(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.

THE 92ND

ANNUAL GENERAL MEETING OF SHAREHOLDERS

THE INFORMATION DISCLOSED ON THE WEBSITE

2016 FISCAL YEAR (from April 1, 2016 to March 31, 2017)

Pursuant to the laws of Japan and the Article 16 of MHI's Articles of Incorporation, this information is disclosed to the Shareholders on MHI's website. (http://www.mhi.co.jp/finance/stock/meeting/index.html) (available in Japanese only)

STOCK ACQUISITION RIGHTS OF MHI

Stock Acquisition Rights Held by MHI's Officers at the End of FY2016

Name (Approval Date of Stock Acquisition Rights Offering)	Type and Number of Shares Received When Exercising Acquisition Rights	Issue Price of Stock Acquisition Rights	Exercise Price of the Stock Acquisition Rights	Period to Exercise Each Stock Acquisition Right	Stock Acquisition Rights Held by MHI's Officers
#4 Stock Acquisition Rights (July 31, 2006)	1,000 shares of common stock	¥412,000	¥1,000	August 18, 2006 to June 28, 2036	46 (2 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))
#5 Stock Acquisition Rights (July 31, 2007)	1,000 shares of common stock	¥793,000	¥1,000	August 17, 2007 to August 16, 2037	33 (2 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))
#6 Stock Acquisition Rights (July 31, 2008)	1,000 shares of common stock	¥410,000	¥1,000	August 19, 2008 to August 18, 2038	94 (2 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))
#8 Stock Acquisition Rights (July 31, 2009)	1,000 shares of common stock	¥295,000	¥1,000	August 18, 2009 to August 17, 2039	130 (2 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))

<table>
<tr><th>Name (Approval Date of Stock Acquisition Rights Offering)</th><th>Type and Number of Shares Received When Exercising Acquisition Rights</th><th>Issue Price of Stock Acquisition Rights</th><th>Exercise Price of the Stock Acquisition Rights</th><th>Period to Exercise Each Stock Acquisition Right</th><th>Stock Acquisition Rights Held by MHI’s Officers</th></tr>
<tr><td>#9 Stock Acquisition Rights (July 30, 2010)</td><td>1,000 shares of common stock</td><td>¥268,000</td><td>¥1,000</td><td>August 18, 2010 to August 17, 2040</td><td>143 (2 Directors (excluding Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members)))</td></tr>
<tr><td rowspan="2">#10 Stock Acquisition Rights (November 30, 2011)</td><td rowspan="2">1,000 shares of common stock</td><td rowspan="2">¥270,000</td><td rowspan="2">¥1,000</td><td rowspan="2">December 16, 2011 to December 15, 2041</td><td>164 (2 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))</td></tr>
<tr><td>23 (1 Director who is serving as an Audit and Supervisory Committee Member)</td></tr>
<tr><td rowspan="2">#11 Stock Acquisition Rights (July 31, 2012)</td><td rowspan="2">1,000 shares of common stock</td><td rowspan="2">¥225,000</td><td rowspan="2">¥1,000</td><td rowspan="2">August 17, 2012 to August 16, 2042</td><td>196 (2 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))</td></tr>
<tr><td>52 (1 Director who is serving as an Audit and Supervisory Committee Member)</td></tr>
</table>

<table>
<tr><th>Name (Approval Date of Stock Acquisition Rights Offering)</th><th>Type and Number of Shares Received When Exercising Acquisition Rights</th><th>Issue Price of Stock Acquisition Rights</th><th>Exercise Price of the Stock Acquisition Rights</th><th>Period to Exercise Each Stock Acquisition Right</th><th>Stock Acquisition Rights Held by MHI’s Officers</th></tr>
<tr><td rowspan="2">#12 Stock Acquisition Rights (July 31, 2013)</td><td rowspan="2">1,000 shares of common stock</td><td rowspan="2">¥435,000</td><td rowspan="2">¥1,000</td><td rowspan="2">August 20, 2013 to August 19, 2043</td><td>136 (3 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))</td></tr>
<tr><td>27 (1 Director who is serving as an Audit and Supervisory Committee Member)</td></tr>
<tr><td rowspan="2">#15 Stock Acquisition Rights (July 31, 2014)</td><td rowspan="2">1,000 shares of common stock</td><td rowspan="2">¥564,000</td><td rowspan="2">¥1,000</td><td rowspan="2">August 19, 2014 to August 18, 2044</td><td>222 (6 Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members))</td></tr>
<tr><td>44 (1 Director who is serving as an Audit and Supervisory Committee Member)</td></tr>
</table>

(Notes)

1. The issue prices of stock acquisition rights are the fair values of the rights offering (determined according to the Black-Scholes Options Pricing Model) as of the approval date of these rights offering.
2. All stock acquisition rights held by a Director who is serving as an Audit and Supervisory Committee Member were granted during his term of office as a MHI’s Director (excluding who is not serving as an Audit and Supervisory Committee Member) or Senior Vice President.

(End)

ESTABLISHING A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

RESOLUTIONS OF THE BOARD OF DIRECTORS FOR THE ESTABLISHMENT OF A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

In accordance with the applicable laws and ordinances, MHI has prepared a system to ensure appropriate operations by resolution of the Board of Directors. We promote fair and solid management. The content of the resolution is as follows:

1. Matters regarding Directors and employees who are assigned to support duties of the Audit and Supervisory Committee
   For the purpose of supporting the duties of the Audit and Supervisory Committee, MHI shall establish the Audit and Supervisory Committee's Office with dedicated employees to assist the smooth performance of its duties. MHI will not appoint any Director who is assigned to support duties of the Audit and Supervisory Committee.

2. Matters regarding independence of employees in 1. above from Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and to ensure the effectiveness of instructions by the Audit and Supervisory Committee to employees
   The staff of the Audit and Supervisory Committee's Office shall be assigned to said office on an exclusive basis. They shall not receive any instructions or orders from Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and shall obey the instructions and orders of the Audit and Supervisory Committee. Any personnel transfers and evaluation of said staff shall be subject to the consent of the Audit and Supervisory Committee to ensure the independence of them from the departments engaging in business execution and the effectiveness of instructions by the Audit and Supervisory Committee to them.

3. System for reporting to the Audit and Supervisory Committee by Directors and employees and other systems for reporting to the Audit and Supervisory Committee
   (1) Directors, etc. of MHI shall implement arrangements concerning reporting to and communication with the Audit and Supervisory Committee (or the Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee; the same shall apply hereinafter) including reporting matters concerning MHI Group companies. In addition, Directors, etc. of MHI shall ensure adequate mutual understanding through regular exchange of opinions and make reports upon request of the Audit and Supervisory Committee.
   (2) Directors, etc. of MHI Group companies shall carry out reporting to and communication with the Audit and Supervisory Committee in accordance with the operational procedures prescribed in Item 12 and make reports upon request of the Audit and Supervisory Committee.
   (3) The department in charge of the whistleblower system shall report the matters reported to it through the whistleblower system and other compliance-related matters reported to it to the Audit and Supervisory Committee.

4. System to ensure that the person who made a report in 3. above shall not be subject to any unfavorable treatment for reason of having made such report
   It shall be prescribed in company regulations that a person who made a report through the whistleblower system shall not be treated disadvantageously in any way on the grounds of such report and this rule shall be internally informed and appropriately operated.

5. Matters concerning the policy on the treatment of expenses or debts arising in the course of the execution of duties of Audit and Supervisory Committee Members including the procedure for advance payment and reimbursement of expenses arising in the course of the execution of said duties
   A certain amount of annual budget shall be secured for the payment of expenses arising in the course of the execution of duties of Audit and Supervisory Committee Members based on the request of the Audit and Supervisory Committee. If the payment of other expenses is requested by an Audit and Supervisory Committee Member, it shall be handled appropriately pursuant to Article 399-2, Paragraph 4 of the Companies Act.

6. Other systems to ensure effectiveness of audits by the Audit and Supervisory Committee
   Consideration to ensure the effectiveness of audits shall be given to any exchange of opinions with internal departments concerned, financial auditor, etc., information gathering and research that are conducted by the Audit and Supervisory Committee.

