

**Summary of Q&A at “FY2019 Financial Results &
Emergency Measures, Strategy Update” Presentation**
(May 11, 2020)

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

Q. The forecast of FY2020 profit from business activities is zero, which sounds very serious. Do you believe that this forecast is the minimum achievable level even if the impact of COVID-19 is greater than expected?

A. We believe that zero profit from business activities is the minimum level to be achieved. The impact of the COVID-19 crisis cannot be fully calculated at present, and it is likely that there will be some fluctuations. However, we will be keeping a close eye on the situation and take additional measures as necessary to increase profits as much as possible.

Q. According to page 31 of the presentation material, "Effect of Emergency Measures" is expected to improve profit from business activities by ¥45.0 billion. Please explain the measures in detail.

A. "Emergency Measures" on page 23 of the presentation material describes concrete measures for reducing fixed costs. In the commercial aircraft aero structures (Tier 1) business, factories in Nagoya have temporarily suspended or reduced operations. We are also preparing to consolidate some of our turbocharger production functions in Europe and Japan to Thailand. On top of that, we are working to reduce external costs by limiting the use of external resources in each business. We believe that an improvement of ¥45.0 billion can be achieved by adding the gains from asset management activities on top of the fixed cost reduction measures described above. If the impact of COVID-19 is prolonged, we will take further measures to achieve zero or greater profit.

Q. Order intake for the Energy segment is expected to decrease in FY2020 compared to FY2019. In addition, the degree of decline in profit from business activities is projected to be disproportionately greater than the decline in revenue. Please explain the background of these.

A. Order intake of the Energy segment in FY2019 exceeded the initial forecast because some of the orders, which were originally expected to be booked in FY2020, were carried forward.

The outlook for FY2020 incorporates the impact of COVID-19 on the aero engine business, in addition to the decline in order intake mentioned earlier.

Also, the profit from business activities for FY2019 includes one-time effects such as the recording of gains in connection with the settlement of the South African projects. Excluding those factors, there is no significant change in profit margins.

Q. Is there any change in the demand forecast for the regional jet market post-COVID-19? Also, if the impact of the COVID-19 crisis is prolonged, which may make it more difficult to recoup investment, is there a possibility that it will affect future business decisions with respect to the SpaceJet program?

A. As for the market environment, we will closely monitor whether it will recover in the near future or whether the aircraft industry itself will undergo fundamental change. At present, we believe that the market will ultimately recover in the long term, but it may take longer than at the time of the Global Financial Crisis of 2007-2008. In addition, we are also seeing changes in lifestyles, working styles, values and so on, and we need to assess the impact of these social changes on the industry. At the time of the revision of the SpaceJet development schedule announced in February this year (announcement of FY2019 third quarter results), the ferry flight of the flight test vehicle eligible for type certificate to the United States was set as a milestone. However, due to the impact of COVID-19, we have not been able to conduct ferry flights at this time, and in light of this situation, we will review future development plans.

Q. The expected impairment loss on the acquisition of Bombardier's CRJ business was announced on May 7. We understand that it was the synergies with the SpaceJet business that were subject to impairment losses, but the amount of this impairment loss (expected to be about ¥50.0~70.0 billion) is roughly comparable to the reported acquisition price (\$550 million). Will it be possible to create added value from the CRJ business on its own?

A. In addition to synergies with the SpaceJet business, the CRJ business on a standalone basis has some value. Also, to add to the announcement, the announced acquisition price was \$550 million, but the actual payment is expected to be higher than the announced acquisition price, taking into account working capital adjustments to be made after the closing on June 1. Impairment losses will vary from ¥50.0 billion to ¥70.0 billion depending on the fair value of the assets and liabilities that we take over from Bombardier.

Q. What is your rationale behind the dividend forecast of ¥75 per share for FY 2020?

What is the background to your forecast of free cash flow in FY2020?

A. Basically we have set out a dividend payout ratio of 30% of profit attributable to owners of parents excluding the impact from SpaceJet investment. The dividend payout ratio based on profit excluding SpaceJet for FY2019 is approximately 35%, although it would be 58% if the impact from SpaceJet were included. For FY2020, our estimated dividend of ¥75 per share is 28% of the expected profit of ¥90.0 billion excluding SpaceJet.

We anticipate a negative free cash flow of ¥400.0 billion in FY2020. This forecast is mainly driven by three factors. First, profit level is expected to be lower in FY2020 than in FY2019. Second, we believe that we have already generated significant cash by reducing our balance sheet in recent years. And, third, we are entering the stage of expending advances received in ongoing construction projects, which will result in an increase in working capital. Based on this free cash flow forecast, interest-bearing debt is expected to increase to ¥950.0 billion at the end of FY2020.