

(Note) This is a translation of the official Japanese original for reference purposes only. In the event of any discrepancy between this translation and the official Japanese original, the Japanese original shall prevail. Please note that differences between this translation and those in the previous years may not necessarily mean that there have been changes in the official Japanese original, since the translation differences may stem only from a more accurate translation.

[Security Code: 7011]

June 7, 2019

To the Shareholders:

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

NOTICE OF THE 94TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 94th Annual General Meeting of Shareholders of Mitsubishi Heavy Industries, Ltd. (“MHI”) to be held as described below.

In the event that you are unable to attend, MHI kindly asks that you exercise your voting rights in writing or via the Internet (as explained in the “Instructions for voting,” on pages 3-4).

Please examine the Reference Materials Relating to the General Meeting of Shareholders (pages 5-26), and exercise your voting rights by 5:30 p.m. on Wednesday, June 26, 2019 (Japan time).

1. Date and Time: Thursday, June 27, 2019 at 10:00 a.m. (Japan time)

2. Place: Tokyo Kaikan, 3F “Rose”
2-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

3. Purposes:

To report on the following items:

Item No. 1: Business Report, Consolidated Financial Statements for the 2018 fiscal year (from April 1, 2018 to March 31, 2019), and Audit Report on the Consolidated Financial Statements by the Financial Auditor and Audit and Supervisory Committee.

Item No. 2: Non-consolidated Financial Statements for the 2018 fiscal year (from April 1, 2018 to March 31, 2019).

To consider and resolve the following proposals:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of 6 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)

Proposal No. 3: Election of 4 Directors Who Are Serving as Audit and Supervisory Committee Members

Proposal No. 4: Revision to Amount and Details Related to Share-based Remuneration Plan for Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members and Outside Directors)

(End)

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- Information concerning the following items is not included in the Attachment to the Notice of the 94th Annual General Meeting of Shareholders, but is posted on MHI's website on the Internet (at the URL shown below) pursuant to the laws of Japan and the Article 16 of MHI's Articles of Incorporation.
 - (i) "Stock Acquisition Rights of MHI" and "Establishing a Framework for Ensuring Appropriate Business Conduct" of Business Report
 - (ii) "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" of Consolidated Financial Statements and "(Reference) Consolidated Statement of Cash Flows"
 - (iii) "Non-Consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" of Non-consolidated Financial Statements
 - Should there be a need to amend the Reference Materials Relating to the General Meeting of Shareholders, or the Business Report, the Consolidated and the Non-consolidated Financial Statements, the amended material will be posted on MHI's website on the Internet (at the URL shown below).

Website of MHI: <https://www.mhi.com/finance/stock/meeting/>

INSTRUCTIONS FOR VOTING

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

Attend the General Meeting of Shareholders

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

Date and Time: Thursday, June 27, 2019 at 10:00 a.m.
(The reception desk will open at 9:00 a.m.) (Japan time)

Place: Tokyo Kaikan, 3F “Rose”
2-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

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

Exercise of Voting Rights in Writing

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5-26) and indicate whether you are for or against each proposal on the enclosed voting card and post it without affixing a postage stamp.

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

Exercise due date: No later than 5:30 p.m., on Wednesday, June 26, 2019 (Japan time)

Guidance for filling in the voting card

Proposal No. 1 and Proposal No. 4:

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

Proposal No. 2 and Proposal No. 3:

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

Exercise of Voting Rights via the Internet

Please examine the following Reference Materials Relating to the General Meeting of Shareholders (pages 5-26) and indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufg.jp/>). For details, please refer to the “Instructions for Voting Right via the Internet” on the following.

Exercise due date: No later than 5:30 p.m., on Wednesday, June 26, 2019 (Japan time)

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

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

Instructions for Voting Right via the Internet

1. Access to the Website to Exercise of Voting Rights

Access by scanning the QR code

Using a smartphone to scan the “Login QR code” printed on the voting card will result in you being taken automatically to the website for the exercise of voting rights. Please follow the directions that appear on the screen to indicate whether you are for or against each proposal.

- For security reasons, the exercise of voting rights by means of the QR code may only be performed once. When changing the details of the exercise of voting rights, even if the QR code is scanned, it will be necessary to input the login ID and temporary password printed on the voting card.
 - Depending on the model of smartphone used, it may not be possible to login using the QR code. If this is the case, please exercise your voting rights in accordance with “Access by entering a login ID and password,” below.
- * QR Code is a registered trademark of DENSO WAVE INCORPORATED.

Access by entering a login ID and password

Please indicate whether you are for or against each proposal by accessing the site “Procedures for Shareholders’ Meetings” (<https://evote.tr.mufg.jp/>) in accordance with instructions on the screen.

- (1) Enter the login ID and temporary password printed on the voting card (or the password registered by the shareholder) and click Login button
- (2) Register a new password (on first use only)

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

- (1) When voting by a computer, please read the site’s “Terms of Use” and “Usage Guide.” When voting by a smart phone, please read the site’s “Terms of Use” and “Usage Guide.” When voting by a mobile phone, please read the “Usage Guide.”
- (2) When voting by a mobile phone, please use a handset capable of TLS encrypted communication and mobile phone data transmission.
- (3) Please note that the website will be unavailable every day from 2:00 a.m. to 5:00 a.m. (Japan time).
- (4) Shareholders will be responsible for the Internet connection charges and the communication charges, etc. arising from accessing the site “Procedures for Shareholders’ Meetings.”
- (5) Please contact the following if you have questions about the site “Procedures for Shareholders’ Meetings”:

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

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

**REFERENCE MATERIALS
RELATING TO THE GENERAL MEETING OF SHAREHOLDERS**

Proposal No. 1: Appropriation of Surplus

In 2018 Medium-Term Business Plan, the numerical targets for FY2020 are ROE of 11% and equity capital of ¥1,650.0 billion, and MHI has set a basic policy of implementing returns to shareholders with a consolidated dividend payout ratio of around 30% while considering a balance between “business growth” and “financial soundness” during the course toward the achievement.

Based on this policy and taking full account of our business results for the fiscal year under review, financial position as of the end of the fiscal year under review and others, MHI proposes to pay a dividend of ¥65 per share as the Year-end Dividend defined in Article 45 of the Articles of Incorporation. Combined with the Interim Dividend of ¥65 per share paid in December 2018, the total annual dividend will be ¥130 per share, an increase of ¥10 over that of the previous fiscal year (FY2017).

1. Kind of Dividend Property

Cash

2. Dividend Allocation and Total Amount of Dividends

Dividend allocation: ¥65 per share of MHI’s common stock

Total amount of dividends: ¥21,876,587,070

3. Effective Date of Dividend Allocation

June 28, 2019

Proposal No. 2: Election of 6 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)

The terms of the 6 current Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 6 Directors (excluding Directors who are serving as Audit and Supervisory Committee Members).

Candidates for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) are as follows:

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2018)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Shunichi Miyanaga	Re-election	Chairman of the Board	14 out of 14 times	11 years
2	Seiji Izumisawa	Re-election	*President and CEO ^{*1} (Member of the Board) and CSO ^{*2}	14 out of 14 times	2 years
3	Masanori Koguchi	Re-election	*Director (Member of the Board), Senior Executive Vice President, CFO ^{*3}	14 out of 14 times	4 years
4	Masahiko Mishima	Newly nominated	(Newly nominated)	—	—
5	Naoyuki Shinohara	Re-election Outside Independent	Director (Member of the Board)	14 out of 14 times	4 years
6	Ken Kobayashi	Re-election Outside Independent	Director (Member of the Board)	13 out of 14 times	3 years

*1 CEO: Chief Executive Officer

*2 CSO: Chief Strategy Officer

*3 CFO: Chief Financial Officer

(Note)

An asterisk mark (*) indicates a Representative Director.

1

Shunichi Miyanaga
(April 27, 1948: 71 years old)
[Re-election]

Position and Responsibility in MHI

Chairman of the Board

Number of MHI Shares Owned

27,200

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

11 years

The number of attendance at the Board of Directors meetings in FY2018

14 out of 14 times

Career summary

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

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

Important concurrent positions

Director, Mitsubishi Motors Corporation

Reason for the nomination as a candidate for Director

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

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

*President and CEO (Member of the Board) and CSO

Number of MHI Shares Owned

2,000

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

2 years

The number of attendance at the Board of Directors meetings in FY2018

14 out of 14 times

Career summary

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

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

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Seiji Izumisawa has extensive work experience of involvement in such areas as research and development, technology management and operations related to strategic technology development, and has made significant contributions to strengthening and developing MHI's technology infrastructure. Since June 2017, he has filled the role of Director who is serving as an Audit and Supervisory Committee Member and has striven to ensure the soundness and appropriateness of decision-making at MHI, as well as the improvement of its transparency. In addition, from June 2018 he has served as CSO, and from April 2019 as President and CEO (Member of the Board), in which roles he has drawn up and promoted strategy for MHI as a whole, and driven the development of a global structure. He currently serves as a Chief Executive Officer (CEO) in charge of the system for execution of business of MHI. Based on these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term through participation in MHI's management decision-making, providing management direction.

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

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

Number of MHI Shares Owned

4,500

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

4 years

The number of attendance at the Board of Directors meetings in FY2018

14 out of 14 times

Career summary

April 1978 Joined Mitsubishi Heavy Industries, Ltd.

April 2014 Senior Vice President, Head of Business Strategy Office

June 2015 *Director (Member of the Board), Executive Vice President, CFO, Head of Business Strategy Office

April 2018 *Director (Member of the Board), Senior Executive Vice President, CFO, Head of Business Strategy Office

June 2018 *Director (Member of the Board), Senior Executive Vice President, CFO (Present position)

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

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Masanori Koguchi is being re-nominated for the position of a Director because he has extensive experience in operations of business strategy, accounting and finance, and has been making a substantial contribution to reform the methods of business management, etc. through reinforcement of financial base of MHI and implementation of the strategic business evaluation system. He has been serving as CFO from June 2015, and promoting financing activities that respond to economic conditions and the business environment. Based on these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term through participation in MHI's management decision-making, providing expertise in the finances of MHI.

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

3,400

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

-

The number of attendance at the Board of Directors meetings in FY2018

-

Career summary

April 1979 Joined Mitsubishi Heavy Industries, Ltd.

April 2014 General Manager, Risk Solution Department of Business Strategy Office

April 2015 Fellow, General Manager, Risk Solution Department of Business Strategy Office

April 2016 Senior Vice President, Senior General Manager, Business Risk Management Division of Business Strategy Office

October 2018 Executive Vice President, GC[※], Senior General Manager, Business Risk Management Division of Business Strategy Office

January 2019 Executive Vice President, GC, Senior General Manager, Business Risk Management Division

April 2019 Executive Vice President, GC (Present position)

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Masahiko Mishima is being nominated for the position of a Director because he has extensive experience in operations of machinery & steel structures and business risk management and has made a substantial contribution to reducing MHI's business risk as a whole and dealing with major projects, etc. He has been serving as GC since October 2018, promoting operations such as risk management, legal & general affairs, and management audits in response to MHI's business environment, etc. For these reasons, MHI judges that he will contribute to the sustained growth of MHI and improvement of its corporate value in the medium- and long-term through participation in MHI's management decision-making as a person with expertise in the governance of MHI.