7. System to ensure that the Directors' execution of their duties is in compliance with laws and ordinances and MHI's Articles of Incorporation
   (1) Directors shall lead by example in realizing MHI's fundamental principle of fair and honest business activities that comply with all laws and ordinances and emphasize social norms and business ethics.
   (2) The Board of Directors shall fully discuss all matters raised and reported by Directors and oversight MHI's operations from the perspectives of sound and efficient management. The views of outside officers shall be employed to introduce greater objectivity and enhance the effectiveness of oversight.

8. System to store and manage information related to the Directors' execution of their duties
   (1) Principle matters related to the management of documents shall be specified in company regulations, and information related to the Directors' execution of their duties shall be appropriately recorded, stored and managed.
   (2) Directors (including Audit and Supervisory Committee Members) shall be given access to such information at any time where it is deemed necessary to supervise and audit actions by Directors.

9. Regulations and other systems to manage risk of loss
   (1) Systems designed to manage each type of risk shall be implemented and responsibilities shall be clearly defined to ensure the appropriate management of risk.
   (2) Risk shall be regularly evaluated and analyzed and necessary avoidance or mitigating measures taken; internal audits shall monitor the effectiveness and appropriateness of these measures and reports shall be regularly submitted to the Board of Directors and Audit and Supervisory Committee.
   (3) To prepare for cases where significant risk may materialize, MHI shall ensure the means to immediately communicate information to senior management to respond promptly and accurately to emergency situations; individuals responsible for crisis management shall also be appointed in each business division.

10. System to ensure that Directors execute their duties efficiently
   (1) The Board of Directors shall formulate business plans and establish companywide management policy and objectives; business execution, led by the President, shall be conducted with the aim of achieving these objectives.
   (2) MHI's organizational structure, division of duties, and lines of authority shall be specified in company regulations to ensure steps to achieve management objectives are conducted efficiently.

11. System to ensure that the duties and actions of employees comply with laws and ordinances and MHI's Articles of Incorporation
   (1) MHI shall create a framework comprising the Compliance Committee and other bodies to raise awareness of compliance among employees by formulating a code of conduct, implementing various training programs and taking other steps.
   (2) MHI shall establish a whistleblower system and other mechanisms to enhance the effectiveness of compliance, conduct internal audits of the compliance framework, and report the results to the Board of Directors and Audit and Supervisory Committee.

12. System to ensure appropriate business activities of MHI Group
   (1) Each MHI Group company shall operate autonomously as an independent enterprise and its president shall be responsible for the management of the company. At the same time, in order to ensure that the MHI Group as a whole is operated soundly and efficiently and in a manner to contribute to the improvement of its consolidated financial performance, MHI shall support and provide guidance to MHI Group companies by establishing the division of management responsibilities between MHI and Group companies and operational procedures stipulating, among others, matters that should be requested or reported by Group companies to MHI.
   (2) In order to ensure that the MHI Group as a whole is operated appropriately and various risks existing within the MHI Group as a whole are managed appropriately, various measures concerning compliance and risk management shall be promoted on a group-wide basis and each company shall put in place an internal control system that is appropriate for its size and characteristics. The operating status of these internal control systems shall be audited by the department of MHI responsible for their management.
   (3) MHI and MHI group companies shall ensure the accuracy of their respective financial information, and arrange the organization, company regulations and other matters required for the preparation and disclosure of reliable financial reports.

SUMMARY OF THE OPERATION STATUS OF A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

The operation status of a framework for ensuring appropriate business conduct for FY2016 is as summarized below.

1. Initiatives to ensure the effectiveness of audits by the Audit and Supervisory Committee

   - Based on company regulations, MHI has established the Audit and Supervisory Committee's Office with the staff assigned on an exclusive basis to support the audit activities of the Audit and Supervisory Committee. It is also prescribed in the same company regulations that the independence of the exclusively assigned staff from the departments engaging in business execution shall be secured.
   - A budget necessary for audit activities is appropriately secured based on the request of the Audit and Supervisory Committee and expenses, etc. are paid from the budget.
   - MHI responds appropriately to any requests of Full-time Audit and Supervisory Committee Members received in advance for the attendance at an important meeting and the provision of documents. In addition, any projects that are important from the audit perspective, etc. are reported to Full-time Audit and Supervisory Committee Members or the Audit and Supervisory Committee on an individual basis.

- On a regular basis, information is shared among Full-time Audit and Supervisory Committee Members, officers of execution of business department and the internal auditing department. In addition, the Audit and Supervisory Committee regularly exchanges opinions with financial auditor.
- All matters that have been reported through the whistleblower system are reported to Full-time Audit and Supervisory Committee Members. It is prescribed in company regulations that a person who made a report through the whistleblower system shall not be treated disadvantageously in any way on the grounds of such report and this rule is internally informed and strictly enforced.

2. Initiatives to ensure legal compliance in the execution of duties by Directors and employees and the appropriateness of decision-making processes
   - As the initiatives to ensure compliance, MHI established the "MHI Group Global Code of Conduct," which applies to all officers and employees of the MHI Group both in Japan and overseas. MHI also strives to conduct several activities including regular Compliance Committee meetings, the establishment of various company regulations, the provision of education to promote legal compliance, and internal audits that take into consideration the issues of each department subject to audit.
   - In FY2016, 14 meetings of the Board of Directors were held to thoroughly deliberate on each agenda. In addition, the meetings consisting only of outside directors and the President and CEO and the meetings consisting only of outside directors were held to hear broadly the opinions of outside directors particularly on matters related to corporate governance as the initiatives to increase the soundness and transparency of the management of MHI.

3. Initiatives concerning the preservation and management of information about the execution of duties by Directors
   - The minutes of the Board of Directors and other information about the execution of duties by Directors are appropriately recorded in accordance with company regulations and managed in a manner to make them available for inspection any time upon request of a Director. In addition, appropriate measures have been taken to prevent information leakage, loss, etc. and checks on these measures are regularly conducted.

4. Initiatives concerning the management of risk of loss
   - MHI practices portfolio management based on the strategic business assessment system to allocate management resources as appropriate to the business.
   - MHI establishes dedicated organization for risk management concerning the businesses. It also conducts initial screening and monitoring of project negotiations, addresses major risks that are identified, and works with related departments to take appropriate action towards problem resolution.
   - In addition, MHI creates new rules governing business risk management systems and processes, holds business risk management committee meetings based on these rules and checks and discusses the progress of measures to strengthen the business risk management framework.

5. Initiatives to ensure the efficiency of the execution of duties by Directors

- The “2015 Medium-Term Business Plan,” which sets forth group-wide management policies and targets, has been developed by the Board of Directors. Under the business execution framework headed by President and CEO, MHI strives to achieve the targets set forth in the plan and the progress status is regularly reported at the meetings of the Board of Directors.
- Part of decisions on important business execution has been delegated to President and CEO pursuant to the provisions of the Articles of Incorporation. In addition, criteria for matters that should be deliberated by the Board of Directors have been prescribed in the Bylaws of the Board of Directors to improve the efficiency and agility of the execution of duties by Directors.

6. Initiatives to ensure appropriate business conduct of an enterprise group

- Company regulations on the system to define the management responsibilities for MHI Group companies and other relevant matters have been established and important management matters within Group companies are reported to MHI.
- Each MHI Group company is implementing initiatives that are largely similar to those described in “2. Initiatives to ensure legal compliance in the execution of duties by Directors and employees and the appropriateness of decision-making processes” and “4. Initiatives concerning the management of risk of loss” above. In addition, internal audits are conducted by each Group company and the status of these audits is also monitored by the internal auditing department of MHI.

