

Summary of Q&A at FY2019 1-3Q Financial Results Presentation
(February 6, 2020)

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

Q. Regarding the full-year forecast for Power Systems domain, please explain the background for the upward revision of profit while maintaining the original forecast for order intake and revenue.

A. There was a positive accounting impact from the settlement of the arbitration in relation to the South African Projects, while at the same time a provision related to the aero engine business^(*) has been booked. As a result, only the profit forecast has been revised upward. Overall, the domain is basically progressing in accordance with the initial plan.

(*) A provision for losses relating to the Rolls Royce Trent 1000 engine issue was booked in this period.

Q. There is a 50 billion yen downward revision of profit forecast in the Industry and Infrastructure domain, which is a significant change. Please explain to us whether any special factors other than decreased sales account for the revision.

A. Revenue for mass-manufactured products business as well as engineering business declined. The main reason for the downward revision in the profit forecast is decreased sales of mass-manufactured products, although other smaller factors were also present. Because of the nature of the business, profit in mass-manufactured products, in particular, does fluctuate significantly based on sales volume.

Q. Please explain the background of the impairment losses related to the SpaceJet business and the reasons for the expected delay in obtaining the type certificate (TC).

A. Accounting treatment regarding the SpaceJet business is made based on the overall business plan for the SpaceJet program. As a result of the delay I mentioned today, the cost to obtain the TC is expected to increase. In addition,

the total development cost and the development schedule for the M100, for which we had planned to make maximum use of the TC for the M90, is at this moment harder to forecast. In light of these circumstances, we have decided to write-off almost all assets related to the SpaceJet business.

Regarding the change in schedule for obtaining the TC, the most direct reason is the delay in final assembly of the final configuration flight test aircraft. The assembly delays are largely due to the considerable time that we have spent ensuring the safety of the aircraft as the first priority. Through this process we implemented several improvements entailing changes of design that have contributed to the overall delay.