(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 1, 2018

To the Shareholders:

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

NOTICE OF THE 93RD ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 93rd 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 5–22), and exercise your voting rights by 5:30 p.m. on Wednesday, June 20, 2018 (Japan time).

1. Date and Time: Thursday, June 21, 2018 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 2017 fiscal year (from April 1, 2017 to March 31, 2018), 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 2017 fiscal year (from April 1, 2017 to March 31, 2018).

To consider and resolve the following proposals:

Proposal No. 1: Appropriation of Surplus

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

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

Proposal No. 4: Election of 1 Director who is serving as an Audit and Supervisory Committee Member

(End)

- Information concerning the following items is not included in the Attachment to the Notice of 93rd 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: https://www.mhi.com/finance/stock/meeting/

INSTRUCTIONS FOR VOTING

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

Attend the General Meeting of Shareholders

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

Date and Time: Thursday, June 21, 2018 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 5–22) and indicate whether you are for or against each proposal on the enclosed voting card and post it without affixing a postage stamp.

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

Exercise due date: No later than 5:30 p.m., on Wednesday, June 20, 2018 (Japan time)

Guidance for filling in the voting card

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

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

Proposal No. 3:

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

Exercise of Voting Rights via the Internet

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

Exercise due date: No later than 5:30 p.m., on Wednesday, June 20, 2018 (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" (https://evote.tr.mufg.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 a.m. to 9:00 p.m. (Japan time)

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

REFERENCE MATERIALS
RELATING TO THE GENERAL MEETING OF SHAREHOLDERS

Proposal No.1: Appropriation of Surplus

In its 2015 Medium-Term Business Plan, MHI targeted to achieve ROE of at least 10% and increase in equity capital to ¥2 trillion. During the course toward the achievement, our basic policy has been 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.”

In its 2018 Medium-Term Business Plan, MHI has set the year of achievement as FY2020 and the numerical target for its equity capital as ¥1,650.0 billion based on the International Financial Reporting Standards (IFRS). However, it has not changed its basic policy on returns to shareholders.

Based on this policy and taking full account of our business results for the fiscal year under review, financial position as of the end of the fiscal year under review and others, MHI proposes to pay a dividend of ¥60 per share as the Year-end Dividend defined in Article 43 of the Articles of Incorporation. Combined with the Interim Dividend of ¥60 per share paid in December 2017, the total annual dividend will be ¥120 per share, the same as in the previous fiscal year (FY2016).

1. Kind of Dividend Property
   Cash

2. Dividend Allocation and Total Amount of Dividends
   Dividend allocation: ¥60 per share of MHI’s common stock
   Total amount of dividends: ¥20,190,695,880

3. Effective Date of Dividend Allocation
   June 22, 2018

(Note) On October 1, 2017, MHI conducted a consolidation of its shares on a one for 10 basis, and the amount of dividends for this proposal has been recalculated to reflect this share consolidation.

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

1. Reason for proposal

MHI proposes to make necessary amendments to its current Articles of Incorporation for the following reasons.

This proposal, when approved, shall take effect at the conclusion of this General Meeting of Shareholders, excluding (1) below.

(1) In accordance with the relocation of MHI's head office to a building currently under construction in Chiyoda-ku, Tokyo, the Articles of Incorporation shall be amended to reflect the location of the head office (Article 2 of Proposed Amendments).
Moreover, this amendment is to come into effect on the date of the relocation of the head office, to be determined by a meeting of the Board of Directors to be held before the 94th Annual General Meeting of Shareholders scheduled to be held in 2019, and a provision to that effect shall be made in the supplementary provisions (Supplementary Provision Article 2 of Proposed Amendments).

(2) In order to maintain the number of members on the entire Board of Directors at an appropriate size, the maximum number of Directors stipulated in the Articles of Incorporation shall be reduced from twenty (20) to fifteen (15), and the maximum number of Directors who are serving as Audit and Supervisory Committee Members stipulated in the Articles of Incorporation shall be reduced from ten (10) to seven (7) (Article 20 of Proposed Amendments).

(3) With the goal of allowing the flexible construction of an optimal management structure, it shall be made possible to appoint the President not only from among Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) but also from among Senior Vice Presidents (Article 35 of Proposed Amendments). Also, in accordance with this amendment, in addition to making the necessary amendments to the provisions related to Directors with special title and to the provisions related to persons entitled to convene general meetings of shareholders and meetings of the Board of Directors, and to the Chairman thereof (Article 15, Article 24, and Article 25 of Proposed Amendments), in order to clarify the position and responsibilities of Senior Vice Presidents, a provision related to Senior Vice Presidents shall be newly established (Article 34 of Proposed Amendments).

(4) Other than the above, in accordance with the establishment of new provisions, the numbering of articles will be moved down etc. as necessary.

2. Contents of Amendments

The details of the amendments are as follows.

(Underlined portions indicate the proposed changes)

Current Articles of Incorporation	Proposed Amendments
Article 2. (Location of Head Office) The head office of the Company shall be situated in Minato-ku, Tokyo.	Article 2. (Location of Head Office) The head office of the Company shall be situated in Chiyoda-ku, Tokyo.
Article 15. (Persons Entitled to Convene Meetings and Chairman) 1. In accordance with a resolution of the Board of Directors, the President shall convene General Meetings of Shareholders and shall act as chairman thereof. 2. If the President is prevented from so acting, one of the other Representative Directors shall act for him/her.	Article 15. (Persons Entitled to Convene Meetings and Chairman) 1. In accordance with a resolution of the Board of Directors, the Chairman of the Board or the President shall convene General Meetings of Shareholders and shall act as chairman thereof. 2. If the Chairman of the Board and the President are prevented from so acting, one of the other Directors shall act for them.
Article 20. (Number of Directors) 1. The Directors of the Company shall not be more than twenty (20) in number. 2. Among the Directors mentioned in the preceding paragraph, the Directors who are serving as Audit and Supervisory Committee Members shall not be more than ten (10) in number.	Article 20. (Number of Directors) 1. The Directors of the Company shall not be more than fifteen (15) in number. 2. Among the Directors mentioned in the preceding paragraph, the Directors who are serving as Audit and Supervisory Committee Members shall not be more than seven (7) in number.
Article 24. (Director with Special Title) 1. A President shall be determined from among the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) by a resolution of the Board of Directors. 2. A Chairman of the Board may be determined from among the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) by a resolution of the Board of Directors.	Article 24. (Chairman of the Board) (Deleted) A Chairman of the Board may be determined from among the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) by a resolution of the Board of Directors.
Article 25. (Convocation and Chairman of Meetings of the Board of Directors) 1. The Chairman of the Board shall convene the Meetings of the Board of Directors, at which he/she shall assume the position of chairman unless otherwise provided for by laws and ordinances. If the Chairman of the Board is vacant or the Chairman of the Board is prevented from so acting, the President or one of the other Representative Directors shall act for him/her.	Article 25. (Convocation and Chairman of Meetings of the Board of Directors) 1. The Chairman of the Board shall convene the Meetings of the Board of Directors, at which he/she shall assume the position of chairman unless otherwise provided for by laws and ordinances. If the Chairman of the Board is vacant or the Chairman of the Board is prevented from so acting, one of the other Directors shall act for him/her.

