

The average of V/D % for whole LTPM (6 years) is around approx. 5-6%. That is, nearly JPY 1 billion (NTD 333 million) needs to be paid back at the end of LTPM. From the accounting point of view, such amount of pay-back is too big to manage. Therefore, it is not practically possible to follow such idea.

(2) MITSUBISHI's comment

TPC proposed to change the V/D procedure to apply the volume discount to the accumulated amount of PO at the end of LTPM period and settle it at one time (not at an individual PO). By this procedure, TPC can be free from complicated process for V/D settlement.

(1) Present status

## 2. Volume Discount (V/D) Procedure

MITSUBISHI explained that special conditions under LTPM are very unique conditions only applicable to TPC. For instance, Volume Discount Concept has not been applied to the long term contract with any other MHI Users in the past. However, such conditions have been proposed based on "Exclusivity" between TPC and MITSUBISHI. Thus, MITSUBISHI is now facing the difficulty to replace the existing "Exclusivity" clause with the new wording. Therefore, MITSUBISHI would like to modify the existing Volume Discount Conditions and the draft of such modification will be sent to TPC for review and discussion.

< Result on 2009/12/3 >



We understand TPC's standpoint that they are not able to accept Exclusivity Clause and we agree with the wording provided by TPC. However, our LTPM is based on exclusivity, we therefore would like to propose some restriction, e.g. change of Volume Discount Rate etc., if exclusivity is not observed by TPC.

(2) MITSUBISHI's comment

New Clause mentioned below is acceptable to TPC. Now, waiting for MITSUBISHI's consent.  
"Buyer procures Parts, HGPP for the covered equipment from Seller with the priority as far as Government Procurement Act allows."

(1) Present Status

## 1. Exclusivity Clause

### Outstanding Points - LTPM for Datan & Nambu PS

2009/12/03

RI: 2009/12/04

34528 -

Therefore, please kindly reconsider the revised V/D procedure attached hereto which can eliminate the complicated procedure at TPC side.

> Result on 2009/12/3 <



MITSUBISHI explained their difficulty to accept such TPC's request due to the reasons mentioned below.

(1) According to MITSUBISHI's internal accounting standard, the costs related to the purchase order should not be carried over to the other.

(2) Such MITSUBISHI's accounting standard has been fixed on the basis of the number transactions accumulated in the past and through the discussions with CPA in accordance with Tax Regulations.

(3) TPC's request to settle the accumulated amount of volume discount at the end of LTPM period may be considered as "Improper Accounting" by Tax Authorities since it is deviated from MITSUBISHI's accounting standard and such Volume Discount Concept is not common practice of MITSUBISHI's business. And the financial impact to the cash flow is too big to settle the accumulated volume discount at one time.

Considering the difficulties at MITSUBISHI, MITSUBISHI requested TPC to consider the following idea which may avoid any discrepancy between MITSUBISHI's shipping document and TPC's document (TPC's Internal Data) to be used for the site receiving inspection.

<Alternative Idea >

(1) Volume Discount shall be reflected to an individual purchase order as originally proposed by MITSUBISHI.

(2) However, in order to avoid the discrepancy between the unit price appeared in "MITSUBISHI's shipping invoice" and "TPC's document" for the site receiving inspection, the unit price of shipping invoice shall be same as that of before reflecting VD. Sample of the shipping invoice shall be attached for reference.

### 3. Repair Contract Procedure

(1) Present Status

Datan P/S commented in their report to TPC/HQ about LTPM Repair Agreement that the division of responsibility should be clearly stated in LTPM agreement.

Invitation No.: XXXXXXXXXXXX Contract No.: XXXXXXXXXXXX Order No.: XXXXXXXXXXXX		Payment shall be made based on this amount (i.e. after applying Volume Discount)	
Item No.	Material No.	Description	Q'ty (PCS)
1	XXXXXXXXXX	Turbine Blade Row 1	72
2	XXXXXXXXXX	Turbine Blade Row 2	66
		Unit Price	3,297,000
		Total Price	237,384,000
		FOB JAPAN (SUB TOTAL)	391,230,000
		Volume Discount	-26,900,676
		FOB JAPAN (GRAND TOTAL)	364,329,324
Same as Unit Price in PO (Volume Discount shall not be reflected to Unit Price.			
<b>SHIPPING INVOICE issued by MG</b>			


**Sample of Shipping Invoice**

(2) MITSUBISHI's comment  
 Please comment your idea whether or not "Sequence of Repair Procedure" attached hereto can be attached to LTPM agreement as a reference document.  
 < Result on 2009/12/3 >  
 Concerning the DOR sheet, TPC requested MITSUBISHI to ask Datan PS for review and comment.

