

**Summary of Q&A at FY2016 Financial Results Presentation**  
**(May 9, 2017)**

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

**Q. P. 15 of the “FY2016 Financial Results” shows a decline in operating income of 40 billion yen during Q4, due to a shortfall of net sales in the power systems business and others.**

**However, net sales for Energy & Environment in FY2016 were 1,470 billion yen, missing the 1,550 billion yen forecast made in Q3. The operating income decline of 40 billion yen seems too large considering that the shortfall of net sales was 80 billion yen. I think that sales of after-sales services, which are generally thought to be highly profitable, were lower than expected. Could you provide a more detailed explanation?**

**In addition, I recognize that net sales and operating income from after-sales services increase in line with the number of equipment installations. Are there any potential risks that could develop from this business structure?**

A. Operating rates have been declining at plants installed in Asia and Europe which were seen as a target for maintenance. As a result, the volume of after-sales services has also declined, which is a major factor in explaining why the target was missed in Q4. We do not expect any major changes in the business environment, but the operating rates of customers' plants and demand for after-sales services will both improve in line with the global economic recovery. However, the intervals between maintenance requests are getting longer at some plants, and orders for simple component part replacements are increasingly being captured by third-party market entrants.

We therefore believe it's necessary to provide various after-sales service offerings that enable shared risks/benefits between customers and MHI. Going forward, we will pursue such initiatives.

**Q. Are PMI-driven profit improvements reflected in the FY2017 forecast for operating income?**

A. In addition to profit growth through sales increases, we also expect a certain level of cost reduction through accelerated PMI. However, we need to take into account other risks, such as price reductions due to intense competition. As explained on p.20 of the “Status of 2015 Medium- Term Business Plan”, we are planning to improve operating income during FY2017 by (1) increased sales and PMI acceleration and (2) radical measures for the commercial ship and commercial aircraft businesses. Regarding (2), the figures reflect recovery of future loss provisions implemented in FY2016 and the effect of the radical measures.

**Q. The company seems to have allowed for 50 billion yen of extraordinary losses in each fiscal year throughout the “2015 Medium- Term Business Plan”. Does the FY2017 forecast also reflect this 50 billion yen figure? Also, can we assume that extraordinary gains and losses can be reduced to zero from FY2018 onwards through asset management etc.**

A. In the FY2017 forecast extraordinary gains/losses are expected to be zero. We will generate cash flow in the short term by improving our balance sheet, which we regard as an important managerial measure. However, accelerating concentration into core competencies may result in a certain level of extraordinary loss. Extraordinary gains/losses are slated to be zero after FY2018 as well. The period where extraordinary losses, which were attributed to structural reforms such as carve outs, have an impact on the profit and loss is almost ending. In addition, we will offset extraordinary losses by constantly raising profit through improved asset management etc.

**Q. MHI made a provision of allowance for doubtful accounts after Mitsubishi Aircraft Corporation (MITAC) experienced insolvency. Has this now been resolved?**

A. The net worth of MITAC is still negative. While we recognize its operating structure as a challenge in financial terms, we remain firm in forging ahead with this project, targeting the first delivery in 2020.