Current Articles of Incorporation	Proposed Amendments
2. Notice to convene a Meeting of the Board of Directors shall be given to each Director not less than five days before the date set for such Meeting. However, such notice period may be shortened in case of unavoidable emergency.	2. Notice to convene a Meeting of the Board of Directors shall be given to each Director not less than five days before the date set for such Meeting. However, such notice period may be shortened in case of unavoidable emergency.
(Newly established)	Article 34. (Corporate Officers) The Company may appoint Corporate Officers and have them share the responsibilities for the execution of operations of the Company.
(Newly established)	Article 35. (President) A President shall be determined from among the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) or Corporate Officers by a resolution of the Board of Directors.
Articles 34. – 45. (Omitted)	Articles 36. – 47. (Unchanged)
SUPPLEMENTARY PROVISION	**SUPPLEMENTARY PROVISION**
(Transitional measures concerning exemption from liability of Statutory Auditors)	Article 1. (Transitional measures concerning exemption from liability of Statutory Auditors)
1. Concerning exemption from liability by a resolution of the Board of Directors, stipulated in Article 423, Paragraph 1 of the Companies Act, for the damages arising from the acts of Statutory Auditors (including former Statutory Auditors) committed prior to the 90th Annual General Meeting of Shareholders (June 2015), the provisions then in force shall remain applicable.	1. Concerning exemption from liability by a resolution of the Board of Directors, stipulated in Article 423, Paragraph 1 of the Companies Act, for the damages arising from the acts of Statutory Auditors (including former Statutory Auditors) committed prior to the 90th Annual General Meeting of Shareholders (June 2015), the provisions then in force shall remain applicable. (Change in Japanese only; English unchanged)
2. Concerning contracts for limitation of liability, stipulated in Article 423, Paragraph 1 of the Companies Act, for the damages arising from the acts of Outside Statutory Auditors (including former Outside Statutory Auditors) committed prior to the 90th Annual General Meeting of Shareholders (June 2015), the provisions then in force shall remain applicable.	2. Concerning contracts for limitation of liability, stipulated in Article 423, Paragraph 1 of the Companies Act, for the damages arising from the acts of Outside Statutory Auditors (including former Outside Statutory Auditors) committed prior to the 90th Annual General Meeting of Shareholders (June 2015), the provisions then in force shall remain applicable. (Change in Japanese only; English unchanged)

Current Articles of Incorporation	Proposed Amendments
(Newly established)	Article 2. (Effective date of amendment to Article 2 of the Articles of Incorporation) The amendment to Article 2 of the Articles of Incorporation (Location of Head Office) is to come into effect on the date of the relocation of the head office, to be determined by a meeting of the Board of Directors to be held before the 94th Annual General Meeting of Shareholders scheduled to be held in 2019. Furthermore, after the effective date of the relocation of the head office, this article shall be deleted.

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 (FY2017)	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	15 out of 15 times	16 years
2	Shunichi Miyanaga	Re-election	*President and CEO※1 (Member of the Board)	15 out of 15 times	10 years
3	Masanori Koguchi	Re-election	*Director (Member of the Board), Senior Executive Vice President, CFO※2, Head of Business Strategy Office	15 out of 15 times	3 years
4	Seiji Izumisawa	Newly nominated	Director (Member of the Board) Full-time Audit and Supervisory Committee Member	11 out of 11 times	1 year
5	Naoyuki Shinohara	Re-election Outside Independent	Director (Member of the Board)	15 out of 15 times	3 years
6	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	11 out of 14 times	2 years

※1 CEO: Chief Executive Officer
※2 CFO: Chief Financial Officer

(Notes)

1. An asterisk mark (*) indicates a Representative Director.
2. Mr. Seiji Izumisawa is currently a Director, Full-time Audit and Supervisory Committee Member of the Company, but as of the conclusion of this General Meeting of Shareholders he is scheduled to resign from that position, and, on that assumption, it is requested in this proposal that he be appointed a Director who is not serving as an Audit and Supervisory Committee Member.

3. The number of times Mr. Seiji Izumisawa attended meetings of the Board of Directors in FY2017 and the number of his years in office as Director (as of the conclusion of this General Meeting of Shareholders) are shown for his position as Director, Full-time Audit and Supervisory Committee Member of the Company. As Mr. Seiji Izumisawa took up his position as of June 22, 2017 (on the date of the 92nd Annual General Meeting of Shareholders), the number of times he attended the Board of Directors meetings for the year is different from that of the other candidates for the position of a Director.
4. Mr. Ken Kobayashi serves as the Chairman of the Board of Mitsubishi Corporation, which was the counterparty in the tender offer for shares in Mitsubishi Motors Corporation, to which the Company tendered shares. Accordingly, with regard to the Board of Directors meeting at which said tender offer was the only matter considered, this was treated as a similar situation in which there were special interests as prescribed in the provisions of Article 369 Paragraph 2 of the Companies Act, and that he should therefore refrain from attending. As a result the number of times he attended the Board of Directors meetings for the year is different from that of the other candidates for the position of a Director.

1	**Hideaki Omiya** (July 25, 1946: 71 years old) [Re-election]

Position and Responsibility in MHI

Chairman of the Board

Number of MHI Shares Owned

18,600

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

16 years

The number of attendance at the Board of Directors meetings in FY2017

15 out of 15 times

Career summary

June 1969	Joined Mitsubishi Heavy Industries, Ltd.
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 MHI

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

2	**Shunichi Miyanaga** (April 27, 1948: 70 years old) [Re-election]

Position and Responsibility in MHI

*President and CEO (Member of the Board)

Number of MHI Shares Owned

21,100

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

10 years

The number of attendance at the Board of Directors meetings in FY2017

15 out of 15 times

Career summary

April 1972	Joined Mitsubishi Heavy Industries, Ltd.
April 2006	Senior Vice President, Deputy Head of Machinery Headquarters
May 2006	Senior Vice President, Deputy Head of Machinery & Steel Structures Headquarters
April 2008	Executive Vice President, Head of Machinery & Steel Structures Headquarters
June 2008	*Director (Member of the Board), Executive Vice President, Head of Machinery & Steel Structures Headquarters
April 2011	*Director (Member of the Board), Senior Executive Vice President, Head of the Presidential Administration Office
April 2013	*President and CEO (Member of the Board)
April 2014	*President and CEO (Member of the Board) (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: 62 years old) [Re-election]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

2,100

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

3 years

The number of attendance at the Board of Directors meetings in FY2017

15 out of 15 times

Career summary

April 1978	Joined Mitsubishi Heavy Industries, Ltd.
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
April 2018	*Director (Member of the Board), Senior 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 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	**Seiji Izumisawa** (September 3, 1957: 60 years old) [Newly nominated]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

1,500

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 FY2017

11 out of 11 times

(Note) As Mr. Seiji Izumisawa is currently a Director, Full-time Audit and Supervisory Committee Member of the Company, the number of his years in office as Director (as of the conclusion of this General Meeting of Shareholders) and the number of times he attended the Board of Directors meetings in FY2017 are shown for this position.

Career summary

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

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Seiji Izumisawa has extensive work experience of involvement in such areas as research and development, technology management and operations related to strategic technology development, and has made significant contributions to strengthening and developing MHI's technology infrastructure. Since June 2017, he has filled the role of Director who is serving as an Audit and Supervisory Committee Member and has not only participated in management decision-making as an individual deeply familiar with technology management at MHI, but also has striven to ensure the soundness and appropriateness of decision-making at MHI, as well as the improvement of its transparency, by ensuring the effectiveness of audits by the Audit and Supervisory Committee. MHI judges that, going forward, he will contribute to the sustained growth and to the improvement of its corporate value in the medium- and long-term through his participation in MHI's management decision-making as an executive, and hence MHI nominates Mr. Seiji Izumisawa as a candidate for Director who is not serving 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.

5	**Naoyuki Shinohara** (February 8, 1953: 65 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

700

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

3 years

The number of attendance at the Board of Directors meetings in FY2017

15 out of 15 times

Career summary

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

Important concurrent positions

Statutory Auditor, Media Kobo, Inc.

Reason for 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 20‐21) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.
Although MHI has a trading relationship with and donated to The University of Tokyo, where Mr. Naoyuki Shinohara served as a professor, the amount of trading and donation does not exceed the base amount stipulated in "Independence Criteria for Outside Directors," and therefore MHI judges that it will not affect his independence.

