

## Q&A for FY2019 Results Briefing

- 1. In the aero engine business, you previously recognized revenue based on notifications one month after sales. Now that there are no longer such delays, you adjusted in FY2019 by recording 13 months of sales. After factoring out that adjustment, did spare parts sales increase?**
  - Additional revenue after including the additional month was around ¥29 billion. Spare parts sales exceeded expectations and were higher than a year earlier even after excluding that factor.
  
- 2. The International Air Transport Association expects that it will take time for passenger demand to recover. Does that mean spare parts sales might fall accordingly?**
  - The demand drop will inevitably affect results. While it may take time to return to normal, engine programs in which IHI participates enjoy a competitive edge, so once a recovery is under way we believe our turnaround would be quite quick.
  
- 3. Should we expect additional losses on your North American process plant project?**
  - We have completed installing all 10 trains, and are commissioning them. Major additional costs are very unlikely.
  
- 4. You have experienced downturns in domestic boiler projects. What is the situation there?**
  - We have reached the commissioning stage on several boiler projects in which such downturns occurred, and look to be able to make deliveries by the second quarter.
  
- 5. What are your R&D expenditure and capital investment forecasts for FY2020?**
  - Over the three years of Group Management Policies 2019, our medium-term management plan, we forecast ¥420 billion in combined capital investment, R&D expenditure, and investments and loans. The annual amount would be roughly ¥140 billion, but in reviewing our plans for FY2020 we have frozen about one-third of that amount.
  
- 6. How will your business portfolio look in the aftermath of the COVID-19 pandemic?**
  - We cannot tell at this stage when the aero engine and Vehicular turbocharger businesses will recover. Still, there should be no major near-term changes. That is because we have secured orders for several years in the Resources, Energy and Environment, Social Infrastructure and Offshore Facility, and Industrial System and General-Purpose Machinery (excluding the Vehicular turbocharger business) business areas. The aero engine business has supported other businesses to date. The reverse might become the case.
  - With regard to new operations after the pandemic, we are continuing to discuss reviews to our current medium-term management plan, and will explore our business portfolio for the future.

**7. What is the outlook for operations at the Tsurugashima Works?**

- For that facility, we are rebuilding the Civil aero engine business maintenance program in light of inadequate practices at the Mizuho Aero Engine Works. We initially hurried to initiate operations at the Tsurugashima Works. Our policy is now to conduct thorough training and undertake preparations. Also, we need to consider the impact of COVID-19 infections, so we have yet to determine the startup timing.