

Summary of Q&A at FY2015 Financial Results
and 2015 Medium-Term Business Plan Progress Report Presentation
(May 9, 2016)

(Responses are based on information as of date of presentation)

Q. What extraordinary income and extraordinary losses in FY2016 are factored into the Business Plan? Please tell us your thinking in terms of acceleration of structural reforms, risk-related matters, and asset management strategy.

A. We have factored in an extraordinary loss of approximately 50 billion yen for costs to be incurred for business structure improvements being continued in FY2016. Concerning major risks now in evidence, we expect to settle these issues in FY2016 and FY2017. We intend to use profits generated through asset management to deal with those risks, strengthen our capital base, and distribute dividends to our shareholders.

Q. We wish to inquire concerning PMI (post-merger integration) at MHI's major joint-venture businesses. According to the materials accompanying the "Status of 2015 Medium-Term Business Plan" (pages 15-16), you state that going forward you will cut SG&A expenses by some 15 billion yen at Mitsubishi Hitachi Power Systems (MHPS) and near 4 billion yen at Primetals Technologies. Also, the Business Plan looks for between 400 and 500 billion yen in synergy to be generated in orders received and net sales. Please tell us specifically what this will derive from.

A. The 15 billion yen and 4 billion yen we quote for MHPS and Primetals, respectively, are the amounts that we believe are the minimal reductions required to come from PMI with respect to SG&A costs alone. We are also anticipating indirect cost reductions to come from staff optimization.

Currently we are undertaking a variety of investments – into IoT, for example – and temporarily our selling expenses are therefore at a higher level than before. However, as staff optimization gradually goes forward and outsourcing costs go down, we expect to be able to achieve more cost reductions than noted in our presentation materials.

As a breakdown of the 400 to 500 billion yen in increased orders received and net sales to come from synergies, we are aiming for between several ten billions and about 100 billion yen in the areas of forklift trucks, engines and turbochargers. MHPS has already achieved synergy in the amount of around 400 billion yen, and we target another 100 to 200 billion

yen to be added. Meanwhile, from metals machinery, which is mired in an unfavorable market at the moment, we are targeting another 100 billion yen or so from increases in orders received and net sales.

As to the remaining 200 billion yen, we are anticipating this will come from large-scale cross-domain projects. Taken all together, we hope to achieve some 400 to 500 billion yen in increased orders received and net sales.

Q. The "Status of 2015 Medium-Term Business Plan" materials (page 15) cite the earnings figures for Mitsubishi Hitachi Power Systems (MHPS). We had thought that company's profitability would be slightly higher. What are you considering as your next strategies for raising MHPS's profitability further?

A. MHPS's operating margin is lower than at our overseas competitors – a situation we find unsatisfying. Initiatives to drive PMI further, in order to cut costs, must be continued. We also believe we must restructure our plants and streamline our product lines, etc. In addition, we want to boost our market penetration. North America is the biggest market for gas turbines, but going forward the market will grow in Mexico, Southeast Asia and the Middle East. The MHI Group's share in these various markets may not be so significant, however. For us to become a winner in those markets, it's imperative that we strengthen our sales capability and cost competitiveness, and to do so we are considering measures for rationalizing our supply chain, etc.

Q. In the presentation materials provided for the "Status of 2015 Medium-Term Business Plan," there was no information relating to the nuclear energy business. Do you have expectations that the nuclear energy business will strengthen in the medium to long-term context?

A. For nuclear energy as a power source over the medium to long term, besides the light water reactors currently forming the mainstream, a variety of nuclear reactors are under development in many countries. We believe that MHI should possess expertise and technology in nuclear energy, but given the instability of the current market, we want to avoid irrational expansion and instead progressively build up our technology foundation to enable us to respond to various circumstances in the future.

Q. In the materials accompanying the "Status of 2015 Medium-Term Business Plan" (page 13), you mention "new businesses" to follow the MRJ business. By this, what do you mean by new businesses?

A. The sentence you refer to is provided as a "reference" of our long-range Companywide investment policies.

We believe that we cannot survive unless we continuously create new business, and for that reason we believe that we will take farther steps into areas completely different from aircraft.

Q. In your earnings forecasts for FY2016, how have you factored in impact to come from the business performance of Mitsubishi Motors?

A. At the present time, we have not factored this in at all. Going forward, we will deal with this matter appropriately in line with the accounting rules we apply and our strategy on the matter.