6	**Ken Kobayashi** (February 14, 1949: 69 years old) [Re-election] [Outside] [Independent]

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

500

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 FY2017

11 out of 14 times

Career summary

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

Important concurrent positions

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

Reason for the nomination as a candidate for outside director

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (stated on page 20‐21) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.
Although MHI has a trading relationship with 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 administrative orders and surcharge payment orders to the company in January and July 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 1 Director who is serving as an Audit and Supervisory Committee Member

Mr. Seiji Izumisawa, a Director who is serving as Audit and Supervisory Committee Member, will resign his Director office at the conclusion of this General Meeting of Shareholders.
Accordingly, MHI proposes to elect 1 Director who is serving as an Audit and Supervisory Committee Member.
Candidate for Director who will serve as an Audit and Supervisory Committee Member is as follows.
In addition, the consent of the Audit and Supervisory Committee has been obtained for this proposal.

1	**Hiroki Kato** (December 24, 1955: 62 years old) [Newly nominated]

Position and Responsibility in MHI
(Newly nominated)

Number of MHI Shares Owned
900

Career summary

April 1979	Joined Mitsubishi Heavy Industries, Ltd.
April 2010	Senior General Manager, Material Department
April 2014	Vice President of Commercial Aviation & Transportation Systems
April 2015	Senior Vice President, Vice President of Machinery, Equipment & Infrastructure
April 2017	Senior Vice President, Senior General Manager of Managerial & Financial Planning Department, Senior General Manager of Financial Management Division (Present position)

Important concurrent positions
None

Reason for the nomination as a candidate for Director
Mr. Hiroki Kato has held various important posts in material procurement, general affairs and business divisions at MHI, and has leveraged his extensive experience to contribute significantly to the development of Company business. Since April 2017, he has served as Senior General Manager of the Managerial & Financial Planning Department and Senior General Manager of Financial Management Division. Based on these reasons, as MHI judges that he will contribute to ensuring effective audits, ensuring the soundness and appropriateness of decision-making at MHI, and improving its transparency through his participation in management decision-making as an individual with considerable knowledge of finance and accounting, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI nominates Mr. Hiroki Kato as a candidate for Director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI
There is no special interest between Mr. Hiroki Kato and MHI.

(Reference)
Mr. Toshifumi Goto, Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian, and Mr. Shinichiro Ito will each continue in their roles as Directors who are serving as Audit and Supervisory Committee Members.

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 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 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.

■ Structure of the Board of Directors after the election

If Proposals No. 3 and No. 4 are approved as submitted, the Board of Directors is scheduled to be comprised of the following members.

Name	Position and Responsibility in MHI	Representative Director	Audit and Supervisory Committee Member	Outside Director	Independent Director	Newly nominated Director
Hideaki Omiya	Chairman of the Board					
Shunichi Miyanaga	President and CEO (Member of the Board)	○				
Masanori Koguchi	Director (Member of the Board), Senior Executive Vice President, CFO	○				
Seiji Izumisawa	Director (Member of the Board), Executive Vice President, CSO*, Head of Business Strategy Office	○				○
Naoyuki Shinohara	Director (Member of the Board)			○	○	
Ken Kobayashi	Director (Member of the Board)			○	○	
Toshifumi Goto	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			
Hiroki Kato	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			○
Nobuo Kuroyanagi	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	
Christina Ahmadjian	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	
Shinichiro Ito	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	

※ CSO: Chief Strategy Officer

(End)

BUSINESS REPORT FOR THE 2017 FISCAL YEAR
(April 1, 2017 to March 31, 2018)

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

1 REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

During the fiscal year under review, the world economy suffered from uncertainty regarding trade and monetary policies in various countries, but driven mainly by developed countries, was generally strong. The Japanese economy also saw continued gradual expansion, as a result of such factors as improvements in employment and income.

■ 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 decreases in orders for Power Systems and Aircraft, Defense & Space, while orders increased in Industry & Infrastructure. As a result, total consolidated orders received by MHI Group decreased 9.4% year on year to ¥3,875.7 billion.

Overall consolidated net sales increased 5.0% year on year to ¥4,110.8 billion, as a result of increases in the segments of Industry & Infrastructure, Power Systems, and Aircraft, Defense & Space.

On the other hand, due to profit declines in Aircraft, Defense & Space and Industry & Infrastructure and other factors, operating profit fell by ¥24.0 billion year on year to ¥126.5 billion, while ordinary profit declined ¥9.8 billion year on year to ¥114.4 billion.

In addition, compared to the previous fiscal year, in which a gain on sales of fixed assets was posted, there was a decline in extraordinary gain, resulting in profit attributable to owners of parent falling below the level of the previous fiscal year by ¥17.2 billion, to ¥70.4 billion.

■ MHI Group Initiatives in FY2017

In the fiscal year under review, which was the final year of the 2015 Medium-Term Business Plan, MHI Group worked to strengthen its financial base, while promoting business structure reforms, and pushed strongly forward with various measures designed to lead to future expansion in the scale of the business and to increase profitability.

- Strengthening Financial Base

With regard to the strengthening of the financial base, through thoroughgoing cash flow management and asset management initiatives, results considerably overshot the original 2015 Medium-Term Business Plan. Specifically, free cash flow exceeded the original target to reach ¥207.9 billion, in addition to which interest-bearing debt was reduced by more than the target, and the index which shows the ratio of interest-bearing debt to equity (the debt equity ratio) also hit its lowest ever level of 0.38. As a result of the above, MHI Group was left with more freedom to invest aggressively in areas of expansion and in new businesses that will drive the medium- to long-term growth strategy.

- Business Structure Reforms

In Industry & Infrastructure, new companies were established in the engineering business and the shipbuilding business as part of the completion process of structural reforms through the selection and concentration of businesses. As a result, all businesses in the segment now have been spun off into their own business companies, resulting in an environment that facilitates prompt decision-making within a structure optimized for the implementation of each business. In particular, at Mitsubishi Heavy Industries Engineering, Ltd., which is the result of the integration of engineering businesses related to chemical plants, land transportation systems and environmental systems, through the flexible management of unified technology, businesses and human resources, a structure has been put in place that is more than sufficient for initiatives created in response to growth businesses. Also, in the shipbuilding business, in order to be able to put initiatives in place for the field of marine engineering for reduced environmental impact, which is expected to grow in future, in addition to the ferries and governmental vessels that are a strength of MHI Group, we have adopted a two-company structure consisting of Mitsubishi Shipbuilding Co., Ltd. and Mitsubishi Heavy Industries Marine Structure Co., Ltd.

Furthermore, in the material handling equipment business, Mitsubishi Logisnext Co., Ltd. was established in October 2017 as a result of the integration of Mitsubishi Nichiyu Forklift Co., Ltd. and UniCarriers Corporation. While promoting improved productivity and reductions in procurement costs, as a comprehensive manufacturer of material handling equipment, this new company makes use of multiple brands as part of its strategy to meet customer needs in all corners of the globe.

- Expanding Scale of Business

In Power Systems, in addition to winning its first order in Poland for a natural gas-fired thermal power plant, at Nuon Magnum Power Plant in the Netherlands, MHI Group is participating in a hydrogen-fired power generation conversion project that could contribute to significant reductions in CO_2 emissions, and has confirmed that hydrogen-fired power generation is possible by replacing the combustors. In addition, following the reorganization of the French general nuclear power manufacturer AREVA Group, MHI has invested in a business company focusing on the design and manufacture of nuclear power plant equipment and systems, as well as in a business company working mainly in the mining, enrichment and conversion of uranium, and the reprocessing of spent fuel. By seizing this opportunity to expand personnel and technology collaborations between Japan and France, MHI Group will establish a structure that will allow wide-ranging development of nuclear power generation technology that is at the cutting edge of safety and reliability.

In Industry & Infrastructure, in addition to completing a large-scale two-train polyethylene plant for ExxonMobil Chemical Company in the US, the mass and medium-lot products business including material handling equipment, turbochargers, and air-conditioning & refrigeration systems also grew steadily in its business scale and posted growth in earnings.

