(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 2, 2017

To the Shareholders:

Shunichi Miyanaga, President and CEO
Mitsubishi Heavy Industries, Ltd.
16-5, Konan 2-chome, Minato-ku, Tokyo

NOTICE OF THE 92ND ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 92nd Annual General Meeting of Shareholders of Mitsubishi Heavy Industries, Ltd. ("MHI") to be held as described below.

In the event that you are unable to attend, MHI kindly asks that you exercise your voting rights in writing or via the Internet (as explained in the "Instructions for voting," on page 3–4).
Please examine the Reference Materials Relating to the General Meeting of Shareholders (pages 5–24), and exercise your voting rights by 5:30 p.m. on Wednesday, June 21, 2017 (Japan time).

1. Date and Time: Thursday, June 22, 2017 at 10:00 a.m. (Japan time)

2. Place: Grand Prince Hotel New Takanawa, "Hiten"
13-1, Takanawa 3-chome, Minato-ku, Tokyo

3. Purposes:

To report on the following items:

Item No.1: Business Report, Consolidated Financial Statements for the 2016 fiscal year (from April 1, 2016 to March 31, 2017), 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 2016 fiscal year (from April 1, 2016 to March 31, 2017).

To consider and resolve the following proposals:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Consolidation of Shares

Proposal No. 3: Election of 6 Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)

Proposal No. 4: Election of 5 Directors who are serving as Audit and Supervisory Committee Members

Proposal No. 5: Election of Financial Auditor

(End)

- Information concerning the following items is not included in the Attachment to the Notice of 92nd 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 Net Assets" 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: http://www.mhi.com/finance/stock/meeting/

INSTRUCTIONS FOR VOTING

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

Attend the Shareholders' Meetings

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: Thursday, June 22, 2017 at 10:00 a.m.
(The reception desk will open at 9:00 a.m.) (Japan time)

Place: Grand Prince Hotel New Takanawa, "Hiten" 13-1, Takanawa 3-chome, Minato-ku, Tokyo

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

Exercise of Voting Rights in Writing

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5–24) 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 Wednesday, June 21, 2017 (Japan time)

Guidance for filling in the voting card

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

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

Proposal No. 3 and Proposal No. 4:

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

Exercise of Voting Rights via the Internet

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5–24) and indicate whether you are for or against each proposal by accessing the site "Procedures for Shareholders' Meetings" (http://www.evote.jp/). For details, please refer to the "Instructions for Voting via the Internet" on the following.

Exercise due date: No later than 5:30 p.m., on Wednesday, June 21, 2017 (Japan time)

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

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

Instructions for Voting Right via the Internet

1. Access to the Website to Exercise of Voting Rights

Please indicate whether you are for or against each proposal by accessing the site "Procedures for Shareholders' Meetings" (http://www.evote.jp/) using a computer, a smartphone or a mobile phone in accordance with instructions on the screen.

(Please note that the website will be unavailable every day from 2:00 a.m. to 5:00 a.m. Japan time)

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

(1) When voting by a computer, please read the site's "Terms of Use" and "Usage Guide." When voting by a smart phone, please read the site's "Terms of Use" and "Usage Guide." When voting by a mobile phone, please read the "Usage Guide."

(2) When voting by a mobile phone, please use a handset capable of TLS encrypted communication and mobile phone data transmission.

(3) The login ID and temporary password stated on the voting card (or the password registered by the shareholder) are required to exercise your voting rights.

(4) Shareholders will be responsible for the Internet connection charges and the communication charges, etc. arising from accessing the site "Procedures for Shareholders' Meetings."

(5) Please contact the following if you have questions about the site "Procedures for Shareholders' Meetings":

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division (Help Desk) Telephone: 0120-173-027 (toll free) Service Hours: 9:00 – 21:00 (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

PROPOSALS AND REFERENTIAL INFORMATION:

Proposal No.1: Appropriation of Surplus

MHI targets a ROE attainment above 10% and an increase in equity capital to ¥2 trillion. During this period, initially our basic policy will be implementing returns to shareholders with a consolidated dividend payout ratio of around 30% while always considering a balance between "investing in future business" and "strengthening of equity capital."

Based on this policy, taking full account of business results for the term under review and our financial condition, including appropriateness and sufficiency of equity capital, the year-end dividend defined in Article 43 of the Articles of Incorporation was ¥6 per share. Combined with the interim dividend of ¥6 per share paid in December 2016, the total annual dividend will be ¥12 per share, the same as in the previous fiscal year (FY2015).

In addition, MHI will reverse its general reserves in order to ensure agility in capital policy including distribution of dividends to our shareholders based on the basic policy above.

1. Matters concerning year-end dividend
   (1) Kind of Dividend Property
   Cash

   (2) Dividend Allocation and Total Amount of Dividends
   Dividend allocation: ¥6 per share of MHI's common stock
   Total amount of dividends: ¥20,183,722,314

   (3) Effective Date of Dividend Allocation
   June 23, 2017

2. Matters concerning the other appropriation of surplus
   (1) Item and amount of surpluses to be reduced
   General reserves: ¥410,000,000,000
   (2) Item and amount of surplus to be increased
   Earned surplus brought forward: ¥410,000,000,000

Proposal No.2: Consolidation of Shares

1. Reason for proposal

To improve market convenience for investors, stock exchanges nationwide are moving to a 100-share trading unit for all common stock issued by listed companies in Japan in accordance with the Action Plan for Consolidating Trading Units. Based on the intent of this initiative, MHI has decided that effective October 1, 2017 it will change the number of shares constituting one unit from 1,000 shares to 100 shares.

MHI will be consolidating its shares on a one for 10 basis in order to maintain the current price per share trading unit and ensure that no changes are made to investor voting right numbers after the transition is made.

2. Ratio of share consolation

MHI would like to consolidate 10 shares of common stock into one share of common stock.

For the shareholders who hold the fractional shares less than one share of common stock which were created as a result of the consolidation of share, such shares will be sold together by MHI, pursuant to the provisions of Article 235 of the Companies Act. The proceeds from the sale will be distributed to the shareholders of the fractional shares in proportion to the numbers of their fractional shares.

3. The date when the consolidation of shares shall take effect

October 1, 2017

4. Total number of issuable shares as of the effective date

600,000,000 shares

By implementing the consolidation of shares, it will be deemed that as of the effective date the Articles of Incorporation is amended with respect to the change of total number of issuable shares, pursuant to Article 182, Paragraph 2 of the Companies Act.

[Reference]

On the condition that this Proposal 2 is approved as proposed, part of MHI's Articles of Incorporation will be amended on October 1, 2017 as follows:

(Underlined portions indicate the proposed changes)

Current Articles of Incorporation	After amendments
(Total Number of Issuable Shares) Article 6 The total number of shares that can be issued by the Company shall be Six billion (6,000,000,000) shares.	(Total Number of Issuable Shares) Article 6 The total number of shares that can be issued by the Company shall be Six hundred million (600,000,000) shares.
(Number of Shares Constituting One Unit) Article 7 The number of shares constituting One Unit of the Company shall be One thousand (1,000) shares.	(Number of Shares Constituting One Unit) Article 7 The number of shares constituting One Unit of the Company shall be One hundred (100) shares.

Proposal No.3: Election of 6 Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)

The terms of the 6 current Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 6 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 (FY2016)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Hideaki Omiya	Re-election	Chairman of the Board	14 out of 14 times	15 years
2	Shunichi Miyanaga	Re-election	*President and CEO※1 (Member of the Board)	14 out of 14 times	9 years
3	Masanori Koguchi	Re-election	*Director (Member of the Board), Executive Vice President, CFO※2, Head of Business Strategy Office	14 out of 14 times	2 years
4	Michisuke Nayama	Re-election	Director (Member of the Board), Executive Vice President, CTO※3	10 out of 10 times	1 year
5	Naoyuki Shinohara	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	2 years
6	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	9 out of 10 times	1 year

※1 CEO: Chief Executive Officer
※2 CFO: Chief Financial Officer
※3 CTO: Chief Technology Officer

(Notes)

1. An asterisk mark (*) indicates a Representative Director.
2. As Mr. Michisuke Nayama and Mr. Ken Kobayashi took their offices as of June 23, 2016 (on the date of the 91st Annual General Meeting of Shareholders), the number of attendance at the Board of Directors meetings for the year which they could attend is different from that of the other candidates for the position of a Director.

1	**Hideaki Omiya** (July 25, 1946: 70 years old) [Re-election]

Position and Responsibility in MHI

Chairman of the Board

Number of MHI Shares Owned

175,000

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

15 years

The number of attendance at the Board of Directors meetings in FY2016

14 out of 14 times

Career summary

June 1969	Joined Mitsubishi Heavy Industries, Ltd.
June 1999	Deputy Head of Nagoya Aerospace Systems Works
April 2001	General Manager of Industrial Machinery Division
April 2002	Deputy Head of Air-Conditioning & Refrigeration Systems Headquarters
June 2002	Director (Member of the Board), Deputy Head of Air-Conditioning & Refrigeration Systems Headquarters
April 2003	Director (Member of the Board), Head of Air-Conditioning & Refrigeration Systems Headquarters
June 2005	*Director (Member of the Board), Executive Vice President, Head of Air-Conditioning & Refrigeration Systems Headquarters
April 2007	*Director (Member of the Board), Senior Executive Vice President
April 2008	*President and CEO (Member of the Board)
April 2013	*Chairman of the Board
June 2014	Chairman of the Board (Present position)

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

Important concurrent positions

Member of the Board, Mitsubishi Corporation

Director, Seiko Epson Corporation

Reason for the nomination as a candidate for Director

Mr. Hideaki Omiya is being re-nominated for the position of a Director because he has extensive experience in operations of Aerospace Systems and Air-Conditioning & Refrigeration Systems, and moreover, because he has demonstrated superior management skills by promoting management reform, such as the enhancement of MHI's business operations structure, as President and CEO (Member of the Board) from April 2008 through March 2013. From April 2013, he has been serving as a Chairman of the Board and conducting MHI's management oversight as a Chairman of Meetings of the Board of Directors. Based on this knowledge and track record, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term through participation in MHI's management decision-making, playing a leading role in management oversight.

Special interest between the candidate and the MHI

There is no special interest between Mr. Hideaki Omiya and MHI.

2	**Shunichi Miyanaga** (April 27, 1948: 69 years old) [Re-election]

Position and Responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI Shares Owned

184,000

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

9 years

The number of attendance at the Board of Directors meetings in FY2016

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) (Present position)

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

Important concurrent positions

Director, Mitsubishi Motors Corporation

Reason for the nomination as a candidate for Director

Mr. Shunichi Miyanaga is being re-nominated for the position of a Director because he has extensive experience in operations of Machinery & Steel Structures, and moreover, from April 2013, he has been serving as a President and CEO, demonstrating superior management skills by promoting the management reform such as the shift to a domain business structure. He currently serves as a Chief Executive Officer (CEO) in charge of the system for execution of business of MHI. Based on these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term through participation in MHI's management decision-making, providing management direction.

