

Q&A at the Conference on Financial Results for Q3 FY2023

Question	Answer															
<p>Q 1 :</p> <p>In the January-March period, the forecast of business profit for Precision Machinery & Robot is 3.3 billion yen.</p> <p>What is the reason for the significant improvement in profitability compared to the previous three quarters?</p> <p>※Business profit and margin for each quarter</p> <table border="1" data-bbox="159 520 808 727"> <thead> <tr> <th></th> <th>Business profit</th> <th>Margin</th> </tr> </thead> <tbody> <tr> <td>Apr-Jun Actual</td> <td>-2.5 billion yen</td> <td>-5.2%</td> </tr> <tr> <td>Jul-Sep Actual</td> <td>-2.0 billion yen</td> <td>-3.9%</td> </tr> <tr> <td>Oct-Dec Actual</td> <td>0.2 billion yen</td> <td>0.5%</td> </tr> <tr> <td>Jan-Mar Forecast</td> <td>3.3 billion yen</td> <td>5.4%</td> </tr> </tbody> </table>		Business profit	Margin	Apr-Jun Actual	-2.5 billion yen	-5.2%	Jul-Sep Actual	-2.0 billion yen	-3.9%	Oct-Dec Actual	0.2 billion yen	0.5%	Jan-Mar Forecast	3.3 billion yen	5.4%	<p>A 1 :</p> <p>In the Robot business, the main reasons are as follows.</p> <ul style="list-style-type: none"> • The sluggish market for semiconductors bottomed out in 3Q, and revenues are gradually recovering. • Revenue of large-lot projects in the automotive sector tends to be recorded at the end of the fiscal year. • Efforts to reduce inventories in the Chinese market and reductions in fixed costs are expected to contribute. <p>Although we cannot be optimistic, we aim to achieve the plan by continuing to work on each measure.</p>
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<p>Q 2 :</p> <p>In the January-March period, although you plan to increase revenues by approx. 50 billion yen compared to the previous quarter regarding Aerospace Systems, why is the business profit only 1.4 billion yen higher than the previous quarter?</p> <p>※Revenue and business profit for each quarter</p> <table border="1" data-bbox="159 1038 808 1246"> <thead> <tr> <th></th> <th>Revenue</th> <th>Business profit</th> </tr> </thead> <tbody> <tr> <td>Apr-Jun Actual</td> <td>80.2 billion yen</td> <td>-4.6 billion yen</td> </tr> <tr> <td>Jul-Sep Actual</td> <td>48.9 billion yen</td> <td>-48.0 billion yen</td> </tr> <tr> <td>Oct-Dec Actual</td> <td>106.3 billion yen</td> <td>17.1 billion yen</td> </tr> <tr> <td>Jan-Mar Forecast</td> <td>154.5 billion yen</td> <td>18.5 billion yen</td> </tr> </tbody> </table>		Revenue	Business profit	Apr-Jun Actual	80.2 billion yen	-4.6 billion yen	Jul-Sep Actual	48.9 billion yen	-48.0 billion yen	Oct-Dec Actual	106.3 billion yen	17.1 billion yen	Jan-Mar Forecast	154.5 billion yen	18.5 billion yen	<p>A 2 :</p> <p>The main reasons are as follows.</p> <ul style="list-style-type: none"> • The assumed exchange rate for the January-March period is planned at a slightly appreciation of the yen to dollar exchange rate of 140 yen per dollar while the October-December period enjoyed depreciation of the yen (147.68 yen per dollar) • Period costs, such as R&D expenses and expenses related to the Aero Engine program that have not been leveled out, tend to weigh in January -March period. <p>Profitability in Aero Engine business is expected to improve due to after-sales price revisions and fixed costs reduction, have also been factored in the plan.</p>
	Revenue	Business profit														
Apr-Jun Actual	80.2 billion yen	-4.6 billion yen														
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<p>Q 3 :</p> <p>How much is the recall-related expenses recorded in Powersports & Engine in the October-December period?</p>	<p>A 3 :</p> <p>We refrain from disclosing specific amounts, we would achieve a business profit margin of more than 10% in the October-December period, excluding recall-related expenses.</p>															

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Question	Answer
<p>Q 4 : What is your outlook for motorcycles and four-wheelers in North American market regarding Powersports & Engine in the next fiscal year (FY2024)?</p>	<p>A 4 : Outlooks are as follows.</p> <p><Motorcycles for North America> The overall market remains at a higher level than in FY2019 before the pandemic and is expected to continue steadily in the next fiscal year onward. However, the trend depends on model, with small and medium-sized street models holding steady, while cruiser models are perceived as declining. So far in FY2023, our sales growth exceeded the growth rate of the overall market, and we expect to continue this momentum in the next fiscal year.</p> <p><Four-wheeler for North America> Although the market peaked in FY2021 and special demand has settled down, demand is still strong, and we expect the market to continue to expand in the future. Our inventory levels, which had been insufficient, have already recovered to appropriate levels for recreational models and are approaching appropriate levels for utility models, and our market share is increasing. In the next fiscal year, we aim to further expand our market share as the production expansion at our factory in Mexico will be in high gear and new models will be introduced to the market.</p>
<p>Q 5 : What is your outlook by segment in the next fiscal year (FY2024)?</p>	<p>A 5 : Although we do not have a plan for the next fiscal year currently, qualitative outlook is as follows.</p> <p><Aerospace Systems> We expect a rebound from FY2023 when there was a loss related to the PW1100G-JM engine, increase the number of Boeing 787, and an expansion of MOD business (orders, revenue, profitability).</p> <p><Rolling Stock> Although the impact of the unprofitable M9 project will be reduced, we do not expect a significant improvement in profitability due to continued decline in operations in Japan.</p>

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	<p data-bbox="891 204 1375 228"><Energy Solution & Marine Engineering></p> <p data-bbox="891 244 2085 308">Ship & Offshore Structure business: Profitable projects at Chinese joint ventures are expected to continue.</p> <p data-bbox="891 323 2085 427">Energy business: Strong performance is expected to continue due to higher demand for gas turbines and gas engines for distributed power generation and renewable energy, and increasing demand for emergency power generation equipment as data centers get larger.</p> <p data-bbox="891 443 2085 507">Plant business: Municipal waste incineration plants are expected to increase as they exit the low operation period.</p> <p data-bbox="891 563 1263 587"><Precision Machinery & Robot></p> <p data-bbox="891 603 2085 707">Although the Robot business is expected to improve compared to FY2023, when the business environment was severe, the Precision Machinery business still faces uncertainty in the Chinese construction machinery market.</p> <p data-bbox="891 762 1189 786"><Powersports & Engine></p> <p data-bbox="891 802 1731 826">We expect steady growth for Motorcycles in North America and Europe.</p> <p data-bbox="891 842 1686 866">And operation of new four-wheeler factory in Mexico will contribute.</p>
<p data-bbox="152 922 219 946">Q 6 :</p> <p data-bbox="152 962 866 1026">What areas/products particularly need sales promotion expenses in Powersports & Engine, and why?</p>	<p data-bbox="891 922 949 946">A 6 :</p> <p data-bbox="891 962 2085 1106">Especially in the market for motorcycle and four-wheeler in North America and motorcycle in Europe, sales promotion expenses have been necessary because the industry-wide inventory shortage caused by the temporary semiconductor and resin shortages and logistics disruptions have been resolved, and the industry has returned to a normal competitive environment.</p>