(End)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (1/2)
(From April 1, 2016 to March 31, 2017) (Millions of Yen)

	Stockholders' equity				
	Common stock	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total stockholders' equity**
Balance as of March 31, 2016	**265,608**	**203,951**	**1,173,053**	**(4,771)**	**1,637,842**
Changes in the period					
Cash dividends			(40,291)		**(40,291)**
Profit attributable to owners of parent			87,720		**87,720**
Changes in scope of consolidation			(333)		**(333)**
Changes in scope of equity method application			(5,398)		**(5,398)**
Changes in treasury shares of parent arising from transactions with non-controlling shareholders		(398)			**(398)**
Purchase of treasury stock				(81)	**(81)**
Disposal of treasury stock		104		243	**348**
Net changes in items other than stockholders' equity					
Total changes in the period	**—**	**(293)**	**41,696**	**161**	**41,564**
Balance as of March 31, 2017	**265,608**	**203,658**	**1,214,749**	**(4,609)**	**1,679,407**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (2/2)
(From April 1, 2016 to March 31, 2017) (Millions of Yen)

	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasur e-ments of defined benefit plans	Total accumulated other comprehe n-sive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2016	**40,108**	**3,044**	**17,762**	**(18,998)**	**41,917**	**2,616**	**317,360**	**1,999,737**
Changes in the Period								
Cash dividends								**(40,291)**
Profit attributable to owners of parent								**87,720**
Changes in scope of consolidation								**(333)**
Changes in scope of equity method application								**(5,398)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders								**(398)**
Purchase of treasury stock								**(81)**
Disposal of treasury stock								**348**
Net changes in items other than stockholders' equity	60,491	(1,749)	(20,049)	22,682	61,374	(80)	4,699	**65,993**
Total changes in the period	**60,491**	**(1,749)**	**(20,049)**	**22,682**	**61,374**	**(80)**	**4,699**	**107,558**
Balance as of March 31, 2017	**100,600**	**1,294**	**(2,287)**	**3,683**	**103,291**	**2,536**	**322,059**	**2,107,295**

(REFERENCE)
CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Yen)

	FY2016	FY2015
Cash flows from operating activities:		
Income before income taxes	169,718	132,682
Depreciation and amortization of intangible assets	172,762	158,706
Impairment loss	-	3,393
Amortization of goodwill	16,568	11,416
Increase (decrease) in liability for retirement benefit	(1,093)	(7,820)
Interest and dividend income	(15,437)	(15,577)
Interest expense	11,461	13,338
Foreign exchange loss(gain)	(8,337)	22,856
(Income) loss from equity method investments	22,845	(5,647)
(Gain) loss on sales of investment securities	(61,047)	-
Loss on revaluation of investment securities	6,272	-
(Gain) loss on sales of fixed assets	(53,861)	(5,663)
Loss on disposal of fixed assets	7,627	12,959
Gain on negative goodwill	-	(6,867)
Gain on revision of retirement benefit plan	-	(2,208)
Business structure improvement expenses	12,810	47,251
Loss on passenger vessel construction business reserve	34,323	103,911
(Increase) decrease in receivables	(11,002)	75,764
(Increase) decrease in inventories and advances to suppliers	(121,023)	(116,847)
(Increase) decrease in other assets	(117,552)	(202,252)
Increase (decrease) in payables	(14,261)	(3,228)
Increase (decrease) in advance payments received on contracts	39,375	107,093
Increase (decrease) in other liabilities	52,556	(4,214)
Others	(3)	(3,765)
Subtotal	142,703	315,280
Interest and dividends received	20,270	18,393
Interest paid	(12,185)	(13,800)
Income taxes paid	(54,875)	(49,870)
Net cash provided by operating activities	95,913	270,002
Cash flows from investing activities:		
Net (increase) decrease in time deposits	2,521	(2,180)
Purchases of property, plant, equipment and intangible assets	(200,185)	(161,160)
Proceeds from sales of property, plant, equipment and intangible assets	97,013	12,535
Purchases of investment securities	(5,033)	(13,112)
Proceeds from sales and redemption of investment securities	17,376	11,055
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(105,425)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	9,574
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	102,436	-
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation	(849)	(6,369)
Payments for transfer of business	-	(2,708)
Disbursement of long-term loans	(10,996)	(6,240)
Collection of long-term loans	13,868	4,259
Others	(7,440)	(2,706)
Net cash used in investing activities	8,712	(262,479)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(132,340)	20,506
Proceeds from long-term borrowings	60,206	44,889
Repayment of long-term borrowings	(62,804)	(58,859)
Proceeds from issuance of bonds	30,000	20,000
Payment for redemption of bonds	(20,000)	-
Proceeds from issuance of stock to non-controlling shareholders	445	4,144
Dividends paid to stockholders	(40,283)	(40,269)
Dividends paid to non-controlling shareholders	(2,682)	(10,494)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	0	(571)
Others	5,381	(2,452)
Net cash used in financing activities	(162,078)	(23,106)
Effect of exchange rate changes on cash and cash equivalents	**1,060**	**(35,194)**
Net increase (decrease) in cash and cash equivalents	**(56,392)**	**(50,778)**
Cash and cash equivalents at beginning of year	**300,267**	**357,349**
Increase in cash and cash equivalents due to changes in scope of consolidation	**-**	**649**
Decrease in cash and cash equivalents due to changes in scope of consolidation	**(1,470)**	**(6,953)**
Cash and cash equivalents at end of period	**242,404**	**300,267**

Notes to the Consolidated Financial Statements

Significant Accounting Policies and Essential Facts in Preparing Consolidated Financial Statements

1. Scope of consolidation
   (1) Number of consolidated subsidiaries: 232
   Principal consolidated subsidiaries are described in "OVERVIEW OF MHI GROUP 9. OUTLINES OF MAIN SUBSIDIARIES" of the business report.
   In this fiscal year, 15 companies have been added to the scope of consolidation; five (MITSUBISHI HEAVY INDUSTRIES ENGINE & TURBOCHARGER, Ltd. etc.) are newly formed companies; one is due to an acquisition, and nine are due to the increase of significance on the consolidated financial statements. 21 companies have been excluded from the scope of consolidation; eight (UNICARRIERS HOLDINGS CORPORATION, Ltd., etc.) are due to dissolution by mergers; four (RYOJU PROPERTIES Co., Ltd, etc.) are due to the sale of its equity; three are due to liquidation and five are due to the decrease of significance on the consolidated financial statements.

   (2) Principal non-consolidated subsidiaries:
   AMAGASAKI KENKO NO MORI CO., LTD., etc.
   (Reasons for excluding from the scope of consolidation)
   Non-consolidated subsidiaries are excluded from the scope of consolidation because their consolidation would have a negligible impact on the consolidated financial statements given their aggregate level of total assets, sales, net income, etc.

   (3) Entities not accounted for as subsidiaries even though MHI owns the majority of voting rights:
   MITSUBISHI MAHINDRA AGRICULTURAL MACHINERY CO., LTD.
   This company is classified as an affiliated company accounted for by the equity method considering the percentage of holdings (including preferred stocks) and the contents of shareholders' agreement.

2. Application of the equity method
   (1) Affiliated companies accounted for by the equity method
   SHINRYO CORPORATION, etc.   (Total: 32 companies)
   In this fiscal year, four newly formed companies have been included in the scope of the equity method. MITSUBISHI MOTORS CORPORATION was excluded from the scope of the equity method due to the loss of significant influence. In addition, one company was excluded from the scope of the equity method due to the sale of its shares and RYOJU PROPERTIES Co., Ltd was changed from a consolidated subsidiary to an affiliate accounted for by the equity method.
   Two affiliated companies have been included in the scope of the equity method due to the increase of significance on the consolidated financial statements.

   (2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

   Non-consolidated subsidiaries not accounted for by the equity method:
   AMAGASAKI KENKO NO MORI CO., LTD., etc.
   Affiliated companies not accounted for by the equity method:
   NICHIYU SHARYO CO., LTD. etc.
   (Reasons for not applying the equity method)
   The equity method is not applied to the above non-consolidated subsidiaries and affiliated companies because the change in investment accounts from the application of the equity method would have a negligible impact on the consolidated financial statements.

3. Asset valuation standards and methods
   (1) Securities
   Other securities

Other securities with market value
…Market value method based on market prices and other fair values at the balance sheet date. (Unrealized holding gains and losses are accounted for as a component of net assets. The costs of sold securities are computed based on the moving average method.)
Other securities without market value
…Historical cost method (moving average method).

(2) Inventories
Merchandise and finished products
…Principally historical cost method (moving average method).
(Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)
Work in process
…Principally historical cost method (specific identification method).
(Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)
Raw materials and supplies
…Principally historical cost method (moving average method).
(Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)

4. Depreciation methods for fixed assets
(1) Property, plant and equipment (excluding leased assets)
Principally straight-line method is applied for buildings (excluding the equipment attached to them). Principally declining-balance method is applied for the other items of property, plant and equipment.

(2) Intangible Assets (excluding leased assets)
Straight-line method is applied.

(3) Leased Assets
Straight-line method (where useful lives are equal to the lease terms and residual values are assumed to be zero) is applied.

5. Allowance and reserves
(1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided for possible losses on the collection of receivables. The amount of the allowance for general receivables is based on the write-off ratio. As for certain receivables such as the ones from the debtors whose solvency is in doubt, the recoverability of each receivable is examined individually and the estimated unrecoverable amounts are recognized as the allowance.

