

Highlights of Q&A at Press and Analyst Conference for Second Quarter Results Fiscal Year 2014

1. What is your shareholder return policy?

- Our basic policy has been set to enable stable dividends, while considering the appropriate amount of retained earnings for necessary future investments. Our planned annual dividend for FY2014 is ¥6.0, and our board of directors has decided today (November 5, 2014) to distribute an interim dividend of ¥3.0.

2. What are the details behind the improved year on year profitability at “Aero Engine, Space & Defense” segment?

- In FY2013, earnings were positively impacted by raw materials procured under strong yen. We have initially forecasted this positive impact to diminish in FY2014. However, operating income actually improved as the high profitability businesses consisting of spare parts and spare engines increased.

3. Why has the operating income forecast for “Social Infrastructure and Offshore Facilities” segment worsened?

- Main factors include losses caused by delays to launch projects at Aichi Works, as well as the shift in the timing of sales in the bridge business. With respect to the Izmit project in Turkey, there is a delay in construction as of end of September, which we believe we can recover by the end of the year. Sales and profits are lower as a result. Also, there continues to be an impact of highly difficult projects from FY2013 in the bridge business, although, factory productivity is going through improvement.

4. What are your thoughts and countermeasures with respect to the apparent decrease in profitability at “Resources, Energy, and Environment” and “Social Infrastructure and Offshore Facilities” segments?

- We are continuing to implement strict project management policies in order to detect any early signs of downturn. There are projects in which additional costs, generated as a result of project spec changes, are being incurred before contract prices are renegotiated. We will continue to implement measures to improve overall project profitability.

5. Why is the earnings forecast for “Industrial Systems and General-Purpose Machinery” segment unchanged despite the improvements seen in the profitability of the Vehicular turbochargers business?

- While foreign exchange gains were recognized in the 1H, there are factors that could improve profitability further. However, we expect the Vehicular turbochargers business in Europe to incur costs related to capacity expansions and, therefore, we are keeping the same forecast for “Industrial Systems and General-Purpose Machinery” segment.

6. How is the project management for overseas projects?

- Employees responsible for project management are appropriately allocated to each business area. In “Resources, Energy and Environment” segment, we set an internal limit to the number of projects, above which we will not accept new orders.