In Aircraft, Defense & Space, first, in the Mitsubishi Regional Jet (MRJ) business, in addition to steadily implementing development work, we focused on taking initiatives to improve the feasibility of the business, such as developing differentiating technology and building an enriched customer support structure. Also, in the defense business, MHI was selected as the primary contractor for new type of destroyers that combine advanced response capabilities with compact hull construction, in addition to which MHI completed the domestic assembly of the F-35 next generation main fighter aircraft, and began deliveries. In the space systems business also, we raised international perceptions of the reliability of the H-IIA launch vehicle by extending its record of consecutive successful launches since 2005 to 32, and also won orders from the UK's Inmarsat plc for launch services related to Inmarsat's satellite.

- **Increasing Profitability**

During the fiscal year under review, there were dramatic changes in the external environment, such as the global market downturn faced by MHI Group's core thermal power systems business. With the aim of increasing profitability, MHI Group executed various countermeasures to deal with the changing business environment.

At Mitsubishi Hitachi Power Systems, Ltd., for gas turbines, large steam turbines, and industrial boilers and turbines, MHI Group moved forward with the reorganization of domestic manufacturing bases and the reallocation of businesses, implementing initiatives to improve profitability through such measures as raising the utilization ratio of production facilities, and cutting fixed costs.

In addition, in the commercial aircraft business, where production volumes fell temporarily as a result of the shift to next-generation models, we pressed ahead with productivity improvements by automating production lines and integrating with partner companies responsible for machining processes. In our business with Boeing, in relation to production of products for their 787 Dreamliner mid-sized passenger jet, MHI and Boeing have reached an agreement to further deepen collaborative relationship with the aim of strengthening our competitiveness in the market by jointly moving forward with such measures as long-term cost reduction activities and studies of advanced aerostructure technologies.

REVIEW OF BUSINESS SEGMENTS

Power Systems

Having been hit by global market factors such as the acceleration of the shift to low-carbon approaches and the switch to renewable energy, conventional systems saw a significant decline, and order volumes for Gas Turbine Combined Cycle (GTCC) systems also fell considerably. As a result, consolidated orders received decreased year on year to ¥1,437.5 billion.

Consolidated net sales rose year on year to ¥1,493.9 billion, driven by steady progress in work related to orders for thermal power systems, as well as increases in aero engines.

Although there were improvements in the profitability of the thermal power systems after-sales service, due to such factors as the decline in nuclear power plant equipment, operating income was flat year on year at ¥108.9 billion.

Main Businesses
Thermal power systems (GTCC[*1], conventional[*2]), nuclear power plant equipment (light water reactors/nuclear fuel cycle & advanced solutions), environmental plants, marine machinery, wind power generators, aero engines and compressors *1 Gas Turbine Combined Cycle *2 Conventional (boiler & turbine) power plants

Industry & Infrastructure

In addition to increases in metals machinery against a background of strong infrastructure investment, there was growth in turbochargers, material handling equipment, air-conditioning & refrigeration systems and others due to the impact of expansionary business conditions, primarily in developed countries, leading to consolidated orders received rising year on year to ¥1,711.3 billion.

Consolidated net sales exceeded the level of the previous fiscal year and rose to ¥1,898.9 billion, driven not only by increases in material handling equipment and turbochargers, for which orders were strong, but also in commercial ships and so on.

Although higher sales had the effect of raising operating income, declines in land transportation systems and chemical plants led to a year-on-year decrease to ¥40.8 billion.

Main Businesses
Metals machinery, environmental systems, paper converting machinery, mechatronics systems, ITS[*], material handling equipment, engines, turbochargers, air-conditioning & refrigeration systems, automotive thermal systems, machine tools, shipbuilding, land transportation systems, chemical plants * Intelligent Transport Systems

Aircraft, Defense & Space

In commercial aircraft, orders for main wings for the Boeing 787 increased, but defense aircraft and missile systems, for which significant orders were received in the previous fiscal year, decreased along with space systems, leading to a year-on-year decline in consolidated orders received to ¥721.5 billion.

Consolidated net sales rose year on year to ¥722.9 billion, due in part to space systems, where the number of launched H-IIA launch vehicles increased, but higher MRJ development costs and so on resulted in an operating loss of ¥15.1 billion.

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

Others

The total value of consolidated orders received, consolidated net sales, and operating income decreased from the previous fiscal year to ¥113.5 billion, ¥120.8 billion, and ¥5.0 billion, respectively.

Main Businesses
Construction, real estate, etc.

2 KEY ISSUES FOR MHI GROUP

MHI Group has started its 2018 Medium-Term Business Plan with FY2018 as the first year of the plan, which sets forth a range of initiatives for our growth as a global company. While tackling medium- to long-term growth activities, called "MHI Future Stream" in the plan, and working to ensure that the business structure reforms take hold, we will pursue measures to promote the structural shift in the thermal power systems business, rebuild the MRJ business, and strengthen and expand the mass and medium-lot products business.

- Growth as a Global Company

In consideration of the fact that initiatives taken to strengthen the financial base of MHI Group achieved progress beyond expectations, in the 2018 Medium-Term Business Plan, we will prioritize the allocation of funds to investment for growth, and aim to grow the scale of the business from ¥4 trillion, where it remained during the period of the 2015 Medium-Term Business Plan, to ¥5 trillion. On the other hand, we will pay careful attention to the balance between the growth potential of the business and financial soundness, working on continuous reorganization of the business portfolio, as well as on improving the efficiency and productivity of existing businesses. This balance will be assessed using MHI Group's proprietary TOP indicator. TOP means that net sales, total assets and market capitalization should be kept to a ratio of 1 to 1 to 1 (the "Triple One Proportion"), and by using this, we will promote management that emphasizes profitability, asset efficiency and financial soundness from the perspective of realizing value for shareholders, investors and customers. Accordingly, in addition to working to further expand the scale of the business, our goal will be the stable enhancement of corporate value over the long term, while ensuring that a mutual balance is preserved between the growth potential of the business and financial soundness.

- MHI Future Stream

The business environment in which MHI Group operates is changing with extraordinary speed, as can be seen in such trends as the revolution in AI[*1] and IoT[*2] technologies, as well as the shift to a low-carbon approach and to renewable energy. Amid this radical change, MHI Group will strive to resolve the difficult and complex issues that society faces both now and in the near future and, turning towards the future that lies still further beyond, we will move forward in step with the development of society to keep creating innovation and make unceasing contributions, seeking always to be a presence that is valued by both humankind and society. To achieve this, we will begin MHI Future Stream in earnest as an initiative to seize an image of the long-term future of society from among these mega trends, extract and analyze opportunities for and threats to the businesses of MHI Group, and create shifts in our existing businesses and create new businesses, from a medium- to long-term perspective. For these initiatives, in addition to promoting collaboration between business divisions and corporate divisions, we will actively push the utilization of knowledge from both inside and outside MHI Group.

*1 Artificial Intelligence
*2 Internet of Things

- Ensuring that Business Structure Reforms Take Hold

MHI Group has pursued a variety of business structure reforms thus far, such as the adoption of a strategic business evaluation system, a domain system and an SBU[*3] system, a review of the business portfolio, the splitting up of business divisions into companies, and the setting up of a Shared Technology Framework. In the 2018 Medium-Term Business Plan, in order to ensure that these structural reforms take hold even more tightly, in addition to reinforcing global management, we will take initiatives to cultivate the corporate culture and develop human resources.
In order to realize sustainable growth for MHI Group, it will be necessary to expand the overseas businesses more than has been the case in the past. To that end, the global headquarters, business divisions, corporate divisions, the Shared Technology Framework and regional head offices will collaborate closely with each other, as we seek to execute global management that effectively implements both medium- to long-term growth strategies for MHI Group as a whole, and strategies that are appropriate to the characteristics of different regions. In addition, in order to support this kind of global management, we will reinvigorate the organization through improvement activities for junior to middle-grade personnel, moving to put in place various systems to allow diverse human resources to work with energy, while also focusing on securing and nurturing global human resources.