(2) Reserve for product warranties
Reserve for product warranties is provided for the product warranty expenditure after products are delivered. The amounts are estimated based on the past statistics and other relevant factors.

(3) Reserve for loss on construction contracts
Reserve for loss on construction contracts is provided for the expected total losses to be realized in the following years on the construction contracts if (i) those losses are judged inevitable at current year-end and (ii) reasonable estimation of the amounts of such losses is possible.
With regard to the construction contracts for which this reserve is recognized, if the year-end balances of their work-in-process already exceed their respective total contract revenues, the exceeding portion is recognized as the loss on devaluation of the work-in-process and, accordingly, is not included in the reserve for losses on construction contracts.

(4) Reserve for loss on passenger vessel construction business
Reserve for loss on passenger vessel construction business is provided based on reasonable estimation for the expected loss to be realized in the following years from the construction of two large-sized cruise ships for the AIDA Cruises brand.

(5) Reserve for stock benefits

Reserve for stock benefits is provided in relation to the plan to grant the stocks of MHI to the officers and executive management personnel through a trust. Estimated value of the MHI's stocks corresponding to the Stock Grant Points held by the eligible persons as at the balance sheet date is recognized.

(6) Reserve for treatment of PCB waste

Reserve for treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on estimated costs of the treatment of PCB products and equipment.

6. Other essential facts in preparing consolidated financial statements

(1) Recognition of revenue and costs

With regard to construction contracts, the percentage-of-completion method is applied if a reliable estimation of the (i) total costs on and revenues from a contract and (ii) percentage of completion at the balance sheet date is available. In applying this method the percentage of completion at the balance sheet date is estimated based on the costs incurred to date divided by the estimated total costs on the contracts. The completed-contract method is applied when the above conditions are not met.

(2) Accounting treatment of consumption tax

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of such taxes.

(3) Liability for retirement benefit

Liability for retirement benefit is provided for employees' retirement benefits by deducting the pension assets (including a retirement benefit trust) from the retirement benefit obligations, based on estimated balances at the end of the fiscal year.

Prior service costs are either expensed as incurred or amortized by the straight-line method over the years shorter than the average remaining service period of employees.

Actuarial gains and losses for each year are amortized by the straight-line method, starting in the following year of incurrence, over the years shorter than the average remaining service period of employees.

Unrecognized actuarial gains and losses and unrecognized prior service costs after tax are recorded in "Remeasurements of defined benefit plans" within the net assets section as a component of accumulated other comprehensive income.

7. Additional information

Application of ASBJ Furplemeatation Guidance on Recoverability of Deferred Tax Assets

Effective from this fiscal year, the MHI Group has applied the Furplemeatation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Notes on Change in Presentation

1. Consolidated Balance Sheet

(1) Change in Presentation of Indemnification asset for South African Project

"Indemnification asset for South African Project" which was included in "Trade receivables" and "Others" under "Current assets" as of March 31,2016 is presented separately from this fiscal year due to an increased in materiality (294,955 million yen as of March 31,2017).

Notes to the Consolidated Balance Sheet

1. Pledged assets and related liabilities

(1) Assets pledged as collateral

Property, plant and equipment	¥	2,341 million
Others	¥	262 million
Total	¥	2,604 million

(2) Liabilities related to the assets pledged as collateral

Short-term borrowings	¥	779 million
Long-term borrowings	¥	590 million
Total	¥	1,370 million

2. Accumulated depreciation
Accumulated depreciation of property, plant and equipment ¥ 2,009,896 million

3. Contingent liabilities
(1) Guarantee obligations on such debts as borrowings from financial institutions by parties outside the MHI Group

Employees (Residence fund loan, etc.)	¥	19,611 million
L&T-MHPS Turbine Generators Private Ltd.	¥	7,841 million
L&T-MHPS Boilers Private Ltd.	¥	2,004 million
Others	¥	10,239 million
Total	¥	39,697 million

(2) Unsettled balances of notes receivable

Notes receivable endorsed	¥	491 million

4. Contingent liabilities relating to change in MRJ delivery timing

MHI announced on January 23, 2017 that the delivery schedule of the first Mitsubishi Regional Jet (MRJ) would be changed from mid-2018 to mid-2020. The change is due mainly to revisions in the placement of certain equipment in addition to design modifications to electrical wiring configurations to meet the latest safety compliance standards. Consultations on the delivery timing were subsequently initiated with existing customers.

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.

5. Indemnification asset for South African Project

On February 1, 2014 (hereinafter referred to as the "Effective Date of Company Split"), MHI and Hitachi, Ltd. ("Hitachi") integrated their businesses centered on thermal power generation systems into Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), a consolidated subsidiary of MHI, through a spin-off in the form of an absorption-type company split.

As part of this business integration, the assets and liabilities, contracts with customers and others, and rights and obligations thereunder, regarding the boiler construction projects for Medupi and Kusile Power Stations (the "South African Projects"), for which Hitachi Power Africa Proprietary Limited ("HPA"), a consolidated subsidiary of Hitachi in the Republic of South Africa, and other companies received orders in 2007, were transferred (the "South African Asset Transfer") from HPA to Mitsubishi Hitachi Power Systems Africa Proprietary Limited ("MHPS-Africa"), a consolidated subsidiary of MHI.

At the time the contract for the South African Asset Transfer was concluded, MHI was aware that major losses were probable and asserted this to Hitachi. Therefore, it was agreed in the contract that Hitachi and HPA would be responsible for contingent liabilities arising from events that occurred prior to the Effective Date of Company Split as well as for any claims that had already accrued as of the said date, while MHPS and MHPS-Africa would be responsible for the execution of the projects on and after the Effective Date of Company Split. On that basis, it was also agreed in the contract to first retrospectively refine the project schedule and the cash flow estimates, as of the Effective Date of Company Split, then to determine the definitive price of the South African Asset Transfer based on them, and then to adjust the difference between the tentative price and the definitive price.

Subsequently, MHI and Hitachi worked together, respecting the spirit of the business integration and continuing discussions, to refine the project schedule and cash flow estimates. MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment. Meanwhile, given that it was already expected as of the Effective Date of Company Split that the South African Projects would incur a loss, MHPS-Africa has the right to receive the price adjustment payments and other payments from Hitachi or HPA in the amount calculated under the legally binding contract. Furthermore, there is a discrepancy between the amount of anticipated losses included in the assets and liabilities regarding HPA's South African Asset Transfer immediately before the Effective Date of Company Split (January 31, 2014) and the amount of the losses that MHI believes were already expected at the time. Presently, there is yet to be agreement on the assets and liabilities.

On March 31, 2016, MHI demanded that Hitachi pay ZAR 48,200 million (equivalent to approximately 379.0 billion yen when converted at a rate of 7.87 yen to 1 ZAR) to MHPS-Africa as part of the price adjustment and other payments (the "Previous Demands for Payment"). In the Previous Demands for Payment, MHI explicitly stated to Hitachi that the amount that Hitachi and HPA were obliged to pay under the contract for the South African Asset Transfer significantly exceeded ZAR 48,200 million and that MHI reserved the right to make additional demands.

Then, on January 31, 2017, MHI demanded that Hitachi pay ZAR 89,700 million (equivalent to approximately 763.4 billion yen when converted at a rate of 8.51 yen to 1 ZAR) as the price adjustment and other payments (the "Current Demands for Payment"), which included the aforementioned Previous Demands for Payment. In the Current Demands for Payment, MHI retrospectively refined the project schedule and the cash flow estimates, as of the Effective Date of Company Split in accordance with the contract for the South African Asset Transfer, and thereby demonstrated that the amount that Hitachi and HPA were obliged to pay significantly exceeded ZAR 48,200 million as stated in the Previous Demands for Payment. Therefore, the Previous Demands for Payment, which were based on MHPS-Africa's cash flow estimates after the Effective Date of Company Split and the Current Demands for Payment are different in nature, and the difference between them affects neither the cash flow estimates for the South Africa Projects after the Effective Date of Company Split nor the amount recorded in "Current assets" on MHI's consolidated balance sheet for this fiscal year.

The Previous Demands and the Current Demands for Payment are exercises of rights pursuant to a legally binding contractual agreement, and MHI intends to collect the amount demanded in accordance with the procedures stipulated in the contract while continuing discussions with Hitachi on this issue.