Special interest between the candidate and MHI

There is no special interest between Mr. Masahiko Mishima and MHI.

※GC (General Counsel)

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

900

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

4 years

The number of attendance at the Board of Directors meetings in FY2018

14 out of 14 times

Career summary

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

Important concurrent positions

Statutory Auditor, Media Kobo, Inc.

Reason for the nomination as a candidate for outside director

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

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

Position and Responsibility in MHI

Director (Member of the Board)

Number of MHI Shares Owned

700

The number of years in office as Outside Director

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

3 years

The number of attendance at the Board of Directors meetings in FY2018

13 out of 14 times

Career summary

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

Important concurrent positions

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

Reason for the nomination as a candidate for outside director

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Mr. Ken Kobayashi meets the "Independence Criteria for Outside Directors" (stated on pages 20-21) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer. Although MHI has a trading relationship with Mitsubishi Corporation, where Mr. Ken Kobayashi serves as a Chairman of the Board, the amount of trading does not exceed the base amount stipulated in "Independence Criteria for Outside Directors," and therefore MHI judges that it will not affect his independence.

(Notes)

1. Mr. Naoyuki Shinohara and Mr. Ken Kobayashi are the candidates for outside directors as defined in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
2. MHI has submitted notifications, specifying Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan, and should they be elected as Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI will re-submit notifications specifying them as independent officers.
3. MHI has entered into a liability limitation agreement with Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, which provides a limitation on their liabilities to compensate for damages under Article 423, Paragraph 1 of the Companies Act, the amount of which is the higher of ¥10 million or the minimum amount of liability defined in Article 425, Paragraph 1 of the Companies Act. Should Mr. Naoyuki Shinohara and Mr. Ken Kobayashi be elected, MHI is bound to continue the abovementioned agreement with each of them.
4. It was discovered that a wrongful act had been committed in connection with fuel consumption testing of a vehicle manufactured by Mitsubishi Motors Corporation, where Mr. Ken Kobayashi serves as an outside director. The discovery was made in April 2016, prior to Mr. Ken Kobayashi's becoming an outside director at the company. In September 2016, after Mr. Ken Kobayashi had become an outside director, the Ministry of Land, Infrastructure, Transport and Tourism indicated that it recognized wrongdoing in the course of internal testing conducted by Mitsubishi Motors Corporation for the purpose of re-examining vehicle fuel consumption values that had been found to be fraudulently fabricated. Furthermore, citing a violation of the Act Against Unjustifiable Premiums and Misleading Representations in connection with language in documents that included catalogs of Mitsubishi Motors Corporation vehicles that had been involved in the fuel consumption testing, the Consumer Affairs Agency issued administrative orders and surcharge payment orders to the company in January and July 2017. In May 2018, it came to light that the training of some foreign technical interns at Mitsubishi Motors Corporation's Okazaki Plant had not been conducted in accordance with the technical intern training plan recognized by the Organization for Technical Intern Training, and in January 2019, the Ministry of Health, Labour and Welfare withdrew recognition of the technical intern training plan, and issued an order for improvement under the terms of the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees. Mr. Ken Kobayashi was aware of neither fact and has, at meetings of the Board of Directors and other opportunities, called for greater attention from the viewpoint of ensuring compliance. Furthermore, since these incidents came to light, he has been committed to thoroughly investigating the facts and taking steps to ensuring similar situations do not happen again.

Proposal No. 3: Election of 4 Directors Who Are Serving as Audit and Supervisory Committee Members

The terms of 4 of the 5 current Directors who are serving as Audit and Supervisory Committee Members, Mr. Toshifumi Goto, Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian, and Mr. Shinichiro Ito, will expire at the conclusion of this General Meeting of Shareholders. Accordingly, MHI proposes to elect 4 Directors who are serving as Audit and Supervisory Committee Members.

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

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

No.	Name		Position and Responsibility in MHI	The Number of Attendance at the Board of Directors Meetings (FY2018)	The Number of Attendance at the Audit and Supervisory Committee Meetings (FY2018)	The Number of Years in Office as Director (as of the conclusion of this General Meeting of Shareholders)
1	Toshifumi Goto	Re-election	Director (Member of the Board), Full-time Audit and Supervisory Committee Member	14 out of 14 times	17 out of 17 times	2 years
2	Christina Ahmadjian	Re-election Outside Independent	Director (Member of the Board), Audit and Supervisory Committee Member	13 out of 14 times	16 out of 17 times	7 years
3	Hiroo Unoura	Newly nominated Outside Independent	(Newly nominated)	–	–	–
4	Nobuyuki Hirano	Newly nominated Outside Independent	(Newly nominated)	–	–	–

(Reference)

Mr. Hiroki Kato will continue in his role as Director who is serving as an Audit and Supervisory Committee Member.

1

Toshifumi Goto

(June 10, 1957: 61 years old)

[Re-election]

Position and Responsibility in MHI

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

Number of MHI Shares Owned

1,300

The number of years in office as Director

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

2 years

The number of attendance at the Board of Directors meetings in FY2018

14 out of 14 times

The number of attendance at the Audit and Supervisory Committee meetings in FY2018

17 out of 17 times

Career summary

April 1982 Joined Mitsubishi Heavy Industries, Ltd.

October 2009 Deputy General Manager of General Affairs Department

April 2013 General Manager of Legal & General Affairs Department

April 2014 Senior General Manager of Legal & General Affairs Department

June 2017 Director (Member of the Board), Full-time Audit and Supervisory Committee Member
(Present position)

Important concurrent positions

None

Reason for the nomination as a candidate for Director

Mr. Toshifumi Goto has extensive work experience in human resources, planning, general affairs, and other operations at MHI, and has contributed significantly to efforts that include promoting corporate governance system improvements. He has served as Director who is serving as an Audit and Supervisory Committee Member since June 2017. As MHI judges that his participation in managerial decision-making from the perspective of Full-time Audit and Supervisory Committee Member will contribute to ensuring effective audits and ensuring soundness and appropriateness and improving transparency of managerial decision-making, and also help MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term, MHI re-nominates Mr. Toshifumi Goto as a candidate for Director who is serving as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

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

Position and Responsibility in MHI

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

Number of MHI Shares Owned

2,900

The number of years in office as Outside Director

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

7 years

The number of attendance at the Board of Directors meetings in FY2018

13 out of 14 times

The number of attendance at the Audit and Supervisory Committee meetings in FY2018

16 out of 17 times

Career summary

January 1995	Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)
October 2001	Associate Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
January 2004	Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
April 2010	Dean, Hitotsubashi University, Graduate School of International Corporate Strategy
April 2012	Professor, Hitotsubashi University, Graduate School of Commerce and Management
June 2012	Director (Member of the Board), Mitsubishi Heavy Industries, Ltd.
June 2015	Director (Member of the Board), Audit and Supervisory Committee Member, Mitsubishi Heavy Industries, Ltd. (Present position)
April 2018	Professor, Hitotsubashi University, Graduate School of Business Administration (Present position)

Important concurrent positions

Professor, Hitotsubashi University, Graduate School of Business Administration

Director, Japan Exchange Group, Inc.

Director, Sumitomo Electric Industries, Ltd.

Director, Asahi Group Holdings, Ltd.

Reason for the nomination as a candidate for Outside Director

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

Special interest between the candidate and MHI

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

Matters concerning the independence of outside director

Since Ms. Christina Ahmadjian meets the "Independence Criteria for Outside Directors" (stated on pages 20–21) provided by MHI, MHI judges her to be independent from its management. Accordingly, MHI has notified Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that she is an independent officer.

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

2,000

The number of years in office as Outside Director

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

-

The number of attendance at the Board of Directors meetings in FY2018

-

The number of attendance at the Audit and Supervisory Committee meetings in FY2018

-

Career summary

April 1973 Joined Nippon Telegraph and Telephone Public Corporation
 June 2002 Senior Vice President, Nippon Telegraph and Telephone Corporation
 June 2007 Executive Vice President, Nippon Telegraph and Telephone Corporation
 June 2008 Senior Executive Vice President, Nippon Telegraph and Telephone Corporation
 June 2012 President & CEO, Nippon Telegraph and Telephone Corporation
 June 2018 Advisor, Nippon Telegraph and Telephone Corporation (Present position)

Important concurrent positions

Advisor, Nippon Telegraph and Telephone Corporation

Reason for the nomination as a candidate for Outside Director

Mr. Hiroo Unoura has extensive knowledge and experience as a member of top management active in cutting-edge fields, having been the driver of initiatives to strengthen the competitiveness and profitability of Nippon Telegraph and Telephone Corporation (NTT)'s domestic business and expand the overseas business as the former President & CEO of NTT. Moreover, as MHI judges that receiving his insightful views and frank assessments of its management as an outside director who is serving as an Audit and Supervisory Committee Member will contribute to ensuring effective audits and to ensuring the soundness and appropriateness and improving the transparency of managerial decision-making, thereby helping MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term. MHI therefore nominates Mr. Hiroo Unoura as a candidate for outside director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Hiroo Unoura and MHI.

Matters concerning the independence of outside director

Since Mr. Hiroo Unoura meets the "Independence Criteria for Outside Directors" (stated on pages 20-21) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.

Position and Responsibility in MHI

(Newly nominated)

Number of MHI Shares Owned

—

The number of years in office as Outside Director

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

—

The number of attendance at the Board of Directors meetings in FY2018

—

The number of attendance at the Audit and Supervisory Committee meetings in FY2018

—

Career summary

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

Important concurrent positions

Member of the Board of Directors, Chairman (Corporate Executive), Mitsubishi UFJ Financial Group, Inc.

Member of the Board of Directors, MUFG Bank, Ltd.

Director, Morgan Stanley

Audit & Supervisory Board Member, Toyota Motor Corporation

Reason for the nomination as a candidate for Outside Director

Mr. Nobuyuki Hirano has extensive knowledge and experience as a top management at international financial institutions, including holding the positions of president & group CEO and representative corporate executive of Mitsubishi UFJ Financial Group, Inc. and President and Chairman of MUFG Bank, Ltd. Moreover, as MHI judges that receiving his insightful views and frank assessments of its management as an outside director who is serving as an Audit and Supervisory Committee Member will contribute to ensuring effective audits and to ensuring the soundness and appropriateness and improving the transparency of managerial decision-making, thereby helping MHI achieve sustained growth and improvement of its corporate value in the medium- and long-term. MHI therefore nominates Mr. Nobuyuki Hirano as a candidate for outside director who will serve as an Audit and Supervisory Committee Member.

Special interest between the candidate and MHI

There is no special interest between Mr. Nobuyuki Hirano and MHI.

