(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. All the number of pages referred in this translation is translated directly from the official Japanese original without any adjustment or modification.

THE 90TH

ORDINARY GENERAL MEETING OF SHAREHOLDERS

THE INFORMATION DISCLOSED ON THE WEBSITE

2014 FISCAL YEAR (from April 1, 2014 to March 31, 2015)

① NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

② NOTES TO THE FINANCIAL STATEMENTS

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)

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: 240
   Principal consolidated subsidiaries are described in “OVERVIEW OF MHI GROUP 10. OUTLINES OF MAIN SUBSIDIARIES” of the business report.
   In this fiscal year, 33 companies have been added to the scope of consolidation; Nine (MITSUBISHI HEAVY INDUSTRIES AERO ENGINES, LTD., etc.) are newly formed companies; 24 are due to equity acquisition. 84 companies have been excluded from the scope of consolidation; eight are due to mergers among consolidated subsidiaries; three are due to the sale of its equity; 73 are due to the decrease of significance on the consolidated financial statements resulting from expansion in the scale of MHI Group by recent business mergers.

   (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.

2. Application of the equity method
   (1) Affiliated companies accounted for by the equity method
   MITSUBISHI MOTORS CORPORATION, etc. (Total: 25 companies)
   In this fiscal year, three companies have been added to the scope of equity method application; one is a newly formed company; two are due to equity acquisition. 14 companies have been excluded from the scope of equity method application; one is due to liquidation; 13 are due to the decrease of significance on the consolidated financial statements resulting from expansion in the scale of MHI Group by recent business mergers.

   (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:
   KITAKANTO NICHIYU 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 for buildings (excluding the equipment attached to them); principally declining-balance method for the other items of property, plant and equipment.

(2) Leased Assets

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

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 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.

(Change in accounting policy)

From this fiscal year, MHI Group has applied the provision of article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015).

Under these provisions, MHI Group reviewed the calculation method of retirement benefit obligation and service cost, and changed the attribution method of expected benefit payments from principally straight-line method to principally benefit formula method, and changed the determination method of discount rate to the use of a single weighted average discount rate.

In accordance with the transitional measures stipulated in article 37 of the accounting standard, the effect of change in the calculation method of retirement benefit obligation and service cost is recognized as an adjustment to the beginning balance of this fiscal year's retained earnings.

As a result, "Liability for retirement benefit" decreased by 23,863 million yen, while "Asset for retirement benefit" and "Retained earnings" increased by 58,609 million yen and 49,547 million yen, respectively, as at the beginning of the fiscal year. The effect of change on this fiscal year's profit and loss was immaterial.

7. Additional information

(1) Adjustment to deferred tax assets and deferred tax liabilities due to changes in corporate income tax rate

Following the promulgation of the "Law for Partial Amendment of the Income Tax Law, etc." (Law No. 9 of 2015) and the "Law for Partial Amendment of the Local Tax Law, etc." (Law No. 2 of 2015) on March 31, 2015, the reduction in the corporate income tax rate becomes effective for fiscal years beginning on or after April 1, 2015. In conjunction with these changes, the statutory tax rate used to measure deferred tax assets and liabilities for the temporary differences estimated to be resolved in or after the fiscal year beginning on April 1, 2015 have been changed.

As a result, “Deferred tax assets (net of deferred tax liabilities)” decreased by 8,663 million yen, while “Income taxes (deferred)”, “Net unrealized gains (losses) on investment securities”, and “Remeasurements of defined benefit plans” increased by 13,301 million yen, 3,707 million yen and 930 million yen, respectively, in this fiscal year.

Notes on Change in Presentation / Classification of Line Items

1. Change in presentation of asset for retirement benefit

“Asset for retirement benefit” which was included in “Others” under Investments and advances in previous fiscal years is separately shown from this fiscal year due to the increased materiality of the account. The ending balances of the account for the previous and current fiscal years are 80,468 million yen and 67,377 million yen, respectively.

