

Q&A at the Conference on Financial Results for First Quarter FY2020

| 質問 | 回答 |
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| <p>Q1 : What are the reasons behind decline revenue and profit compare to FY2019 1Q in the Aerospace System business?</p> | <p>A1 :</p> <p>Sales of Component parts for commercial aircrafts decreased about 60% year-on-year, largely affected by Boeing's production cuts.</p> <p>Sales of Component parts for commercial aircraft jet engines decreased by 40% year-on-year due to a decrease in passenger demand.</p> <p>Although the jet engine for the commercial aircraft has a business model of recovering investment in the aftermarket, it is in the red in the first quarter due to the following factors.</p> <p>(1) In the FY2020 1Q, sales of spare parts decreased due to a decrease in operating hours based on the sharp decrease in passenger demand. Furthermore, there was a high level of spare parts sales due to a sharp increase in demand for maintenance of engines that had stopped flight due to flight reduction in FY 2019 4Q, but maintenance cost including those parts was incurred in the FY2020 1Q intensively.</p> <p>(2) Service revenue which is proportional to operating hours based on long-term maintenance contracts with airlines decreased significantly due to the decrease in operating hours.</p> <p>(3) A maintenance cost was increased due to the trouble with the Trent1000 engine.</p> |
| <p>Q2 : How do you forecast the profit and loss of the Aerospace Systems business after 2Q?</p> | <p>A2 :</p> <p>Due to travel restrictions, passenger demand is expected to decrease by more than 70% in FY2020 1Q and about 65% in FY2020 2Q. We assume that the market will bottom out in first half of FY2020 this year and then recover moderately. Therefore, we are assuming a deficit in the FY2020 2Q, but the deficit will decrease, and profits are expected to improve from the FY2020 3Q.</p> |

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| <p>Q3 : Of the full year the jet engine business sales forecast, how much after-sales will decline compared to FY2019?</p> | <p>A3 : Although after-sales revenue in the FY2019 was about 100 billion yen, that revenue for this year is expected to decrease by 40% to about 60 billion yen.</p> |
| <p>Q4 : Is there any impairment risk in the business of component parts for commercial aircrafts?</p> | <p>A4 : At the moment, we believe that there is no possibility.</p> |
| <p>Q5 : In details of change in profit and loss compared to FY2019.1Q, the impact of COVID-19 was 20.2 billion yen. How big is this amount of sales? What are the specific contents?</p> | <p>A5 : The corresponding sales amount is about 57 billion yen. Specifically, in the aerospace system business, there was a decrease in profits due to Boeing's production cuts and a decrease in jet engine profits due to a decrease in aircraft flight hours. In the Motorcycles & Engines business, profit declined due to lost sales opportunities during the period when sales activities of dealers were suspended in Europe and elsewhere. Also, in the precision machinery and robots business, there was a temporary closure of factories in China and a decline in earnings during periods when sales were not possible.</p> |
| <p>Q6 : Regarding the full-year outlook, why are the recurring profit and below not announced?</p> | <p>A6 : Since any post-COVID-19 costs that may be incurred in the future cannot be estimated at this time, forecasts below recurring profit have not been made. They will be announced as soon as a reasonable estimate can be made.</p> |