Matters concerning the independence of outside director

Since Mr. Nobuyuki Hirano meets the “Independence Criteria for Outside Directors” (stated on pages 20–21) provided by MHI, MHI judges him to be independent from its management. Accordingly, MHI plans to notify Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan that he is an independent officer.

(Notes)

1. Ms. Christina Ahmadjian, Mr. Hiroo Unoura and Mr. Nobuyuki Hirano are the candidates for outside directors as defined in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
2. MHI has submitted notifications, specifying Ms. Christina Ahmadjian as an independent officer to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan, and MHI will submit notifications specifying Mr. Hiroo Unoura and Mr. Nobuyuki Hirano as independent officers.
3. The outline of a Liability Limitation Agreement is as follows:
 - (1) MHI has entered into a liability limitation agreement with Ms. Christina Ahmadjian, which provides a limitation on her liabilities to compensate for damages under Article 423, Paragraph 1 of the Companies Act, the amount of which is the higher of ¥10 million or the minimum amount of liability defined in Article 425, Paragraph 1 of the Companies Act. Should Ms. Christina Ahmadjian be elected, MHI is bound to continue the abovementioned agreement with her.
 - (2) Should Mr. Hiroo Unoura and Mr. Nobuyuki Hirano be elected, MHI is bound to enter into a liability limitation agreement with each of them, which provides a limitation on their liabilities to compensate for damages under Article 423, Paragraph 1 of the Companies Act, the amount of which will be the higher of ¥10 million or the minimum amount of liability defined in Article 425, Paragraph 1 of the Companies Act.
4. MUFG Bank, Ltd., where Mr. Nobuyuki Hirano serves as a Member of the Board of Director, agreed in February 2017 to pay GBP17,850 thousand to the UK’s Prudential Regulation Authority in relation to improper conduct that included the delayed notification to the Prudential Regulation Authority of agreements reached with the New York State Department of Financial Services in November 2014. In addition, the US Office of the Comptroller of the Currency (OCC) found MUFG Bank’s internal control arrangements for the prevention of money laundering to be inadequate under the terms of the US Bank Secrecy Act, resulting in MUFG Bank coming to an agreement with the OCC in February 2019 to put in place corrective measures.

Matters for Consideration for Proposals No. 2, No. 3 and No. 4

■ Policy and Procedures for Nominating Candidates for Directors and Decision of Remuneration

As a company that provides the infrastructure that forms the foundation of society, MHI will work toward separating management oversight and execution in order to pursue the realization of supervision with a high degree of soundness and transparency, which includes an external point of view, and to improve the efficiency and flexibility concerning execution of business, which will promote sustained growth and improved corporate value in the medium- and long-term.

To realize this, it will be MHI's policy to nominate as candidates to be Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) of the individuals from MHI who are active in the core of MHI's management, who have extensive experience in executing MHI's business, and who see things from the perspective of a senior management; and in addition, to invite more than one individual as candidates for the role of outside directors to perform supervision from an objective standpoint while giving consideration to external stakeholders. Furthermore, from the perspective of ensuring effective audits, as Directors who are serving as Audit and Supervisory Committee Members, MHI's policy is to select individuals who have extensive knowledge and experience in various fields such as corporate management, legal, finance and accounting in a well-balanced manner.

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

At the time of determining the remuneration for Directors (excluding Directors who are serving as Audit & Supervisory Board Members and outside directors), in order to ensure the transparency and soundness of the procedures, the policy for determining the calculation method of remuneration, etc. shall be deliberated at the Nomination and Remuneration Meeting(s), and the allocation of remuneration shall be determined by the Board of Directors within the limit of the total amount resolved at the General Meeting of Shareholders.

■ Independence Criteria for Outside Directors

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

1. A person who is currently:

- (i) A major shareholder of MHI (i.e., a shareholder who holds 10% or more of voting rights), or any executive (a person who executes operations) of such shareholder;
- (ii) A counterparty with whom MHI transacts in cases when MHI's transaction amount with said counterparty in the last business year exceeded 2% of MHI's annual consolidated gross sales in amount, or any executive of said counterparty;
- (iii) A counterparty that transacts with MHI in cases when said counterparty's transaction amount with MHI in the last business year exceeded 2% of said counterparty's annual consolidated gross sales in amount, or any executive of said counterparty;
- (iv) A financial institution or any large creditor on which MHI is dependent to the extent that it is indispensable for MHI's financing and is not substitutable, or any executive of said financial institution or large creditor;

- (v) A certified public accountant or employee, partner or staff of an audit corporation serving as the financial auditor of MHI (excluding staff serving as an assistant);
 - (vi) Any executive of an organization that received a donation or subsidy from MHI exceeding ¥10 million or 30% of said organization's average annual total expenses in the last business year, whichever is higher;
 - (vii) An attorney, certified public accountant, certified tax accountant or any other consultant who received ¥10 million or more in the form of money or other financial benefits on average in the past three business years from MHI, other than remuneration as a MHI officer; or
 - (viii) Anyone who belongs to a law firm, audit corporation, tax accountant corporation, consulting firm or any other expert advisory firm that received payments accounting for 2% or more of its annual consolidated gross sales on average in the past three business years from MHI (excluding staff serving as an assistant).
2. A person who corresponded to any of the items from (i) to (vi) above at any point in time over the past three years.

■ Structure of the Board of Directors after the election

If Proposals No. 2 and No. 3 are approved as submitted, the Board of Directors is scheduled to be comprised of the following members.

Name	Position and Responsibility in MHI	Representative Director	Audit and Supervisory Committee Member	Outside Director	Independent Director	Newly nominated Director
Shunichi Miyanaga	Chairman of the Board					
Seiji Izumisawa	President and CEO (Member of the Board) and CSO	○				
Masanori Koguchi	Director (Member of the Board), Senior Executive Vice President, CFO	○				
Masahiko Mishima	Director (Member of the Board), Executive Vice President, GC	○				○
Naoyuki Shinohara	Director (Member of the Board)			○	○	
Ken Kobayashi	Director (Member of the Board)			○	○	
Toshifumi Goto	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			
Hiroki Kato	Director (Member of the Board) Full-time Audit and Supervisory Committee Member		○			
Christina Ahmadjian	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	
Hiroo Unoura	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	○
Nobuyuki Hirano	Director (Member of the Board) Audit and Supervisory Committee Member		○	○	○	○

Proposal No. 4: Revision to Amount and Details Related to Share-based Remuneration Plan for Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members and Outside Directors)

1 Reasons for submitting this proposal and why the remuneration is reasonable

After obtaining approval of shareholders at the 90th Annual General Meeting of Shareholders, held on June 26, 2015, the Company introduced a share-based remuneration plan (hereinafter in this proposal, the “Plan”) in which the Company delivers shares, etc. of the Company to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members and outside directors; hereinafter in this proposal “Directors”) among Directors of the Company in accordance with the performance, etc. of the Company.

Currently, Directors’ remuneration consists of basic remuneration, performance-linked remuneration and share-based remuneration (remuneration based on the Plan). However, with the aim of promoting the shift to global group management in accordance with the 2018 Medium-Term Business Plan, and improving performance, the Company proposes that, in addition to raising the proportion of share-based remuneration as a medium- to long-term incentive so as to make Directors’ remuneration more competitive, and strengthening the linkage between performance and remuneration, promoting the holding of shares of the Company by Directors should be encouraged in order to more closely align the interests of Directors with those of shareholders.

Under the Plan, due to making the above-mentioned share-based remuneration more substantial, at times of expansion in performance the limits of the money contributed by the Company and the points for awarding shares that are granted by the Company to Directors in accordance with the performance, etc. of the Company (hereinafter in this proposal, “share award points”), may exceed the current limits for such money and the upper limits for share award points, for which reason the Company requests approval of revisions to the Plan (hereafter in this proposal, the “Plan revisions”).

Furthermore, even after the Plan revisions, Directors will be provided under the Plan with share-based remuneration separate to the basic remuneration and performance-linked remuneration provided within the total monetary remuneration limit of ¥1.2 billion per fiscal year for Directors who are not serving as Audit & Supervisory Board Members (including outside directors), which was approved at the 90th Annual General Meeting of Shareholders held on June 26, 2015.

2 Details of the Plan revisions

The Company contributes money to establish a trust (hereinafter in this proposal, the “Trust”) with a trust period of three years (including extensions to the trust period; hereinafter the same to apply throughout this proposal), whose beneficiaries are Directors who meet the requirements. However, with regard to the limit for money contributed by the Company (the limit for each period of three consecutive fiscal years, which is the applicable period for the Plan, as described below in 3.(2)), in addition to revising the total amount from ¥1.2 billion to ¥2.4 billion, the upper limit for share award points granted by the Company to Directors is to be revised from 500,000 points to 1,000,000 points per fiscal year (equivalent to 100,000 shares of the Company).

3 Details after Plan revisions

(1) Summary

The Plan consists of a share-based remuneration plan whereby the Company contributes money to the Trust, and the Trust, in accordance with the instructions of the trust administrator (a third

party, independent of the Company, which performs administrative actions for the Trust), uses the money contributed by the Company as a source of funds to purchase MHI shares either from the Company or on the stock market and, in accordance with share award points, delivers or provides (hereinafter in this proposal, “delivers, etc.”) to Directors of the Company the shares of the Company or money in the amount equivalent to the realized value of the shares (hereinafter in this proposal, “Company shares, etc.”).

(i) Persons eligible for the delivery, etc., of Company shares, etc., under the Plan	Directors of MHI (excluding Directors who are serving as Audit and Supervisory Committee Members and outside directors)
(ii) Maximum amount of money contributed by MHI	A total of ¥2.4 billion for each applicable period, consisting of three consecutive fiscal years
(iii) Upper limit to the number of shares of the Company (including the number of shares of the Company subject to realization) delivered, etc. to Directors	The maximum permitted amounts of Share Award Points are 1,000,000 points per fiscal year for Directors
(iv) Impact of MHI shares subject to the Plan on the total number of shares issued	<p>When the upper limit to the total share award points is converted to shares of the Company at the rate of 10 points per share, the number of shares of the Company (100,000 shares) obtained is around 0.03% of the total number of shares issued (as of March 31, 2019, after excluding treasury shares).</p> <p>(Note) On October 1, 2017, the Company conducted a consolidation of its shares on a one for ten basis, and accordingly the number of shares of the Company per point has been adjusted from 1 share to 0.1 shares.</p>
(v) Details of the performance coefficient	Varies according to profit before income taxes, etc. for each fiscal year
(vi) Timing of the delivery, etc. of Company shares, etc. to Directors	In principle, after three years have passed since the granting of share award points

(2) Maximum amount of money contributed by MHI

The Plan applies to three consecutive fiscal years (hereinafter, the “Applicable Period” in this Proposal).

Moreover, at a meeting of its Board of Directors held on May 8, 2018, the Company resolved to continue the Plan, with the result that the applicable period for the Plan currently consists of the three consecutive fiscal years starting with the fiscal year that ended on March 31, 2019, and finishing with the fiscal year ending March 31, 2021.