2. Change in presentation of electronically recorded obligations

“Electronically recorded obligations” which was included in “Trade payables” in previous fiscal years is separately shown from this fiscal year due to the increased materiality of the account. The ending balances of the account for the previous and current fiscal years are 41,000 million yen and 74,430 million yen, respectively.

Notes to the Consolidated Balance Sheet

1. Pledged assets and related liabilities

(1) Assets pledged as collateral

Property, plant and equipment	¥	6,479 million
Others	¥	5,882 million
Total	¥	12,361 million

(2) Liabilities related to the assets pledged as collateral

Short-term borrowings	¥	1,477 million
Long-term borrowings	¥	358 million
Total	¥	1,835 million

2. Accumulated depreciation

Accumulated depreciation of property, plant and equipment	¥	1,962,875 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.)	¥	23,728 million
L&T-MHPS Turbine Generators Private Ltd.	¥	9,555 million
L&T-MHPS Boilers Private Ltd.	¥	5,051 million
Others	¥	19,325 million
Total	¥	57,661 million

(2) Unsettled balances of notes receivable

Notes receivable discounted	¥	1,837 million
Notes receivable endorsed	¥	487 million

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, and Others.

2. Loss on passenger vessel construction business reserve

In November 2011, MHI received an order for two large-sized cruise ships for the AIDA Cruises brand. In the course of the project, difficulties involved in the construction of a prototype became evident. Moreover, the volume of design work relating to the cruise ship cabins and other areas increased and significant design changes were made, resulting in a delay in the design work. This delay not only increased design costs but also had negative effects on the subsequent material procurement, construction process and other works, with adverse impact on the project costs. Under such circumstances, a significant loss on construction was anticipated and therefore at the end of FY2013 an extraordinary loss of 64,126 million yen was recognized as an amount of provision reasonably estimated for loss expected to incur in FY2014 and subsequent fiscal years.

As for the ship construction, MHI set up a new project management structure in March 2014 and pressed ahead with the construction work. In FY2014, however, as advanced specifications required for the ships were discussed and pursued with the customer, circumstances emerged involving the need for reviewing the basic ship design, including the overall layout plan of the public area, the cabins and other areas, as well as related fixtures and equipment, causing extensive redesigning and significant delay in the design work schedules.

Despite the additional design resources mobilized and other measures taken, in the second quarter of FY2014, the construction work process of the first ship had to be revised because the completion of release of the drawings was expected to be delayed from the planned date. The delay in the design work for the first ship led to another delay in the release of the drawings for the second ship, which in turn affected adversely the construction work process of the second ship.

Consequently, in the second quarter of FY2014, an extraordinary loss of 39,841 million yen was recorded as an amount of provision reasonably estimated for additional loss expected from increases in design rework costs, in construction costs due to backtrack works at later work stages and rush work required to make up delays, as well as in procurement costs associated with changes in design specifications and increases in volume of materials.

Amid such circumstances, in order to reinforce the project execution structure further, MHI brought in top-class managers such as senior general managers and their equivalents from other departments, employed foreign expert personnel, and mobilized a large number of direct workers both from inside and outside MHI. Also, by further improving the relationship of trust and enhancing communication with the customer, we are currently working closely together with the customer on the construction aiming at the completion of the first ship in September 2015.

Meanwhile, the design work ran behind the schedule planned at the close of the second quarter of FY2014. Specifically, while we expected that the overall layout plan would be approved by the customer by the end of December 2014, an agreement on specifications for the overall layout plan with the customer was actually delayed until March 2015 due to design challenges associated with the installation of an enormous quantity of pipes and electric wires in a small and narrow space inside the ship. In addition, detailed changes in the design were necessary after the construction process started in order to reflect the actual situation of the construction work site.

The ships are designed to be equipped with very high-density, interrelated complex systems and nearly 4,000 people are working in a small and narrow space inside the ship to deal with the enormous workload required. Therefore, any design change affects the entire process and gives rise to major reworks and decrease in work efficiency, resulting in more than estimated cost increase.

In addition, on-site construction cost is also expected to increase as additional resources have been mobilized for rush work in order to recover delays in the construction schedule caused by above reasons.

