

## Q&A at the Conference on Financial Results for FY2021

Q	A
<p>Q1 : In FY2021, what was the impact of rising material and distribution costs?  Also, are there any risks that these costs will further increase in FY2022?</p>	<p>A1 : <u>FY2021</u> Due to the impact of rising steel prices, provisions for loss on construction orders were recorded at Ship &amp; Offshore Structure Segment in Japan and shipbuilding joint ventures in China. Due to higher prices for electronic parts and higher logistics costs, the profitability of the mass production business (Precision Machinery &amp; Robot, Motorcycles &amp; Engine) declined.  <u>FY2022</u> We expect inflation and supply chain disruptions to continue. Although FY2022 plan include certain impacts, we plan to secure the profitability through price pass-through, especially in the mass production business.</p>
<p>Q2 : Why do you expect the operating loss for Elimination or Corporate in FY2022 to deteriorate significantly from the previous year (from ¥-5.7 billion to ¥-15.5 billion)?</p>	<p>A2 : 50% of the difference (¥-9.8 billion) will be due to an investment in IT infrastructure such as DX-related businesses, remote work infrastructure, and cybersecurity, and 25% will be due to rising cost to promote the hydrogen business.</p>
<p>Q3: In Aerospace Systems, the operating income in FY2022 plan(¥1.5 billion) seems to be too conservative, considering the expected increase in net sales (¥52 billion) and impact of depreciation of the yen (Operating income will increase by ¥7 billion due to the depreciation of 8 yen).</p>	<p>A3 : In Aerospace business, the impact of Boeing's 787 production cut is expected to continue.  In Aero Engine business, sales of new engines with low profitability is expected to be the major burden, despite the after-sales to grow with high profitability in line with a recovery in flight demand.</p>
<p>Q4 : Boeing has announced the Entry into Service of 777X will be postponed to 2025 from last half of 2023. Is there any impact?</p>	<p>A4 : In long term, we need to prepare for the risk of operation shortage by further reducing fixed costs.</p>
<p>Q5 : Is there any impact of global concern over titanium procurement due to the Russian invasion of Ukraine?</p>	<p>A5 : We have already secured the necessary titanium parts for the time being.</p>
<p>Q6 : In Rolling Stock, is there any risk of additional losses related to the delay of delivery of final car for the M-9 project in the U.S. from FY2022 Q2 to FY2022 Q3?</p>	<p>A6 : Due to delays in the electronic components supply, we recorded a provision for the cost related to the extension of the construction period of M-9 project in FY2021 Q4. Additional costs are not expected at this time.</p>

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<p>Q7 : In Robotics business, orders in FY2022 plan seem to be too conservative, considering the global shortage of semiconductors. Do you think demand for semiconductor production equipment has already peaked out? Orders received : ¥100.1 billion (FY'21) →¥100.0 billion (FY'22)</p>	<p>A7 : Orders in FY2022 are expected to remain flat because we received better-than-expected orders in FY2021 Q4 (January to March). Demand for semiconductor production equipment remains very strong in the market.</p>
<p>Q8: In Motorcycle &amp; Engine, why do you expect net sales in Utility Vehicles, ATVs &amp; PWC business to increase significantly in FY2022 (from ¥68.2 billion to ¥90 billion)?</p>	<p>A8 : We expect off-road four-wheelers will contribute the most. Since demand for off-road four-wheelers still remains strong, it is necessary to fulfill the market inventory by managing the supply chain risk.</p>
<p>Q9 : How likely is that demand for off-road motorcycles and four-wheelers will decline as the impact of COVID-19 subsides?</p>	<p>A9 : Some decline in demand may occur, as a temporary reaction to the rapid expansion of these off-road market. However, we think that new market is being created by customers who are enjoying our products for the first time, and we expect further growth in the medium to long term.</p>
<p>Q10 : In January, 2022, The EU decided to include natural gas and nuclear power in its taxonomy. And Russian invasion of Ukraine made it urgent to establish an energy supply network to replace natural gas procurement from Russia. Based on the above, what opportunities do you see in the LNG and nuclear related business?</p>	<p>A10 : The current situation will give boost to our liquefied hydrogen supply chain. Hydrogen can be produced in various places and by various means, and it can be stored, so it can contribute to the economic security of each country. <u>LNG business</u> Our lineup of power generation facilities (Gas turbines, gas engines, etc.) meets current LNG demand. It is also possible to introduce hydrogen fuel into these facilities in the future. <u>Nuclear power business</u> We don't engage in nuclear power business.</p>
<p>Q11 : Why is Capex expected to increase significantly in FY2022 from the previous year? Capex : ¥53.5 billion (FY'21) →¥83.0 billion (FY'22 JGAAP)</p>	<p>A11 : In addition to Capex at the same level as in previous years, we will increase investment in facilities to increase off-road four-wheeler production, DX-related activities, and the hydrogen business.</p>