The Company will establish the Trust by contributing money to an upper limit of ¥2.4 billion for each applicable period. In addition, the Company may continue the Trust when the trust period expires by changing the trust agreement and making additional trusts. In such an event, the trust period for the Trust in each applicable period will be extended, and the Company will make additional contributions for each such extended applicable period, with share award points continuing to be granted to Directors. However, when such additional contributions are made, if the Trust holds shares of the Company (excluding shares of the Company corresponding to the

number of share award points granted to Directors but not yet delivered) or money (hereinafter in this proposal, “outstanding shares, etc.”) as outstanding trust assets on the final day of the trust period before the extension, the total value of the outstanding shares, etc. and the additional contributions shall not exceed the limit of ¥2.4 billion.

(3) Upper limit and calculation method for the number of shares of the Company (including the number of shares of the Company subject to realization) delivered, etc. to Directors

MHI grants to Directors share award points every year. The total share award points MHI grant to each Director for each fiscal year is determined by the following formula.

[Formula for computing share award points granted in each fiscal year]

Share award points = Base points (*1) × Coefficient of business results (*2)

*1. Base points are determined in accordance with each Director’s position, content of execution of business, responsibilities, etc.

*2. The coefficient of business results is based on profit before income taxes, etc.

The total number of share award points granted to Directors is a maximum of 1,000,000 points per fiscal year (equivalent to 100,000 shares of the Company). The total number of shares of the Company to be delivered to each Director via the Trust and shares of the Company converted into cash and equivalent amounts of money to be paid is determined at 1 MHI share per 10 stock award points (*3). Provided, however, that when the number of shares of the Company belonging to the Trust is increased or decreased due to consolidation of shares, splitting of shares, allotment of shares without contribution and others, MHI will make adjustments rationally such as in proportion to the share split ratio.

*3. On October 1, 2017, the Company conducted a consolidation of its shares on a one for ten basis, and accordingly the number of shares of the Company per point has been adjusted from 1 share to 0.1 shares.

In addition, the number of shares of the Company acquired for the Trust to deliver, etc. to Directors during the trust period shall be equivalent to the upper limit for the total number of share award points for the fiscal year in question, multiplied by three, which is the number of years in the trust period (300,000 shares).

(4) Timing and method of the delivery, etc. of Company shares, etc. to Directors

Directors who fulfill the beneficiary requirements may receive, after three years have passed, in principle, since the granting of share award points (however, at the point of retirement from office in cases where a Director retires from office before the relevant number of years has passed), Company shares, etc. corresponding to the share award points granted, upon the performance of the prescribed beneficiary confirmation procedure. In this case, the Director is delivered shares of the Company amounting to 50% of the shares of the Company (shares less than one unit rounded down) corresponding to the share award points, and money in the amount equivalent to the amount obtainable if the Trust realizes the remaining shares of the Company.

(5) Voting rights related to shares of the Company belonging to the Trust

To ensure management neutrality, voting rights shall not be exercised during the trust period in regard to shares of the Company belonging to the Trust (that is to say, shares of the Company that have not yet been delivered, etc. to Directors in accordance with (4) above).

(6) Other matters related to the Plan

Other matters related to the Plan will be determined by the Board of Directors.

4 Number of Directors eligible for the Plan

If Proposal No. 2 “Election of 6 Directors (Excluding Directors Who Are Serving as Audit and Supervisory Committee Members)” is approved and adopted as originally proposed, the number of Directors eligible for the Plan will become 4.

Opinions of the Audit and Supervisory Committee about Election, etc. and Remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)

In regard to the election, etc. and remuneration, etc. of Directors who are not serving as Audit and Supervisory Committee Members, all three outside directors who are serving as Audit and Supervisory Committee Members attended the Nomination and Remuneration Meeting(s) and provided their respective opinions, and the full-time Audit and Supervisory Committee Members confirmed, such matters as the approach to remuneration structure and the specific computation method of remuneration, as well as the basic framework and approach relating to the Board of Directors and Directors of MHI and the policy for nominating the candidates for such Directors and made reports and participated in mutual discussions at a meeting of the Audit and Supervisory Committee.

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

(End)

**ATTACHMENT TO THE NOTICE OF THE
94TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

BUSINESS REPORT FOR THE 2018 FISCAL YEAR

(April 1, 2018 to March 31, 2019)

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

1 REVIEW AND THE RESULTS OF BUSINESS ACTIVITIES

OVERVIEW

During the fiscal year under review, in the world economy, factors such as trade friction between the US and China, and the exit of the United Kingdom from the European Union, led to sluggish business conditions in China and a slowdown in the European economy, but the US saw continued economic expansion. The Japanese economy also maintained its trend of moderate recovery against the backdrop of recoveries in employment and personal consumption.

■ Orders, Sales and Profits/Losses

In this operating environment, consolidated orders received for the MHI Group in the fiscal year under review rose in Industry & Infrastructure, but Power Systems, where the recovery was slightly delayed, and Aircraft, Defense & Space both recorded declines, leading to total consolidated orders received of ¥3,853.4 billion, flat year on year.

Revenue increased in Power Systems and in Industry & Infrastructure, but decreased in Aircraft, Defense & Space, resulting in flat revenue year on year of ¥4,078.3 billion.

Profit from business activities increased by ¥128.5 billion year on year to ¥186.7 billion as a result of increases in all segments, in addition to recording of a gain on sales of fixed assets and others. Profit before income taxes increased by ¥143.3 billion year on year to ¥182.6 billion.

Profit attributable to owners of parent increased by ¥108.6 billion year on year to ¥101.3 billion.

(Note) The MHI Group has voluntarily adopted the International Financial Reporting Standards (IFRS), beginning with the fiscal year under review. Financial data for the previous fiscal year have been restated from Japanese GAAP to IFRS for the purposes of display and comparison.

■ MHI Group Initiatives in FY2018

In the fiscal year under review, which was the first year of the 2018 Medium-Term Business Plan, the MHI Group proactively implemented a variety of measures, such as investments in priority and growth areas making use of its stronger financial foundation following previous business structure reforms. The aim of management is to focus on balancing business growth and financial soundness using MHI Group's unique management indicator called TOP^{*1}.

*1 Triple One Proportion (a status of achieving a proportion of revenue, total assets and market capitalization of 1:1:1)

- **Generating free cash flow/securing financial base**

In the fiscal year under review, as a result of the MHI Group working on initiatives to focus on cash flow management to build a robust financial base, and to improve the management efficiency, free cash flow of ¥243.0 billion significantly overshot initial plans. This brought us within striking distance of achieving the financial base targets for FY2020 specified in the 2018 Medium-Term Business Plan. Our progress has enabled us to allocate funds for more growth investment projects than ever before, which we plan to implement over the next fiscal year and beyond while placing utmost importance on balancing business growth and financial soundness.

- **MHI FUTURE STREAM**

In the 2018 Medium-Term Business Plan, MHI Group initiated full-scale "MHI FUTURE STREAM" activities. These activities consist of the three initiatives of "Mega Scan," which extracts business opportunities from a long-term vision of future society; "Shift the Path," which considers changes in direction for existing businesses, and new businesses from the medium to long term perspective; and "Technology Scouting," which searches for cutting-edge areas of technology required for the above. In the fiscal year under review, we focused on changes in society and technological innovation, considering what kinds of transformation in the businesses of the MHI Group might be caused by the shift in value structure from the supply-side to the demand-side, from perspectives such as energy/carbon cycle, and the dramatic development of data analysis technology in the digital era. Instead of keeping this process of consideration in-house, we promoted to an unprecedented extent collaborations with and connections to external third parties such as startups, universities, and venture capital firms.

- **Further expansion in the scale of the business**

In Power Systems, we attracted support from customers in the form of multiple major new orders for GTCC^{*2}, which boasts high generating efficiency and reduced environmental impact, and won the No.1 share of the global large gas turbine (100,000kW or more) market. We also captured orders in Taiwan for improvement works to increase the performance and reduce NOx for an existing facility, and worked in other ways to expand the service businesses. In flue gas desulfurization plants, which make a considerable contribution to improving the atmosphere by significantly reducing emissions of airborne pollutants, our global market share exceeds 60%. In our joint venture with Danish company Vestas Wind Systems A/S, which is responsible for offshore wind power generation business, we have received order after order from places such as Belgium and the United Kingdom for 9,500kW offshore wind power systems, which are the highest output globally.

In Industry & infrastructure, by actively allocating management resources into the mass and medium-lot products business, we succeeded in expanding the scale of the air-conditioning & refrigeration systems, automotive thermal systems, and material handling equipment. In the air-conditioning & refrigeration systems business in particular, in order to respond to increasing demand for both residential and commercial use air conditioners, primarily in Asia, we began operations at the third plant of our joint venture in Thailand. In addition, we set up a sales and service company with the aim of growing sales of transport refrigeration units in Europe, which is a promising market. In metals machinery business we also steadily achieved results, receiving orders for major new projects in locations such as China and India, as well as upgrades and expansion work on existing facilities in Belgium, the US, etc.

In Aircraft, Defense & Space we received a positive response to previous, proactive proposals, concluding construction contracts for two ships of a new class of 3,900-ton frigate equipped with mine countermeasures capabilities. In addition, we extended our string of consecutive successes by launching two H-IIA launch vehicles and one H-IIB launch vehicle, while pushing forward on development with JAXA^{*3} on the H3 launch vehicle that will become the new national flagship launch vehicle. Moreover, we also had agreed with the UK's Inmarsat plc on the first commercial satellite launch services using the H3 launch vehicle.

As well as these, the MHI Group is implementing cross-sectoral proposal activities that transcend business divisions, providing a variety of solutions, primarily in overseas markets, by means of a wide range of product technologies and services. In October 2018, we signed a memorandum of understanding with the government of New South Wales, with the aim of submitting proposals for environmentally friendly urban planning that makes use of cutting-edge technology and related systems, such as optimal approaches to energy management, in relation to plans for a major urban development in Western Sydney, Australia.

*2 Gas Turbine Combined Cycle

*3 Japan Aerospace Exploration Agency

- **Rebuilding the MRJ business**

During the fiscal year under review, we increased the capital of Mitsubishi Aircraft Corporation and waived part of its liabilities in order to resolve the situation of Mitsubishi Aircraft Corporation's debt exceeding its assets, and to ensure continued MRJ development and commercialization. In addition, we continued to perform flight tests at Moses Lake in Washington State in the US, steadily moving forward with development work aimed at obtaining TC^{*4}. Furthermore, we received a letter of confirmation for the start of flight tests from the Civil Aviation Bureau of Ministry of Land, Infrastructure, Transport and Tourism of Japan, and an LOA^{*5} from the US Federal Aviation Administration.

*4 Type Certificate

*5 Letter of Authorization (A notification from the FAA authorizing pilots to board the MRJ in relation to TC work.)