Consequently, in the fourth quarter of FY2014, MHI came to expect that the amount of expected future loss would exceed the amount of the provision recorded at the end of FY2013 and in the second quarter of FY2014. MHI therefore recorded at the end of the fourth quarter of FY2014 an extraordinary loss of 29,693 million yen as an amount of provision for additional loss estimated to the extent reasonably possible.

As a result, the amount of "Loss on passenger vessel construction business reserve" recorded under extraordinary loss in FY2014 totaled 69,534 million yen.

MHI recognizes future loss expected to incur associated with its cruise ship business as extraordinary loss because it does not regard such loss as a loss incurred as an ongoing operations.

As most of the design-related challenges and issues concerning the construction of a prototype ship have been resolved as of the end of FY2014, MHI believes that it has already accounted for all provisions for loss related to its cruise ship business estimated to the extent reasonably possible based on the facts already occurred. However, should any new events occur in the future such as unexpected changes to specifications, the actual amount of loss may be different from the amount of provision recorded.

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 26, 2014 Ordinary General Meeting of Shareholders	Common Stock	¥ 13,421million	¥ 4	Mar 31, 2014	Jun 27, 2014
Oct 31, 2014 Board of Directors	Common Stock	¥ 16,778million	¥ 5	Sep 30, 2014	Dec 3, 2014

   (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 26, 2015 Ordinary General Meeting of	Common Stock	¥ 20,135 million	Retained Earnings	¥ 6	Mar 31, 2015	Jun 29, 2015

Shareholders						

Note: The above is scheduled to be resolved at the ordinary general meeting of shareholders on June 26, 2015.

3. Type and number of shares subject to the share subscription rights
   Common stock 8,490, 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, 2015 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	367,415	367,415	—
(2) Trade receivables	1,291,278	1,291,278	—
(3) Securities and investment securities	433,678	562,682	129,003
(4) Trade payables	(794,780)	(794,780)	—
(5) Electronically recorded obligations	(74,430)	(74,430)	—
(6) Short-term borrowings	(177,780)	(177,780)	—
(7) Commercial papers	(95,000)	(95,000)	—
(8) Debentures	(245,000)	(252,309)	(7,309)
(9) Long-term borrowings	(457,807)	(483,332)	(25,524)
(10) Derivatives (*)			
・to which hedge accounting is not applied	(484)	(484)	—

・to which hedge accounting is applied	(185)	(185)	—

(*) 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; (7) Commercial papers

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.

(8) Debentures

Market prices are used as the fair values.

(9) 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 (10) below), the principal and total interest according to the interest rate under the interest-rate swaps are used.

(10)Derivatives

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

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 (9).)

(Footnote 2) Unlisted securities, whose consolidated balance sheet amount is 151,338 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	¥ 530.65
Net income per share	¥ 32.90

Notes on Business Combination

Business Combination by Acquisition

1. Material adjustments to the initially allocated acquisition cost

In the previous fiscal year, purchase price allocation of the thermal power generation system businesses acquired from Hitachi, Ltd. on February 1, 2014 was not finalized, and therefore accounting treatment was conducted based on reasonable information available at the balance sheet date.

In this fiscal year, the following adjustments were made due to the finalization of purchase price allocation.

Goodwill (before adjustment)	¥	97,725 million
Intangible assets	¥	(75,460) million
Deferred tax liabilities	¥	26,728 million
Minority interests	¥	15,448 million
Total adjustments	¥	(33,284) million
Goodwill (after adjustment)	¥	64,441 million

The above is the amount of goodwill initially recognized before MHI sold 33 shares of Mitsubishi Hitachi Power System, Ltd. stocks to Hitachi.

2. Method and term of amortization

Goodwill	Straight-line method over ten years
Intangible assets	Straight-line method primarily over 7 years

Notes to the 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.) Inventories held by certain business units are stated at cost determined by the yearly average 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 for buildings (excluding the equipment attached to them); declining-balance method for the other items of property, plant and equipment.