Special interest between the candidate and MHI

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

3	**Masanori Koguchi** (July 12, 1955: 61 years old) [Re-election]

Position and Responsibility in MHI

*Director (Member of the Board), Executive Vice President, CFO, Head of Business Strategy Office

Number of MHI Shares Owned

17,000

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

2 years

The number of attendance at the Board of Directors meetings in FY2016

14 out of 14 times

Career summary

April 1978	Joined Mitsubishi Heavy Industries, Ltd.
April 2013	Senior General Manager, Accounting Division
January 2014	Senior General Manager, Corporate Planning Department of the Presidential Administration Office
April 2014	Senior Vice President, Head of Business Strategy Office
June 2015	*Director (Member of the Board), Executive Vice President, CFO, Head of Business Strategy Office (Present position)

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

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Masanori Koguchi is being re-nominated for the position of a Director because he has extensive experience in operations of business strategy, accounting and finance, and has been making a substantial contribution to reform the methods of business management, etc. through reinforcement of financial base of the MHI and implementation of the strategic business evaluation system. He has been serving as CFO from June 2015, 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, providing expertise in the finances of MHI.

Special interest between the candidate and MHI

There is no special interest between Mr. Masanori Koguchi and MHI.

4	**Michisuke Nayama** (January, 11 1955: 62 years old) [Re-election]

Position and Responsibility in MHI

Director (Member of the Board), Executive Vice President, CTO

Number of MHI Shares Owned

23,000

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

1 year

The number of attendance at the Board of Directors meetings in FY2016

10 out of 10 times

Career summary

April 1979	Joined Mitsubishi Heavy Industries, Ltd.
April 2013	Senior Vice President, Deputy Head of Technology & Innovation Headquarters
April 2014	Senior Vice President, Head of Global Business Planning & Operations Headquarters
April 2015	Executive Vice President, CTO, Head of Technology & Innovation Headquarters, Head of Global Business Planning & Operations Headquarters
October 2015	Executive Vice President, CTO, Domain CEO, President and CEO, Energy & Environment
June 2016	Director (Member of the Board), Executive Vice President, CTO, Domain CEO, President and CEO, Energy & Environment
October 2016	Director (Member of the Board), Executive Vice President, CTO (Present position)

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Michisuke Nayama is being re-nominated for the position of a Director because he has extensive experience in operations of research and development, and has been making a substantial contribution to achieve higher efficiency and greater sophistication in technological development, etc. through unification and globalization of research and development departments. He has been serving as CTO from April 2015, and has promoted research and development activities that respond to 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, providing expertise in technologies of MHI.

Special interest between the candidate and MHI

There is no special interest between Mr. Michisuke Nayama and MHI.

5	**Naoyuki Shinohara** (February 8, 1953: 64 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

5,000

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

2 years

The number of attendance at the Board of Directors meetings in FY2016

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 (Present position)

Important concurrent positions

Professor, Policy Alternatives Research Institute, The University of Tokyo
Statutory Auditor, Media Kobo, Inc.

Reason for the nomination as a candidate for outside director

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Naoyuki Shinohara meets the "Independence Criteria for Outside Directors" (stated on page 23) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified the Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.
Although MHI has a trading relationship with and donated to The University of Tokyo, where Mr. Naoyuki Shinohara serves as a professor, the amount of trading and donation does not exceed the base amount stipulated in "Independence Criteria for Outside Directors," and therefore MHI judges that it will not affect his independence.

6	**Ken Kobayashi** (February 14, 1949: 68 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

5,000

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

1 year

The number of attendance at the Board of Directors meetings in FY2015

9 out of 10 times

Career summary

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

Important concurrent positions

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

Reason for the nomination as a candidate for outside director

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (stated on page 23) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified the Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.
Although MHI has a trading relationship with Mitsubishi Corporation, where Mr. Ken Kobayashi serves as a Chairman of the Board, the amount of trading does not exceed the base amount stipulated in "Independence Criteria for Outside Directors," and therefore MHI judges that it will not affect his independence.

(Notes)

1. Mr. Naoyuki Shinohara and Mr. Ken Kobayashi are the candidates for outside directors as defined in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

2. MHI has submitted notifications, specifying Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan, and should they be elected as Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI will re-submit notifications specifying them as independent officers.
3. MHI has entered into a Liability Limitation Agreement with Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, which provides a limitation on their liabilities to compensate for damages under Article 423, Paragraph 1 of the Companies Act, the amount of which is the higher of ¥10 million or the minimum amount of liability defined in Article 425, Paragraph 1 of the Companies Act. Should Mr. Naoyuki Shinohara and Mr. Ken Kobayashi be elected, MHI is bound to continue the abovementioned Agreement with each of them.
4. It was discovered that a wrongful act had been committed in connection with fuel consumption testing of a vehicle manufactured by Mitsubishi Motors Corporation, where Mr. Ken Kobayashi serves as an outside director. The discovery was made in April 2016, prior to Mr. Ken Kobayashi's becoming an outside director at the company. In September 2016, after Mr. Ken Kobayashi had become an outside director, the Ministry of Land, Infrastructure, Transport and Tourism indicated that it acknowledged wrongdoing in the course of internal testing conducted by Mitsubishi Motors Corporation for the purpose of re-examining vehicle fuel consumption values that had been found to be fraudulently fabricated. Furthermore, citing a violation of the Act Against Unjustifiable Premiums and Misleading Representations in connection with language in documents that included catalogs of Mitsubishi Motors Corporation vehicles that had been involved in the fuel consumption testing, the Consumer Affairs Agency issued an administrative order and surcharge payment order to the company in January 2017. 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.

■ Opinions of the Audit and Supervisory Committee

In regard to the election, remuneration, etc. of the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), all three outside directors who are serving as Audit and Supervisory Committee Members attended the Nomination and Remuneration Meeting(s) and provided their respective opinions, and the Full-time Audit and Supervisory Committee Members confirmed, such matters as the approach to remuneration structure and the specific computation method of remuneration, as well as the basic framework and approach relating to the Board of Directors and Directors of MHI and the policy for electing the candidates for the Board of Directors and made reports and participated in mutual discussions at the Meeting of the Audit and Supervisory Committee.

Accordingly, the Audit and Supervisory Committee has determined that there are no special matters or opinions that need to be stated at the General Meeting of Shareholders with regard to the election and remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) based on the provisions of the Companies Act.

Proposal No.4: Election of 5 Directors who are Serving as Audit and Supervisory Committee Members

The terms of the 5 current 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 5 Directors who are serving as Audit and Supervisory Committee Members.

Candidates for Directors who will serve as Audit and Supervisory Committee Members are as follows.

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

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2016)	The Number of Attendance at the Audit and Supervisory Committee Meetings (FY2016)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Seiji Izumisawa	Newly nominated	(Newly nominated)	–	–	–
2	Toshifumi Goto	Newly nominated	(Newly nominated)	–	–	–
3	Nobuo Kuroyanagi	Re-election Outside Independent	Director (Member of the Board), Audit and Supervisory Committee Member	13 out of 14 times	16 out of 17 times	2 years
4	Christina Ahmadjian	Re-election Outside Independent	Director (Member of the Board), Audit and Supervisory Committee Member	13 out of 14 times	15 out of 17 times	5 years
5	Shinichiro Ito	Re-election Outside Independent	Director (Member of the Board), Audit and Supervisory Committee Member	13 out of 14 times	15 out of 17 times	2 years

1	**Seiji Izumisawa** (September 3, 1957: 59 years old) [Newly nominated]

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

9,000

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

–

The number of attendance at the Board of Directors meetings in FY2016

–

The number of attendance at the Audit and Supervisory Committee meetings in FY2016

–

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 (Present Position)

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Seiji Izumisawa has extensive work experience in research and development, technology management-related work, and other pursuits at MHI, and made considerable contributions to strengthening and developing MHI's technology infrastructure as Senior General Manager of Technology Management Department for five years beginning in April 2008. Since that time, he has served as Director at Mitsubishi Motors Corporation, among other positions and has, since April 2016, promoted technology development strategies and other efforts in accordance with business plans as Senior General Manager of Technology Strategy Office. Moreover, as MHI judges that his participation in managerial decision-making as a person well-versed in technology management at MHI will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of managerial decision-making, and also help MHI to achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI nominates Mr. Seiji Izumisawa as a candidate for Director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

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

2	**Toshifumi Goto** (June 10, 1957: 59 years old) [Newly nominated]

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

9,000

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

–

The number of attendance at the Board of Directors meetings in FY2016

–

The number of attendance at the Audit and Supervisory Committee meetings in FY2016

–

Career summary

April 1982	Joined Mitsubishi Heavy Industries, Ltd.
October 2009	Deputy General Manager of General Affairs Department
April 2013	General Manager of Legal & General Affairs Department
April 2014	Senior General Manager of Legal & General Affairs Department (Present Position)

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Toshifumi Goto has extensive work experience in human resources, planning, general affairs, and other operations at MHI, and has contributed significantly to efforts that include the companywide consolidation of general affairs and legal operations and transitioning to a company with Audit and Supervisory Committee. He has served as Senior General Manager of Legal & General Affairs Department since April 2014, promoting corporate governance system improvements. Moreover, as MHI judges that his participation in managerial decision-making as a person well-versed in the business of the Corporate Division will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of managerial decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI nominates Mr. Toshifumi Goto as a candidate for Director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Toshifumi Goto and MHI.

3	**Nobuo Kuroyanagi** (December 18, 1941: 75 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

15,000

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

2 years

The number of attendance at the Board of Directors meetings in FY2016

13 out of 14 times

The number of attendance at the Audit and Supervisory Committee meetings in FY2016

16 out of 17 times

Career summary

April 1965	Joined The Mitsubishi Bank, Ltd.
June 1992	Director, The Mitsubishi Bank, Ltd.
April 1996	Director, The Bank of Tokyo-Mitsubishi, Ltd.
June 1996	Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.
June 2001	Non-Board Member Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.
June 2002	Deputy President, The Bank of Tokyo-Mitsubishi, Ltd.
June 2003	Director, Mitsubishi Tokyo Financial Group, Inc.
June 2004	President & CEO, Mitsubishi Tokyo Financial Group, Inc. President, The Bank of Tokyo-Mitsubishi, Ltd.
October 2005	President & CEO, Mitsubishi UFJ Financial Group, Inc.
January 2006	President, The Bank of Tokyo-Mitsubishi UFJ, Ltd
April 2008	Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
June 2009	Statutory Auditor, Mitsubishi Heavy Industries, Ltd.
April 2012	Senior Corporate Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
April 2014	Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Present Position)
June 2015	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd. (Present position)

Important concurrent positions

Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Outside Director, Tokio Marine & Nichido Fire Insurance Co., Ltd.
Director, Mitsubishi Research Institute, Inc.
Statutory Auditor, Tokyo Kaikan Co., Ltd.

