Summary of Q&A at FY2017 1-3Q Financial Results Presentation
(February 6, 2018)

(Responses were based on information available at the time of the presentation.)

Q. In announcing its interim results, the Company stated that operational rates are low at power plants where gas turbines have been installed. Is that still the case? Also, at the interim the Company lowered its full-year GTCC outlook and said that sales volume from after-sale servicing operations had fallen short of the anticipated level. Has the situation surrounding after-sale servicing operations improved as of the end of the third quarter?
A. Due to the decrease in operational rates at power plants with installations of gas turbines, sales from after-sale servicing operations are still short of our original projection; no dramatic improvement has taken place. Profitability from newly established power plants is gradually improving, however, in part due to progress in squeezing fixed costs. We intend to factor this improvement into our FY2018 earnings forecasts after we have examined whether this positive upturn is stable and continuous. As of now, we believe that, overall, we should be able to achieve the FY2017 operating income forecast that we announced at the interim.

Q. Concerning the thermal power plant business, MHI's competitors are also taking steps to reduce their fixed costs. Considering the balance between the current level of fixed costs and the volume of work to be generated by the backlog in orders for new plants, does MHI think even stronger cost-cutting measures are needed than those already planned?
A. Insofar as coal-fired plants are concerned, our production volumes have been increasing since the start of the fiscal year in step with progress in plant construction work, and we expect work involving boilers and the like to peak during the next several years. Considering market trends, however, changing our business structure is needed, so we will strive to pursue reallocation of our workforce by re-training employees and so on. We will incorporate some cost-cutting measures into our next Medium-Term Business Plan.

Q. Regarding MRJ development costs, please tell us where these stand as of the end of the third quarter, and what the outlook is for the full year.
A. The MRJ's development costs are little changed on a year-on-year basis. Currently, flight testing is underway, and we project that annual development costs will peak in FY2017 and then gradually decrease in the run-up to acquiring type certification in FY2019. Although development costs are mounting, the development is going smoothly, so we will keep to our current development schedule.