

## Q&A at the Conference on Financial Results for FY2017

| Question  | Answer  |
|---|---|
| <p>Q1 :</p> <p>With reference to the production defect of the Shinkansen bogie frame, What are the contents of the report that Companywide Quality Control Committee receives from Survey Team? When will you release the measures to correct problems?</p> | <p>A1 :</p> <p>We think that our current mission is to clarify the actual condition at first. We investigate why the production defects of the bogie frame occurred 10 years ago and how the current system works, and it can contribute to solving the problem. We received reports on the fact-finding investigation from Survey Team on April 25, 2018 and the team continues further investigation. At this time, the time for the announcement of the investigation result including measures to prevent recurrence is not yet determined.</p> |
| <p>Q2 :</p> <p>What is the status of ROIC rating?</p>   | <p>A2 :</p> <p>ROIC rating is based on the before-tax ROIC for past 3 years and future 2 years and any BU (Business Unit) whose before-tax ROIC cannot be expected to improve in the prospective 2 years are subject to restructuring. We carry out our plan that before-tax ROIC reach 8% by fiscal year 2020 even in BUs that takes time to improve.</p>  |
| <p>Q3 :</p> <p>How is the restructuring of the Ship &amp; Offshore Structure segment progressing?</p>   | <p>A3 :</p> <p>We hold a monthly meeting to confirm the progress of the restructuring and this segment pass through set stage gates on track.</p> <p>Except for Ship &amp; Offshore Structure segment, we hold meetings every few months or semiannually for all BUs whose ROIC are lower than 8% and work hard to improve thoroughly. This effort has gradually started to yield positive results.</p>   |

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| <p>Q4 :</p> <p>Why did you revise down operating income for fiscal year 2018 in Ship &amp; Offshore Structure and Rolling Stock segments from the forecasts announced at the briefing, "Progress of Medium-Term Business Plan, 'MTBP 2016', and Growth Strategy", that was held on November 21, 2017?</p> | <p>A4 :</p> <p>Ship &amp; Offshore structure segment:</p> <p>As a result of termination of a shipbuilding contract for an offshore service vessel, production volume decreased. We have made effort to limit impact of decrease in production volume by shifting personnel and other measures, but we are unable to absorb all impact. This is a burden of forecasts for fiscal year 2018.</p> <p>Rolling Stock segment:</p> <p>This is because some projects are behind schedule and we revised our sales schedule for stock-based business such as aftersales service, supply of parts, and so on.</p>   |
| <p>Q5 :</p> <p>How is Aerospace and Jet engine business' forecast for fiscal year 2018?</p>   | <p>A5 :</p> <p>Aerospace:</p> <p>Strong yen and decrease in Boeing 777 production are negative factors but operating income from component parts for aircrafts business as a whole will increase because we estimate that the profitability in Boeing 787 will improve.</p> <p>Jet engine:</p> <p>More than one new commercial aircraft jet engine projects are underway and sales of new commercial aircraft jet engines continue to increase. Aftersales service also increases but depreciation burden of development costs of new commercial aircraft jet engine projects is high. Therefore, we estimate that sales increase but operating income decrease.</p> |

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| <p>Q6 :</p> <p>What is your Free Cash Flow outlook going forward?</p>   | <p>A6 :</p> <p>The concentrated investment into high performance businesses stays high in fiscal year 2018, so a large amount of expenditure is expected; however, we plan to recover Free Cash Flow in the black during fiscal year 2018. We are aiming for further improvement in cash flows from operating activities through reduction in working capital and other measures.</p> |
| <p>Q7 :</p> <p>Why did orders received for fiscal year 2017 declined by about 30 billion yen compared with the forecasts announced when the results for the third quarter of fiscal year 2017 were presented on January 31, 2018?</p> | <p>A7 :</p> <p>The main reason was that some projects which were expected in Ship &amp; Offshore Structure, Plant &amp; Infrastructure and other segments during fiscal year 2017 were carried over to fiscal year 2018.</p>  |
| <p>Q8 :</p> <p>How is the production defect of the Shinkansen bogie frame affecting your marketing activities in Rolling Stock business?</p>  | <p>A8 :</p> <p>For now, no orders received have been canceled, but we will continue to try recovering trust of customers and society.</p>   |
| <p>Q9 :</p> <p>The dividend ratio for fiscal year 2018 is lower than 30% and 3-year average dividend ratio is 31.1%. What is your stance on dividend ratio?</p>   | <p>A9 :</p> <p>The dividend ratio for the past two years was more than 30%. This fiscal year, it is lower than 30%, but our stance is to maintain a 30% dividend ratio in a stable manner. This time, we announced that dividend was planned to be 70 yen per share and this level was that 3-year average dividend ratio was around 30%.</p>   |