*3 Strategic Business Unit (A business unit used in the strategic business evaluation system)

- Structural Shift in the Thermal Power Systems Business

In the thermal power systems business, because work related to orders already received for large coal-fired thermal power plants is progressing, net sales will remain steady for some time, but it is expected that the business related to coal-fired power generation will decline in size from 2021 onward. In addition, the large gas turbines that are a pillar of this business are also expected to face difficult market conditions for the time being.
In recognition of this situation, the 2018 Medium-Term Business Plan focuses on expanding the gas turbine service business, as well as on working to improve profitability by the efficient implementation of work related to orders already received. Moreover, in preparation for the future shrinkage in the coal-fired power generation business, in addition to reallocating personnel to service businesses and redirecting employees to different career paths, we will expand the lineup of products and services that combine MHI Group's strengths in *monozukuri* (manufacturing) with software technology such as AI and IoT, promoting the conversion of the business structure to that of a total solution proposal business.

- Rebuilding the MRJ Business

In preparation for acquiring type certification for MRJ currently in development, and delivering the first volume-produced airframe to the launch customer around the middle of 2020, we are accelerating development work and the build-out of a customer support structure. Also, in order to reinforce the long-term viability of the MRJ business, during the period of the 2018 Medium-Term Business Plan, we will promote fundamental measures to strengthen the same, such as increasing the capital of Mitsubishi Aircraft Corporation, facilitating collaboration with the commercial aircraft business in preparation for volume production, and beginning full-scale development of the main model for the North American market (MRJ70).

- Strengthening and Expanding the Mass and Medium-lot Products Business

Until now, MHI Group had prioritized the allocation of resources to businesses that require an extraordinarily long payback period, including MRJ. Under the 2018 Medium-Term Business Plan, we will also allocate sufficient resources to the mass and medium-lot products business that has grown steadily, both in terms of size and profits, over the past few years, seeking to expand this business while shortening the payback period. On the other hand, because the mass and medium-lot products business tends to be easily affected by changes in economy, we will maintain an optimal balance with the allocation of medium- to long-term resources, in pursuit of stable growth for MHI Group as a whole.

Moreover, with regard to the adjustment of transfer pricing etc. in relation to a boiler construction project in the Republic of South Africa, which was handled over to MHI's consolidated subsidiary, subsequent to the integration of the thermal power systems businesses of MHI and Hitachi, Ltd., an arbitration procedure was initiated in July 2017.

While moving ahead with the implementation of the above measures to realize itself as a highly sustainable global company with growth potential, MHI Group will work to contribute to the sustainable development of society with the recognition that compliance and CSR (corporate social responsibility) are key issues for management. We ask our shareholders for their continued understanding and support in these endeavors.

3 OPERATING RESULTS AND FINANCIAL CONDITIONS

Item	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
(Billions of Yen)						
Orders received	3,032.2	3,420.0	4,699.1	4,485.5	4,275.6	3,875.7
Net sales	2,817.8	3,349.5	3,992.1	4,046.8	3,914.0	4,110.8
Overseas sales ratio	44.8%	49.3%	53.4%	55.4%	53.5%	54.2%
Operating income	163.5	206.1	296.1	309.5	150.5	126.5
Operating income ratio	5.8%	6.2%	7.4%	7.6%	3.8%	3.1%
Income before income taxes	155.4	214.4	232.6	132.6	169.7	128.0
Profit attributable to owners of parent	97.3	160.4	110.4	63.8	87.7	70.4
Total assets	3,935.1	4,886.0	5,520.3	5,500.7	5,481.9	5,487.6
Net assets	1,430.2	1,774.2	2,120.0	1,999.7	2,104.1	2,164.4
Return on equity (ROE)	7.4%	11.0%	6.5%	3.7%	5.1%	3.9%
Cash flows from operating activities	288.3	296.2	212.8	270.0	95.9	345.1
Cash flows from investing activities	(76.7)	(151.5)	(174.1)	(262.4)	8.7	(137.1)
Free cash flows	211.6	144.6	38.6	7.5	104.6	207.9
Cash flows from financing activities	(154.2)	(136.6)	(45.8)	(23.1)	(162.0)	(152.1)
Research and development expenses	120.0	138.5	145.5	150.6	160.7	176.8
Capital investment	109.8	137.0	148.9	166.5	197.3	144.0
Per share information of common stock (Yen)						
Earnings per share (EPS)	29.01	47.81	32.90	19.02	261.24	209.82
Diluted earnings per share	28.95	47.71	32.82	18.97	260.71	209.39
Book value per share (BPS)	410.90	459.99	530.65	500.30	5,299.14	5,431.02

(Note)

1. As the Company changed its accounting policy related to the interest rate swap in FY2017, the changed policy is reflected in the net assets and the book value per share (BPS) for FY2016.
2. On October 1, 2017, the Company conducted a consolidation of its shares on a one for 10 basis, and the per-share information for FY2016 and FY2017 is calculated on the assumption that said consolidation was carried out at the beginning of FY2016.

Orders Received and Net Sales by Segment

(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

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

(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. From FY2013, segment categories were changed to Energy & Environment; Commercial Aviation & Transportation Systems; Integrated Defense & Space Systems; Machinery, Equipment & Infrastructure; and Others. From FY2015, some businesses were reclassified from Others to Machinery, Equipment & Infrastructure, and from FY2017, segment categories were changed to Power Systems; Industry & Infrastructure; Aircraft, Defense & Space; and Others. In line with these changes in segment categories, both orders received and net sales of each segment in the previous fiscal year of the changes are presented using the new segment categories for reference.

4 FINANCING CONDITIONS

(Millions of Yen)

Item	Change from the End of FY2016 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2017
Short-term and Long-term borrowings	(72,395)	578,171
Bonds	(40,000)	235,000
Total	(112,395)	813,171

5 MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2017
MUFG Bank, Ltd.	173,850
Mizuho Bank, Ltd.	58,657
Mitsubishi UFJ Trust and Banking Corporation	52,400
Sumitomo Mitsui Banking Corporation	44,468
Meiji Yasuda Life Insurance Company	38,012
Nippon Life Insurance Company	35,812
Development Bank of Japan Inc.	24,080
Sumitomo Mitsui Trust Bank, Limited	22,600
The Dai-ichi Life Insurance Company, Limited	20,000
The Bank of Kyoto, Ltd.	8,100

6 CAPITAL INVESTMENT

Capital investment* during FY2017 amounted to ¥144,062 million. The main purposes of the investments were to strengthen technological capabilities, to improve the ability to be competitive and to enhance MHI's capabilities in the fields where MHI aims to aggressively expand its businesses in the future.
* Based on reported figures for property, plant and equipment

Capital Investment by Business Segment

(Millions of Yen)

Segment	Amount	Main Items
Power Systems	36,953	Expansion of test facilities for gas turbines
Industry & Infrastructure	50,640	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	51,778	Expansion of production facilities for defense aircrafts
Others & Common	4,688	—
Total	144,062	

7 EMPLOYEES

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

(Persons)

Segment	Number of Employees
Power Systems	24,799
Industry & Infrastructure	38,815
Aircraft, Defense & Space	10,762
Others & Common	6,276
Total	80,652