REVIEW OF BUSINESS SEGMENTS

Power Systems

The Company recorded growth in the service business for power systems currently in operation and orders of compressors and aero engines, despite cancellation of order for a coal-fired power plant project amid a global shift to low-carbon approaches. As a result, consolidated orders received were about level with the previous fiscal year at ¥1,426.5 billion.

Revenue rose year on year to ¥1,525.1 billion, driven by increases in nuclear energy systems, compressors and aero engines.

Profit from business activities increased year on year to ¥132.8 billion mainly due to increased profit resulting from increased sales, along with improvements in share of profit of investments accounted for using the equity method related to an offshore wind power project.

Main Businesses
Gas power systems, steam power systems, nuclear power plant equipment (light water reactors/nuclear fuel cycle & advanced solutions), wind power generators, aero engines, compressors, environmental plants and marine machinery

Industry & Infrastructure

In addition to increase in chemical plants and commercial ships on the back of strong infrastructure investment primarily in overseas, orders received grew for material handling equipment and air-conditioning & refrigeration systems in response to a gradual economic expansion primarily in emerging markets. Consequently, consolidated orders received rose year on year to ¥1,852.0 billion.

Revenue exceeded the level of the previous fiscal year, rising to ¥1,907.8 billion, mainly driven by increases in material handling equipment and air-conditioning & refrigeration systems, for which orders were strong, and in metals machinery.

Profit from business activities increased year on year to ¥70.1 billion, mainly due to improved earnings from transportation systems and an increase in sales of material handling equipment.

Main Businesses
Material handling equipment, turbochargers, engines, air-conditioning & refrigeration systems, automotive thermal systems, metals machinery, commercial ships, transportation systems, chemical plants, environmental systems, machinery systems, machine tools

Aircraft, Defense & Space

Although orders for naval ships increased with orders for a new type of destroyer, other defense-related systems, space systems, and commercial aircraft all recorded decreases, with consolidated orders received falling year on year to ¥610.6 billion.

Revenue declined year on year to ¥677.5 billion due to a period of transition to next-generation for certain models in commercial aircraft, as well as decreases in both defense-related and space systems businesses.

Loss from business activities improved year on year to ¥37.4 billion, mainly due to a decrease in MRJ development costs.

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

Others

While the total value of consolidated orders received and revenue decreased from the previous fiscal year to ¥73.3 billion and ¥71.6 billion, respectively, profit from business activities rose year on year to ¥35.9 billion.

Main Businesses
Construction, real estate, etc.

2 KEY ISSUES FOR MHI GROUP

As MHI Group enters the second year of its 2018 Medium-Term Business Plan, we will focus on a management indicator called “TOP” and pursue business growth by actively allocating funds to growth areas while responding to changes in the market environment. We will also promote management that ensures financial soundness by raising the base level of business profits through measures such as improvements in productivity and expanding the service businesses, etc.

- Implementing Growth Strategies

As we push ahead with our growth strategy, we will work to expand our business both in the short term and the medium to long term, while keeping in mind the shared social values represented by ESG^{*1} and the global indicators of the SDGs^{*2}.

First, in the short term we will grow the service and maintenance businesses, as well as the mass and medium-lot product business where demand, primarily in emerging countries, is strong. Also, by providing products with extremely low global warming potential, such as household air conditioners, hydrogen-fired gas turbines and electric compressors for EV^{*3}, we will develop further our businesses in areas affected by reduced environmental impact, the shift to low-carbon approaches and electrification. Furthermore, we will apply the technology developed in cutting-edge fields such as defense and space to other product business fields, and commit management resources to providing total solutions that contribute to safety and security.

In the medium to long term, through the “MHI FUTURE STREAM” we will generate new business opportunities and continue to work on the structural shift in the energy and environment business. As an example of new business fields, we are expanding renewable energies such as offshore wind power and developing adjustable power supply systems and energy storage systems to supplement fluctuations in renewable energies. In addition, we have our sights on fields such as biomass utilization for effective utilization/immobilization of carbon dioxide and carbon dioxide capture and storage (CCS^{*4}). We plan to set up opportunities for co-creation with external ventures where we enable the utilization of MHI’s technologies, facilities and other resources in order to create business opportunities by effectively including outside knowledge on these matters.

*1 Environment, Social, Governance

*2 Sustainable Development Goals

*3 Electric Vehicles

*4 Carbon dioxide Capture and Storage

- Putting in Place a Global Group Management Structure

The MHI Group aims to establish a global group management structure to further leverage its strengths as corporate group comprising a group of businesses centered on diverse, highly advanced technologies. While responding to the needs of society, we will circulate resources effectively between businesses at different stages of their life cycles, strengthening the portfolio management of group headquarters in order to balance stability with growth, and strategically commit and allocate resources such as personnel, funds and technology to global development and growth areas. In addition, we will transfer authority to bring flexibility and speed to management by increasing the autonomy of the individual divisions, while pursuing harmonious growth for the Group as a whole. Furthermore, we will also promote transition to a simple and flat management structure that expedites management decisions and increases employees’ awareness of participation in management. At the same time, we will also diversify management personnel. In the area of MHI Group’s increasingly globalized activities, we will make full use of the

capabilities of human resources with a variety of beliefs and from diverse backgrounds, encouraging lively exchanges that transcend existing frameworks between a diverse range of employees with a variety of opinions. In doing so, we will strive to form a corporate culture that generates new innovations.

- Structural Shift for Mitsubishi Hitachi Power Systems, Ltd.

As measures to further expand the scale of the business and strengthen the business foundation, as well as strengthening product competitiveness by further improving the generating efficiency of the latest models that contribute to CO₂ reductions, Mitsubishi Hitachi Power Systems, Ltd. is continuing to work on new technologies such as 100% hydrogen-fired gas turbines (with the shift away from a carbon-based society in mind), and automated operation, so as to enhance our competitive advantage in the gas turbine market, where solid growth over the medium to long term is expected. For the coal-fired power generation business, based on the need for reduced environmental impact, etc. we will strengthen our service businesses to enable clean and economically efficient power generation through the MHPS-TOMONI® digital solution service, which enables the optimization of operations for power generation facilities through the use of IoT technology and remote monitoring. Furthermore, we will deepen our cooperation with power consumers and promote development of the ENERGY CLOUD® energy management system for increasing the overall economy of facilities. In addition, looking ahead to future structural shifts in energy-related businesses, we will continue our initiatives to develop new training programs for our human resources, as well as cutting fixed costs and reorganizing production bases.

- Promoting the MRJ Business

The development of the MRJ has reached the final stage, which consists of flight tests, and we continue to put all our efforts into obtaining type certificate. We are carefully preparing every aspect of our customer support structure in preparation for delivering the first volume-produced airframes to the customer, and we will move forward with the build-out of a volume production system that is optimized to allow the MHI Group to generate further internal synergies, along with full-scale development of a mainstay model and enhancement of service systems for the North American market.

With the recognition that compliance and CSR are key issues for management, MHI Group will work to contribute to the sustainable development of society with the implementation of the above measures. We ask our shareholders for their continued understanding and support in these endeavors.

3 OPERATING RESULTS AND FINANCIAL CONDITIONS

Item	Japanese GAAP					International Financial Reporting Standards (IFRS)	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018
(Billions of Yen)							
Orders received	3,420.0	4,699.1	4,485.5	4,275.6	3,875.7	3,868.7	3,853.4
Net sales / Revenue	3,349.5	3,992.1	4,046.8	3,914.0	4,110.8	4,085.6	4,078.3
Overseas sales ratio/ Overseas revenue ratio	49.3%	53.4%	55.4%	53.5%	54.2%	55.1%	54.0%
Operating income	206.1	296.1	309.5	150.5	126.5	–	–
Operating income ratio	6.2%	7.4%	7.6%	3.8%	3.1%	–	–
Profit from business activities	–	–	–	–	–	58.1	186.7
Profit from business activities to revenue ratio	–	–	–	–	–	1.4%	4.6%
Income before income taxes / Profit before income taxes	214.4	232.6	132.6	169.7	128.0	39.2	182.6
Profit attributable to owners of parent	160.4	110.4	63.8	87.7	70.4	(7.3)	101.3
Total assets	4,886.0	5,520.3	5,500.7	5,481.9	5,487.6	5,248.7	5,142.7
Net assets / Total equity	1,774.2	2,120.0	1,999.7	2,104.1	2,164.4	1,693.8	1,748.8
Return on equity (ROE)	11.0%	6.5%	3.7%	5.1%	3.9%	(0.5)%	7.2%
Cash flows from operating activities	296.2	212.8	270.0	95.9	345.1	405.7	404.9
Cash flows from investing activities	(151.5)	(174.1)	(262.4)	8.7	(137.1)	(238.1)	(161.8)
Free cash flows	144.6	38.6	7.5	104.6	207.9	167.5	243.0
Cash flows from financing activities	(136.6)	(45.8)	(23.1)	(162.0)	(152.1)	(112.3)	(255.5)
Research and development expenses	138.5	145.5	150.6	160.7	176.8	176.8	152.1
Capital investment	137.0	148.9	166.5	197.3	144.0	144.0	137.4
Per share information of common stock (Yen)							
Earnings per share (EPS) / Basic earnings per share	47.81	32.90	19.02	261.24	209.82	(21.79)	301.95
Diluted earnings per share	47.71	32.82	18.97	260.71	209.39	(21.80)	301.44

	Japanese GAAP					International Financial Reporting Standards (IFRS)	
Book value per share (BPS) / Equity attributable to owners of parent per share	459.99	530.65	500.30	5,299.14	5,431.02	4,153.46	4,262.24

(Notes)

1. On October 1, 2017, the Company conducted a consolidation of its shares on a one for 10 basis, and the per-share information for FY2016 and FY2017 is calculated on the assumption that said consolidation was carried out at the beginning of FY2016.
2. The MHI Group has voluntarily adopted the International Financial Reporting Standards (IFRS), beginning with the fiscal year under review. Financial data for the previous fiscal year have been restated from Japanese GAAP to IFRS for the purposes of display and comparison.

