

Q&A at the Conference on Financial Results for Q1 FY2023

Question	Answer
<p>Q1: In Aerospace Systems, is the loss risk[※] of the PW1100G-JM engines included in the FY2023 plan?</p> <p>※ Risk of loss due to the fact that the PW1100G-JM engine, in which our company participates under Japanese Aero Engines Corporation, has a defect in a powder metal used in the manufacture of high-pressure turbine disks (announced by Raytheon Technologies)</p>	<p>A1: The impact amount is being confirmed and is not included in the full-year plan. However, even if there is a loss, it is not expected to be a significant hindrance to achieving the plan.</p>
<p>Q2: In Aerospace Systems, you achieved a full year profit in FY2022. Why did you lose -4.6 billion yen in business profit in Q1 FY2023?</p>	<p>A2: The main reasons are:</p> <ul style="list-style-type: none"> • In Aerospace business, <ul style="list-style-type: none"> 1) Sales of 787 to Boeing remained at 2 aircrafts (a reduction in response to the delivery of completed inventory to Boeing in the Q4 of FY2022) 2) Small sales to the Ministry of Defense in Q1 • Aero Engine business, <ul style="list-style-type: none"> 1) [※]Newly built engines accounted for a high percentage of sales 2) Accounting process has been changed to estimate and record a portion of expenses on a quarterly basis, which were previously concentrated in Q4. • Changes in the accounting process to estimate some bonus reserves on a quarterly basis, which had previously been recorded as a lump sum in Q4. <p>[※]Commercial aircraft engines are a business that generates significant profit from after-sales, with increased engine sales reducing profitability</p>
<p>Q3: In Energy Solutions & Marine Engineering, why does equity method investment profit for the full-year plan remain at 7.5 billion yen (an additional 700 million yen for Q2-4), despite of the profit of 6.8 billion yen in Q1 FY2023?</p>	<p>A3: In Q1 FY2023, a significant profit was recorded due to a decline in steel prices, in addition to a weak exchange rate (USD/CNY). On the other hand, from Q2 onward, equity method investment income is expected to remain low because the forecast is based on the exchange rate assumption is higher than the current level[*]. Therefore, if the exchange rate remains at the current level[*] after Q2, the possibility of exceeding the plan will increase.</p> <p>[※]1USD= around 7.2CNY</p>
<p>Q4: In Precision Machinery & Robot, both sales revenue and business profit plan for FY2023 were revised down[※], but based on Q1 results, the plan still looks bullish. How do you recognize the accuracy of the plan?</p>	<p>A4: As business performance depends largely on the timing of market recovery, achieving the plan will not be easy, but we do not consider it to be unachievable. We will continue to take measures such as reducing fixed costs and aim to achieve the plan.</p>

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※ Revenue: ¥260 billion → ¥240 billion Business profit: ¥10 billion → ¥6 billion	
Q5: Regarding Powersports & Engine, what are the trends of the retail market in U.S. and the current situation in your company?	A5: < North American Motorcycle Market > Demand continues to be at a higher level than in FY2019 before the COVID-19 pandemic, and small- and medium-sized street models are particularly popular. In this context, we are effectively using sales promotion expenses to increase our market share, including the effect of introducing new models. < North American Off-Road four-wheeler Market > While the recreational model is weak, the utility model remains strong, and overall market demand remains strong. Last year, we temporarily lost market share due to our company's inability to keep up with our product supply, but we are now recovering market share as our inventory continues to fill.