Q&A at the Conference on Financial Results for Q2 FY2023

Question	Answer
1 In Q2 FY2023, how do you evaluate the business profit?※ ※Effect of the total loss of 58 billion yen for the PW1100G-JM engine is excluded.	1 Although it depends on the segment, we consider it to be in line with a general assumption. The expenses (such as a part of allowance for bonuses) that had been recorded at the end of the fiscal year until last fiscal year, are now recorded equally in each quarter from FY2023. The burden of expenses in the Q1 to Q3 is relatively larger compared to the previous fiscal years, but except for the effect of this accounting change, progress has been as usual. By business segment, the performance of the Chinese equity method affiliates in Ship & Offshore Structure business exceeded our expectations, while there were downside effects of the delayed market recovery and others in Precision Machinery & Robot.
Q 2: The forecast of business profit/loss for Precision Machinery & Robot ※ in H2 FY2023 is expected to increase substantially from H1. How confident are you in the plan? ※FY2023 H1 Actual => business loss of 4.6 billion yen FY2023 H2 Forecast => business profit of 7.6 billion yen	A 2: Business performance depends largely on the market recovery, but we will continue to take measures such as reducing fixed costs to archive the plan. The current situation and outlook are as follows. < Precision Machinery > The outlook of the Chinese construction machinery market is uncertain, and it seems that the market has not bottomed out, so we are closely monitoring the situation. < Robot > The orders received for general robots is expected to recover from the bottom of the Q2, despite the impact of the recession in China. In addition, a full recovery of the semiconductor market is expected in FY2024.
Q 3: What is the negative impact on cash flow due to the lump-sum loss of 58 billion yen on the PW1100G-JM engine and the measures to be taken?	A 3: The impact on cash flows is expected to be limited in FY2023, but to reach to a certain extent in FY 2024 and FY2025, and to decrease thereafter. In the coming fiscal year, we expect to see an increase in the number of aircraft sold to Boeing, an improvement in profitability of the MOD business, and a continuing strong performance of Chinese equity method affiliates. Therefore, we believe that the cash generated by the operating activities will be sufficient to cover the cost, and we do not believe that special financing is necessary at this time.

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Q 4: How much do you expect the orders received for MOD in FY2023?	A 4: The forecast of orders received for MOD in FY2023 is approximately 460 billion yen. (For reference) In FY2022, orders received for MOD by the entire company were approximately 260 billion yen.
Q 5: In H2 FY2023, why is Powersports & Engine expected to generate more revenue and business profit※ than in H1, while the results of Q2 were sluggish compared to Q1? ※FY2023 H1 Actual => revenue of 267 billion yen business profit of 23 billion yen FY2023 H2 Forecast => revenue of 322 billion yen business profit of 26 billion yen	A 5: In general, revenues and business profits tend to be larger in H2 of the fiscal year than in H1, because the wholesale of motorcycles and four-wheelers increases from around autumn to early spring, when many new models are released. Although this seasonal trend did not appear in the past few years due to surging demand and supply chain disruptions during the COVID-19 pandemic, the normal business cycle is recovering as the market inventory is sufficient. Currently, sales of motorcycles and four-wheelers in the North America are strong, and our market share is on the rise. Demand for four-wheelers is particularly strong, and is expected to continue to expand. Furthermore, the revenue increase due to the launch of new models is also factored in the plan.