(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 FY2016	Average Age	Average Number of Years of Service
14,717 persons	decrease of 2,107 employees	39.5 years old	16.4 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), Dubai Office (UAE), Taipei Office (Taiwan), Hanoi Liaison Office (Vietnam), Ho Chi Minh City Liaison Office (Vietnam), Kuala Lumpur Office (Malaysia), Jakarta Liaison Office (Indonesia)
	[Head Offices and Networks] Mitsubishi Heavy Industries America, Inc. (U.S.A.), MHI Shared Services Americas, Inc. (U.S.A.), Mitsubishi Industrias Pesadas do Brasil Ltda. (Brazil), Mitsubishi Heavy Industries Mexicana, S.A. de C.V. (Mexico), Mitsubishi Heavy Industries France S.A.S. (France), Mitsubishi Heavy Industries Europe, Ltd. (United Kingdom), MHI Russia LLC (Russia), MHI Technologies S.A.E (Egypt), Mitsubishi Heavy Industries (China) Co., Ltd. (China), Mitsubishi Heavy Industries (Shanghai) Co., Ltd. (China), Mitsubishi Heavy Industries (Hong Kong) Ltd. (China), Mitsubishi Heavy Industries India Private Ltd. (India), Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. (Singapore), Mitsubishi Heavy Industries (Thailand) Ltd. (Thailand), 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	Percent-age of Invest-ment Share (%)	Main Business
Power Systems	Mitsubishi Hitachi Power Systems, Ltd.	Yokohama City	100,000 million Yen	65.0	Thermal power systems-related business
	PW Power Systems LLC	U.S.A.	450.0 million US dollars	*100.0	Thermal power systems-related business
	MHI Holding Denmark ApS	Denmark	315.7 million Euros	99.9	Wind power generators-related business
	Mitsubishi Hitachi Power Systems Americas, Inc.	U.S.A.	352.5 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Hitachi Power Systems Europe GmbH	Germany	98.0 million Euros	*100.0	Thermal power systems-related business
	Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi Prefecture	6,000 million Yen	70.9	Aero engines-related business
	Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	4,000 million Yen	100.0	Compressors-related business

Segment	Name of Company	Address	Capital	Percentage of Investment Share (%)	Main Business
Industry & Infrastructure	Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.	Kawasaki City	35,000 million Yen	100.0	Material handling equipment-related business, Engines-related business, Turbochargers-related business
	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Sagamihara City	25,000 million Yen	*100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Heavy Industries Engineering, Ltd.	Yokohama City	20,000 million Yen	100.0	Chemical plant-related business, Land transportation systems-related business
	Mitsubishi Turbocharger Asia Co., Ltd.	Thailand	5,128 million Thai Bahts	*100.0	Turbochargers-related business
	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Minato-ku, Tokyo	12,000 million Yen	100.0	Air-conditioning and refrigeration systems-related business, Automotive Thermal Systems-related business
	Mitsubishi Caterpillar Forklift America Inc.	U.S.A.	64.6 million US dollars	*93.1	Material handling equipment-related business
	Mitsubishi Turbocharger and Engine Europe B.V.	Netherlands	38.8 million Euros	*100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Logisnext Co., Ltd.	Nagaokakyo City, Kyoto Prefecture	4,890 million Yen	*63.2	Material handling equipment-related business
	Mitsubishi Shipbuilding Co., Ltd.	Yokohama City	3,000 million Yen	100.0	Shipbuilding-related business
	Mitsubishi Heavy Industries Machinery Systems, Ltd.	Kobe City	2,000 million Yen	100.0	Mechatronics systems-related business, Paper Converting Machinery-related business, 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	Environmental systems-related business
	Primetals Technologies, Limited	United Kingdom	0.1 million Euros	*51.0	Metals machinery-related business
Aircraft, Defense & Space	Mitsubishi Aircraft Corporation	Nagoya City	50,000 million Yen	64.0	Commercial aircraft-related business
Others	MHI International Investment B.V.	Netherlands	245.0 million Euros	100.0	Investment for projects, financial operation within the MHI Group
	Mitsubishi Heavy Industries America, Inc.	U.S.A.	15.0 million US dollars	100.0	MHI products-related business in U.S.A.
	Ryoju Facility and Properties Co., Ltd.	Minato-ku, Tokyo	250 million Yen	100.0	Management of factories and welfare facilities-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:

600,000,000 shares

2 TOTAL NUMBER OF THE SHARES ISSUED:

337,364,781 shares (decrease of 3,036,283,032 shares from the end of FY2016)

3 NUMBER OF SHAREHOLDERS:

270,890 persons (decrease of 10,758 persons from the end of FY2016)

4 MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,478,900	4.8
Japan Trustee Services Bank, Ltd. (Trust Account)	11,603,300	3.4
Meiji Yasuda Life Insurance Company	8,002,274	2.3
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	6,526,300	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,404,400	1.9
STATE STREET BANK WEST CLIENT – TREATY 505234	6,212,881	1.8
Mizuho Securities Co., Ltd.	6,108,020	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,396,500	1.6
Japan Trustee Services Bank, Ltd. (Trust Account 1)	4,760,000	1.4
Japan Trustee Services Bank, Ltd. (Trust Account 2)	4,686,000	1.3

(Note)
The ratios of shareholding are calculated excluding treasury stock of 853,183 shares. The number of treasury stock does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (34,888 shares), Board Incentive Plan Trust I (97,400 shares) and Board Incentive Plan Trust II (377,600 shares).

5 Other important matters relating to shares

MHI changed the share trading unit as set forth in MHI's Articles of Incorporation from 1,000 shares to 100 shares on October 1, 2017. Also, in addition to conducting a consolidation of its shares on a one for 10 basis on the same date, the total number of shares authorized to be issued, described in 1 above, was changed from 6 billion shares to 600 million shares. As a result, the total number of the shares issued, described in 2 above, decreased by 3,036,283,032 shares to 337,364,781 shares.

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	Seiji Izumisawa		
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Toshifumi Goto		
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.
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.

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
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, 2018.
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. 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. Seiji Izumisawa and Mr. Toshifumi Goto have been appointed as Full-time Audit and Supervisory Committee Members.
6. Mr. Seiji Izumisawa and Mr. Toshifumi Goto, each a Director, Full-time Audit and Supervisory Committee Member, took up their positions as of June 22, 2017 (on the date of the 92nd Annual General Meeting of Shareholders).
7. Mr. Naoyuki Shinohara, a Director, retired from his position as Professor of Policy Alternatives Research Institute of The University of Tokyo as of March 31, 2018.
8. The Bank of Tokyo-Mitsubishi UFJ, Ltd., at which Director Mr. Nobuo Kuroyanagi serves as Senior Advisor, changed its business name on April 1, 2018 to MUFG Bank, Ltd.
9. Ms. Christina Ahmadjian, a Director, took up her position as Professor of Graduate School of Business Administration of Hitotsubashi University as of April 1, 2018, as a result of integration of a part of Graduate School of Commerce and Management and International Corporate Strategy.

The following changes were instituted in the positions of Directors as of April 1, 2018.

Position	Name	Responsibility
*Director (Member of the Board), Senior Executive Vice President	Masanori Koguchi	CFO, Head of Business Strategy Office
Director (Member of the Board), Senior Executive Vice President	Michisuke Nayama	CTO

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

■ Outline of Liability Limitation Agreement

MHI has entered into liability limitation agreements with Directors: Mr. Naoyuki Shinohara; and Mr. Ken Kobayashi, and Directors who are serving as Audit and Supervisory Committee Members: 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	Purchase of vehicles, 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

(Note)
The entities above are those listed in "1 NAMES OF DIRECTORS, ETC." where an MHI outside officer serves as an "Executive" etc. as defined in Article 124, Paragraph 1, Item 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) PRINCIPAL ACTIVITIES

Position	Name	The Number of Attendance at the Board of Directors Meetings	The Number of Attendance at the Audit and Supervisory Committee Meetings
Director	Naoyuki Shinohara	15 out of 15 times	-
	Ken Kobayashi	11 out of 14 times	-
Director, Audit and Supervisory Committee Member	Nobuo Kuroyanagi	14 out of 15 times	14 out of 15 times
	Christina Ahmadjian	15 out of 15 times	15 out of 15 times
	Shinichiro Ito	15 out of 15 times	14 out of 15 times

(Note)
Mr. Ken Kobayashi, a Director, serves as the Chairman of the Board of Mitsubishi Corporation, which was the counterparty in the tender offer for shares in Mitsubishi Motors Corporation, to which the Company tendered shares. Accordingly, with regard to the Board of Directors meeting at which said tender offer was the only matter considered, this was treated as a similar situation in which there were special interests as prescribed in the provisions of Article 369 Paragraph 2 of the Companies Act, and that he should therefore refrain from attending. As a result the number of times he attended the Board of Directors meetings 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 activities of the Committee including auditing based on their considerable experience and knowledge, and they have also conducted on-site audits at the respective places of business, exchanged opinions with the financial auditor, and provided necessary proposals.