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

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 statistics and other relevant factors.

(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 legal claims

Reserve for legal claims is provided based on estimates of damage compensations and other expenses on legal claims.

(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.

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 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

Adjustment to deferred tax assets and deferred tax liabilities due to changes in corporate income tax rate

Following the promulgation of the "Law for Partial Amendment of the

Income Tax Law, etc." (Law No. 9 of 2015) and the "Law for Partial Amendment of the Local Tax Law, etc." (Law No. 2 of 2015) on March 31, 2015, the reduction in the corporate income tax rate becomes effective for fiscal years beginning on or after April 1, 2015. In conjunction with these changes, the statutory tax rate used to measure deferred tax assets and liabilities for the temporary differences estimated to be resolved in or after the fiscal year beginning on April 1, 2015 have been changed.

As a result, "Deferred tax assets (net of deferred tax liabilities)" decreased by 4,845 million yen, while "Income taxes (deferred)" and "Net unrealized gains (losses) on investment securities" increased by 8,061 million yen and 3,216 million yen, respectively, in this fiscal year.

Notes on Change in Accounting Policy

1. Application of Accounting Standards for Retirement Benefits

From this fiscal year, MHI Group has applied the provision of article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015).

Under these provisions, MHI Group reviewed the calculation method of retirement benefit obligation and service cost, and changed the attribution method of expected benefit payments from straight-line method to benefit formula method, and changed the determination method of discount rate to the use of a single weighted average discount rate.

In accordance with the transitional measures stipulated in article 37 of the accounting standard, the effect of change in the calculation method of retirement benefit obligation and service cost is recognized as an adjustment to the beginning balance of this fiscal year's retained earnings.

As a result, "Reserve for retirement allowance" decreased by 1,972 million yen, while "Prepaid pension cost" and "Retained earnings" increased by 58,376 million yen and 38,973 million yen, respectively, as at the beginning of the fiscal year. The effect of change on this fiscal year's profit and loss was immaterial.

Notes on Change in Presentation / Classification of Line Items

1. Change in presentation of electronically recorded obligations

"Electronically recorded obligations" which was shown as "Trade notes payables" in previous fiscal years is shown explicitly as "Electronically recorded obligations" from this fiscal year due to the increased materiality of the account. The ending balances of the account for the previous and current fiscal years are 27,365 million yen and 52,886 million yen, respectively.

Notes to the Balance Sheet

1. Accumulated depreciation

Accumulated depreciation of property, plant and equipment ¥ 1,279,344 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.)	¥	18,334 million
Others	¥	17,361 million
Total	¥	55,696 million

3. Monetary receivables from / payables to subsidiaries and affiliated companies

Short-term monetary receivables	¥	418,113 million
Long-term monetary receivables	¥	104,308 million
Short-term monetary payables	¥	368,146 million

Long-term monetary payables	¥	18,063 million

Notes to the Statement of Income

1. Transactions with subsidiaries and affiliated companies

Sales	¥	477,227 million
Purchases	¥	308,426 million
Transactions other than operating transactions	¥	28,259 million

2. Business structure improvement expenses

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

3. Loss on passenger vessel construction business reserve

In November 2011, MHI received an order for two large-sized cruise ships for the AIDA Cruises brand. In the course of the project, difficulties involved in the construction of a prototype became evident. Moreover, the volume of design work relating to the cruise ship cabins and other areas increased and significant design changes were made, resulting in a delay in the design work. This delay not only increased design costs but also had negative effects on the subsequent material procurement, construction process and other works, with adverse impact on the project costs. Under such circumstances, a significant loss on construction was anticipated and therefore at the end of FY2013 an extraordinary loss of 64,126 million yen was recognized as an amount of provision reasonably estimated for loss expected to incur in FY2014 and subsequent fiscal years.

As for the ship construction, MHI set up a new project management structure in March 2014 and pressed ahead with the construction work. In FY2014, however, as advanced specifications required for the ships were discussed and pursued with the customer, circumstances emerged involving the need for reviewing the basic ship design, including the overall layout plan of the public area, the cabins and other areas, as well as related fixtures and equipment, causing extensive redesigning and significant delay in the design work schedules.