MHI recorded 294.9 billion yen out of the claims against Hitachi described above in the item "Indemnification asset for South African Project" at the end of this fiscal year. This amount roughly corresponds to the amount of the net expenditure already expended on the South African Projects at the end of this fiscal year, and is a portion of the aforementioned Previous Demands for Payment and Current Demand.

Notes to the Consolidated Statement of Income

1. Business structure improvement expenses

Business structure improvement expenses are comprised of business reorganization expenses relating to Energy & Environment domain, Machinery, Equipment & Infrastructure domain.

2. Loss on passenger vessel construction business reserve

In the passenger vessel construction business, MHI recognized an extraordinary loss of 64,126 million yen in its consolidated financial results for the fiscal year ended March 31, 2014, 69,534 million yen for the fiscal year ended March 31, 2015 and 103,911 million yen for the fiscal year ended March 31, 2016 under provision for loss on passenger vessel construction business reserve as a result of a significant cost overrun, due to, among others, difficulties in construction of the prototype ship.

Having delivered the first ship to the customer in March 2016, MHI continued building the second ship in this fiscal year. In the second quarter, MHI recognized an extraordinary loss of 16,481 million yen. This reflects such factors as an increase in the construction budget with the aim of strengthening the construction system with a priority on ensuring the construction schedule and quality, including a change in subcontractor for some of the interior finishing section work from a Japanese contractor to an overseas contractor with greater expertise in passenger vessel construction, the correction of defects that have become obvious in the first ship while in service in the second ship, and in addition, the effect of appreciation in the value of the yen.

In the fourth quarter of this fiscal year, given the agreement on a final delivery date with the customer, MHI brought forward the schedule and steadily implemented the work for delivery, including interior finishing, inspections and audits, commissioning of various equipment, and sea trials. However, as a result of an anticipated overrun in the construction budget due to some rush work to keep the new delivery schedule and incurrence of new additional costs after the final commercial discussion with the customer, MHI recognized an extraordinary loss of 17,842 million yen for an additional expected loss estimated to the extent reasonably possible as of the end of the fourth quarter. As a result of the foregoing, the total amount of the reserve for loss on passenger vessel construction business recorded under extraordinary loss during this fiscal year amounted to 34,323 million yen.

MHI recognizes the estimated loss associated with its passenger vessel construction business, which will be incurred in the future, as extraordinary loss because it does not regard such loss as one incurred as on ongoing operations.

On the other hand, after delivery to the customer for the first ship, remaining work was carried out during the voyage to Europe, including interior finishing work for some sections on which construction was incomplete at the time of delivery. Because the expenses relating to such work, including expense adjustment with construction contractors, exceeded the amount of reserve already recorded, MHI recognized non-operating expenses of 7,829 million as loss on passenger vessel construction business.

3. Compensation for damages decided in the arbitration relating to nuclear equipment in US

On October 16, 2013, U.S. firm Southern California Edison Company and Edison Material Supply LLC (subsequently joined by U.S. firm San Diego Gas & Electric Company and City of Riverside) (the "Claimants") filed a demand for arbitration against MHI and Mitsubishi Nuclear Energy Systems, Inc. ("Mitsubishi") seeking compensation for damages alleging claims including breach of contract (the "Arbitration") regarding the contract for the supply of replacement steam generators for the U.S. San Onofre Nuclear Generating Station (the "Contract"). As of July 15, 2016, the amount of the claim relating to the Arbitration stood at USD 6.667 billion.

On March 14, 2017, Mitsubishi received the arbitration award from the International Chamber of Commerce (the "ICC"), the arbitral institution in the Arbitration. In the arbitration award, while recognizing the liability of Mitsubishi for compensation for damages to the Claimants, the ICC Tribunal agreed that the limitation of liability contained in the Contract should be upheld, and ordered Mitsubishi to pay USD 125 million for costs incurred by the Claimants up to the liability cap, which includes adjustments as a result of payments already made by Mitsubishi and accrued interest. The ICC Tribunal also rejected claims made by the Claimants alleging that Mitsubishi had committed fraud and gross negligence. Due to the fact that the majority of the Claimants' allegations were not accepted, the ICC Tribunal ordered the Claimants to pay USD 58 million of Mitsubishi's fees and costs incurred for arbitration.

As a result, in the fourth quarter of this fiscal year, MHI recognized an extraordinary loss of 16,076 million yen in compensation for damages, etc. (includes the amount that Mitsubishi has already paid to the Claimants) based on the Arbitration award as an extraordinary item. In addition, since it became clear that no guarantee work for the repair and replacement of defective equipment would be incurred by Mitsubishi as a result of the Arbitration award, 10,397 million yen, which had been recorded as the reserve for guarantee work expenses for repair and replacement of defective equipment, was reversed and recorded as a reduction in cost of sales in the fourth quarter of this fiscal year.

The reimbursement for Mitsubishi's arbitration expenses of 6,558 million yen, which the Claimants have been ordered to pay to Mitsubishi, were recorded in the fourth quarter of this fiscal year under "Gain on arbitration expenses awarded in the arbitration relating to nuclear equipment in US" in non-operating income.

Notes to the Consolidated Statement of Changes in Net Assets

1. Total number of the shares issued
   Common stock 3,373,647,813 shares

2. Cash dividends
   (1) Cash dividends paid

Resolution	Type of shares	Total cash dividends paid	Cash dividends per share	Record date	Effective date
Jun. 23, 2016 Ordinary General Meeting of Shareholders	Common Stock	¥20,181million	¥6	Mar. 31, 2016	Jun. 24, 2016
Oct. 31, 2016 Board of Directors	Common Stock	¥20,181million	¥6	Sep. 30, 2016	Dec. 5, 2016

Note1: Total cash dividends paid in accordance with the resolution by the Ordinary General Meeting of Shareholders held on June 23, 2016 include 36 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

Note2: Total cash dividends paid in accordance with the resolution by the Board of Directors held on October 31, 2016 include 35 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

(2) Dividends of which the record date is within this fiscal year which take effect in the next fiscal year

Resolution	Type of shares	Total cash dividends to be paid	Source of the cash dividends	Cash dividends per share	Record date	Effective date
Jun. 22, 2017 Ordinary General Meeting of Shareholders	Common Stock	¥20,183 million	Retained Earnings	¥6	Mar. 31, 2017	Jun. 23, 2017

Note 1: The above is scheduled to be resolved at the Ordinary General Meeting of Shareholders on June 22, 2017.

Note 2: Total cash dividends to be paid in accordance with the resolution by the Ordinary General Meeting of Shareholders to be held on June 22, 2017 include 34 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

3. Type and number of shares subject to the share subscription rights
   Common stock 6,612,000 shares

Notes on Financial Instruments

1. Condition of financial instruments

The primary source of the MHI Group's operations and plant/equipment investment is the cash earned through operating activities; necessary capital exceeding that is procured mainly through bank loans and debenture issuance. Financial investment is limited to short-term bank deposits and similar assets.

The MHI Group takes steps to mitigate the credit risk on the trade receivables from customers by regularly keeping track of due dates and balances of the receivables from each customer. When necessary, such measures as forward exchange contracts are used to hedge against foreign exchange risk on trade receivables denominated in foreign currencies.

Securities and investment securities are mainly comprised of equities; the MHI Group regularly grasps their fair values and financial conditions of the equity issuers.

Short-term borrowings are used for operations; long-term borrowings and debenture issuance are used for operations and plant/equipment investment. Interest payment for some long-term borrowings with interest-rate risks is fixed by means of interest-rate swaps.

The use of derivatives is subject to the internal control policy and limited to the extent corresponding to actual business.

2. Fair value of financial instruments

The amounts on the consolidated balance sheet, fair values and the variance between them as of March 31, 2017 are shown in the following table. The ones whose fair values are extremely difficult to determine are excluded from the following table. (See Footnote 2 below the table.)