3 REMUNERATION, ETC. TO OFFICERS

(1) AMOUNT OF REMUNERATION, ETC.

Position	Total Amount of Remuneration, etc. (Millions of Yen)	Monetary Remuneration				Stock Remuneration	
		Basic Remuneration		Performance-linked Remuneration			
		Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)
Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	491	6	248	4	143	4	99
(Outside Directors)	(29)	(2)	(29)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	190	7	190	—	—	—	—
(Outside Directors)	(54)	(3)	(54)	(—)	(—)	(—)	(—)
Total	681	13	438	4	143	4	99
(Outside Directors)	(83)	(5)	(83)	(—)	(—)	(—)	(—)

(Notes)

1. The figures include two of the Directors who are serving as Audit and Supervisory Committee Members and who retired during FY2017.
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 234,000 Stock Award Points granted in total during FY2017 (equivalent to 23,400 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

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

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

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

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

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

For the purpose of further enhancing the transparency and fairness concerning the determination of remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI holds the Nomination and Remuneration Meeting(s) consisting solely of the outside directors and President and CEO. During FY2017, MHI held three Nomination and Remuneration Meetings, in which President and CEO explained the policy stated above to outside directors and received opinions and advice from them.

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

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

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

FINANCIAL AUDITOR

1 NAME OF FINANCIAL AUDITOR

KPMG AZSA LLC

(Note)
Ernst & Young ShinNihon LLC, the former financial auditor of MHI, retired upon expiration of its term of office as of the conclusion of the 92nd Annual General Meeting of Shareholders held on June 22, 2017.

2 AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR

¥271 million

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

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

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

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

¥537 million

5 MHI'S SUBSIDIARIES AUDITED BY CERTIFIED PUBLIC ACCOUNTANTS, ETC. OTHER THAN THE FINANCIAL AUDITOR OF MHI

Following MHI's main subsidiaries are audited by certified public accountants, etc. other than the financial auditor of 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.; Mitsubishi Turbocharger Asia Co., Ltd. (Thailand); Mitsubishi Turbocharger and Engine Europe B.V. (Netherlands); Mitsubishi Logisnext Co., Ltd.; Primetals Technologies, Limited (United Kingdom); and MHI International Investment B.V. (Netherlands).

6 CONTENTS OF WORKS OTHER THAN AUDITING

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

7 POLICY ON TERMINATING OR NOT REAPPOINTING THE FINANCIAL AUDITOR

If there are circumstances which give rise to reasonable expectations that the auditing of financial statements will suffer great interference due to an event such as the financial auditor come under any of the provisions set forth in each Item of Article 340, Paragraph 1 of the Companies Act, the

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

(End)

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2018	As of Mar. 31, 2017
ASSETS		
Current assets:		
Cash and deposits	313,458	248,040
Trade receivables	1,232,742	1,180,143
Merchandise and finished products	173,152	178,884
Work in process	899,839	989,336
Raw materials and supplies	139,822	157,330
Deferred tax assets	108,954	114,274
Indemnification asset for South African project	400,903	294,955
Other current assets	319,337	368,088
Allowance for doubtful accounts	(8,998)	(8,959)
Total current assets	**3,579,212**	**3,522,095**
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	340,447	361,310
Machinery and transportation equipment	234,690	262,129
Tools, equipment and furniture	47,758	64,511
Land	179,936	179,674
Leased assets	5,224	5,004
Construction in progress	59,828	62,448
Subtotal	**867,884**	**935,078**
Intangible assets:		
Goodwill	105,125	120,552
Others	107,655	128,896
Subtotal	**212,781**	**249,448**
Investments and advances:		
Investment securities	605,434	578,758
Long-term loans	18,623	17,778
Asset for retirement benefits	73,426	60,556
Deferred tax assets	27,350	13,060
Others	109,548	113,407
Allowance for doubtful accounts	(6,608)	(8,204)
Subtotal	**827,774**	**775,356**
Total non-current assets	**1,908,440**	**1,959,883**
TOTAL ASSETS	**5,487,652**	**5,481,978**

CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2018	As of Mar. 31, 2017
LIABILITIES		
Current liabilities:		
Trade payables	771,324	736,502
Electronically recorded obligations	106,968	99,560
Short-term borrowings	229,584	205,679
Current portion of long-term borrowings	68,956	97,729
Current portion of bonds	30,000	60,000
Income taxes payable	27,251	31,233
Reserve for product warranties	13,936	14,899
Reserve for loss on construction contracts	64,896	49,853
Reserve for loss on passenger vessel construction business	-	18,463
Provision for business structure improvement	6,739	6,585
Reserve for stock benefits	781	366
Advance payments received on contracts	899,642	777,654
Other current liabilities	318,138	428,734
Total current liabilities	**2,538,219**	**2,527,262**
Non-current liabilities:		
Bonds	205,000	215,000
Long-term borrowings	279,630	347,157
Deferred tax liabilities	77,590	85,689
Reserve for stock benefits	1,148	1,247
Reserve for treatment of PCB waste	6,911	6,485
Liability for retirement benefits	137,893	123,160
Other non-current liabilities	76,789	71,858
Total non-current liabilities	**784,963**	**850,598**
TOTAL LIABILITIES	**3,323,183**	**3,377,860**
NET ASSETS		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	213,898	203,658
Retained earnings	1,244,492	1,214,749
Treasury stock	(4,081)	(4,609)
Total stockholders' equity	**1,719,918**	**1,679,407**
Accumulated other comprehensive income (loss) :		
Unrealized holding gain (loss) on investment securities	100,021	100,600
Unrealized gain (loss) from hedging instruments	(880)	(1,882)
Translation adjustments	(6,999)	(2,287)
Retirement benefits liability adjustments	12,732	3,683
Total accumulated other comprehensive income (loss)	**104,874**	**100,113**
Share subscription rights	**2,129**	**2,536**
Non-controlling interests	**337,547**	**322,059**
TOTAL NET ASSETS	**2,164,469**	**2,104,118**
TOTAL LIABILITIES AND NET ASSETS	**5,487,652**	**5,481,978**

CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2017	FY2016
Net sales	**4,110,816**	**3,914,018**
Cost of sales	**3,379,874**	**3,180,898**
Gross profit	**730,942**	**733,119**
Selling, general and administrative expenses	**604,412**	**582,576**
Operating income	**126,530**	**150,543**
Non-operating income:		
Interest income	4,155	3,799
Dividend income	12,211	11,637
Foreign exchange gain	-	10,213
Income from equity method investments	3,230	-
Gain on arbitration expenses awarded in the arbitration relating to nuclear equipment in US	-	6,558
Other income	15,674	9,945
Total non-operating income	**35,272**	**42,155**
Non-operating expenses:		
Interest expense	9,036	11,461
Foreign exchange loss	10,385	-
Loss from equity method investments	-	22,845
Loss on disposal of fixed assets	7,022	7,627
Other expenses	20,896	26,470
Total non-operating expenses	**47,340**	**68,404**
Ordinary income	**114,462**	**124,293**
Extraordinary gain:		
Gain on sales of investment securities	31,303	61,047
Gain on sales of fixed assets	-	53,861
Total extraordinary gain	**31,303**	**114,908**
Extraordinary loss:		
Business structure improvement expenses	14,548	12,810
Impairment loss	3,174	-
Loss on passenger vessel construction business reserve	-	34,323
Compensation for damages decided in the arbitration relating to nuclear equipment in US	-	16,076
Loss on revaluation of investment securities	-	6,272
Total extraordinary loss	**17,723**	**69,483**
Profit before income taxes	**128,042**	**169,718**
Income taxes:		
Current	63,184	49,856
Deferred	(31,315)	14,584
Profit	**96,173**	**105,278**
Profit attributable to non-controlling interests	25,689	17,557
Profit attributable to owners of parent	**70,484**	**87,720**