Reason for the nomination as a candidate for outside director

Mr. Nobuo Kuroyanagi has acquired extensive knowledge and experience serving as a top management at international financial institutions, including holding the positions of President & CEO of Mitsubishi UFJ Financial Group, Inc. and President and Chairman of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Moreover, as MHI judges that the insightful views and frank assessments of MHI's management MHI has been receiving from him as an outside director who serves as Audit and Supervisory Committee Member will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of managerial 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. Nobuo Kuroyanagi as a candidate for outside director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Nobuo Kuroyanagi and MHI.

Matters concerning the independence of outside director

Since Mr. Nobuo Kuroyanagi meets the "Independence Criteria for Outside Directors" (stated on page 23) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified the Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.

4	**Christina Ahmadjian** (March 5, 1959: 58 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

17,000

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

5 years

The number of attendance at the Board of Directors meetings in FY2016

13 out of 14 times

The number of attendance at the Audit and Supervisory Committee meetings in FY2016

15 out of 17 times

Career summary

January 1995	Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)
October 2001	Associate Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
January 2004	Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
April 2010	Dean, Hitotsubashi University, Graduate School of International Corporate Strategy
April 2012	Professor, Hitotsubashi University, Graduate School of Commerce and Management (Present position)
June 2012	Director, Mitsubishi Heavy Industries, Ltd. (Member of the Board)
June 2015	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd. (Present position)

Important concurrent positions

Professor, Hitotsubashi University, Graduate School of Commerce and Management
Director, Japan Exchange Group, Inc.

Reason for the nomination as a candidate for outside director

Although she has not previously been involved in corporate management through any means other than becoming an outside director, Ms. Christina Ahmadjian possesses a broad knowledge and global perspective developed during her career as a researcher in fields that include corporate governance and corporate management. Moreover, as MHI judges that the insightful views and frank assessments of MHI's management MHI has been receiving from her as an outside director who serves as Audit and Supervisory Committee Member will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of managerial decision-making, and also help MHI achieve sustained growth and improvements of its corporate value in the medium- and long-term, MHI re-nominates Ms. Christina Ahmadjian as a candidate for outside director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Ms. Christina Ahmadjian and MHI.

Matters concerning the independence of outside director

Since Ms. Christina Ahmadjian meets the "Independence Criteria for Outside Directors" (stated on page 23) provided by MHI, MHI judges her to be independent from its management. Accordingly, MHI has notified the Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that she is an independent officer.

5	**Shinichiro Ito** (December 25, 1950: 66 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

14,000

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

2 years

The number of attendance at the Board of Directors meetings in FY2016

13 out of 14 times

The number of attendance at the Audit and Supervisory Committee meetings in FY2016

15 out of 17 times

Career summary

April 1974	Joined All Nippon Airways Co., Ltd.
June 2003	Member of the Board of Directors, Senior Vice President, All Nippon Airways Co., Ltd.
April 2004	Member of the Board of Directors, Executive Vice President (jomu torishimariyaku), All Nippon Airways Co., Ltd.
April 2006	Member of the Board of Directors, Executive Vice President (senmu torishimariyaku), All Nippon Airways Co., Ltd.
April 2007	Member of the Board of Directors, Senior Executive Vice President, All Nippon Airways Co., Ltd.
April 2009	President & Chief Executive Officer, All Nippon Airways Co., Ltd.
April 2013	President & Chief Executive Officer, ANA Holdings Inc., Chairman of the Board, All Nippon Airways Co., Ltd.
June 2013	Statutory Auditor, Mitsubishi Heavy Industries, Ltd.
April 2015	Chairman of the Board, ANA Holdings Inc.
June 2015	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd. (Present position)
April 2017	Chairman of the Board, ANA Holdings Inc. (Present Position)

Important concurrent positions

Chairman of the Board, ANA Holdings Inc.

Reason for the nomination as a candidate for outside director

Mr. Shinichiro Ito has acquired extensive knowledge and experience serving as a top management at airline companies that stress quality and safety management, serving in positions that include President & Chief Executive Officer and Chairman of the Board at ANA Holdings Inc. Moreover, as MHI judges that the insightful views and frank assessments of MHI's management MHI has been receiving from him as an outside director who serves as Audit and Supervisory Committee Member will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of managerial decision-making, and also help MHI achieve sustained growth and improvements of its corporate value in the medium- and long-term, MHI re-nominates Mr. Shinichiro Ito as a candidate for outside director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Shinichiro Ito and MHI.

Matters concerning the independence of outside director

Since Mr. Shinichiro Ito meets the "Independence Criteria for Outside Directors" (stated on page 23) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified the Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.

(Notes)

1. Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito are the candidates for outside directors as defined in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
2. MHI has submitted notifications, specifying Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan, and should they be elected as Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI will re-submit notifications specifying them as independent officers.
3. MHI has entered into a Liability Limitation Agreement with Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito, 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. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito be elected, MHI is bound to continue the abovementioned Agreement with each of them.

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.

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

■ Independence Criteria for Outside Directors

Anyone who meets any of the following criteria, in addition to the independence criteria prescribed by the 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.

3. A person who served as an outside director of MHI for more than 8 years in total.

Proposal No.5: Election of Financial Auditor

In accordance with a decision made by the Audit and Supervisory Committee, MHI proposes to elect KPMG AZSA LLC as financial auditor to replace Ernst & Young ShinNihon LLC, whose term expires at the conclusion of this General Meeting of Shareholders.

1. Reasons for the Audit and Supervisory Committee's nomination of KPMG AZSA LLC as a candidate to replace Ernst & Young ShinNihon LLC

   MHI has for many years elected Ernst & Young ShinNihon LLC as its financial auditor, and believes it is necessary to reevaluate and review the organization performing this duty. MHI has therefore examined multiple auditors, including Ernst & Young ShinNihon LLC, in accordance with internal standards for evaluating and electing its financial auditor.

   MHI has consequently decided that KPMG AZSA LLC possesses the necessary expertise, independency, and suitability for MHI's financial auditor, as well as a system for centrally auditing the global business operations of MHI Group. Moreover, MHI believes that having a new financial auditor conduct audits using a different perspective and methods will further increase the trustworthiness of MHI's financial information. As such, MHI has nominated KPMG AZSA LLC as candidate for new financial auditor to replace Ernst & Young ShinNihon LLC.

2. Name, main office location and history etc. of the financial auditor candidate

   Name, main office location and history etc. of the Financial Auditor candidate is provided below.

(As of March 31, 2017)

Name	KPMG AZSA LLC		
Address of Main Office	1-2 Tsukudo-cho, Shinjuku-ku, Tokyo		
History	July 1, 1985	Established Asahi Shinwa & Co.	
	October 1, 1993	Merged with Inoue Saito Eiwa Audit Corporation (established on April 5, 1978) and changed corporate name to Asahi & Co.	
	January 1, 2004	Merged with AZSA & Co. (established on February 26, 2003) and changed corporate name to KPMG AZSA & Co.	
	July 1, 2010	Converted to a limited liability audit corporation and changed corporate name to KPMG AZSA LLC.	
Overview	Capital		¥3,000 million
	Members (persons)	Certified Public Accountants	3,168
		Other auditing personnel	2,022
		Other staff members	639
		Total	5,829
	Audit certificate service clients (companies)		3,470

(Note)
For the past two years, the candidate has been receiving remuneration from MHI and its subsidiaries for services such as advisory services related to the drafting of policy concerning intra-Group trading prices and the restructuring of Group companies. The candidate will continue to receive remuneration for all services that are ongoing.

(End)

BUSINESS REPORT FOR THE 2016 FISCAL YEAR
(April 1, 2016 to March 31, 2017)

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

1 REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

The picture of the world economy for the fiscal year under review showed steady growth overall, with oil and other resource costs hitting bottom while the U.S. economy grew. Meanwhile, the backlash against globalism and other factors contributed to increased uncertainty. In Japan, despite a partial recovery of corporate profits and strong growth in capital investment due to a weaker yen in the second half of the fiscal year, uncertainty prevailed with respect to issues such as the U.S. trade policies going forward.

■ Orders, Sales and Profits/Losses

In this operating environment, among the consolidated orders received for MHI Group in the fiscal year under review, MHI Group recorded an increase in orders for Integrated Defense & Space Systems and Machinery, Equipment & Infrastructure while dropping in Energy & Environment and Commercial Aviation & Transportation Systems. As a result, total consolidated orders received by MHI Group decreased 4.7% year on year to ¥4,275.6 billion.

Consolidated net sales were down across all segments except Machinery, Equipment & Infrastructure, dropping 3.3% year on year to ¥3,914.0 billion. Operating profit dropped in all segments except Integrated Defense & Space Systems to ¥150.5 billion, underperforming the ¥158.9 billion from the previous year. Ordinary profit came in at ¥124.2 billion, underperforming ¥148.2 billion from the previous year, a decrease partially attributable to the posting of loss from equity method investments as non-operating expenses.

Additionally, while gain on sales of investment securities and gain on sales of fixed assets as extraordinary gain were posted, loss on cruise ship business reserve were among the losses posted as extraordinary loss. The above factors contributed to profit attributable to owners of parent of ¥87.7 billion, up ¥23.8 billion year on year.

■ MHI Group Initiatives in FY2016

In the fiscal year under review, the second year of the 2015 Medium-Term Business Plan, MHI Group made a number of enterprising efforts to expand its businesses and increase profitability.

In Energy & Environment, MHI Group concluded an agreement for natural-gas-fired GTCC*[1] power generation system equipment for Indonesia's state-owned electricity company, as well as receiving an order for a large-scale polyethylene plant from U.S.-based Exxon Mobil Corporation. It also completed, in the state of Texas, U.S., construction of the world's largest CO^2 recovery system for an existing coal-fired power plant.

In Commercial Aviation & Transportation Systems, MHI Group made further headway with the Doha Metro project—one of the world's largest fully automated, driverless rail systems—in Qatar, while in the U.S. it began flight tests for the Mitsubishi Regional Jet (MRJ).

In Integrated Defense & Space Systems, MHI Group launched the 27th consecutive H-IIA rocket, raising the rocket family's success rate to 97% and increasing its competitiveness internationally. The first flight of an advanced technology demonstrator prototype X-2 was also conducted for the Ministry of Defense (Japan).

In Machinery, Equipment & Infrastructure, the MHI achieved a healthy increase in sales of turbochargers and launched Mitsubishi Heavy Industries Thermal Systems to grow its thermal solutions business, whose main products include freezers, refrigerators, and high-temperature heat pumps.

Earnings dropped overall, however, due to a confluence of factors. These included a strong yen in the first half of the fiscal year; market stagnation for businesses involving iron and steel-making machinery and energy-related business; a downturn in the commercial aircraft and ship businesses; increased MRJ development costs; and delays in expanding the business size of MHI Group's primary joint ventures. To address these issues, MHI Group has drawn up and begun taking action on new measures.

*1 Gas Turbine Combined Cycle

- **Boosting Profitability**

Commercial aircraft business earnings were down significantly over the previous fiscal year owing primarily to a persistently strong yen and a drop in production volume. As emergency measures to address these issues, MHI Group deployed robotics and AI*[2] technologies and otherwise revamped its production lines, while also reviewing its supply chain and other issues in addition to promoting measures against low operation over the medium term.