(Unit: million yen)

	Consolidated Balance Sheet Amount (*)	Fair Value (*)	Variance
(1) Cash and deposits	248,040	248,040	—
(2) Trade receivables	1,180,143	1,180,143	—
(3) Securities and investment securities	411,275	411,148	(127)
(4) Trade payables	(736,502)	(736,502)	—
(5) Electronically recorded obligations	(99,560)	(99,560)	—
(6) Short-term borrowings	(205,679)	(205,679)	—
(7) Bonds	(275,000)	(279,115)	(4,115)
(8) Long-term borrowings	(444,887)	(461,981)	(17,094)
(9) Derivatives (*)			
・to which hedge accounting is not applied	(687)	(687)	—
・to which hedge accounting is applied	1,188	1,188	—

(*) The amounts recognized as liabilities are shown in parentheses. The derivatives positions shown are net amounts; if the total net position of an item results in obligations; the amounts are shown in parentheses.

(Footnote 1) The computation method of the fair values of financial instruments

(1) Cash and deposits

The book values are used as the fair values since all the deposits are short-term and the fair values are almost equal to the book values.

(2) Trade receivables

The book values are used as the fair values since large portion of these are settled in a short period and the fair values could be deemed almost equal to the book values.

(3) Securities and investment securities

Market prices are used as the fair values.

(4) Trade payables; (5) Electronically recorded obligations; (6) Short-term borrowings;

The book values are used as the fair values since large portion of these are settled in a short period and the fair values are almost equal to the book values.

(7) Bonds

Market prices are used as the fair values.

(8) Long-term borrowings

The present values of the principal and total interest (*) (discounted by the rate assumed to be applied to the new borrowings of the same conditions) are used as the fair values.

(*) As for the long-term borrowings to which the "exceptional method for interest-rate swaps" are applied (see (9) below), the principal and total interest according to the interest rate under the interest-rate swaps are used.

(9) Derivatives

The fair values of exchange contracts are based on forward exchange rates.

The fair values of the currency option are based on the Black Scholes' equation.

Those to which the "exceptional method for interest-rate swaps" are applied are treated as part of the hedged long-term borrowings, thus their fair values are included in those long-term borrowings. (See above (8).)

(Footnote 2) Unlisted securities, whose consolidated balance sheet amount is 170,901 million yen, are excluded from the above table because it is extremely difficult to determine their fair values; they do not have market prices and reliable estimation by alternative methods is not available due to the impossibility of estimating their future cash flows or other difficulties.

Per Share Information

Book value per share	¥	530.86
Net income per share	¥	26.12

Notes on Business Combination

1. Finalization of the tentative accounting treatment for business combination

With regard to the acquisition of UniCarriers Holdings Corporation (currently UniCarriers Corporation), which took place on March 31, 2016 and was accounted for using tentative accounting treatment in the previous fiscal year, the acquisition cost was finalized and the purchase price allocation was revised in this fiscal year to finalize the accounting treatment.

Accompanying the finalization of the tentative accounting treatment, the adjusted amount of goodwill for this fiscal year is as follows.

Goodwill (before adjustment)	¥	63,147 million
Merchandise and finished products	¥	(2,673) million
Work in process	¥	(751) million
Raw materials and supplies	¥	(193) million
Leased assets (Property, plant and equipment)	¥	460 million
Intangible assets	¥	(12,163) million
Investment securities	¥	(283) million
Accrued payables	¥	2,447 million
Deferred income taxes	¥	4,807 million
Non-controlling interests	¥	1,658 million
Total adjustments	¥	(6,691) million
Goodwill (after adjustment)	¥	56,455 million

Accrued payables are the adjustment amount recognized accompanying the finalization of the acquisition cost.

Accompanying this, the revisions have been reflected in the Balance as of March 31, 2016 on the Consolidated Statement of Changes in Net Assets.

2. Method and term of amortization

Intangible assets	Straight-line method primarily over 9 years
Goodwill	Straight-line method over 10 years

Other notes

Change to the number of shares constituting one unit and the consolidation of shares

The meeting of MHI's Board of Directors held on March 30, 2017 resolved to partially amend the Articles of Incorporation changing the number of shares constituting one unit (from 1,000 shares to 100 shares) pursuant to the provision of Paragraph 1, Article 195 of Japan's Companies Act in addition to resolving to submit a proposal concerning the consolidation of shares (consolidation of 10 shares into 1 share, changing the total number of issued shares from 6 billion shares to 0.6 billion shares) to the 92nd Ordinary General Meeting of Shareholders to be held on June 22, 2017.

Both of these resolutions will be effective as of October 1, 2017, conditional upon the approval of the proposal concerning the consolidation of shares at the Ordinary General Meeting of Shareholders.

(End)

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (1/2)
(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Stockholders' equity								
		Capital surplus			Retained earnings				
						Revenue reserve			
	Common stock	Capital reserve	Other capital reserve	Total capital surplus	Legal reserve	Reserve for specified business restructuring investment loss	Reserve for reduction in costs of fixed assets	Reserve for accelerated depreciation	General reserves
Balance as of March 31, 2016	**265,608**	**203,536**	**2,806**	**206,342**	**66,363**	**92,151**	**44,739**	**3,023**	**460,000**
Changes in the period									
Reversal of reserve for specified business restructuring investment loss						(22,627)			
Provision of reserve for reduction in costs of fixed assets							34,470		
Reversal of reserve for reduction in costs of fixed assets							(3,305)		
Provision of reserve for accelerated depreciation								994	
Reversal of reserve for accelerated depreciation								(1,602)	
Reversal of general reserve									(50,000)
Cash dividends									
Profit (loss)									
Purchase of treasury stock									
Disposal of treasury stock			(78)	(78)					
Decrease by corporate division									
Net changes in items other than stockholders' equity									
Total changes in the period	**-**	**-**	**(78)**	**(78)**	**-**	**(22,627)**	**31,164**	**(607)**	**(50,000)**
Balance as of March 31, 2017	**265,608**	**203,536**	**2,727**	**206,263**	**66,363**	**69,524**	**75,903**	**2,415**	**410,000**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (2/2)
(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Stockholders' equity					Valuation, translation adjustments and others			Share subscription rights	Total net assets
	Retained earnings			Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Total valuation, translation adjustments and others		
	Revenue reserve		Total retained earnings							
	Earned surplus brought forward	Total revenue reserve								
Balance as of March 31, 2016	**19,321**	**619,235**	**685,598**	**(2,969)**	**1,154,580**	**28,746**	**763**	**29,510**	**2,504**	**1,186,595**
Changes in the period										
Reversal of reserve for specified business restructuring investment loss	22,627	-	-		-					-
Provision of reserve for reduction in costs of fixed assets	(34,470)	-	-		-					-
Reversal of reserve for reduction in costs of fixed assets	3,305	-	-		-					-
Provision of reserve for accelerated depreciation	(994)	-	-		-					-
Reversal of reserve for accelerated depreciation	1,602	-	-		-					-
Reversal of general reserve	50,000	-	-		-					-
Cash dividends	(40,363)	(40,363)	(40,363)		**(40,363)**					**(40,363)**
Profit (loss)	(18,656)	(18,656)	(18,656)		**(18,656)**					**(18,656)**
Purchase of treasury stock				(12)	**(12)**					**(12)**
Disposal of treasury stock				100	**21**					**21**
Decrease by corporate division	(209)	(209)	(209)		**(209)**					**(209)**
Net changes in items other than stockholders' equity						54,394	(104)	54,289	(111)	**54,178**
Total changes in the period	**(17,159)**	**(59,229)**	**(59,229)**	**87**	**(59,220)**	**54,394**	**(104)**	**54,289**	**(111)**	**(5,042)**
Balance as of March 31, 2017	**2,161**	**560,005**	**626,369**	**(2,882)**	**1,095,359**	**83,141**	**658**	**83,799**	**2,393**	**1,181,552**

Notes to the Non-Consolidated Financial Statements

Significant Accounting Policies

1. Asset valuation standards and methods
   (1) Securities
      Securities of subsidiaries and affiliated companies
         …Historical cost method (moving average method).
      Other securities
         Other securities with market value
         …Market value method based on market prices and other fair values at the balance sheet date. (Unrealized holding gains and losses are accounted for as a component of net assets. The costs of sold securities are computed based on the moving average method.)
         Other securities without market value
         …Historical cost method (moving average method).

   (2) Inventories
      Merchandise and finished products
      …Historical cost method (moving average method).
         (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)
      Work in process
      …Historical cost method (specific identification method).
         (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)
      Raw materials and supplies
      …Historical cost method (moving average method).(*)
         (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)

         *Some standardized steel materials for building new ships are stated at cost determined by the specific identification method. (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)

2. Depreciation methods for fixed assets
   (1) Property, plant and equipment (excluding leased assets)
      Straight-line method is applied for buildings (excluding the equipment attached to them). Declining-balance method is applied for the other items of property, plant and equipment.