Orders Received and Net Sales / Revenue by Segment

(Millions of Yen)

Segment	FY2013		FY2014	
	Orders Received	Net Sales	Orders Received	Net Sales
Energy & Environment	1,339,296	1,253,988	1,923,633	1,599,527
Commercial Aviation & Transportation Systems	360,346	463,671	999,266	529,598
Integrated Defense & Space Systems	547,369	469,463	417,424	483,964
Machinery, Equipment & Infrastructure	1,106,534	1,096,333	1,304,646 [1,344,776]	1,319,552 [1,347,463]
Others	183,507	185,056	190,870 [150,741]	182,836 [154,935]
Inter-Segment Eliminations	(116,971)	(118,913)	(136,722)	(123,368)
Total	3,420,083	3,349,598	4,699,119	3,992,110

(Millions of Yen)

Segment	FY2015		FY2016	
	Orders Received	Net Sales	Orders Received	Net Sales
Energy & Environment	2,005,077	1,542,779	1,688,770	1,470,437
Commercial Aviation & Transportation Systems	607,136	548,510	415,158	515,358
Integrated Defense & Space Systems	447,743	485,070	702,199	470,606
Machinery, Equipment & Infrastructure	1,392,564	1,432,358	1,464,392	1,438,044
Others	162,873	177,335	160,477	175,926
Inter-Segment Eliminations	(129,857)	(139,244)	(155,302)	(156,354)
Total	4,485,538	4,046,810	4,275,694	3,914,018

Japanese GAAP

(Millions of Yen)

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

International Financial Reporting Standards (IFRS)

(Millions of Yen)

Segment	FY2017		FY2018	
	Orders Received	Revenue	Orders Received	Revenue
Power Systems	1,437,547	1,482,457	1,426,504	1,525,108
Industry & Infrastructure	1,711,388	1,890,078	1,852,059	1,907,871
Aircraft, Defense & Space	714,615	718,303	610,666	677,577
Others	113,510	120,748	73,323	71,661
Inter-Segment Eliminations	(108,302)	(125,909)	(109,126)	(103,874)
Total	3,868,758	4,085,679	3,853,426	4,078,344

(Notes)

1. The orders received and net sales for each segment include inter-segment transactions, which are all cancelled using the “Inter-Segment Eliminations” term.
2. From FY2015, some businesses were reclassified from Others to Machinery, Equipment & Infrastructure. In line with these changes, both orders received and net sales of the relevant segments in the previous fiscal year of the changes are presented in parentheses using the new segment categories for reference.
3. From FY2017, segment categories were changed to Power Systems; Industry & Infrastructure; Aircraft, Defense & Space; and Others. In line with these changes, both orders received and net sales of each segment in the previous fiscal year of the changes are presented using the new segment categories for reference.

4 FINANCING CONDITIONS

(Millions of Yen)

Item	Change from the End of FY2017 (Figures in parentheses denote decrease)	Outstanding Balance at the End of FY2018
Short-term and Long-term borrowings	(118,056)	460,114
Bonds	(30,000)	205,000
Total	(148,056)	665,114

5 MAIN BANK LOANS

(Millions of Yen)

Lender	Loans Outstanding at the End of FY2018
MUFG Bank, Ltd.	177,776
Mizuho Bank, Ltd.	44,048
Sumitomo Mitsui Banking Corporation	39,311
Meiji Yasuda Life Insurance Company	30,000
Development Bank of Japan Inc.	23,102
Sumitomo Mitsui Trust Bank, Limited	22,600
Nippon Life Insurance Company	15,800
The Dai-ichi Life Insurance Company, Limited	10,000
The Bank of Kyoto, Ltd.	5,900
THE SHIGA BANK, LTD.	2,700

6 CAPITAL INVESTMENT

Capital investment* during FY2018 amounted to ¥137,412 million. The main purposes of the investments were to strengthen technological capabilities, to improve the ability to be competitive and to enhance MHI's capabilities in the fields where MHI aims to aggressively expand its businesses in the future.

* Based on reported figures for property, plant and equipment

Capital Investment by Business Segment

(Millions of Yen)

Segment	Amount	Main Items
Power Systems	38,750	Expansion of test facilities for gas turbines
Industry & Infrastructure	43,261	Expansion of facilities related to forklift trucks and logistics equipment
Aircraft, Defense & Space	39,243	Expansion of production facilities for commercial aircrafts
Others & Common	16,156	—
Total	137,412	

7 EMPLOYEES

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

(Persons)

Segment	Number of Employees
Power Systems	24,576
Industry & Infrastructure	39,692
Aircraft, Defense & Space	10,795
Others & Common	5,681
Total	80,744

(Note)

The number of employees above does not include Senior Vice Presidents, temporary employees (employees who were re-employed following compulsory retirement, temporary contract employees, part-time employees, etc.), secondees from MHI or consolidated subsidiaries assigned to the other companies, etc., or employees of non-consolidated subsidiaries.

(2) EMPLOYEES OF MHI

Number of Employees	Change from FY2017	Average Age	Average Number of Years of Service
14,534 persons	decrease of 183 employees	40.1 years old	17.0 years

(Note)

The number of employees above does not include Senior Vice Presidents, temporary employees (employees who were re-employed following compulsory retirement, temporary contract employees, part-time employees, etc.), or secondees assigned to subsidiaries, etc.

8 MAIN OFFICES & MANUFACTURING FACILITIES

Head Office	Chiyoda-ku, Tokyo
Research & Innovation Centers	Kobe City, Nagasaki City, Yokohama City, Takasago City Hyogo Prefecture, Hiroshima City, Nagoya City
Works, Plant, and Center	Nagasaki Shipyard & Machinery Works (Nagasaki City), Shimonoseki Shipyard & Machinery Works (Shimonoseki City, Yamaguchi Prefecture), Hiroshima Machinery Works (Hiroshima City), Mihara Machinery Works (Mihara City, Hiroshima Prefecture), Kobe Shipyard & Machinery Works (Kobe City), Takasago Machinery Works (Takasago City, Hyogo Prefecture), Nagoya Aerospace Systems Works (Nagoya City), Nagoya Guidance & Propulsion Systems Works (Komaki City, Aichi Prefecture), Iwatsuka Plant (Nagoya City), Yokohama Dockyard & Machinery Works (Yokohama City), Sagamihara Machinery Works (Sagamihara City), Meirei District (Kiyosu City, Aichi Prefecture), Ritto District (Ritto City, Shiga Prefecture)
Main Bases Overseas	<p>[Offices] Turkey Liaison Office (Turkey), Middle East Office (UAE), Taipei Office (Taiwan), Hanoi Liaison Office (Vietnam), Ho Chi Minh City Liaison Office (Vietnam), Kuala Lumpur Office (Malaysia), Jakarta Liaison Office (Indonesia)</p> <p>[Head Offices and Networks] Mitsubishi Heavy Industries America, Inc. (U.S.A.), MHI Shared Services Americas, Inc. (U.S.A.), Mitsubishi Industrias Pesadas do Brasil Ltda. (Brazil), Mitsubishi Heavy Industries Mexicana, S.A. de C.V. (Mexico), Mitsubishi Heavy Industries France S.A.S. (France), Mitsubishi Heavy Industries Europe, Ltd. (United Kingdom), MHI Russia LLC (Russia), MHI Technologies S.A.E (Egypt), Mitsubishi Heavy Industries (China) Co., Ltd. (China), Mitsubishi Heavy Industries (Shanghai) Co., Ltd. (China), Mitsubishi Heavy Industries (Hong Kong) Ltd. (China), Mitsubishi Heavy Industries India Private Ltd. (India), Mitsubishi Heavy Industries Asia Pacific Pte. Ltd. (Singapore), Mitsubishi Heavy Industries (Thailand) Ltd. (Thailand), MHI Australia, Pty. Ltd. (Australia)</p>

(Note)

The main subsidiaries and their addresses are as presented below in “9 OUTLINES OF MAIN SUBSIDIARIES.”

9 OUTLINES OF MAIN SUBSIDIARIES

Segment	Name of Company	Address	Capital	Percentage of Investment Share (%)	Main Business
Power Systems	Mitsubishi Hitachi Power Systems, Ltd.	Yokohama City	100,000 million Yen	65.0	Thermal power systems-related business
	PW Power Systems LLC	U.S.A.	450.0 million US dollars	*100.0	Thermal power systems-related business
	MHI Holding Denmark ApS	Denmark	315.7 million Euros	99.9	Wind power generators-related business
	Mitsubishi Hitachi Power Systems Americas, Inc.	U.S.A.	352.5 million US dollars	*100.0	Thermal power systems-related business
	Mitsubishi Hitachi Power Systems Europe GmbH	Germany	98.0 million Euros	*100.0	Thermal power systems-related business
	Mitsubishi Heavy Industries Aero Engines, Ltd.	Komaki City, Aichi Prefecture	6,000 million Yen	70.9	Aero engines-related business
	Mitsubishi Heavy Industries Compressor Corporation	Minato-ku, Tokyo	4,000 million Yen	100.0	Compressors-related business

Segment	Name of Company	Address	Capital	Percentage of Investment Share (%)	Main Business
Industry & Infrastructure	Mitsubishi Heavy Industries Forklift, Engine & Turbocharger Holdings, Ltd.	Chiyoda-ku, Tokyo	35,000 million Yen	100.0	Material handling equipment-related business, Engines-related business, Turbochargers-related business
	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.	Sagamihara City	25,000 million Yen	*100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Heavy Industries Engineering, Ltd.	Yokohama City	20,000 million Yen	100.0	Chemical plant-related business, Land transportation systems-related business
	Mitsubishi Turbocharger Asia Co., Ltd.	Thailand	5,128 million Thai Bahts	*100.0	Turbochargers-related business
	Mitsubishi Heavy Industries Thermal Systems, Ltd.	Minato-ku, Tokyo	12,000 million Yen	100.0	Air-conditioning and refrigeration systems-related business, Automotive Thermal Systems-related business
	Mitsubishi Caterpillar Forklift America Inc.	U.S.A.	80.8 million US dollars	*93.1	Material handling equipment-related business
	Mitsubishi Logisnext Co., Ltd.	Nagaokakyo City, Kyoto Prefecture	4,894 million Yen	*63.2	Material handling equipment-related business
	Mitsubishi Turbocharger and Engine Europe B.V.	Netherlands	38.3 million Euros	*100.0	Engines-related business, Turbochargers-related business
	Mitsubishi Shipbuilding Co., Ltd.	Yokohama City	3,000 million Yen	100.0	Shipbuilding-related business
	Mitsubishi Heavy Industries Machinery Systems, Ltd.	Kobe City	2,005 million Yen	100.0	Machinery systems-related business

Segment	Name of Company	Address	Capital	Percentage of Investment Share (%)	Main Business
Industry & Infrastructure	Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd.	Yokohama City	1,000 million Yen	*100.0	Environmental systems-related business
	Primetals Technologies, Limited	United Kingdom	0.1 million Euros	*51.0	Metals machinery-related business
Aircraft, Defense & Space	Mitsubishi Aircraft Corporation	Nagoya City	135,000 million Yen	86.6	Commercial aircraft-related business
Others	MHI International Investment B.V.	Netherlands	245.0 million Euros	100.0	Investment for projects, financial operation within the MHI Group
	Mitsubishi Heavy Industries America, Inc.	U.S.A.	15.0 million US dollars	100.0	MHI products-related business in U.S.A.

