

Summary of Q&A at FY2018 1H Financial Results Presentation
(October 31, 2018)

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

Q. Why has the Company revised its full-year free cash flow forecast from 50 billion yen to 100 billion yen?

A. At MHI, free cash flow serves as a leading indicator of our business results two to two-and-a-half years into the future, so we monitor our free cash flow regularly. At the end of the first half of FY2018, thanks largely to squeezing of our balance sheets, our free cash flow was 50 billion yen above our projection made at the start of the fiscal year. Moreover, as of now we envision no factors during the second half that might cancel out this improvement. For these reasons, we have revised our full-year forecast upward by 50 billion yen.

Q. We understand that the Company set aside a reserve of almost 10 billion yen in the first half-year as expenditure relating to issues with the Trent 1000 aero engine, yet no change was made to your forecast of profit from business activities in the Power Systems segment. Does this mean that business in other areas of this segment is improving?

A. We hadn't anticipated the expenditures relating to the Trent 1000 at the start of the term, so this does constitute a profit-eroding factor. However, we have implemented various measures—reducing fixed costs in our thermal power plant business, for example—and results are improving in all SBUs (strategic business units). For the Power Systems segment as a whole, therefore, we expect to be able to absorb the negative impact from the Trent 1000.

Q. How does the Company assess its competitive potential in the future market for large gas turbines?

A. Today, the market environment remains severe, but we are seeing a certain level of demand for large gas turbines, particularly in Asia. Currently, we are developing a 1,650°C-class gas turbine, and once we succeed in introducing the new model into the market, we believe this will strengthen our competitiveness in

the medium to long term and firmly establish our technical superiority.

That said, because the competitive environment does remain severe today, going forward we will strive to maintain profitability—for example, by improving productivity, reviewing our supply chain, and increasing revenues in after-sale servicing operations. In addition, we will undertake structural conversion of our thermal power business with an eye on the future.

Q. Can you give us any updates on development of the MRJ?

A. Regarding the MRJ's development, processes, procedures and challenges have now become clear, and full resolution of technical issues is in sight.

Presently, we are making the airframe for acquiring type certification reflecting the improvements we have carried out in various areas.

In preparation for acquiring the type certificate, we are also coordinating with all related agencies and parties, and conducting flight tests. Overall, the development program is now proceeding on schedule.