   (2) Intangible Assets (excluding leased assets)
      Straight-line method is applied.

   (3) Leased Assets
      Straight-line method (where useful lives are equal to the lease terms and residual values are assumed to be zero) is applied.

3. Allowance and reserves
   (1) Allowance for doubtful accounts
      Allowance for doubtful accounts is provided for possible losses on the collection of receivables. The amount of the allowance for general receivables is based on the write-off ratio. As for certain receivables such as the ones from the debtors whose solvency is in doubt, the recoverability of each receivable is examined individually and the estimated unrecoverable amounts are recognized as the allowance.

(2) Reserve for product warranties

Reserve for product warranties is provided for the product warranty expenditure after products are delivered. The amounts are estimated based on the past experience.

(3) Reserve for losses on construction contracts

Reserve for losses on construction contracts is provided for the expected total losses to be realized in the following years on the construction contracts if (i) those losses are judged inevitable at current year-end and (ii) reasonable estimation of the amounts of such losses is possible.

With regard to the construction contracts for which this reserve is recognized, if the year-end balances of their work-in-process already exceed their respective total contract revenues, the exceeding portion is recognized as the loss on devaluation of the work-in-process and, accordingly, is not included in the reserve for losses on construction contracts.

(4) Reserve for loss on passenger vessel construction business

Reserve for loss on passenger vessel construction business is provided based on reasonable estimation for the expected loss to be realized in the following years from the construction of two large-sized cruise ships for the AIDA Cruises brand.

(5) Reserve for stock benefits

Reserve for stock benefits is provided in relation to the plan to grant the stocks of MHI to the officers and executive management personnel through a trust. Estimated value of the MHI's stocks corresponding to the Stock Grant Points held by the eligible persons as at the balance sheet date is recognized.

(6) Reserve for retirement allowance

Reserve for retirement allowance is provided for employees' retirement benefits. The amounts are based on the balances of retirement benefit obligations and estimated pension fund assets (including a retirement benefit trust) at the end of the fiscal year.

Prior service costs are expensed as incurred and actuarial gains and losses for each year are amortized by the straight-line method, starting in the following year of incurrence, over the average remaining service period of employees.

(7) Reserve for treatment of PCB waste

Reserve for treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on estimated costs of the treatment of PCB products and equipment.

(8) Reserve for provision for loss on guarantees

Reserve for losses is provided due to contingent liabilities such as guarantees for subsidiaries and affiliates and others, MHI records the amount deemed necessary, taking into account the financial position and other factors of the guaranteed parties.

4. Recognition of revenue and costs

With regard to construction contracts, the percentage-of-completion method is applied if a reliable estimation of the (i) total costs on and revenues from a contract and (ii) percentage of completion at the balance sheet date is available. In applying this method the percentage of completion at the balance sheet date is estimated based on the costs incurred to date divided by the estimated total costs on the contracts. The completed-contract method is applied when the above conditions are not met.

5. Other essential facts in preparing non-consolidated financial statements
   Accounting treatment of consumption tax
   Transactions subject to national and local consumption taxes are recorded at amounts exclusive of such taxes.

6. Additional information
   Application of ASBJ Furplemeatation Guidance on Recoverability of Deferred Tax Assets
   Effective from this fiscal year, MHI has applied the Furplemeatation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Notes to the Non-Consolidated Balance Sheet

1. Accumulated depreciation
   Accumulated depreciation of property, plant and equipment ¥ 1,079,793 million

2. Contingent liabilities
   Guarantee obligations on such debts as borrowings from financial institutions

Mitsubishi Heavy Industries Aero Engines, Ltd.	¥	20,000 million
Employees (Residence fund loan, etc.)	¥	14,852 million
Mitsubishi Heavy Industries Shipbuilding Co., Ltd.	¥	13,665 million
Mitsubishi Nuclear Fuel Co, Ltd.	¥	7,000 million
Others	¥	25,761 million
Total	¥	81,279 million

3. Contingent liabilities relating to change in MRJ delivery timing
   MHI announced on January 23, 2017 that the delivery schedule of the first Mitsubishi Regional Jet (MRJ) would be changed from mid-2018 to mid-2020. The change is due mainly to revisions in the placement of certain equipment in addition to design modifications to electrical wiring configurations to meet the latest safety compliance standards. Consultations on the delivery timing were subsequently initiated with existing customers.
   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.

4. Monetary receivables from / payables to subsidiaries and affiliated companies
   (Excluding accounts which are stated as such in Balance Sheet)

Short-term monetary receivables	¥	185,383 million
Long-term monetary receivables	¥	318,606 million
Short-term monetary payables	¥	386,836 million
Long-term monetary payables	¥	15,678 million

5. Others
   On February 1, 2014 (hereinafter referred to as the "Effective Date of Company Split"), MHI and Hitachi, Ltd. ("Hitachi") integrated their businesses centered on thermal power generation systems into Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), a consolidated subsidiary of MHI, through a spin-off in the form of an absorption-type company split.
   As part of this business integration, the assets and liabilities, contracts with customers and others, and rights and obligations thereunder, regarding the boiler construction projects for Medupi and Kusile Power Stations (the "South African Projects"), for which Hitachi Power Africa Proprietary Limited ("HPA"), a

consolidated subsidiary of Hitachi in the Republic of South Africa, and other companies received orders in 2007, were transferred (the “South African Asset Transfer”) from HPA to Mitsubishi Hitachi Power Systems Africa Proprietary Limited (“MHPS-Africa”), a consolidated subsidiary of MHI.

At the time the contract for the South African Asset Transfer was concluded, MHI was aware that major losses were probable and asserted this to Hitachi. Therefore, it was agreed in the contract that Hitachi and HPA would be responsible for contingent liabilities arising from events that occurred prior to the Effective Date of Company Split as well as for any claims that had already accrued as of the said date, while MHPS and MHPS-Africa would be responsible for the execution of the projects on and after the Effective Date of Company Split. On that basis, it was also agreed in the contract to first retrospectively refine the project schedule and the cash flow estimates, as of the Effective Date of Company Split, then to determine the definitive price of the South African Asset Transfer based on them, and then to adjust the difference between the tentative price and the definitive price.

Subsequently, MHI and Hitachi worked together, respecting the spirit of the business integration and continuing discussions, to refine the project schedule and cash flow estimates. MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment. Meanwhile, given that it was already expected as of the Effective Date of Company Split that the South African Projects would incur a loss, MHPS-Africa has the right to receive the price adjustment payments and other payments from Hitachi or HPA in the amount calculated under the legally binding contract. Furthermore, there is a discrepancy between the amount of anticipated losses included in the assets and liabilities regarding HPA’s South African Asset Transfer immediately before the Effective Date of Company Split (January 31, 2014) and the amount of the losses that MHI believes were already expected at the time. Presently, there is yet to be agreement on the assets and liabilities.

On March 31, 2016, MHI demanded that Hitachi pay ZAR 48,200 million (equivalent to approximately 379.0 billion yen when converted at a rate of 7.87 yen to 1 ZAR) to MHPS-Africa as part of the price adjustment and other payments (the “Previous Demands for Payment”). In the Previous Demands for Payment, MHI explicitly stated to Hitachi that the amount that Hitachi and HPA were obliged to pay under the contract for the South African Asset Transfer significantly exceeded ZAR 48,200 million and that MHI reserved the right to make additional demands.

Then, on January 31, 2017, MHI demanded that Hitachi pay ZAR 89,700 million (equivalent to approximately 763.4 billion yen when converted at a rate of 8.51 yen to 1 ZAR) as the price adjustment and other payments (the “Current Demands for Payment”), which included the aforementioned Previous Demands for Payment. In the Current Demands for Payment, MHI retrospectively refined the project schedule and the cash flow estimates, as of the Effective Date of Company Split in accordance with the contract for the South African Asset Transfer, and thereby demonstrated that the amount that Hitachi and HPA were obliged to pay significantly exceeded ZAR 48,200 million as stated in the Previous Demands for Payment. Therefore, the Previous Demands for Payment, which were based on MHPS-Africa’s cash flow estimates after the Effective Date of Company Split and the Current Demands for Payment are different in nature, and the difference between them affects neither the cash flow estimates for the South Africa Projects after the Effective Date of Company Split nor the amount recorded in “Current assets” on MHI’s consolidated balance sheet for this fiscal year.