(Note)

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

STOCKS OF MHI

① TOTAL NUMBER OF SHARES AUTHORIZED TO BE ISSUED:

600,000,000 shares

② TOTAL NUMBER OF THE SHARES ISSUED:

337,364,781 shares (unchanged from the end of FY2017)

③ NUMBER OF SHAREHOLDERS:

245,238 persons (decrease of 25,652 persons from the end of FY2017)

④ MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,417,100	6.0
Japan Trustee Services Bank, Ltd. (Trust Account)	17,997,100	5.3
Meiji Yasuda Life Insurance Company	8,002,274	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,576,700	1.9
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Mitsubishi UFJ, Ltd.)	6,526,300	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,467,700	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 7)	5,558,700	1.6
STATE STREET BANK WEST CLIENT – TREATY 505234	5,118,345	1.5
Mizuho Securities Co., Ltd.	4,635,158	1.3
JP MORGAN CHASE BANK 385151	4,437,560	1.3

(Note)

The ratios of shareholding are calculated excluding treasury stock of 801,903 shares. The number of treasury stock does not include the amount of shares owned by the Employee Stock Ownership Plan Trust (29,808 shares), Board Incentive Plan Trust I (141,000 shares) and Board Incentive Plan Trust II (677,000 shares).

OFFICERS

1 NAMES OF DIRECTORS, ETC.

Position	Name	Responsibility	Important Concurrent Positions in Other Entities
Chairman of the Board	Hideaki Omiya		Member of the Board, Mitsubishi Corporation Director, Seiko Epson Corporation Member of the Board, Nomura Research Institute, Ltd.
President and CEO (Member of the Board)	Shunichi Miyanaga	CEO ¹	Director, Mitsubishi Motors Corporation
Director (Member of the Board), Senior Executive Vice President	Masanori Koguchi	CFO ²	
Director (Member of the Board), Executive Vice President	Seiji Izumisawa	CSO* ³ , Head of Business Strategy Office	
Director (Member of the Board)	Naoyuki Shinohara		Statutory Auditor, Media Kobo, Inc.
Director (Member of the Board)	Ken Kobayashi		Chairman of the Board, Mitsubishi Corporation Director, Mitsubishi Motors Corporation Director, NISSIN FOODS HOLDINGS CO., LTD.
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Toshifumi Goto		
Director (Member of the Board) Full-time Audit and Supervisory Committee Member	Hiroki Kato		
Director (Member of the Board) Audit and Supervisory Committee Member	Nobuo Kuroyanagi		Senior Advisor, MUFG Bank, Ltd. Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. Director, Mitsubishi Research Institute, Inc. Statutory Auditor, Tokyo Kaikan Co., Ltd.

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

※1 CEO: Chief Executive Officer

※2 CFO: Chief Financial Officer

※3 CSO: Chief Strategy Officer

(Notes)

1. The positions, the responsibilities, and the important concurrent positions in other entities are shown as of March 31, 2019.
2. An asterisk mark (*) indicates a Representative Director.
3. Mr. Naoyuki Shinohara and Mr. Ken Kobayashi, each a Director, and Mr. Nobuo Kuroyanagi, Ms. Christina Ahmadjian and Mr. Shinichiro Ito, each a Director who is serving as an Audit and Supervisory Committee Member, are outside directors as defined in Article 2, Item 15 of the Companies Act.
4. MHI has submitted notifications, specifying all MHI's outside directors as independent officers, to Tokyo Stock Exchange, Inc. and other listed financial instruments exchanges in Japan.
5. Mr. Hiroki Kato, a Director, Full-time Audit and Supervisory Committee Member, has extensive knowledge of finance and accounting from business experience in the accounting and finance departments of MHI.
6. Based on the judgment that given the size, characteristics, etc. of MHI's business, audit by full-time personnel is necessary for ensuring the effectiveness of the activities of the Audit and Supervisory Committee, MHI has prescribed in the Articles of Incorporation that Full-time Audit and Supervisory Committee Members shall be appointed. Pursuant to this provision, Mr. Toshifumi Goto and Mr. Hiroki Kato have been appointed as Full-time Audit and Supervisory Committee Members.
7. Mr. Seiji Izumisawa, a Director, resigned his position as a Director who is serving as an Audit and Supervisory Committee Member as of the conclusion of the 93rd Annual General Meeting of Shareholders held on June 21, 2018, and took up his position as a Director (excluding a Director who is serving as an Audit and Supervisory Committee Member) as of the same date.
8. Mr. Hiroki Kato, a Director, Full-time Audit and Supervisory Committee Member, took up his position as of June 21, 2018 (on the date of the 93rd Annual General Meeting of Shareholders).
9. Mr. Hideaki Omiya, a Director, took up his position as Member of the Board of Nomura Research Institute, Ltd. as of June 22, 2018.
10. Ms. Christina Ahmadjian, a Director, took up her position as Director of Sumitomo Electric Industries, Ltd. as of June 27, 2018, and Director of Asahi Group Holdings, Ltd. as of March 26, 2019.

The following changes were instituted in the positions of Directors as of April 1, 2019.

Position	Name	Responsibility
*Director (Member of the Board), Advisor	Hideaki Omiya	
Chairman of the Board	Shunichi Miyanaga	
*President and CEO (Member of the Board)	Seiji Izumisawa	CEO and CSO

(Note)

An asterisk mark (*) indicates a Representative Director.

■ Outline of Liability Limitation Agreement

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

2 OUTSIDE OFFICERS

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

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

(Note)

The entities above are those listed in “**1** NAMES OF DIRECTORS, ETC.” where an MHI outside officer serves as an “Executive” etc. as defined in Article 124, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act or as an “Outside Officer” etc. as defined in Item 2 of the same Paragraph.

(2) PRINCIPAL ACTIVITIES

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

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

3 REMUNERATION, ETC. TO OFFICERS

(1) AMOUNT OF REMUNERATION, ETC.

Position	Total Amount of Remuneration, etc. (Millions of Yen)	Monetary Remuneration				Stock Remuneration	
		Basic Remuneration		Performance-linked Remuneration		Figures (persons)	Total Amount (Millions of Yen)
		Figures (persons)	Total Amount (Millions of Yen)	Figures (persons)	Total Amount (Millions of Yen)		
Directors (excluding Directors who are serving as Audit and Supervisory Committee Members)	531	7	260	5	178	4	93
(Outside Directors)	(30)	(2)	(30)	(—)	(—)	(—)	(—)
Directors who are serving as Audit and Supervisory Committee Members	185	6	185	—	—	—	—
(Outside Directors)	(55)	(3)	(55)	(—)	(—)	(—)	(—)
Total	717	13	445	5	178	4	93
(Outside Directors)	(85)	(5)	(85)	(—)	(—)	(—)	(—)

(Notes)

1. The figures include one of the Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and who retired during FY2018, and one of the Directors who are serving as Audit and Supervisory Committee Members and who resigned during FY2018.
2. The amounts of remuneration in the performance-linked remuneration column in the table above are the estimated amounts.
3. The maximum permitted monetary remuneration amounts are ¥1,200 million (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members).
4. The total amount of stock remuneration shown in the table above is the amount of expenses recognized for the 254,000 Stock Award Points granted in total during FY2018 (equivalent to 25,400 shares of MHI) concerning the Board Incentive Plan Trust, which is a stock remuneration system that delivers or provides shares of MHI and money in the amount equivalent to liquidation value of shares of MHI based on Stock Award Points granted to Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors) in accordance with, among other factors, the rank of the position of each Director and the financial results of MHI. The maximum permitted amounts of Stock Award Points are 500,000 points (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) (excluding outside directors).
5. The maximum permitted monetary remuneration amounts are ¥300 million (resolution of the 90th Annual General Meeting of Shareholders on June 26, 2015) per fiscal year for Directors who are serving as Audit and Supervisory Committee Members.

(2) POLICY FOR DETERMINING THE AMOUNT OF REMUNERATION, ETC. OR ITS CALCULATION METHOD AND THE METHOD OF DETERMINING SUCH POLICY

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

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

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

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

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

For the purpose of further enhancing the transparency and fairness concerning the determination of remuneration, etc. of Directors (excluding Directors who are serving as Audit and Supervisory Committee Members), MHI holds the Nomination and Remuneration Meeting(s) consisting solely of the outside directors and President and CEO. During FY2018, MHI held eight Nomination and Remuneration Meetings, in which President and CEO explained the policy stated above to outside directors and received opinions and advice from them.

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

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

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

FINANCIAL AUDITOR

1 NAME OF FINANCIAL AUDITOR

KPMG AZSA LLC

2 AMOUNT OF REMUNERATION PAID TO FINANCIAL AUDITOR

¥320 million

(Note)

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

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

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

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

¥764 million

(Note)

Part of MHI’s subsidiaries are audited by certified public accountants, etc. other than the financial auditor of MHI.

5 CONTENTS OF WORKS OTHER THAN AUDITING

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

6 POLICY ON TERMINATING OR NOT REAPPOINTING THE FINANCIAL AUDITOR

If there are circumstances which give rise to reasonable expectations that the auditing of financial statements will suffer great interference due to an event such as the financial auditor come under any of the provisions set forth in each Item of Article 340, Paragraph 1 of the Companies Act, the financial auditor shall be dismissed by unanimous consent of the Audit and Supervisory Committee Members.

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

(End)

**CONSOLIDATED FINANCIAL STATEMENT [IFRS]
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar. 31, 2018 (Reference)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	283,235	299,237
Trade and other receivables	717,414	759,902
Other financial assets	25,180	27,591
Contract assets	625,749	744,707
Inventories	739,252	748,574
Indemnification asset for South African projects	546,098	445,920
Other current assets	222,420	214,992
Total current assets	3,159,352	3,240,925
Non-current assets:		
Property, plant and equipment	784,849	773,186
Goodwill	121,117	121,563
Intangible assets	107,799	103,023
Investments accounted for using the equity method	209,929	205,198
Other financial assets	447,888	485,047
Deferred tax assets	124,464	121,138
Other non-current assets	187,320	198,673
Total non-current assets	1,983,371	2,007,831
TOTAL ASSETS	5,142,723	5,248,756
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Bonds, borrowings and other financial liabilities	444,116	517,537
Trade and other payables	862,174	801,154
Income taxes payable	27,024	27,251
Contract liabilities	875,294	914,697
Provisions	216,531	202,797
Other current liabilities	161,717	188,121
Total current liabilities	2,586,859	2,651,558
Non-current liabilities:		
Bonds, borrowings and other financial liabilities	532,961	656,129
Deferred tax liabilities	4,012	6,738
Retirement benefit liabilities	154,105	142,242
Provisions	43,859	18,747
Other non-current liabilities	72,103	79,474
Total non-current liabilities	807,042	903,332
TOTAL LIABILITIES	3,393,901	3,554,891
<u>EQUITY</u>		
Share capital	265,608	265,608
Capital surplus	185,302	185,937
Treasury shares	(5,572)	(4,081)
Retained earnings	888,541	830,057
Other components of equity	96,998	118,015
Equity attributable to owners of the parent	1,430,878	1,395,537
Non-controlling interests	317,943	298,327
TOTAL EQUITY	1,748,821	1,693,865
TOTAL LIABILITIES AND EQUITY	5,142,723	5,248,756

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of Yen)

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018) (Reference)
Revenue	4,078,344	4,085,679
Cost of sales	3,310,210	3,367,065
Gross profit	768,133	718,613
Selling, general and administrative expenses	541,714	545,068
Share of profit (loss) of investments accounted for using the equity method	10,937	2,670
Other income *	64,503	24,744
Other expenses	115,135	142,782
Profit from business activities	186,724	58,176
Finance income	7,650	5,884
Finance costs	11,749	24,828
Profit before income taxes	182,624	39,232
Income taxes	54,153	22,644
Profit	128,471	16,588
Profit (loss) attributable to:		
Owners of the parent	101,354	(7,320)
Non-controlling interests	27,116	23,909

(Yen)

Earnings (loss) per share attributable to owners of the parent		
Basic earnings (loss) per share	301.95	(21.79)
Diluted earnings (loss) per share	301.44	(21.80)

* Note:

As stated in Notes to the Consolidated Financial Statements "Basis of Preparation of Consolidated Financial Statements 4.Accounting Policies (12)Profit from business activities",Other income includes dividend income. The amount of dividends in FY2018 is 11,647 Million Yen, and the amount in FY2017 is 12,211 Million Yen (reference).

