651	445,147
Trade and other payables	863,281	763,731
Income taxes payable	28,784	12,237
Contract liabilities	886,551	731,814
Provisions	203,585	207,876
Other current liabilities	193,865	184,453
Total current liabilities	2,480,720	2,345,260
Non-current liabilities:		
Bonds, borrowings and other financial liabilities	773,622	790,862
Deferred tax liabilities	6,217	6,597
Retirement benefit liabilities	76,824	124,432
Provisions	62,218	50,485
Other non-current liabilities	54,207	53,699
Total non-current liabilities	973,090	1,026,076
TOTAL LIABILITIES	3,453,810	3,371,337
<u>EQUITY</u>		
Share capital	265,608	265,608
Capital surplus	45,061	47,265
Treasury shares	(5,946)	(4,452)
Retained earnings	1,099,158	952,528
Other components of equity	172,728	105,393
Equity attributable to owners of the parent	1,576,611	1,366,342
Non-controlling interests	85,918	73,047
TOTAL EQUITY	1,662,529	1,439,390
TOTAL LIABILITIES AND EQUITY	5,116,340	4,810,727

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of Yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021) (Reference)
Revenue	3,860,283	3,699,946
Cost of sales	3,204,371	3,116,464
Gross profit	655,911	583,482
Selling, general and administrative expenses	556,727	531,383
Share of profit of investments accounted for using the equity method	16,861	15,158
Other income *	68,972	167,698
Other expenses	24,777	180,873
Profit from business activities	160,240	54,081
Finance income	31,907	11,677
Finance costs	18,463	16,404
Profit before income taxes	173,684	49,355
Income taxes	48,029	6,153
Profit	125,654	43,202
Profit attributable to:		
Owners of the parent	113,541	40,639
Non-controlling interests	12,113	2,562

Earnings per share attributable to owners of the parent		
Basic earnings per share	338.24	120.92
Diluted earnings per share	338.05	120.83

*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 FY2021 is 17,286 Million Yen, and the amount in FY2020 is 10,664 Million Yen (reference).

NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2022	As of Mar. 31, 2021 (Reference)
ASSETS		
Current assets:		
Cash and deposits	142,025	38,989
Trade notes receivable	54	74
Trade accounts receivable	176,196	98,882
Contract assets	354,251	88,362
Merchandise and finished products	22,770	986
Work in process	229,957	153,552
Raw materials and supplies	44,973	34,387
Income taxes receivable	-	35,463
Advances to suppliers	68,065	25,008
Prepaid expenses	1,360	1,164
Short-term loans receivable	600	-
Short-term loans receivable from subsidiaries and affiliates	3,517	3,354
Other current assets	124,905	84,199
Allowance for doubtful accounts	(76)	(23)
Total current assets	1,168,602	564,403
Non-current assets:		
PPE :		
Buildings	202,791	186,657
Structures	27,079	19,284
Docks and facilities for shipbuilding	2,041	2,132
Machinery	99,678	39,867
Vessels	20	22
Aircraft	0	0
Vehicles and transportation equipment	971	1,155
Tools, equipment and furniture	20,436	17,348
Land	105,990	91,270
Leased assets	3,141	1,492
Construction in progress	15,219	10,397
Subtotal	477,369	369,629
Intangible assets:		
Software	3,998	3,443
Right of using facilities	854	248
Goodwill	11,306	-
Leased assets	23	32
Others	172	137
Subtotal	16,356	3,861
Investments and advances:		
Investment securities	337,652	398,745
Investments in shares of subsidiaries and affiliates	688,624	1,066,754
Investments in capital	1,060	1,063
Investments in capital of subsidiaries and affiliates	47,848	37,369
Long-term loans receivable	679	-
Long-term loans receivable from employees	15	19
Long-term loans receivable from subsidiaries and affiliates	85,609	78,617
Claims provable in bankruptcy, claims provable in rehabilitation and other	8,617	7,555
Long-term prepaid expenses	3,533	2,904
Prepaid pension cost	15,171	38,673
Deferred tax assets	245,160	237,909
Long-term receivables	567,222	520,550
Others	25,125	23,251
Allowance for doubtful accounts	(571,470)	(523,837)
Subtotal	1,454,851	1,889,577
Total non-current assets	1,948,577	2,263,068