Despite the additional design resources mobilized and other measures taken, in the second quarter of FY2014, the construction work process of the first ship had to be revised because the completion of release of the drawings was expected to be delayed from the planned date. The delay in the design work for the first ship led to another delay in the release of the drawings for the second ship, which in turn affected adversely the construction work process of the second ship.

Consequently, in the second quarter of FY2014, an extraordinary loss of 39,841 million yen was recorded as an amount of provision reasonably estimated for additional loss expected from increases in design rework costs, in construction costs due to backtrack works at later work stages and rush work required to make up delays, as well as in procurement costs associated with changes in design specifications and increases in volume of materials.

Amid such circumstances, in order to reinforce the project execution structure further, MHI brought in top-class managers such as senior general managers and their equivalents from other departments, employed foreign expert personnel, and mobilized a large number of direct workers both from inside and outside MHI. Also, by further improving the relationship of trust and enhancing communication with the customer, we are currently working closely together with the customer on the construction aiming at the completion of the first ship in September 2015.

Meanwhile, the design work ran behind the schedule planned at the close of the second quarter of FY2014. Specifically, while we expected that the overall layout plan would be approved by the customer by the end of December 2014, an agreement on specifications for the overall layout plan with the customer was actually delayed until March 2015 due to design challenges associated with the installation of an enormous quantity of pipes and electric wires in a small and narrow space inside the ship. In addition, detailed changes in the design were necessary after the construction process started in order to reflect the actual situation of the construction work site.

The ships are designed to be equipped with very high-density, interrelated complex systems and nearly 4,000 people are working in a small and narrow space inside the ship to deal with the enormous workload required. Therefore, any design change affects the entire process and gives rise to major reworks and decrease in work efficiency, resulting in more than estimated cost increase.

In addition, on-site construction cost is also expected to increase as additional resources have been mobilized for rush work in order to recover delays in the construction schedule caused by above reasons.

Consequently, in the fourth quarter of FY2014, MHI came to expect that the amount of expected future loss would exceed the amount of the provision recorded at the end of FY2013 and in the second quarter of FY2014. MHI therefore recorded at the end of the fourth quarter of FY2014 an extraordinary loss of 29,693 million yen as an amount of provision for additional loss estimated to the extent reasonably possible.

As a result, the amount of “Loss on passenger vessel construction business reserve” recorded under extraordinary loss in FY2014 totaled 69,534 million yen.

MHI recognizes future loss expected to incur associated with its cruise ship business as extraordinary loss because it does not regard such loss as a loss incurred as an ongoing operations.

As most of the design-related challenges and issues concerning the construction of a prototype ship have been resolved as of the end of FY2014, MHI believes that it has already accounted for all provisions for loss related to its cruise ship business estimated to the extent reasonably possible based on the facts already occurred. However, should any new events occur in the future such as unexpected changes to specifications, the actual amount of loss may be different from the amount of provision recorded.

Notes to the Statement of Changes in Net Assets

The number of treasury stock

Common stock 17,730,505 shares

Notes on Tax Effect Accounting

Deferred tax assets are principally caused by the reserve for loss on passenger vessel construction business.

Deferred tax liabilities are principally caused by the reserve for specified business restructuring investment loss.

Per Share Information

Book value per share	¥ 375.48
Net income per share	¥ 5.58

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 Heavy Industries Aero Engine, Ltd.	Direct 100.0%	Some officers of MHI concurrently serve as officers of the related party Transfer of Business	Transfer of Business (*1) Total Assets Transferred Total Liabilities Transferred Transfer Value	 ¥ 118,696 million ¥ 68,716 million ¥ 49,980 million	 － － －	 － － －

Terms of the contract and the policy in deciding it

*1. On October 1, 2014, MHI transferred its commercial aero engine business to Mitsubishi Heavy Industries Aero Engine, Ltd. by way of spin-off type 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).