NON-CONSOLIDATED BALANCE SHEET (1/2)

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar. 31, 2018 (Reference)
<u>ASSETS</u>		
Current assets:		
Cash and deposits	65,054	119,918
Trade notes receivable	220	488
Trade accounts receivable	56,878	219,627
Contract assets	109,351	-
Merchandise and finished products	1,123	1,058
Work in process	218,423	282,343
Raw materials and supplies	33,697	37,027
Income taxes receivable	5,383	-
Advances to suppliers	37,534	43,971
Prepaid expenses	399	421
Short-term loans receivable from subsidiaries and affiliates	3,185	3,423
Other current assets	104,016	101,798
Allowance for doubtful accounts	(38)	(58)
Total current assets	635,230	810,021
Non-current assets:		
Property, plant and equipment:		
Buildings	193,682	186,951
Structures	19,870	17,832
Docks and facilities for shipbuilding	3,239	3,345
Machinery	49,111	53,010
Vessels	12	15
Aircraft	4	1
Vehicles and transportation equipment	1,182	1,233
Tools, equipment and furniture	18,371	15,895
Land	94,519	95,775
Leased assets	1,810	16,238
Construction in progress	18,881	22,625
Subtotal	400,686	412,925
Intangible assets:		
Software	8,404	9,562
Right of using facilities	293	306
Leased assets	12	18
Others	203	102
Subtotal	8,913	9,991
Investments and advances:		
Investment securities	322,062	346,941
Investments in shares of subsidiaries and affiliates	663,337	625,521
Investments in capital	1,063	737
Investments in capital of subsidiaries and affiliates	21,745	16,312
Long-term loans receivable from employees	34	32
Long-term loans receivable from subsidiaries and affiliates	836,536	423,723
Claims provable in bankruptcy, claims provable in rehabilitation and other	231	231
Long-term prepaid expenses	2,199	3,095
Prepaid pension cost	37,804	37,746
Deferred tax assets	36,101	38,032
Long-term receivables	17,048	462,651
Others	52,182	45,546
Allowance for doubtful accounts	(3,401)	(110,305)
Subtotal	1,986,944	1,890,268
Total non-current assets	2,396,544	2,313,185
TOTAL ASSETS	3,031,774	3,123,206

NON-CONSOLIDATED BALANCE SHEET (2/2)

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar.31, 2018 (Reference)
<u>LIABILITIES</u>		
Current liabilities:		
Electronically recorded obligations	26,543	29,008
Trade accounts payable	188,607	196,978
Short-term borrowings	651,936	572,349
Current portion of long-term borrowings	35,978	60,978
Current portion of bonds	65,000	30,000
Lease obligations	447	1,293
Accrued payables	21,026	29,314
Accrued expenses	28,118	25,306
Income taxes payable	-	2,951
Advance payments received on contracts	-	430,888
Contract liabilities	369,149	-
Deposits received	32,173	45,069
Provision for construction warranties	7,737	7,735
Provision for loss on construction contracts	4,757	9,111
Provision for business structure improvement	-	2,202
Provision for loss on disputes	3,053	-
Provision for stock benefits	269	616
Asset retirement obligations	3	3
Other current liabilities	10,598	18,551
Total current liabilities	1,445,401	1,462,358
Non-current liabilities:		
Bonds	140,000	205,000
Long-term borrowings	192,052	218,208
Lease obligations	1,452	14,723
Provision for construction warranties	9,491	11,420
Provision for business structure improvement	3,294	-
Provision for stock benefits	947	781
Provision for loss on guarantees	-	591
Provision for treatment of PCB waste	6,364	6,650
Provision for environmental measures	7,077	7,505
Asset retirement obligations	2,571	2,526
Other non-current liabilities	24,990	28,457
Total non-current liabilities	388,242	495,865
TOTAL LIABILITIES	1,833,643	1,958,223
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus:		
Capital reserve	203,536	203,536
Other capital reserve	2,518	2,661
Total capital surplus	206,055	206,197
Retained earnings:		
Legal reserve	66,363	66,363
Revenue reserve:		
Reserve for specified business restructuring investment loss	24,175	46,890
Reserve for reduction in costs of fixed assets	74,483	55,047
Reserve for accelerated depreciation	1,293	1,738
Earned surplus brought forward	490,510	445,337
Total revenue reserve	590,462	549,013
Total retained earnings	656,826	615,377
Treasury stock	(2,394)	(2,542)
Total stockholders' equity	1,126,095	1,084,641
Valuation, translation adjustments and others:		
Unrealized holding gain (loss) on investment securities	72,225	79,095
Unrealized gain (loss) from hedging instruments	(1,977)	(724)
Total valuation, translation adjustments and others	70,247	78,371
Share subscription rights	1,787	1,969
TOTAL NET ASSETS	1,198,131	1,164,983
TOTAL LIABILITIES AND NET ASSETS	3,031,774	3,123,206

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of Yen)

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018) (Reference)
Net sales	886,498	1,103,954
Cost of sales	754,036	976,135
Gross profit	132,461	127,819
Selling, general and administrative expenses	83,445	98,281
Operating income	49,016	29,538
Non-operating income:		
Interest income	7,325	5,312
Dividend income	32,467	42,483
Foreign exchange gain	-	7,114
Gain on sales of investment securities	-	1,544
Other income	1,440	3,862
Total non-operating income	41,232	60,317
Non-operating expenses:		
Interest expense	7,757	7,215
Interest on bonds	1,412	2,003
Loss on disposal of fixed assets	4,655	4,608
Foreign exchange loss	5,866	-
Loss on revaluation of investment securities	-	302
Litigation expenses	1,402	1,424
Litigation settlement	4,176	-
Provision for loss on disputes	3,053	-
Other expenses	7,339	9,940
Total non-operating expenses	35,663	25,495
Ordinary income	54,585	64,360
Extraordinary gain:		
Gain on sales of fixed assets	40,209	-
Gain on sales of investment securities	9,226	35,229
Gain on extinguishment of tie-in shares	77,393	2,844
Reversal of allowance for doubtful accounts	60,046	-
Reversal of provision for loss on guarantees	-	7,661
Total extraordinary gain	186,876	45,734
Extraordinary loss:		
Loss on revaluation of investment securities	130,426	-
Business structure improvement expenses	3,750	2,202
Provision of allowance for doubtful accounts	3,091	62,662
Loss on sales of investment in capital	-	20,050
Total extraordinary loss	137,268	84,915
Profit before income taxes	104,192	25,179
Income taxes:		
Current	5,272	7,342
Deferred	2,859	(11,542)
Profit	96,061	29,379

Independent Auditor's Report

May 20, 2019

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Mitsubishi Heavy Industries, Ltd. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Mitsubishi Heavy Industries, Ltd. and its consolidated

subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

Emphasis of Matter

1. We draw attention to Note 5 "Contingent liabilities relating to change in MRJ delivery timing" in Notes to the Consolidated Statement of Financial Position, which describes, going forward, it is possible that additional liabilities will arise depending on the results of consultation with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.
2. We draw attention to Note 6 "Indemnification Asset for South African Projects" in Notes to the Consolidated Statement of Financial Position, which describes, Mitsubishi Heavy Industries, Ltd. ("MHI") demanded that Hitachi, Ltd. ("Hitachi") pay the price adjustment and other payments regarding the boiler construction projects in the Republic of South Africa. Meanwhile, MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment.

Our opinion is not affected by the matters described above.

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

(End)

Independent Auditor's Report

May 20, 2019

Mr. Seiji Izumisawa
President
Mitsubishi Heavy Industries, Ltd.

KPMG AZSA LLC

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Mitsubishi Heavy Industries, Ltd. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

3. We draw attention to Note 4 "Contingent liabilities relating to change in MRJ delivery timing" in Notes to the Non-Consolidated Balance Sheet, which describes, going forward, it is possible that additional liabilities will arise depending on the results of consultation 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. We draw attention to Note 5 "Others" in Notes to the Non-Consolidated Balance Sheet, which describes, Mitsubishi Heavy Industries, Ltd. ("MHI") demanded that Hitachi, Ltd. ("Hitachi") pay the price adjustment and other payments regarding the boiler construction projects in the Republic of South Africa. Meanwhile, MHI and Hitachi have still not completed the price adjustment for the South African Asset Transfer at the moment.

Our opinion is not affected by matters described above.

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

(End)

Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee of the Company has audited the Directors' execution of their duties during the 2018 fiscal year, from April 1, 2018, to March 31, 2019. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

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

Based on the foregoing methods, the Audit and Supervisory Committee examined the Business Report and the related supplementary schedules for the 2018 fiscal year under review, non-consolidated financial statements for the same fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the related supplementary schedules as well as consolidated financial statements for the same fiscal year (consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity, and notes to the consolidated financial statements).

2. Results of audit:

(1) Result of audit of the Business Report, etc.

In our opinion:

- a. the Business Report and the related supplementary schedules fairly represent the conditions of the Company in accordance with the applicable laws and ordinances and with the Company's Articles of Incorporation;
- b. with respect to the Directors' execution of their duties, there are no fraudulent acts or material facts of violation of applicable laws and ordinances or of the Company's Articles of Incorporation; and
- c. the contents of the resolutions of the Board of Directors regarding internal control systems are appropriate. Furthermore, there are no matters that we should point out regarding the contents of the Business Report and Directors' execution of their duties related to internal control systems, including internal control systems over financial reporting.

(2) Result of audit of the non-consolidated financial statements and the related supplementary schedules

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

(3) Result of audit of the consolidated financial statements

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

May 24, 2019

The Audit and Supervisory Committee
Mitsubishi Heavy Industries, Ltd.

Toshifumi Goto (seal)
Full-time Audit and Supervisory Committee
Member

Hiroki Kato (seal)
Full-time Audit and Supervisory Committee
Member

Nobuo Kuroyanagi (seal)
Audit and Supervisory Committee Member

Christina Ahmadjian (seal)
Audit and Supervisory Committee Member

Shinichiro Ito (seal)
Audit and Supervisory Committee Member

(Note)

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

(End)