TOTAL ASSETS	3,117,179	2,827,472
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NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2022	As of Mar. 31, 2021 (Reference)
LIABILITIES		
Current liabilities:		
Electronically recorded obligations	31,102	22,111
Trade accounts payable	352,241	184,930
Short-term borrowings	337,948	423,175
Current portion of long-term borrowings	80,949	21,900
Commercial Paper	-	196,000
Current portion of bonds	10,000	45,000
Lease obligations	1,364	463
Accrued payables	35,612	21,891
Accrued expenses	33,183	27,551
Income taxes payable	14,269	-
Contract liabilities	473,038	311,486
Deposits received	14,942	12,779
Provision for product warranties	4,053	-
Provision for construction warranties	21,439	7,755
Provision for loss on construction contracts	48,946	5,097
Provision for business structure improvement	1,067	9,504
Provision for stock benefits	637	227
Provision for losses on subsidiaries and affiliates	-	567
Asset retirement obligations	-	73
Other current liabilities	8,870	8,364
Total current liabilities	1,469,666	1,298,882
Non-current liabilities:		
Bonds	195,000	150,000
Long-term borrowings	350,400	402,511
Lease obligations	6,588	1,047
Provision for product warranties	11,287	-
Provision for construction warranties	6,890	7,284
Provision for business structure improvement	9,213	3,900
Provision for stock benefits	976	1,372
Provision for retirement benefits	35,726	-
Provision for loss on guarantees	-	242
Provision for treatment of PCB waste	2,305	3,462
Provision for environmental measures	7,088	7,132
Provision for losses on subsidiaries and affiliates	3,262	8,960
Asset retirement obligations	6,946	6,046
Other non-current liabilities	21,093	23,010
Total non-current liabilities	656,778	614,971
TOTAL LIABILITIES	2,126,444	1,913,853
NET ASSETS		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,055	2,247
Total capital surplus	205,591	205,783
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	14,494	19,334
Reserve for reduction in costs of fixed assets	70,642	63,409
Reserve for accelerated depreciation	207	477
Earned surplus brought forward	297,871	227,673
Total revenue reserve	383,216	310,895
Total retained earnings	449,579	377,259
Treasury stock	(1,450)	(1,584)
Total stockholders' equity	919,329	847,067
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	74,368	70,607
Unrealized gain (loss) from hedging instruments	(3,618)	(4,878)
Total valuation, translation adjustments and others	70,750	65,729

Share subscription rights	654	821
TOTAL NET ASSETS	990,734	913,618
TOTAL LIABILITIES AND NET ASSETS	3,117,179	2,827,472

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021) (Reference)
Net sales	1,233,413	916,770
Cost of sales	1,074,572	796,557
Gross profit	158,840	120,213
Selling, general and administrative expenses	156,703	95,684
Operating income	2,137	24,528
Non-operating income:		
Interest income	3,206	2,637
Dividend income	85,013	131,390
Foreign exchange gain	6,450	1,958
Other income	4,622	3,574
Total non-operating income	99,293	139,562
Non-operating expenses:		
Interest expense	5,745	5,504
Interest on bonds	766	641
Loss on disposal of fixed assets	3,507	4,692
Litigation expenses	115	162
Other expenses	7,275	8,737
Total non-operating expenses	17,410	19,739
Ordinary income	84,020	144,350
Extraordinary gain:		
Gain on sales of fixed assets	38,249	44,994
Gain on sales of investment securities	29,102	5,363
Gain on extinguishment of tie-in shares	38,443	7,471
Total extraordinary gain	105,796	57,830
Extraordinary loss:		
Loss on revaluation of investment securities	5,833	10,025
Loss on impairment of fixed assets	-	13,942
Loss related to SpaceJet project	5,338	76,106
Business structure improvement expenses	-	4,563
Total extraordinary loss	11,172	104,637
Profit before income taxes	178,643	97,542
Income taxes:		
Current	16,061	(6,278)
Deferred	49,840	(1,114)
Profit	112,742	104,934

Independent Auditor's Report

May 19, 2022

Mr. Seiji Izumisawa
President and CEO
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, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

The Audit and Supervisory Committee 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.

Independent Auditor's Report

May 19, 2022

Mr. Seiji Izumisawa
President and CEO
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 accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of Mitsubishi Heavy Industries, Ltd. (“the Company”) as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

The Audit and Supervisory Committee 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 Accompanying Supplementary Schedules

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

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

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

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

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

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

Our firm and its designated engagement partners do not have any interest in the Company which are required

to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

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

Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee of the Company has audited the Directors' execution of their duties during the 2021 fiscal year, from April 1, 2021, to March 31, 2022. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

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

Based on the foregoing methods, the Audit and Supervisory Committee examined the Business Report and the related supplementary schedules for the 2021 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, 2022

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

Koji Okura (seal)
Full-time Audit and Supervisory Committee
Member

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

Hiroo Unoura (seal)
Audit and Supervisory Committee Member

Noriko Morikawa (seal)
Audit and Supervisory Committee Member

Masako Ii (seal)
Audit and Supervisory Committee Member

(Note)

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

(End)