The Previous Demands and the Current Demands for Payment are exercises of rights pursuant to a legally binding contractual agreement, and MHI intends to collect the amount demanded in accordance with the procedures stipulated in the contract while continuing discussions with Hitachi on this issue.

At the end of this fiscal year, MHI has extended loans of 230 billion yen to

MHPS-Africa.

Notes to the Non-Consolidated Statement of Income

1. Transactions with subsidiaries and affiliated companies

Sales	¥ 291,107 million
Purchases	¥ 288,058 million
Transactions other than operating transactions	¥ 128,186 million

2. Business structure improvement expenses

   Business structure improvement expenses are comprised of business reorganization expenses relating to Machinery, Equipment & Infrastructure domain.

3. Loss on passenger vessel construction business reserve

   In the passenger vessel construction business, MHI recognized an extraordinary loss of 64,126 million yen in its financial results for the fiscal year ended March 31, 2014, 69,534 million yen for the fiscal year ended March 31, 2015 and 103,911 million yen for the fiscal year ended March 31, 2016 under provision for loss on passenger vessel construction business reserve as a result of a significant cost overrun, due to, among others, difficulties in construction of the prototype ship.

   Having delivered the first ship to the customer in March 2016, MHI continued building the second ship in this fiscal year. In the second quarter, MHI recognized an extraordinary loss of 16,481 million yen. This reflects such factors as an increase in the construction budget with the aim of strengthening the construction system with a priority on ensuring the construction schedule and quality, including a change in subcontractor for some of the interior finishing section work from a Japanese contractor to an overseas contractor with greater expertise in passenger vessel construction, the correction of defects that have become obvious in the first ship while in service in the second ship, and in addition, the effect of appreciation in the value of the yen.

   In the fourth quarter of this fiscal year, given the agreement on a final delivery date with the customer, MHI brought forward the schedule and steadily implemented the work for delivery, including interior finishing, inspections and audits, commissioning of various equipment, and sea trials. However, as a result of an anticipated overrun in the construction budget due to some rush work to keep the new delivery schedule and incurrence of new additional costs after the final commercial discussion with the customer, MHI recognized an extraordinary loss of 17,842 million yen for an additional expected loss estimated to the extent reasonably possible as of the end of the fourth quarter. As a result of the foregoing, the total amount of the reserve for loss on passenger vessel construction business recorded under extraordinary loss during this fiscal year amounted to 34,323 million yen.

   MHI recognizes the estimated loss associated with its passenger vessel construction business, which will be incurred in the future, as extraordinary loss because it does not regard such loss as one incurred as on ongoing operations.

   On the other hand, after delivery to the customer for the first ship, remaining work was carried out during the voyage to Europe, including interior finishing work for some sections on which construction was incomplete at the time of delivery. Because the expenses relating to such work, including expense adjustment with construction contractors, exceeded the amount of reserve already recorded, MHI recognized non-operating expenses of 7,829 million as loss on passenger vessel construction business.

4. Compensation for damages decided in the arbitration relating to nuclear equipment in US

   On October 16, 2013, U.S. firm Southern California Edison Company and Edison Material Supply LLC (subsequently joined by U.S. firm San Diego Gas & Electric Company and City of Riverside) (the “Claimants”) filed a demand for arbitration against MHI and Mitsubishi Nuclear Energy Systems, Inc. (“Mitsubishi”) seeking compensation for damages alleging claims including breach of contract (the “Arbitration”) regarding the contract for the supply of replacement steam generators for the U.S. San Onofre Nuclear Generating Station (the “Contract”). As of July 15, 2016, the amount of the claim relating to the Arbitration stood at USD 6.667 billion.

On March 14, 2017, Mitsubishi received the arbitration award from the International Chamber of Commerce (the “ICC”), the arbitral institution in the Arbitration. In the arbitration award, while recognizing the liability of Mitsubishi for compensation for damages to the Claimants, the ICC Tribunal agreed that the limitation of liability contained in the Contract should be upheld, and ordered Mitsubishi to pay USD 125 million for costs incurred by the Claimants up to the liability cap, which includes adjustments as a result of payments already made by Mitsubishi and accrued interest. The ICC Tribunal also rejected claims made by the Claimants alleging that Mitsubishi had committed fraud and gross negligence. Due to the fact that the majority of the Claimants’ allegations were not accepted, the ICC Tribunal ordered the Claimants to pay USD 58 million of Mitsubishi’s fees and costs incurred for arbitration.

As a result, in the fourth quarter of this fiscal year, MHI recognized an extraordinary loss of 16,076 million yen in compensation for damages, etc. (includes the amount that Mitsubishi has already paid to the Claimants) based on the Arbitration award as an extraordinary item. In addition, since it became clear that no guarantee work for the repair and replacement of defective equipment would be incurred by Mitsubishi as a result of the Arbitration award, 10,397 million yen, which had been recorded as the reserve for guarantee work expenses for repair and replacement of defective equipment, was reversed and recorded as a reduction in cost of sales in the fourth quarter of this fiscal year.

The reimbursement for Mitsubishi’s arbitration expenses of 6,558 million yen, which the Claimants have been ordered to pay to Mitsubishi, were recorded in the fourth quarter of this fiscal year under “Gain on arbitration expenses awarded in the arbitration relating to nuclear equipment in US” in non-operating income..

Notes to the Non-Consolidated Statement of Changes in Net Assets

The number of treasury stock

Common stock 9,694,094 shares

Notes on Tax Effect Accounting

Deferred tax assets are principally caused by temporary differences with shares of subsidiaries and affiliates arising from restructuring. Deferred tax liabilities are principally caused by the reserve for reduction in costs of fixed assets.

Related Party Transactions

Category	Name	Percentage of Voting Rights held by the Issuer	Relation with the Related Parties	Contents of the Transactions	Transaction Amounts	Account	Ending Balance
Subsidiary	Mitsubishi Aircraft Corporation	Direct 64.6%	Manufacturing of MRJ Some officers of MHI concurrently serve as officers of the related party	Manufacturing contract for commercial aircraft(*1)	¥ 10,405 million	Trade Accounts Receivable	¥ 42,343 million

Subsidiary	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Indirect 100.0%	Transfer of Business	Transfer of Business (*2)			
				Total Assets Transferred	¥ 119,220 million	—	—
				Total Liabilities Transferred	¥ 93,147 million	—	—
				Transfer Value	¥ 26,073 million	—	—
Subsidiary	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Direct 100.0%	Transfer of Business Some officers of MHI concurrently serve as officers of the related party	Transfer of Business (*3)		—	—
				Total Assets Transferred	¥ 47,187 million	—	—
				Total Liabilities Transferred	¥ 32,665 million		
				Transfer Value	¥ 14,522 million		

Terms and conditions of the transaction and the policy for determining terms and conditions

*1. The terms and conditions are determined based on negotiation between the parties as there has been no similar transaction in the past.

*2. On July 1, 2016, MHI transferred its Engine & Turbo Charge business to Mitsubishi Heavy Industries Engine & TurboCharger, Ltd. by way of company split. Assets and liabilities relating to the business were transferred by their book value immediately prior to the company split, as a transaction under common control in accordance with the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

*3. On October 1, 2016, MHI transferred its Chiller & Heat Pump Engineering business to Mitsubishi Heavy Industries Thermal Systems, Ltd. by way of company split. Assets and liabilities relating to the business were transferred by their book value immediately prior to the company split, as a transaction under common control in accordance with the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

Per Share Information

Book value per share	¥ 351.13
Net income per share	¥ 5.56

Other notes

Change to the number of shares constituting one unit and the consolidation of shares

The meeting of MHI's Board of Directors held on March 30, 2017 resolved to partially amend the Articles of Incorporation changing the number of shares constituting one unit (from 1,000 shares to 100 shares) pursuant to the provision of Paragraph 1, Article 195 of Japan's Companies Act in addition to resolving to submit a proposal concerning the consolidation of shares (consolidation of 10 shares into 1 share, changing the total number of issued shares from 6 billion shares to 0.6 billion shares) to the 92nd Ordinary General Meeting of Shareholders to be held on June 22, 2017.

Both of these resolutions will be effective as of October 1, 2017, conditional upon the approval of the proposal concerning the consolidation of shares at the Ordinary General Meeting of Shareholders.

(End)