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

(Millions of Yen)

	As of Mar. 31, 2018	As of Mar.31, 2017
ASSETS		
Current assets:		
Cash and deposits	119,918	61,079
Trade notes receivable	488	102
Trade accounts receivable	219,627	368,183
Merchandise and finished products	1,058	2,175
Work in process	282,343	373,229
Raw materials and supplies	37,027	50,763
Advances to suppliers	43,971	82,407
Prepaid expenses	421	3,060
Deferred tax assets	33,772	42,337
Short-term loans receivable from subsidiaries and affiliates	3,423	266,952
Other current assets	101,798	172,921
Allowance for doubtful accounts	(58)	(96)
Total current assets	**843,793**	**1,423,116**
Non-current assets:		
Property, plant and equipment:		
Buildings	186,951	197,142
Structures	17,832	19,321
Docks and facilities for shipbuilding	3,345	2,680
Machinery	53,010	72,724
Vessels	15	83
Aircraft	1	1
Vehicles and transportation equipment	1,233	2,395
Tools, equipment and furniture	15,895	32,722
Land	95,775	95,827
Leased assets	16,238	17,466
Construction in progress	22,625	28,402
Subtotal	**412,925**	**468,769**
Intangible assets:		
Software	9,562	9,914
Right of using facilities	306	315
Leased assets	18	59
Others	102	85
Subtotal	**9,991**	**10,373**
Investments and advances:		
Investment securities	346,941	391,909
Investments in shares of subsidiaries and affiliates	625,521	452,348
Investments in capital	737	737
Investments in capital of subsidiaries and affiliates	16,312	79,537
Long-term loans receivable from employees	32	33
Long-term loans receivable from subsidiaries and affiliates	423,723	92,839
Claims provable in bankruptcy, claims provable in rehabilitation and other	231	232
Long-term prepaid expense	3,095	4,100
Prepaid pension cost	37,746	48,865
Deferred tax assets	4,260	-
Long-term receivables	462,651	317,311
Others	45,546	47,669
Allowance for doubtful accounts	(110,305)	(51,336)
Subtotal	**1,856,496**	**1,384,249**
Total non-current assets	**2,279,412**	**1,863,392**
TOTAL ASSETS	**3,123,206**	**3,286,509**

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar.31, 2018	As of Mar. 31, 2017
LIABILITIES		
Current liabilities:		
Electronically recorded obligations	29,008	34,867
Trade accounts payable	204,714	268,186
Short-term borrowings	572,349	423,631
Current portion of long-term borrowings	60,978	87,978
Current portion of bonds	30,000	60,000
Lease obligations	1,293	1,389
Accrued payables	29,314	28,516
Accrued expenses	36,726	126,224
Income tax payable	2,951	-
Advance payments received on contracts	430,888	441,989
Deposits received	45,069	23,105
Reserve for loss on construction contracts	9,111	9,732
Reserve for loss on passenger vessel construction business	-	18,463
Provision for business structure improvement	2,202	716
Reserve for stock benefits	616	366
Asset retirement obligations	3	1
Other current liabilities	18,551	15,664
Total current liabilities	**1,473,778**	**1,540,833**
Non-current liabilities:		
Bonds	205,000	215,000
Long-term borrowings	218,208	279,720
Lease obligations	14,723	16,010
Deferred tax liabilities	-	9,489
Reserve for stock benefits	781	836
Reserve for treatment of PCB waste	6,650	6,086
Provision for loss on guarantees	591	7,850
Asset retirement obligations	2,526	2,734
Other non-current liabilities	35,963	29,571
Total non-current liabilities	**484,444**	**567,300**
TOTAL LIABILITIES	**1,958,223**	**2,108,134**
NET ASSETS		
Stockholders' equity:		
Common stock	**265,608**	**265,608**
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,661	2,727
Total capital surplus	**206,197**	**206,263**
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	46,890	69,524
Reserve for reduction in costs of fixed assets	55,047	75,903
Reserve for accelerated depreciation	1,738	2,415
General reserves	-	410,000
Earned surplus brought forward	445,337	2,161
Total revenue reserve	**549,013**	**560,005**
Total retained earnings	**615,377**	**626,369**
Treasury stock	**(2,542)**	**(2,882)**
Total stockholders' equity	**1,084,641**	**1,095,359**
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	79,095	83,141
Unrealized gain (loss) from hedging instruments	(724)	(2,518)
Total valuation, translation adjustments and others	**78,371**	**80,622**
Share subscription rights	**1,969**	**2,393**
TOTAL NET ASSETS	**1,164,983**	**1,178,375**
TOTAL LIABILITIES AND NET ASSETS	**3,123,206**	**3,286,509**

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2017	FY2016
Net sales	1,103,954	1,197,802
Cost of sales	976,135	1,037,175
Gross profit	**127,819**	**160,626**
Selling, general and administrative expenses	**98,281**	**96,157**
Operating income	**29,538**	**64,469**
Non-operating income:		
Interest income	5,312	3,851
Dividend income	42,483	125,791
Foreign exchange gain	7,114	3,898
Gain on sales of investment securities	1,544	-
Other income	3,862	6,478
Total non-operating income	**60,317**	**140,019**
Non-operating expenses:		
Interest expense	7,215	7,677
Interest on bonds	2,003	2,812
Loss on disposal of fixed assets	4,608	5,124
Loss on revaluation of investment securities	302	-
Litigation expenses	1,424	-
Other expenses	9,940	14,306
Total non-operating expenses	**25,495**	**29,920**
Ordinary income	**64,360**	**174,569**
Extraordinary gain:		
Gain on sales of investment securities	35,229	5,376
Reversal of provision for loss on guarantees	7,661	-
Gain on extinguishment of tie-in shares	2,844	-
Gain on sales of fixed assets	-	52,748
Total extraordinary gain	**45,734**	**58,125**
Extraordinary loss:		
Provision of allowance for doubtful accounts	62,662	51,084
Loss on sales of investment in capital	20,050	-
Loss on revaluation of investment securities	-	133,659
Loss on passenger vessel construction business reserve	-	34,323
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	2,202	5,220
Total extraordinary loss	**84,915**	**248,024**
Profit (loss) before income taxes	**25,179**	**(15,330)**
Income taxes:		
Current	7,342	(20,695)
Deferred	(11,542)	24,021
Profit (loss)	**29,379**	**(18,656)**

Independent Auditor's Report

May 14, 2018

Mr.Shunichi Miyanaga
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Mitsubishi Heavy Industries, Ltd. as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Mitsubishi Heavy Industries, Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance 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 Projects” 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.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor’s Report:
The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Companies Act.

(End)

Independent Auditor's Report

May 14, 2018

Mr.Shunichi Miyanaga
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Mitsubishi Heavy Industries, Ltd. as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. 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 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 supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the 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 supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Mitsubishi Heavy Industries, Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance 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 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.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

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

(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 2017 fiscal year, from April 1, 2017, to March 31, 2018. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

(1) The Audit and Supervisory Committee received reports regularly from Directors, employees, etc. on the resolutions of the Board of Directors concerning the matters listed in Article 399-13, Paragraph 1, Items (i)(b) and (i)(c) of the Companies Act as well as the development and operation status of the system that has been put in place based on said resolutions (internal control system), requested explanation as necessary and expressed its opinion. The Committee also received reports from Directors, etc. and KPMG AZUSA LLC on the status of the evaluation and audit of internal controls over financial reporting under the Financial Instruments and Exchange Act and requested explanation as necessary.

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

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

(4) The Audit and Supervisory Committee received a notification from the financial auditor that it is taking steps to improve the "system for ensuring appropriate execution of duties" (matters specified in the items under Article 131 of the 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 2017 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, KPMG AZUSA LLC, are appropriate.

(3) Result of audit of the consolidated financial statements

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

May 21, 2018

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

Seiji Izumisawa (seal)
Full-time Audit and Supervisory Committee Member

Toshifumi Goto (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)