

Q&A for Teleconference on Non-Operating Losses (Share of Loss of Entities Accounted for Using Equity Method), Revisions to Full-Year Consolidated Results Forecasts, and Loss on Valuation of Shares in Non-Consolidated Subsidiaries and Affiliates

1. Non-operating operating losses in line with financial report of Japan Marine United Corporation (JMU)

- (1) What is the nature of the losses
 - We are posting a share of loss of entities accounted for using the equity method, in response to the deterioration in the profitability of projects at JMU owing to a stronger yen in the fourth quarter of the year ended March 31, 2018, and in light of JMU's decision to reverse a considerable portion of deferred tax assets after examining their recoverability.
- (2) How far have you progressed with LNG carrier construction?
 - Thermal insulation work on LNG tanks was a key factor in the loss of entities accounted for using the equity method in the third quarter of the year. Now that the work has largely completed, the impact on the non-operating losses for the revised forecasts is minimal.
 - While we will need to keep tabs on progress in commissioning the first of these carriers, once it is completed we believe that it will thereafter be easier to forecast results in view of proficiency improving with the second and subsequent vessels.
- (3) What is your stance on support for JMU?
 - JMU embarked on the new fiscal year in accordance with a rehabilitation plan in which it seeks to become profitable in the year ending March 31, 2019. As a shareholder in JMU, IHI will do its best to help that company implement measures to bolster its competitiveness.

2. Deteriorating profitability at North American process plant

- (1) To what extent do you expect profitability to decline, and how is work progressing?
 - For the year ended March 31, 2018, operating profit for the Resources, Energy and the Environment business should be ¥13 billion lower than we previously projected. This would reflect the impact of a ¥14 billion downturn from this process plant project in North America, offset by a ¥1 billion improvement on boiler business.
 - Construction on a cost basis is around 57% complete. We have posted catch-up expenses to meet the delivery deadline and do not anticipate major construction delays.
- (2) Likelihood of incurring more losses?
 - A team that IHI dispatched to work with experts to monitor the situation and scrutinize construction plans found that it is possible to produce accurate estimates for the work, materials quantities, and processes. Efforts to clarify the work and processes have progressed. So, while it will remain important to closely monitor construction progress we expect the work to proceed within the scope of estimated costs.

3. How has work progressed on the Cove Point LNG facility, and have costs fluctuated?

- The customer stated in early April that commercial operations had begun, and we completed the handover. The project will accordingly have no impact on our new amendment to our forecasts for results in the year ended March 31, 2018, or on results in the year ending March 31, 2019.

4. Civilian aero engines business

(1) What are the factors in changes to the Aero Engine, Space and Defense business operating profit forecast you presented on page five of the Supplementary Material?

- All of the changes stem from the civilian aero engines business, the specifics of which are as follows:
 - Change in net sales +¥5 billion: Earnings higher because unit sales of low-profitable engines at the early mass production stage were smaller than expected
 - Change in construction +¥4 billion: Earnings higher largely because of increased spare parts profitability
 - Change in foreign exchange +¥1 billion: Reflecting actual exchange rate level rate

(2) What were your unit sales of the PW1100G-JM engine in the year ended March 31, 2018, and what is your forecast for this fiscal year? To what extent would higher unit sales affect your results?

- We sold around 250 units in the year ended March 31, 2018, fewer than initially and recently projected. We expect sales to exceed 700 units in the year ending March 31, 2019.
- This indicates that the underperforming period for the civilian aero engines business which was initially envisaged in the year ending March 31, 2018, will most likely happen in the year ending March 31, 2019. We therefore will push ahead with cost reduction measures to minimize the negative impact.

5. Do you anticipate extraordinary earnings in your newly revised forecasts?

- We do not project additional extraordinary earnings.