In the commercial ship business, MHI Group took steps to fundamentally reform the structure of the business, such as examining the prospect of spinning off the entire business in order to streamline the organization and speed up decision-making, and facilitating alliances with other companies with the aim of developing technologies and improving productivity.

Moreover, at the three core companies of MHI Group in terms of size and earnings—Mitsubishi Hitachi Power Systems, Ltd., Primetals Technologies, Limited, and Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.—MHI Group made efforts to accelerate PMI*[3], which included consolidating organizations, improving production facility efficiency, and streamlining the supply chain.

In order to more quickly and flexibly execute management of its business portfolio, MHI Group also reorganized its previous four business domains, while maintaining the objective of customer- and market-orientation. The new business domains are Power Systems, Industry & Infrastructure, and Aircraft, Defense & Space. The primary initiative of the reorganization is to place the Aircraft, Defense & Space domain under the direct control of the President and CEO for the time being, without appointing a President and CEO for that domain, to focus more on accelerating the rebuilding of the MRJ business, taking profit-making measures for the commercial aircraft business and others.

*2 Artificial Intelligence

*3 Post Merger Integration

- **Founding a Robust Financial Base**

In the fiscal year under review, MHI Group has continued efforts towards good cash flow management and refining its asset management.

With respect to asset management, MHI is continuing its efforts to limit its assets held to its core assets and improve the fluidity of its non-core assets in accordance with the 2015 Medium-Term Business Plan. Rather than simply selling off the assets, efforts are being focused on increasing the added value of assets held through asset rearrangement. In the fiscal year under review, MHI transferred the estate business of Ryoju Facility and Properties Co., Ltd. along with unused MHI assets to a newly-established subsidiary, granting a 70% stake of its subsidiary to the West Japan Railway Company. This move seeks to increase MHI Group asset value by collaborating with a partner who has advantage in the real estate industry and to ensure steady earnings. MHI also transferred ownership of Yokohama Building under a strategy aimed at consolidating and reorganizing its facilities in the Greater Tokyo Area.

These efforts improved the Company’s equity ratio and reduced interest-bearing debt, further improving its financial standing.

- **Improving Risk Resilience Capacity**

Reflecting on lessons learned from repeated production process delays and expensive losses involving a large cruise ship construction project, a Business Risk Management Division, which handles cases of high-risk concern, has been established by MHI Group. The Business Risk Management Division, operating under, and reporting directly to, the President and CEO, continued to develop the risk management system to ensure relevant systems and infrastructure are in place, and strengthen efforts to review individual projects before receipt of orders, and otherwise actively prevent and reduce risks.

With respect to a high-risk project involving the construction of a large cruise ship, MHI Group completed to deliver the second ship in April of this year. In March 2017, MHI and Mitsubishi Nuclear Energy Systems, Inc. received an arbitration award agreeing to MHI’s position in the U.S. arbitration*[4] . The financial impact of the damages award on company’s FY2016 financial results was minimal.

Regarding a boiler construction project in the Republic of South Africa taken on by an MHI’s consolidated subsidiary as a part of the integration of the respective thermal power generation system businesses of MHI and Hitachi, Ltd., MHI is still continuing discussions with Hitachi, Ltd. concerning the transfer price in accordance with the procedure prescribed in the contract.

*4 An arbitration filed against MHI and Mitsubishi Nuclear Energy Systems, Inc. (MNES) in October 2013, regarding the contract for the supply of the replacement steam generator for the U.S. San Onofre Nuclear Generating Station alleging claims including breach of contract.

- **Developing a Common Technology Base**

In the fiscal year under review, MHI Group launched the Shared Technology Framework as a consolidation of MHI's technologies as well as R&D, marketing, procurement, and other functions as part of efforts to develop a shared technology platform for MHI Group. An area MHI Group particularly focuses on is an area seeing rapid growth in recent years, IoT*[5] and AI technologies, where MHI Group is ramping up collaboration with leading companies in Japan and other countries to bolster its technological capabilities.

*5 Internet of Things

(2) REVIEW OF BUSINESS SEGMENTS

Energy & Environment

In overseas markets, MHI Group received orders in the U.S. and Mexico for "J-series gas turbines," which achieve the world's highest level of thermal efficiency operation. In Indonesia, MHI also received order for facilities for use in ultra-supercritical-pressure thermal power plant. MHI also won orders in Japan for the world's most advanced integrated coal gasification combined-cycle power plants in Iwaki and Futaba in Fukushima Prefecture. However, consolidated orders received came to ¥1,688.7 billion, underperforming the previous fiscal year because of a decrease of GTCC and chemical power plant that MHI Group received orders for in large-scale overseas projects, and other factors.

Consolidated net sales were ¥1,470.4 billion, underperforming the previous fiscal year for reasons due to a drop in sales for thermal power generation systems and other factors. Operating income saw a year on year drop to ¥110.5 billion, partially attributable to the impact of a stronger yen and other factors.

Main Businesses
Thermal power generation systems (GTCC[*1], conventional[*2]), nuclear energy systems (light water reactors/nuclear fuel cycle & advanced solutions), chemical plants, environmental plants, marine machinery & engines, wind power generation systems *1 Gas Turbine Combined Cycle *2 Conventional (Boiler & Turbine) Power Plants

Commercial Aviation & Transportation Systems

In transportation systems, MHI received an order for unmanned, fully automated, driverless cars for the New Transit Yurikamome and signed a new contract to provide 20 MRJs (Mitsubishi Regional Jets), which are currently under development. This brings the total number of ordered MRJs to 427. However, consolidated orders received dropped year on year to ¥415.1 billion as a result of fewer orders in the commercial ship and land transportation systems businesses, with the former receiving less orders than last year's growth in orders for LNG and LPG vessels in association with the shale gas revolution in the U.S. and the latter receiving less orders than last year's many contracts received for large-scale projects.

Consolidated net sales came to ¥515.3 billion, a year on year decrease that owes due to a drop in sales for commercial airplane and other factors, despite growth in transportation system orders. MHI Group saw an operating loss of ¥51.9 billion due to factors that include a drop in sales for commercial airplane, increased MRJ development expenses, and the effect of a stronger yen.

Main Businesses
Shipbuilding, land transportation systems, commercial airplanes, commercial aircraft engines

Integrated Defense & Space Systems

In the space-related business, MHI Group received an order for service to launch the successor satellite to the Michibiki, the first quasi-zenith satellite, via an H-IIA rocket. MHI Group also received an order to provide H-IIB rocket launch services for an H-II Transfer Vehicle. Combining the aforementioned orders with an order for patriot advanced capability surface-to-air missiles "PAC-3MSE" in the defense-related business, consolidated net sales for Integrated Defense & Space Systems increased year on year to ¥702.1 billion.

Consolidated net sales were down year on year to ¥470.6 billion due mainly to decreased sales of missiles, despite an uptick in space-related business owing to an increase of the number of H-IIA/B rockets launches from three in previous fiscal year to four in the fiscal year. Operating income rose to ¥27.9 billion on account of increased space-related business sales, among other factors.

Main Businesses
Naval ships, defense aircraft, missiles, maritime systems (torpedoes), space systems, special vehicles (tanks)

Machinery, Equipment & Infrastructure

Consolidated orders received rose year on year to ¥1,464.3 billion. Contributing factors included increased business for forklift trucks and logistics equipment because UniCarriers Holdings Corporation joined MHI Group at the end of the previous fiscal year, and greater sales of turbochargers following strengthened fuel efficiency requirements for automobiles.

Consolidated net sales remained flat at ¥1,438.0 billion. This was, despite an increase in sales for forklift trucks and logistics equipment and turbochargers, the result of decreased sales of metals machinery and compressors affected by downturn in business investment. Operating income was down year on year to ¥72.5 billion due to decreased compressor sales and other factors.

Main Businesses
Metals machinery, compressors and mechanical turbines, waste to energy systems, paper converting machinery, mechatronics systems, ITS*, forklift trucks and logistics equipment, engines, turbochargers, air-conditioning & refrigeration-systems, car air-conditioning & refrigeration systems, machine tools * Intelligent Transport Systems

Others

The total value of consolidated orders received, consolidated net sales, and operating income decreased from FY2015 to ¥160.4 billion, ¥175.9 billion, and ¥10.7 billion, respectively.

Main Businesses
Construction, real estate, information services, etc.

2 KEY ISSUES FOR MHI GROUP

While making progress in expanding its businesses and achieving steady earnings while strengthening its financial base under the 2015 Medium-Term Business Plan, MHI Group faced considerable challenges in the form of cost deterioration for LNG vessels, delays in expanding the scale of business and PMI delays at Mitsubishi Hitachi Power Systems, Ltd., higher costs and prolongation of MRJ development, and lower production volume of commercial aircrafts.
In order to overcome these challenges and continue achieving sustainable growth, MHI Group will further enhance the measures already being implemented and boost its competitiveness in individual businesses. In addition, as a preliminary measure in preparation of the Next Medium-Term Business Plan, MHI Group will further reinforce efforts to optimize global/local management, bring innovation to production departments, further strengthen asset management, and carry out long-term growth strategies.

- Boosting Competitiveness in Individual Businesses

Mitsubishi Hitachi Power Systems, Ltd., Primetals Technologies Ltd., and Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd. will further accelerate PMI. In particular, expansion in the scale of business is failing to keep pace with total net assets at Mitsubishi Hitachi Power Systems, Ltd (MHPS). Therefore, Mitsubishi Hitachi Power Systems, Ltd. will be striving to reduce both fixed and variable costs while promoting a reorganization of business structure and manufacturing sites to facilitate adequate revenue even at the past level of sales. Moreover, a downturn in demand for the establishment of new Gas Turbine Combined Cycle (GTCC) Power Plants is anticipated in the near term, and Mitsubishi Hitachi Power Systems, Ltd. will counter this by working to strengthen the service business utilizing IoT and AI.
In the commercial aircraft business, MHI Group will be innovating and increasing employees' skills in production departments while conducting versatility training to more effectively utilize human resources.
In the commercial ship business, MHI Group will further strengthen its engineering capabilities as one of the Group's greatest strengths, while continuing to upgrade its business structure, which includes bolstering alliances with other companies.
In addition to these measures, MHI Group will also advance further the selection and concentration of MHI Group's businesses based on the strategic business evaluations system, through which MHI Group has already been making important achievements.

- Optimizing Global/Local Management

As the business of MHI Group expands across the global stage, MHI Group must simultaneously make improvements to its global management structure to make the most of effective use of group-wide resources and its local management structure, which focuses on the regional level. Consequently, MHI must improve overall Group efficiency by further standardizing and outsourcing corporate operations, while at the same time improving local management overseas by making even more effective use of local staff with the aim of strengthening marketing capabilities and applying managerial styles suited to local characteristics.
To achieve this, MHI will put current functions of the Shinagawa head office under either the global management or local management frameworks and work to optimize each. This transition is scheduled to be completed around the end of 2018, and MHI will be undertaking a range of efforts that include rolling out a Global Policy that will govern all Group companies around the world.

