

Q&A for Fiscal 2018 First-Quarter Results Briefing

1. How did you progress in the first quarter in view of your operating income forecast for the year, and what is your stance on your ¥11 billion earnings buffer?

- Our first-quarter operating income was as projected. We retained the buffer, and have factored it into our full-term operating income forecasts.
- Following are our overviews for each segment.
 - (1) Resources, Energy and Environment
 - Process plant projects in North America are 71% complete. There have been no cost fluctuations. The No. 1 train customer agreed to a delay of three months. We had already factored the commensurate expenses into our results for the previous fiscal year, so there will be no impact on results for this term.
 - (2) Social Infrastructure and Offshore Facility
 - Operating income in the first quarter was down from a year earlier. This is due to absence of highly profitable projects we enjoyed a year ago for the shield system business as well as to loss making projects for transportation system in this first quarter. There will no longer be such effects from the second quarter.
 - (3) Industrial Systems and General-Purpose Machinery
 - Financial reporting period unification significantly affected results for the vehicular turbocharger business in the previous corresponding period. In the absence of such impacts, earnings level was higher than a year earlier, and we progressed in line with our full-term forecasts.
 - (4) Aero Engine, Space and Defense
 - Earnings for the quarter were down, as unit sales of the new PW1100G-JM engine rose and we brought forward maintenance program costs for other engines. We expect work on that program to level out from the second quarter. Also from that quarter, we look for a rebound from expenses incurred in the previous year to deal with initial defects, so we are progressing overall in line with full-year forecasts.

2. How is Japan Marine United progressing with LNG vessel construction?

- The first ship is undergoing sea trials. Delivery should be very soon. Work has moved forward within the scope of projected costs since the end of last fiscal year. We do not expect expenses to fluctuate once moving up the learning curve for the second and subsequent vessels.

3. Did your initial performance forecasts factor in ¥4.3 billion in additional taxes on income taxes for prior periods?

- When announcing our initial forecasts we were in the final stage of a tax assessment, and we included the amount in the projections as an estimate. Additional taxes paid in the first quarter were lower than estimated.

- In accordance with laws and regulations, we plan to ask the tax authority to completely revoke penalty taxes that we incurred. That said, it will likely take several years to resolve this case, so we have accordingly not factored the relevant amount into our performance forecasts.

4. What were the addition, reversal, and amounts outstanding for project loss provisions by segment?

- They were as follows (rounded down to the nearest ¥100 million).

Billions of yen

	At end-March 2018	First quarter of fiscal 2018		At end-June 2018
		Additions	Reversals	
Resources, Energy and Environment	21.5	1.2	3.9	18.9
Social Infrastructure and Offshore Facility	4.1	0.7	0.5	4.2
Industrial Systems and General-Purpose Machinery	0.6	0	0.1	0.4
Aero Engine, Space and Defense	0.5	0	0.4	0
Other	0.4	0.1	0.3	0.2
Total	27.2	2.0	5.3	24.0