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General Release

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Mitsubishi Heavy Industries to Acquire Canadair Regional Jet Program from Bombardier Inc.

Tokyo, June 25, 2019 – Mitsubishi Heavy Industries, Ltd. (“MHI” or “the Company”), at a meeting of its Board of Directors held today, decided to acquire the Canadair Regional Jet (CRJ) program of Canadian company Bombardier Inc. Details of the acquisition are as follows.

1. Overview of the Acquisition

With this agreement, MHI Group will acquire the maintenance, support^{*1}, refurbishment, marketing, and sales activities, as well as the type certificate for the CRJ Series^{*2} aircraft.

This acquisition will complement the development, production, sales and customer support of the Mitsubishi SpaceJet family^{*3}, (currently under development by MHI Group), thereby supporting MHI’s future growth.

Notes

1. Production and maintenance of service manuals, supply of spare parts, technical support, crew and mechanic training, MRO (maintenance repair and overall), etc.
2. The Canadair Regional Jet (CRJ) is a series of small passenger jets seating 50 to 100 persons, manufactured and sold by Bombardier Aerospace, the aircraft division of Bombardier Inc.
3. The Mitsubishi SpaceJet Family is a next-generation regional jet being developed by Mitsubishi Aircraft Corporation.

2. Overview of Bombardier

(1) Name	Bombardier. Inc.
(2) Location	800, boulevard René-Lévesque West Montréal (Québec) H3B 1Y8, Canada
(3) Representative	Alain Bellemare, President and Chief Executive Officer
(4) Main Lines of Business	Provision of railway vehicles, systems, signals and other solutions; Design, manufacture, and customer service for business jets;

	Design, manufacture, and customer service for commercial aircraft; Design and manufacture of structural parts		
(5) Capital (at March 31, 2019)	USD 2,971million		
(6) Date of Establishment	June 19, 1902		
(7) Main Shareholders and Shareholding Ratio* ⁵ (at March 4, 2019)	<u>Main Shareholders</u>	<u>Class A Shares Shareholding Ratio</u>	<u>Class B Shares Shareholding Ratio</u>
	J. R. André Bombardier	21.18%	0.35%
	Janine Bombardier	20.07%	0.33%
	Claire Bombardier Beaudoin	19.88%	0.41%
	Huguette Bombardier Fontaine	19.66%	0.33%
(8) Relationship between the Company and Bombardier	Capital Relationship	No notable material relationship.	
	Personnel Relationship	No notable material relationship.	
	Business Relationship	No notable material relationship.	
	Related Parties	Nothing applicable	
(9) Consolidated Business Results and Financial Position for the Most Recent Three Years* ⁶			
Fiscal Year (Unit: US\$m)	<u>FY12/2016</u>	<u>FY12/2017</u>	<u>FY12/2018</u>
Total Capital	(4,383)	(4,695)	(4,014)
Total Assets	22,795	24,916	24,958
Revenues	16,339	16,199	16,236
Earnings before Interests and Taxes (EBIT)	(58)	299	1,001
Net Income	(981)	(525)	318
Net Income per Share	USD (0.48)	USD (0.24)	USD 0.10
Dividends per Share	CAD 0.00	CAD 0.00	CAD 0.00

Notes

- Class A shares have 10 voting rights per share, while Class B shares have 1 voting right per share. Shareholding ratios for each share class are presented.
- Bombardier prepares its financial statements based on International Financial Reporting Standards (IFRS), and from the fiscal year ended December 2018 has newly applied IFRS 15 for recognition of revenue, and IFRS 9 for financial instruments. Figures for the fiscal year ended December 2017 are presented with the new standards retroactively applied, but figures for the fiscal year ended December 2016 maintain the previous standard.

3. Overview of Bombardier's Commercial Aircraft Division and the Business to Be Acquired within that Division

(1) Business Overview	Design, manufacture, and customer service for commercial aircraft (CRJ Series & Q-series)
(2) Business Results for the Subject Business Division	Fiscal year ended December 2018 Units: USD millions
Sales Revenue	1,756
Earnings before Interests and Taxes (EBIT)	(755)
(3) Business to be acquired	<p>Within the above Bombardier commercial aircraft division, the CRJ series business (excluding the manufacturing functions).</p> <p>Content and Scope:</p> <p>The maintenance, support, refurbishment, marketing, and sales activities, as well as the type certificate for the CRJ Series aircraft, including the related services and support network located in Montréal, Quebec, and Toronto, Ontario, and its service centers located in Bridgeport, West Virginia, and Tucson, Arizona. The CRJ production facility in Mirabel, Québec will remain with Bombardier. Bombardier will continue to supply components and spare parts and will assemble the current CRJ backlog on behalf of MHI. CRJ production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft.</p> <ul style="list-style-type: none"> Types: CRJ100/200 (50 seats, production discontinued), CRJ700 (70 seats), CRJ900 (90 seats), CRJ1000 (100 seats)
(4) Others	<ul style="list-style-type: none"> In addition to the cash consideration of \$550 million USD, payable to Bombardier upon closing, MHI will assume liabilities amounting to approximately \$200 million USD. Bombardier will also transfer its net beneficial interest in the Regional Aircraft Securitization Program (RASPRO), which is valued at approximately \$180 million USD, to MHI. Bombardier will retain certain liabilities representing a portion of the credit and residual value guarantees totaling approximately \$400 million USD. This amount is fixed and not subject to future changes in aircraft value, and payable by Bombardier over the next four years.

4. Acquisition Amount and Settlement Method

(1) Acquisition Amount

USD 550 million*¹ (approx. JPY 59 billion*²)

*1 Final amount will be decided based on the terms of the Transfer Agreement, including financial figures etc. so the above amount could change.

*2 Converted at ¥107/USD (rate at June 25, 2019)

(2) Payment Method

Payment of the acquisition amount in cash on the day the transaction is completed

(3) Completion of the Transaction

Completion upon review by the Committee on Foreign Investment in the United States, and national antitrust authorities

(4) Others

The agreement contemplates a reverse break fee payable by MHI under certain circumstances.

5. Timeline

Resolution by the Board of Directors	June 25, 2019
Conclusion of the Contract	June 25, 2019
Completion of Acquisition	Late 2019 – Early 2020

6. Overview of the Accounting Treatment

The business transfer is an “acquisition” accounted for under IFRS 3 Business Combinations, with goodwill and intangible assets expected to be incurred.

7. Future Outlook

After the completion of the transaction, the fair value and goodwill of the assets acquired and liabilities assumed will be measured based on the determined transfer price after working capital adjustment, and the goodwill will be allocated to the relevant cash-generating units. We will inform you as soon as a reasonable estimate can be made regarding the impact that they have on the business results for the current fiscal year.

END