- Bringing Innovation to Production Departments

To keep pace with the rapid pace of technological progress in areas such as IoT, AI, and robotics which is leading the change of industrial structure and is bringing about qualitative change in factory work, MHI Group will strive for reform in production processes and systems through research and introduction of state-of-the-art technologies.
In addition, factors such as domestic market maturation and the expanding overseas production are contributing to a decline in traditional domestic work and, on the other hand, an increase in overseas work such as plant management and technical guidance. In order to develop the human resources who can accommodate these reforms to production processes and systems, MHI Group will also be promoting an upgrade and diversification in competencies and skills and changing of careers through education and training by specialized organizations. Through the above initiatives, MHI aims to bring innovation to production departments.

- Further Strengthening Asset Management

Rather than securing temporary cash through the sale of land and buildings, MHI Group asset management has, as a means of realizing the latent value contained in our balance sheet, focused on rearranging assets in order to give our assets and businesses greater added value. MHI Group will deepen it further in the future as we also consider methods for the centralized management of MHI Groups assets as a whole, while at the same time seeking to maximize the value of and get the optimal return from MHI Group’s tangible and intangible assets.

- Long-Term Growth Strategy Efforts

In order to consider MHI Group’s long-term growth strategy, the exceedingly rapidly changing global market requires the active incorporation of the latest knowledge available, even if it is outside the Group. To promote this without sticking to initiatives within the group, we plan to establish the Innovation Promotion Institute (name pending). At this institute, we will adopt an unprecedented innovative approach to include promoting the appointment of external researchers and the granting of significant discretion to the researchers. Individual researchers will carry out research in Japan and overseas with a high degree of freedom, and the results of this research will be applied to MHI Group’s basic technologies and product development.
In addition, MHI Group will work to achieve “global management focusing on Japanese

organizational harmony through the Mitsubishi Heavy Industries Group" through the next Medium-Term Business Plan by creating business out of state-of-the-art technologies and practicing groundbreaking business management. This will require formulating MHI Group's medium- to long-term business strategies and the systems to quickly achieve its ends, and steadily implementing those measures to realize the goals.

At the same time as these efforts, MHI Group will position compliance and CSR (corporate social responsibility) as key issues for management and will work to further improve corporate value while contributing to sustainable social development. We ask our shareholders for their continued understanding and support in these endeavors.

3 OPERATING RESULTS AND FINANCIAL CONDITIONS

Item	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
(Billions of Yen)						
Orders received	3,188.8	3,032.2	3,420.0	4,699.1	4,485.5	4,275.6
Net sales	2,820.9	2,817.8	3,349.5	3,992.1	4,046.8	3,914.0
Overseas sales ratio	41.9%	44.8%	49.3%	53.4%	55.4%	53.5%
Operating income	111.9	163.5	206.1	296.1	309.5	150.5
Operating income ratio	4.0%	5.8%	6.2%	7.4%	7.6%	3.8%
Income before income taxes	69.8	155.4	214.4	232.6	132.6	169.7
Profit attributable to owners of parent	24.5	97.3	160.4	110.4	63.8	87.7
Total assets	3,963.9	3,935.1	4,886.0	5,520.3	5,500.7	5,481.9
Net assets	1,306.3	1,430.2	1,774.2	2,120.0	1,999.7	2,107.2
Return on equity (ROE)	1.9%	7.4%	11.0%	6.5%	3.7%	5.1%
Cash flows from operating activities	200.3	288.3	296.2	212.8	270.0	95.9
Cash flows from investing activities	(47.0)	(76.7)	(151.5)	(174.1)	(262.4)	8.7
Free cash flows	153.3	211.6	144.6	38.6	7.5	1,046
Cash flows from financing activities	(183.6)	(154.2)	(136.6)	(45.8)	(23.1)	(162.0)
Research and development expenses	121.4	120.0	138.5	145.5	150.6	160.7
Capital investment	110.2	109.8	137.0	148.9	166.5	197.3
Per share information of common stock (Yen)						
Earnings per share (EPS)	7.31	29.01	47.81	32.90	19.02	26.12
Diluted earnings per share	7.30	28.95	47.71	32.82	18.97	26.07
Book value per share (BPS)	374.08	410.90	459.99	530.65	500.30	530.86

(Note)

MHI has finalized acquisition value and reevaluated the allocation of acquisition cost with respect to the acquisition of UniCarriers Holdings Corporation shares as provisionally posted in FY2015. These results have therefore been incorporated into “total assets” and “net assets” in FY2015.

Orders Received and Net Sales by Segment

(Millions of Yen)

Segment	FY2011		FY2012	
	Orders Received	Net Sales	Orders Received	Net Sales
Shipbuilding & Ocean Development	262,055	311,678	255,471	225,844
Power Systems	1,235,201	955,348	895,307	988,756
Machinery & Steel Infrastructure Systems	508,204	428,839	471,960	482,557
Aerospace Systems	547,841	495,991	803,377	485,834
General Machinery & Special Vehicles	386,088	381,717	385,125	389,105
Others	293,970	294,477	336,613	345,780
Inter-Segment Eliminations	(44,526)	(47,120)	(115,596)	(99,985)
Total	3,188,834	2,820,932	3,032,259	2,817,893

(Millions of Yen)

Segment	FY2012		FY2013		FY2014	
	Orders Received	Net Sales	Orders Received	Net Sales	Orders Received	Net Sales
Energy & Environment	937,691	1,042,139	1,339,296	1,253,988	1,923,633	1,599,527
Commercial Aviation & Transportation Systems	755,843	393,143	360,346	463,671	999,266	529,598
Integrated Defense & Space Systems	405,925	391,694	547,369	469,463	417,424	483,964
Machinery, Equipment & Infrastructure	877,125	925,296	1,106,534	1,096,333	1,304,646	1,319,552
Others	171,269	170,099	183,507	185,056	190,870	182,836
Inter-Segment Eliminations	(115,596)	(104,479)	(116,971)	(118,913)	(136,722)	(123,368)
Total	3,032,259	2,817,893	3,420,083	3,349,598	4,699,119	3,992,110

(Millions of Yen)

Segment	FY2014		FY2015		FY2016	
	Orders Received	Net Sales	Orders Received	Net Sales	Orders Received	Net Sales
Energy & Environment	1,923,633	1,599,527	2,005,077	1,542,779	1,688,770	1,470,437
Commercial Aviation & Transportation Systems	999,266	529,598	607,136	548,510	415,158	515,358
Integrated Defense & Space Systems	417,424	483,964	447,743	485,070	702,199	470,606
Machinery, Equipment & Infrastructure	1,344,776	1,347,463	1,392,564	1,432,358	1,464,392	1,438,044
Others	150,741	154,935	162,873	177,335	160,477	175,926
Inter-Segment Eliminations	(136,722)	(123,378)	(129,857)	(139,244)	(155,302)	(156,354)
Total	4,699,119	3,992,110	4,485,538	4,046,810	4,275,694	3,914,018

(Notes)

1. The orders received and net sales for each segment include inter-segment transactions, which are all cancelled using the "Inter-Segment Eliminations" term.
2. The segment categories have been changed to Energy & Environment; Commercial Aviation & Transportation Systems; Integrated Defense & Space Systems; Machinery, Equipment & Infrastructure; and Others beginning FY2013. In line with this change, for orders received and net sales by segment, the upper table on page 35 presents the orders received and net sales for FY2011 through FY2012 using the former segment categories, and the lower table on page 35 and the table on page 36 present those for FY2012 through FY2016 using the new segment categories.
3. Starting from FY2015, certain businesses are reclassified from "Others" to "Machinery, Equipment & Infrastructure." In line with this change, the table on page 36 presents the orders received and net sales for FY2014 using the new segment categories.

4 FINANCING CONDITIONS

(Millions of Yen)

Item	Change from the End of FY2015 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2016
Short-term and Long-term borrowings	(91,582)	650,566
Commercial Papers	(45,000)	-
Bonds	10,000	275,000
Total	(126,582)	925,566

5 MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2016
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	212,485
Mitsubishi UFJ Trust and Banking Corporation	68,650
Mizuho Bank, Ltd.	52,095
Sumitomo Mitsui Banking Corporation	49,613
Meiji Yasuda Life Insurance Company	46,079
Nippon Life Insurance Company	39,579
Sumitomo Mitsui Trust Bank, Limited	33,700
Development Bank of Japan Inc.	25,058
The Dai-ichi Life Insurance Company, Limited	20,000
Sumitomo Life Insurance Company	7,000
Taiyo Life Insurance Company	7,000

6 CAPITAL INVESTMENT

Capital investment* during FY2016 amounted to ¥197,339 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 & Environment	30,753	Expansion of production facilities for gas turbines
Commercial Aviation & Transportation Systems	74,123	Expansion of production facilities for commercial aircrafts
Integrated Defense & Space Systems	36,703	Expansion of production facilities for defense aircrafts
Machinery, Equipment & Infrastructure	41,388	Expansion of production facilities for turbochargers and forklift trucks and logistics equipment
Others & Common	14,370	—
Total	197,339	

(Note)

In March 2017, Mitsubishi Heavy Industries Yokohama Building and adjacent land was transferred to a buyer outside MHI Group. Excluding offices on certain floors, MHI and other MHI Group companies now occupy the building as tenants.

7 EMPLOYEES

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

(Persons)

Segment	Number of Employees
Energy & Environment	24,686
Commercial Aviation & Transportation Systems	7,188
Integrated Defense & Space Systems	6,389
Machinery, Equipment & Infrastructure	36,310
Others & Common	8,155
Total	82,728

(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 FY2015	Average Age	Average Number of Years of Service
16,824 persons	decrease of 2,533 employees	39.2 years old	16.2 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	Minato-ku, Tokyo
Research & Innovation Centers	Kobe City, Nagasaki City, Takasago City Hyogo Prefecture, Hiroshima City, Yokohama City, Nagoya City
Works, Plant, and Center	Nagasaki Shipyard & Machinery Works (Nagasaki City), Shimonoseki Shipyard & Machinery Works (Shimonoseki City, Yamaguchi Prefecture), Hiroshima Machinery Works (Hiroshima City), Mihara Machinery Works (Mihara City, Hiroshima Prefecture), Kobe Shipyard & Machinery Works (Kobe City), Takasago Machinery Works (Takasago City, Hyogo Prefecture), Nagoya Aerospace Systems Works (Nagoya City), Nagoya Guidance & Propulsion Systems Works (Komaki City, Aichi Prefecture), Iwatsuka Plant (Nagoya City), Yokohama Dockyard & Machinery Works (Yokohama City), Sagamihara Machinery Works (Sagamihara City), Meirei District (Kiyosu City, Aichi Prefecture), Ritto District (Ritto City, Shiga Prefecture)
Main Bases Overseas	[Offices] Turkey Liaison Office (Turkey), Basra Liaison Office (Iraq), Dubai Office (UAE), Taipei Office (Taiwan), Hanoi Liaison Office (Vietnam), Ho Chi Minh City Liaison Office (Vietnam), Kuala Lumpur Liaison Office (Malaysia), Jakarta Liaison Office (Indonesia)
	[Head Offices and Networks] Mitsubishi Heavy Industries America, Inc. (U.S.A.), MHI Shared Servicess Americas, Inc. (U.S.A.), Mitsubishi Industrias Pesadas do Brasil Ltda. (Brazil), Mitsubishi Heavy Industries Mexicana, S.A. de C.V. (Mexico), Mitsubishi Heavy Industries France S.A.S. (France), MHI Russia LLC (Russia), Mitsubishi Heavy Industries Europe, Ltd. (United Kingdom), 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), MHI Korea, Ltd. (South Korea), Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. (Singapore), Mitsubishi Heavy Industries (Thailand) Ltd. (Thailand), Mitsubishi Heavy Industries India Private Ltd. (India), MHI Australia, Pty. Ltd. (Australia)

(Note)
The main subsidiaries and their addresses are as presented below in "9 OUTLINES OF MAIN SUBSIDIARIES."

