

Q&A at the Conference On Financial Results for FY2022 Q3

Question	Answer
<p>Q1: How much was business profit in FY2022 Q3 (80.8 billion yen) higher or lower than the forecast at the time of previous announcement in November 2022?</p>	<p>A1: The result was about 30 billion yen higher than previous forecast due to the following factors:</p> <ul style="list-style-type: none"> •Significant progress in wholesale in Powersports & Engine as logistics disruptions subsided, and successful price pass-through in response to higher costs •Some earnings in aero engine business were brought forward from the Q4 •The dollar-yen exchange rate was slightly weaker than the assumed rate of 140 yen to the dollar
<p>Q2: Regarding the business profit plan for FY2022, why is the forecast for the Q4 (3 months) only 5.2 billion yen while the actual result for the Q3 (3 months) is 50.0 billion yen?</p>	<p>A2: The main reasons are:</p> <ul style="list-style-type: none"> •Expected to record a concentrated provision for bonuses reflecting strong performance •A portion of revenues in the aero engine business were brought forward from the Q4 to the Q3, and expenses, including one-time charges, are expected to be incurred in the Q4 •Expected to increase promotional expenses in Powersports & Engine •Expense burden for R & D, DX and other period expenses is the largest in Q4 •Revision of the exchange rate assumptions to 130 yen to the dollar (previously 140 yen)
<p>Q3: Is there a situation where the production rate of Boeing787 has not recovered as expected due to Boeing's excess inventory? Also, please tell us your outlook for the future production rate.</p>	<p>A3: We are proceeding with production and shipping according to the Boeing's production plan, and it is not out of line with assumptions. Future production plan is not disclosed but presumed to depend on the balance between inventory in Boeing and shipments to airlines.</p>
<p>Q4: Regarding Energy Solutions & Marine Engineering, why the business profit forecast for FY2022 Q4 (3 months) is lower than the actual result in Q3 (3 months)? *FY22Q3 (3 months) : 9.3 billion yen - > FY22Q4 (3 months) : -3.8 billion yen</p>	<p>A4: The main reasons are:</p> <ul style="list-style-type: none"> •Expected to record a concentrated provision for bonuses in Q4 •A reversal of the provision for loss on construction contracts at shipbuilding joint ventures in China was recorded in Q3, but the provision for loss on construction contracts is expected occur again in Q4 due to the depreciation of the yuan to dollar.
<p>Q5: Regarding Precision Machinery and Robot, why did business profit in FY2022 Q3 deteriorate compared to the same period last year? *FY 21 3Q: 11.7 billion yen - > FY 22 3Q: 7.4 billion yen</p>	<p>A5: Although the robotics business remained strong, the hydraulic components & systems business recorded a decline in sales and income due to the sluggish construction machinery market in China caused by the lingering effects of the lockdown, as well as excess inventory of pre-emission models.</p>

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<p>Q6: Why did you revise downward your full-year business profit plan for FY2022 for Precision Machinery and Robot? *Previous disclosure: 16 billion yen -- > This disclosure: 10 billion yen</p>	<p>A6: As for hydraulic components & systems business, the continued impact of the lockdown on the Chinese construction machinery market, rising material prices, and soaring electricity costs caused downward impact on the outlook. In the robotics business, the impact of the U.S. restrictions on the export of semiconductor manufacturing equipment to China and the rapid spread of the COVID in China were cited.</p>
<p>Q7: Are there any changes in the market demand in Powersports and Engine? Do you think the main reason for the expected sales promotion expenses in Q4 is a decline in market demand?</p>	<p>A7: Currently, market demand in North America and Europe, which had been strong, has settled down to pre-COVID normal levels, while market inventory has been filling. As a result, some models require sales promotion expenses. Market demand will remain at pre-COVID normal levels in the future, and we expect sales promotion expenses to increase to some extent.</p>