

Q&A at the Conference on Group Vision 2030 Progress Report Meeting 12th, December, 2022

Power Sports & Engine

Question	Answer
<p>Q1: The business has continued to perform extremely well against the backdrop of the boom in leisure activities during the pandemic, but is there a change to a more profitable structure such as a lower break-even point compared to the past?</p>	<p>A1: Sales are expected to reach 550 billion yen in FY2022, up from 337.7 billion yen in FY2019 before the outbreak of the novel coronavirus. On the other hand, the number of employees remained at the same level as at the end of FY2019, and the ratio of fixed expenses to sales has improved significantly.</p>
<p>Q2: There is a risk of a recession in the U.S., a major market, so why do you think the off-road four-wheel business will continue to grow in FY2023?</p>	<p>A2: Due to the popularity of new models and supply chain disruptions, inventory levels remain low. Therefore, we expect wholesale to continue at a high level for a certain period of time in FY2023. However, as the overall market continues to replenish inventory and demand appears to be slowing, sales promotion expenses may be incurred for some models.</p>
<p>Q3: How do you see the company's profitability changing over the medium to long term as the off-road four-wheeler business grows?</p>	<p>A3: In the Off-road Four-Wheeler business, we plan to enter new fields and aggressively introduce high-performance, high-priced models, which will increase the profitability of the overall business. On the other hand, it is also important to continue efforts to establish a brand, and while marketing expenses and other costs are expected to increase, we hope to keep the rate of increase as low as possible through the use of IT.</p>
<p>Q4: Are there any demands or initiatives for autonomous driving on off-road four-wheelers?</p>	<p>A4: We believe that there is a demand for autonomous driving on certain routes and ranges for utility off-road four-wheeler models used in orchards and ranches, and are conducting research.</p>

Rolling Stock

Question	Answer
<p>Q5: You mentioned that the productivity of the North American plant has improved, so please tell us the specific details of the productivity improvement.</p>	<p>A5: Productivity is improving as a result of promoting DX in company-wide business restructuring and efforts to streamline detailed specification standards such as surface finishing and information management such as man-hour management and supply chain conditions.</p>

Q&A at the Conference on Group Vision 2030 Progress Report Meeting 12th, December, 2022

<p>Q6: Global cost inflation is higher now than it was in 2018 when you were awarded the base contract for the R211 project.</p>	<p>A6: The base contract does not have an escalation clause, but we are in the process of negotiating with our clients, including the application of Force Majeure. The option contracts awarded in FY2022 include escalation clauses, and we recognize that cost inflation risk is hedged.</p>
--	---

Hydrogen

Question	Answer
<p>Q7: The world's energy supply is going back to coal-fired, gas-fired and nuclear power. Is there any impact on the hydrogen business?</p>	<p>A7: From the viewpoint of energy security, there is a growing argument that the introduction of hydrogen energy, which can be produced in various ways and regions, is preferable to fossil fuels and uranium, which have limited extractable areas. Therefore, there is no change in our company's position to promote the introduction of hydrogen energy.</p>
<p>Q8: Please tell us why you lowered your FY2025 revenue plan to 52 billion yen from the 100 billion yen announced in December 2021, and why you also raised your FY2030 revenue plan to 400 billion yen from 300 billion yen.</p>	<p>A8: The downward revision of the revenue plan for FY2025 was due to a delay of about six months in the process of fleshing out the plan. The upward revision of the FY2030 revenue plan is due to the inclusion of new domestic first-mover deals.</p>
<p>Q9: What are your business profit plans for FY2025 and FY2030?</p>	<p>A9: When commercialized in FY2030, we aim for a profit margin of 15%. However, as the majority of revenue in FY 2025 are related to Green Innovation Fund projects, we expect the level to be lower than the FY2030 target.</p>
<p>Q10: When do you anticipate the completion of the large liquefied hydrogen carrier? And how do you evaluate other companies' technological catch-up?</p>	<p>A10: The commercial-scale liquefied hydrogen carrier has completed class approval of its specific design, and the first vessel for the Green Innovation Fund project is expected to be completed in 2026 or 27. We also recognize that we still have a few years of technological advantage over our competitors and inquiries are focused on us.</p>
<p>Q11: What is the status of the human capital diversity of the 140 members of the Hydrogen Strategy Division?</p>	<p>A11: We strive to actively secure human resources from both inside and outside the company, and we take pride in our highly diverse professional backgrounds. In addition, we are hiring more overseas employees, and the ratio of women is well above the internal average.</p>

Q&A at the Conference on Group Vision 2030 Progress Report Meeting 12th, December, 2022

Others

Question	Answer
<p>Q12: Our company used to use ROIC as an indicator for portfolio management, but how do you use it now?</p>	<p>A12: ROIC is still utilized as an indicator to determine business withdrawal, but we use multiple indicators in addition to ROIC.</p> <p>Even if a business is currently experiencing low ROIC, it is still possible to improve ROIC by changing its business structure or shifting to high-return markets. Slow growth and low profit businesses will not be left unattended, and for businesses that are unlikely to achieve 5% in operating profit, we are actively withdrawing from the entire business or replacing product lines.</p>
<p>Q13: As a conglomerate premium, you are appealing for collaboration between businesses, but what is the state of liquidity of human resources between businesses?</p>	<p>A13: The Presidential Project Division, which is made up of personnel dispatched from business units, now has more than 200 employees, and the mobility of human resources within the company is steadily increasing. I also feel that there is a growing awareness that the fusion of various business experiences will contribute to the enhancement of companywide value.</p> <p>In addition, personnel system reforms have made it possible to hire employees on flexible terms, leading to the strengthening of the Hydrogen Strategy Division (from 30 employees in FY2021 to 140 at present).</p>