9 OUTLINES OF MAIN SUBSIDIARIES

Segment	Name of Company	Address	Capital	Percentage of Investment Share (%)	Main Business
Energy & Environment	Mitsubishi Hitachi Power Systems, Ltd.	Yokohama City	100,000 million Yen	65.0	Thermal power generation systems-related business
	MPS-CT LLC	U.S.A.	671.6 million US dollars	100.0	Thermal power generation systems-related business
	PW Power Systems, Inc.	U.S.A.	448.0 million US dollars	*100.0	Thermal power generation systems-related business
	Mitsubishi Hitachi Power Systems Americas, Inc.	U.S.A.	352.5 million US dollars	*100.0	Thermal power generation systems-related business
	MHI Holding Denmark ApS	Denmark	311.7 million Euros	99.9	Wind power generator-related business
	Mitsubishi Hitachi Power Systems Europe GmbH	Germany	98.0 million Euros	*100.0	Thermal power generation systems-related business
Commercial Aviation & Transportation Systems	Mitsubishi Aircraft Corporation	Nagoya City	50,000 million Yen	64.0	Commercial aircrafts-related business
	Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi Prefecture	6,000 million Yen	70.7	Commercial aircrafts engine-related business
	Mitsubishi Heavy Industries Shipbuilding Co., Ltd.	Nagasaki City	1,000 million Yen	100.0	Shipbuilding-related business

Segment	Name of Company	Address	Capital	Percent-age of Invest-ment Share (%)	Main Business
Machinery, Equipment & Infrastructure	Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.	Kawasaki City	35,000 million Yen	100.0	Forklift trucks and logistics equipment-related business, Engine-related business, Turbocharger-related business
	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Sagamihara City	25,000 million Yen	*100.0	Engine-related business, Turbocharger-related business
	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Minato-ku, Tokyo	12,000 million Yen	100.0	Air-conditioning and refrigeration systems-related business
	UniCarriers Corporation	Kawasaki City	9,759 million Yen	*100.0	Forklift trucks and logistics equipment-related business
	Mitsubishi-Hitachi Metals Machinery, Inc.	Minato-ku, Tokyo	9,100 million Yen	60.2	Metals machinery-related business
	Mitsubishi Caterpillar Forklift America Inc.	U.S.A.	80.8 million US dollars	*93.1	Forklift trucks and logistics equipment-related business
	Mitsubishi Nichiyu Forklift Co., Ltd.	Nagaoka-kyo City, Kyoto Prefecture	4,890 million Yen	*63.2	Forklift trucks and logistics equipment-related business
	Primetals Technologies Japan Ltd.	Minato-ku, Tokyo	4,640 million Yen	*100.0	Metals machinery-related business
	Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	4,000 million Yen	100.0	Compressors and mechanical turbines-related business
	Mitsubishi Heavy Industries Mechatronics Systems, Ltd.	Kobe City	1,060 million Yen	100.0	Mechatronics systems-related business and ITS (Intelligent Transport Systems)-related business

Segment	Name of Company	Address	Capital	Percentage of Investment Share (%)	Main Business
	Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd.	Yokohama City	1,000 million Yen	100.0	Waste to energy system-related business
	Primetals Technologies, Limited	U.K.	0.1 million Euros	*51.0	Metals machinery-related business
Others	MHI International Investment B.V.	Netherlands	245.0 million Euros	100.0	Investment for projects and financial operation within the Group
	Mitsubishi Heavy Industries America, Inc.	U.S.A.	15.0 million US dollars	100.0	MHI products-related business in U.S.A.
	Ryoju Facility and Properties Co., Ltd.	Minato-ku, Tokyo	250 million Yen	100.0	Construction-related business

(Notes)

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

STOCKS OF MHI

1 TOTAL NUMBER OF SHARES AUTHORIZED TO BE ISSUED:

6,000,000,000 shares

2 TOTAL NUMBER OF THE SHARES ISSUED:

3,373,647,813 shares (unchanged from the end of FY2015)

3 NUMBER OF SHAREHOLDERS:

281,648 persons (decrease of 11,512 persons from the end of FY2015)

4 MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	170,156,900	5.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	146,123,000	4.3
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	105,263,000	3.1
Meiji Yasuda Life Insurance Company	80,022,741	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 5)	61,577,000	1.8
STATE STREET BANK WEST CLIENT – TREATY 505234	48,495,460	1.4
Japan Trustee Services Bank, Ltd. (Trust Account 1)	45,662,000	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 7)	45,238,000	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 2)	45,143,000	1.3
THE BANK OF NEW YORK MELLON SA / NV 10	37,168,172	1.1

(Note)
The ratios of shareholding are calculated excluding treasury stock of 9,694,094 shares. The number of treasury stock does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (416,246 shares), Board Incentive Plan Trust I (1,061,000 shares) and Board Incentive Plan Trust II (4,258,000 shares).

5 Other important matters relating to shares

A meeting of the Board of Directors on March 30, 2017 passed a resolution that changes the share trading unit as set forth in MHI's Articles of Incorporation from 1,000 shares to 100 shares in accordance with the provisions in Article 195, Paragraph 1 of the Companies Act.

The resolution will go into effect on October 1, 2017, conditional upon the passing of Proposal 2 (Consolidation of Shares) from the 92nd Annual General Meeting of Shareholders to be held on June 22, 2017.

OFFICERS

1 NAMES OF DIRECTORS, ETC.

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Chairman of the Board	Hideaki Omiya		Member of the Board, Mitsubishi Corporation Director, Seiko Epson Corporation
*President and CEO (Member of the Board)	Shunichi Miyanaga	CEO※1	Director, Mitsubishi Motors Corporation
*Director (Member of the Board), Executive Vice President	Masanori Koguchi	CFO※2, Head of Business Strategy Office	
Director (Member of the Board), Executive Vice President	Michisuke Nayama	CTO※3	
Director (Member of the Board)	Naoyuki Shinohara		Professor, Policy Alternatives Research Institute, The University of Tokyo Statutory Auditor, Media Kobo, Inc.
Director (Member of the Board)	Ken Kobayashi		Chairman of the Board, Mitsubishi Corporation Director, Mitsubishi Motors Corporation Director, NISSIN FOODS HOLDINGS CO., LTD.
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Eiji Isu		
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Tatsuhiko Nojima		
Director (Member of the Board) Audit and Supervisory Committee Member	Nobuo Kuroyanagi		Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. Director, Mitsubishi Research Institute, Inc. Statutory Auditor, Tokyo Kaikan Co., Ltd.

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Director (Member of the Board) Audit and Supervisory Committee Member	Christina Ahmadjian		Professor, Hitotsubashi University, Graduate School of Commerce and Management Director, Japan Exchange Group, Inc.
Director (Member of the Board) Audit and Supervisory Committee Member	Shinichiro Ito		Chairman of the Board, ANA Holdings Inc.

※1 CEO: Chief Executive Officer
※2 CFO: Chief Financial Officer
※3 CTO: Chief Technology Officer

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2017.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, each a Director, and Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito, each a Director who is serving as an Audit and Supervisory Committee Member, are outside directors as defined in Article 2, Item 15 of the Companies Act.
4. MHI has submitted notifications, specifying all MHI's outside directors as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
5. Mr. Tatsuhiko Nojima, a Director who is serving as a Full-time Audit and Supervisory Committee Member, has extensive knowledge of finance and accounting from many years of 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. Eiji Isu and Mr. Tatsuhiko Nojima have been appointed as Full-time Audit and Supervisory Committee Members.
7. Mr. Michisuke Nayama and Mr. Ken Kobayashi, each a Director, took their offices as of June 23, 2016 (on the date of the 91st Annual General Meeting of Shareholders).
8. Mr. Hideaki Omiya, a Director, took the office of Members of the Board of Mitsubishi Corporation as of June 24, 2016.
9. Mr. Masanori Koguchi, a Director, retired from his position as Statutory Auditor of Mitsubishi Nichiyu Forklift Co., Ltd. as of June 29, 2016.
10. Mr. Ken Kobayashi, a Director, took the office of Director of Mitsubishi Motors Corporation as of June 24, 2016.
11. Mr. Nobuo Kuroyanagi, a Director who is serving as an Audit and Supervisory Committee Member, retired from his position as Director of Honda Motor Co., Ltd. as of June 16, 2016.

■ Outline of Liability Limitation Agreement

MHI has entered into Liability Limitation Agreements with Directors: Mr. Naoyuki Shinohara; and Mr. Ken Kobayashi, and Directors who are serving as Audit and Supervisory Committee Members: Mr. Nobuo Kuroyanagi; Ms. Christina Ahmadjian; and Mr. Shinichiro Ito respectively, which provide a limitation on their liabilities to compensate for damages under Article 423, Paragraph 1 of the Companies Act, the amount of which is the higher of ¥10 million or the minimum liability amount defined in Article 425, Paragraph 1 of the Companies Act.

2 OUTSIDE OFFICERS

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

Position	Name	Name of Entity	Relations with MHI
Director	Naoyuki Shinohara	The University of Tokyo	Donations of cash, etc.
		Media Kobo, Inc.	No notable relations
	Ken Kobayashi	Mitsubishi Motors Corporation	Sales of turbochargers, etc.
		NISSIN FOODS HOLDINGS CO., LTD.	No notable relations
Director Audit and Supervisory Committee Member	Nobuo Kuroyanagi	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Purchase of insurance products, etc.
		Mitsubishi Research Institute, Inc.	Consignment of consulting services, etc.
		Tokyo Kaikan Co., Ltd.	No notable relations
	Christina Ahmadjian	Hitotsubashi University	No notable relations
		Japan Exchange Group, Inc.	No notable relations
	Shinichiro Ito	ANA Holdings Inc.	No notable relations

(Notes)

1. The entities above are those listed in "1 NAMES OF DIRECTORS, ETC." where an MHI Outside Officer serves as a "Executive" etc. as defined in Article 124, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act or as an "Outside Officer" etc. as defined in Item 2 of the same Paragraph.
2. Mr. Nobuo Kuroyanagi, a Director who is serving as an Audit and Supervisory Committee Member, retired from his position as Director of Honda Motor Co., Ltd. as of June 16, 2016. MHI and Honda Motor Co., Ltd. have transaction relationships such as sales of turbochargers.

(2) PRINCIPAL ACTIVITIES

Position	Name	The Number of Attendance at the Board of Directors Meetings	The Number of Attendance at the Audit and Supervisory Committee Meetings
Director	Naoyuki Shinohara	14 out of 14 times	—
	Ken Kobayashi	9 out of 10 times	—
Director, Audit and Supervisory Committee Member	Nobuo Kuroyanagi	13 out of 14 times	16 out of 17 times
	Christina Ahmadjian	13 out of 14 times	15 out of 17 times
	Shinichiro Ito	13 out of 14 times	15 out of 17 times

(Note)
As Mr. Ken Kobayashi, Director, took his office as of June 23, 2016 (on the date of the 91st Annual General Meeting of Shareholders), the number of attendance at the Board of Directors meetings for the year which he could attend is different from that of other Directors.

These Directors have expressed their views at the Board of Directors meetings on the overall management of MHI from their various perspectives based on their considerable experience and knowledge as business managers and so forth. Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito have expressed their views at the Audit and Supervisory Committee meetings, on the overall auditing from the perspective of achieving legitimate and appropriate performance of business activities based on their considerable experience and knowledge, and they have also conducted on-site audits at the respective places of business, exchanged opinions with the financial auditor, and provided necessary proposals.

3 REMUNERATION, ETC. TO OFFICERS

(1) AMOUNT OF REMUNERATION, ETC.

Position	Total Amount of Remuneration, etc. (Millions of Yen)	Monetary Remuneration				Stock Remuneration	
		Basic Remuneration		Performance-linked Remuneration			
		Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)
Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (Outside Directors)	541 (26)	10 (3)	268 (26)	7 (—)	186 (—)	4 (—)	87 (—)
Directors who are serving as Audit and Supervisory Committee Members (Outside Directors)	210 (50)	5 (3)	210 (50)	— (—)	— (—)	— (—)	— (—)
Total (Outside Directors)	752 (76)	15 (6)	478 (76)	7 (—)	186 (—)	4 (—)	87 (—)

(Notes)

1. The figures include four of the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) who retired during FY2016.
2. The amounts of remuneration in the performance-linked remuneration column in the table above are the estimated amounts.
3. The maximum permitted monetary remuneration amounts are ¥1,200 million (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members).
4. The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 228,000 Stock Award Points granted in total during FY2016 (equivalent to 228,000 shares of MHI) concerning the Board Incentive Plan Trust, which is a stock remuneration system that delivers or provides shares of MHI and money in the amount equivalent to liquidation value of shares of MHI based on Stock Award Points granted to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) in accordance with, among other factors, the rank of the position of each Director and the financial results of MHI. The maximum permitted amounts of Stock Award Points are 500,000 points (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors).
5. The maximum permitted monetary remuneration amounts are ¥300 million (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors who are serving as Audit and Supervisory Committee Members.

(2) POLICY FOR DETERMINING THE AMOUNT OF REMUNERATION, ETC. OR ITS CALCULATION METHOD AND THE METHOD OF DETERMINING SUCH POLICY (AFTER THE SHIFT TO A COMPANY WITH AUDIT AND SUPERVISORY COMMITTEE)

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

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

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

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

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

For the purpose of further enhancing the transparency and fairness concerning the determination of remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI holds the Nomination and Remuneration Meeting(s) consisting solely of the outside directors and President and CEO. During FY2016, MHI held two Nomination and Remuneration Meetings, in which President and CEO explained the policy stated above to outside directors and received opinions and advice from them.

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

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

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

FINANCIAL AUDITOR

1 NAME OF FINANCIAL AUDITOR

Ernst & Young ShinNihon LLC

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

(Millions of Yen)

Amount of Remuneration Paid to Financial Auditor	237

(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.

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, etc. of the Financial Auditor.

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

(Millions of Yen)

Sum of the Amount of Money and Other Material Advantage to Be Paid by MHI and Its Subsidiaries	514

Following MHI's main subsidiaries are audited by auditing firms other than the one used by MHI: MHI Holding Denmark ApS (Denmark); Mitsubishi Hitachi Power Systems Europe GmbH (Germany); Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.; Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.; UniCarriers Corporation; Mitsubishi Nichiyu Forklift Co., Ltd.; Primetals Technologies, Limited (United Kingdom); and MHI International Investment B.V. (Netherlands).

4 CONTENTS OF WORKS OTHER THAN AUDITING

MHI has requested the financial auditor to provide advisory works, including consultations on the application of International Financial Reporting Standards, and has paid Financial Auditor remuneration for such works as duties other than auditing.

5 POLICY ON TERMINATING OR NOT REAPPOINTING THE FINANCIAL AUDITORS

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 submit a proposal not to re-elect the financial auditor to the General Meeting of Shareholders.

6 BUSINESS SUSPENSION ORDER TO WHICH THE FINANCIAL AUDITOR WAS SUBJECT DURING PAST TWO YEARS

(1) Subject of administrative order
Ernst & Young ShinNihon LLC
(2) Contents of administrative order
- Suspension of accepting new engagements: 3 months
(From January 1, 2016 to March 31, 2016)
- Order for improvement of business operations
(improvement of business management system)
(3) Reason for administrative order
a. In regard to the audit of financial statements for TOSHIBA CORPORATION in the fiscal year ended March 31, 2010, 2012, and 2013, 7 certified public accountants from above mentioned auditing firm, in negligence of due care, attested that the financial statements contained no material misstatement, when in fact the statements contained material misstatement.
b. The above mentioned auditing firm's operation of the services was found to be significantly inappropriate.

(End)

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2017	As of Mar. 31, 2016
ASSETS		
Current assets:		
Cash and deposits	248,040	310,523
Trade receivables	1,180,143	1,200,852
Merchandise and finished products	178,884	187,330
Work in process	989,336	992,160
Raw materials and supplies	157,330	156,507
Deferred income taxes	114,223	137,428
Indemnification asset for South African Project	294,955	185,308
Others	368,088	367,376
Allowance for doubtful accounts	(8,959)	(7,694)
Total current assets	**3,522,043**	**3,529,792**
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	361,310	397,292
Machinery and transportation equipment	262,129	257,306
Tools, equipment and furniture	64,511	56,570
Land	179,674	197,898
Leased assets	5,004	2,873
Construction in progress	62,448	75,497
Subtotal	**935,078**	**987,440**
Intangible assets:		
Goodwill	120,552	138,913
Others	128,896	144,631
Subtotal	**249,448**	**283,545**
Investments and advances:		
Investment securities	578,758	534,570
Long-term loans	17,778	4,946
Asset for retirement benefits	60,556	27,459
Deferred income taxes	13,060	15,808
Others	113,407	125,601
Allowance for doubtful accounts	(8,204)	(8,452)
Subtotal	**775,356**	**699,934**
Total non-current assets	**1,959,883**	**1,970,920**
TOTAL ASSETS	**5,481,927**	**5,500,712**

CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2017	As of Mar. 31, 2016
LIABILITIES		
Current liabilities:		
Trade payables	736,502	763,761
Electronically recorded obligations	99,560	96,888
Short-term borrowings	205,679	293,131
Current portion of long-term borrowings	97,729	61,715
Commercial papers	-	45,000
Current portion of bonds	60,000	20,000
Income taxes payable	31,233	18,091
Reserve for product warranties	14,899	15,128
Reserve for loss on construction contracts	49,853	56,866
Reserve for loss on passenger vessel construction business	18,463	72,842
Reserve for stock benefits	366	98
Advance payments received on contracts	777,654	749,747
Others	435,152	407,108
Total current liabilities	**2,527,093**	**2,600,378**
Non-current liabilities:		
Bonds	215,000	245,000
Long-term borrowings	347,157	387,302
Deferred income taxes	87,029	68,711
Reserve for stock benefits	1,247	966
Reserve for treatment of PCB waste	6,485	7,258
Liability for retirement benefits	123,160	124,890
Others	67,458	66,467
Total non-current liabilities	**847,538**	**900,596**
TOTAL LIABILITIES	**3,374,632**	**3,500,975**
NET ASSETS		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,658	203,951
Retained earnings	1,214,749	1,173,053
Treasury stock	(4,609)	(4,771)
Total stockholders' equity	**1,679,407**	**1,637,842**
Accumulated other comprehensive income (loss) :		
Net unrealized gains (losses) on investment securities	100,600	40,108
Deferred gains (losses) on hedges	1,294	3,044
Foreign currency translation adjustments	(2,287)	17,762
Remeasurements of defined benefit plans	3,683	(18,998)
Total accumulated other comprehensive income (loss)	**103,291**	**41,917**
Share subscription rights	**2,536**	**2,616**
Non-controlling interests	**322,059**	**317,360**
TOTAL NET ASSETS	**2,107,295**	**1,999,737**
TOTAL LIABILITIES AND NET ASSETS	**5,481,927**	**5,500,712**

CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2016	FY2015
Net sales	**3,914,018**	**4,046,810**
Cost of sales	**3,180,898**	**3,184,596**
Gross profit	**733,119**	**862,213**
Selling, general and administrative expenses	**582,576**	**552,707**
Operating income	**150,543**	**309,506**
Non-operating income:		
Interest income	3,799	6,602
Dividend income	11,637	8,975
Foreign exchange gain	10,213	-
Income from equity method investments	-	5,647
Gain on arbitration expenses awarded in the arbitration relating to nuclear equipment in US	6,558	-
Others	9,945	6,828
Total non-operating income	**42,155**	**28,053**
Non-operating expenses:		
Interest expense	11,461	13,338
Foreign exchange loss	-	21,908
Loss from equity method investments	22,845	-
Loss on disposal of fixed assets	7,627	12,959
Loss on passenger vessel construction business	7,829	-
Others	18,640	16,853
Total non-operating expenses	**68,404**	**65,060**
Ordinary income	**124,293**	**272,500**
Extraordinary gain:		
Gain on sales of investment securities	61,047	-
Gain on sales of fixed assets	53,861	5,663
Gain on negative goodwill	-	6,867
Gain on revision of retirement benefit plan	-	2,208
Total extraordinary gain	**114,908**	**14,738**
Extraordinary loss:		
Loss on passenger vessel construction business reserve	34,323	103,911
Compensation for damages decided in the arbitration relating to nuclear equipment in US	16,076	-
Business structure improvement expenses	12,810	47,251
Loss on revaluation of investment securities	6,272	-
Impairment loss	-	3,393
Total extraordinary loss	**69,483**	**154,556**
Profit before income taxes	**169,718**	**132,682**
Income taxes:		
Current	49,856	50,379
Deferred	14,584	5,651
Profit	**105,278**	**76,650**
Profit attributable to non-controlling interests	17,557	12,816
Profit attributable to owners of parent	**87,720**	**63,834**

NON-CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2017	As of Mar.31, 2016
ASSETS		
Current assets:		
Cash and deposits	61,079	101,622
Trade notes receivable	102	890
Trade accounts receivable	368,183	441,344
Merchandise and finished products	2,175	13,252
Work in process	373,229	406,265
Raw materials and supplies	50,763	60,867
Advances to suppliers	82,407	79,167
Prepaid expenses	3,060	1,290
Deferred income taxes	42,286	67,120
Short-term loans receivable from subsidiaries and affiliates	266,952	357,186
Others	172,921	176,492
Allowance for doubtful accounts	(96)	(51)
Total current assets	**1,423,065**	**1,705,449**
Non-current assets:		
Property, plant and equipment:		
Buildings	197,142	205,080
Structures	19,321	18,090
Docks and facilities for shipbuilding	2,680	2,350
Machinery	72,724	88,631
Vessels	83	106
Aircraft	1	2
Vehicles and transportation equipment	2,395	2,458
Tools, equipment and furniture	32,722	26,592
Land	95,827	97,770
Leased assets	17,466	18,607
Construction in progress	28,402	29,634
Subtotal	**468,769**	**489,324**
Intangible assets:		
Software	9,914	11,168
Right of using facilities	315	243
Leased assets	59	132
Others	85	68
Subtotal	**10,373**	**11,612**
Investments and advances:		
Investment securities	391,909	282,513
Investments in shares of subsidiaries and affiliates	452,348	721,342
Investments in capital	737	14
Investments in capital of subsidiaries and affiliates	79,537	80,749
Long-term loans receivable from employees	33	33
Long-term loans receivable from subsidiaries and affiliates	92,839	34,327
Claims provable in bankruptcy, claims provable in rehabilitation and other	232	1,044
Long-term prepaid expense	4,100	4,736
Prepaid pension cost	48,865	44,153
Long-term receivables	317,311	236
Others	47,669	45,821
Allowance for doubtful accounts	(51,336)	(1,910)
Subtotal	**1,384,249**	**1,213,063**
Total non-current assets	**1,863,392**	**1,714,001**
TOTAL ASSETS	**3,286,458**	**3,419,451**

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar.31, 2017	As of Mar. 31, 2016
LIABILITIES		
Current liabilities:		
Electronically recorded obligations	34,867	46,931
Trade accounts payable	268,186	338,543
Short-term borrowings	423,631	445,297
Current portion of long-term borrowings	87,978	45,978
Commercial papers	-	45,000
Current portion of bonds	60,000	20,000
Lease obligations	1,389	1,495
Accrued payables	28,516	27,852
Accrued expenses	126,940	116,764
Advance payments received on contracts	441,989	379,974
Deposits received	23,105	32,550
Reserve for product warranties	-	288
Reserve for loss on construction contracts	9,732	14,592
Reserve for loss on passenger vessel construction business	18,463	72,842
Reserve for stock benefits	366	98
Asset retirement obligations	1	-
Others	15,496	2,496
Total current liabilities	**1,540,665**	**1,590,705**
Non-current liabilities:		
Bonds	215,000	245,000
Long-term borrowings	279,720	347,989
Lease obligations	16,010	17,237
Deferred income taxes	10,829	270
Reserve for stock benefits	836	696
Reserve for treatment of PCB waste	6,086	6,624
Provision for loss on guarantees	7,850	-
Asset retirement obligations	2,734	2,823
Others	25,171	21,509
Total non-current liabilities	**564,240**	**642,150**
TOTAL LIABILITIES	**2,104,905**	**2,232,856**
NET ASSETS		
Stockholders' equity:		
Common stock	**265,608**	**265,608**
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,727	2,806
Total capital surplus	**206,263**	**206,342**
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	69,524	92,151
Reserve for reduction in costs of fixed assets	75,903	44,739
Reserve for accelerated depreciation	2,415	3,023
General reserves	410,000	460,000
Earned surplus brought forward	2,161	19,321
Total revenue reserve	**560,005**	**619,235**
Total retained earnings	**626,369**	**685,598**
Treasury stock	**(2,882)**	**(2,969)**
Total stockholders' equity	**1,095,359**	**1,154,580**
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	83,141	28,746
Deferred gains on hedges	658	763
Total valuation, translation adjustments and others	**83,799**	**29,510**
Share subscription rights	**2,393**	**2,504**
TOTAL NET ASSETS	**1,181,552**	**1,186,595**
TOTAL LIABILITIES AND NET ASSETS	**3,286,458**	**3,419,451**

NON-CONSOLIDATED STATEMENT OF OPERATIONS

(Millions of Yen)

	FY2016	FY2015
Net sales	**1,197,802**	**1,474,990**
Cost of sales	**1,037,175**	**1,226,023**
Gross profit	**160,626**	**248,967**
Selling, general and administrative expenses	**96,157**	**120,084**
Operating income	**64,469**	**128,882**
Non-operating income:		
Interest income	3,851	3,545
Dividend income	125,791	40,561
Foreign exchange gain	3,898	-
Gain on sales of investment securities	-	1,633
Others	6,478	1,582
Total non-operating income	**140,019**	**47,322**
Non-operating expenses:		
Interest expense	7,677	8,418
Interest on bonds	2,812	2,988
Foreign exchange loss	-	6,901
Loss on disposal of fixed assets	5,124	4,782
Loss on passenger vessel construction business	7,829	-
Litigation expenses	-	4,595
Others	6,476	5,460
Total non-operating expenses	**29,920**	**33,146**
Ordinary income	**174,569**	**143,059**
Extraordinary gain:		
Gain on sales of fixed assets	52,748	5,067
Gain on sales of investment securities	5,376	-
Total extraordinary gain	**58,125**	**5,067**
Extraordinary loss:		
Loss on revaluation of investment securities	133,659	17,195
Provision of allowance for doubtful accounts	51,084	-
Loss on passenger vessel construction business reserve	34,323	103,911
Compensation for damages decided in the arbitration relating to nuclear equipment in US	16,076	-
Provision for loss on guarantees	7,661	-
Business structure improvement expenses	5,220	28,489
Total extraordinary loss	**248,024**	**149,597**
Profit (loss) before income taxes	**(15,330)**	**(1,470)**
Income taxes:		
Current	(20,695)	(8,941)
Deferred	24,021	4,296
Profit (loss)	**(18,656)**	**3,174**

AUDIT REPORTS

Report of Accounting Auditors on the Consolidated Financial Statements

Independent Auditor's Report

May 18, 2017

Mr. Shunichi Miyanaga
President
Mitsubishi Heavy Industries, Ltd.

Ernst & Young ShinNihon LLC

Designated and Engagement Partner
Certified Public Accountant：Koichiro Watanabe

Designated and Engagement Partner
Certified Public Accountant：Hirotaka Mizutani

Designated and Engagement Partner
Certified Public Accountant：Katsutoshi Okura

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Mitsubishi Heavy Industries, Ltd. (the "Company") applicable to the 2016 fiscal year from April 1, 2016 through March 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Mitsubishi Heavy Industries Group, which consisted of the Company and consolidated subsidiaries, applicable to the 2016 fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. We draw attention to Note 4 "Contingent liabilities relating to change in MRJ delivery timing" in Notes to the Consolidated Balance Sheet, which describes, going forward, it is possible that additional liabilities will arise depending on the results of consultations with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.

2. We draw attention to Note 5 “Indemnification asset for South African Project” in Notes to the Consolidated Balance Sheet, which describes, Mitsubishi Heavy Industries, Ltd. (“MHI”) demanded that Hitachi, Ltd. (“Hitachi”) pay the price adjustment and other payments regarding the boiler construction projects in the Republic of South Africa.

Meanwhile, MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment.

Our opinion is not affected by the matters described above .

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(End)

Report of Accounting Auditors on the Financial Statements

Independent Auditor's Report

May 18, 2017

Mr. Shunichi Miyanaga
President
Mitsubishi Heavy Industries, Ltd.

Ernst & Young ShinNihon LLC

Designated and Engagement Partner
Certified Public Accountant：Koichiro Watanabe

Designated and Engagement Partner
Certified Public Accountant：Hirotaka Mizutani

Designated and Engagement Partner
Certified Public Accountant：Katsutoshi Okura

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Mitsubishi Heavy Industries, Ltd. (the "Company") applicable to the 2016 fiscal year from April 1, 2016 through March 31, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

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

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Mitsubishi Heavy Industries, Ltd. applicable to the 2016 fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. We draw attention to Note 3 "Contingent liabilities relating to change in MRJ delivery timing" in Notes to the Balance Sheet, which describes, going forward, it is possible that additional liabilities will arise depending on the results of consultations with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.
2. We draw attention to Note 5 "Others" in Notes to the Balance Sheet, which describes, Mitsubishi Heavy Industries, Ltd. ("MHI") demanded that Hitachi, Ltd. ("Hitachi") pay the price adjustment and other payments

regarding the boiler construction projects in the Republic of South Africa.
Meanwhile, MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment.
Our opinion is not affected by the matters described above.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(End)

Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee of the Company has audited the Directors' execution of their duties during the 2016 fiscal year, from April 1, 2016, to March 31, 2017. 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 Ernst & Young ShinNihon LLC on the status of the evaluation and audit of internal controls over financial reporting under the Financial Instruments and Exchange Act and requested explanation as necessary.

(2) In accordance with the audit policy, audit plan, etc., established by the Audit and Supervisory Committee, the Committee, in coordination with the internal auditing department and other departments concerned, attended important meetings, received reports from Directors, employees, etc. on the status of their execution of duties, requested explanation as necessary, inspected important documents, etc., and conducted investigations regarding the status of the business operations and properties of the Company at Head Office and Works, etc. Regarding the Company's subsidiaries, the Audit and Supervisory Committee sought to facilitate communication and exchange information with directors, statutory auditors and others of the Company's subsidiaries and, when necessary, received reports from these subsidiaries on the status of their businesses.

(3) The Audit and Supervisory Committee monitored and examined whether the financial auditor maintained its independence and carried out its audits in an appropriate manner, received reports from the financial auditor on the status of the execution of its duties and, when necessary, attended its audits and requested explanations.

(4) The Audit and Supervisory Committee received a notification from the financial auditor that it is taking steps to improve the "system for ensuring appropriate execution of duties" (matters specified in the items under Article 131 of the Company Accounting Ordinance) 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 2016 fiscal year under review, non-consolidated financial statements for the same fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the related supplementary schedules as well as consolidated financial statements for the same fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, 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, Ernst & Young ShinNihon 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, Ernst & Young ShinNihon LLC, are appropriate.

May 22, 2017

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

Eiji Isu (seal)
Full-time Audit and Supervisory Committee Member

Tatsuhiko Nojima (seal)
Full-time Audit and Supervisory Committee Member

Nobuo Kuroyanagi (seal)
Audit and Supervisory Committee Member

Christina Ahmadjian (seal)
Audit and Supervisory Committee Member

Shinichiro Ito (seal)
Audit and Supervisory Committee Member

(Note)
Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito are outside directors as defined in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

(End)