

Q&A at the Conference on Financial Results for FY2022 Q2

Question	Answer
<p>Q1: Considering that production of the Boeing 787 is expected to resume in the second half of FY2022, the 13.5 billion yen business profit forecast for the second half (6 months) in Aerospace Systems seems to be conservative.</p>	<p>A1: Although the aero engine business is on an overall recovery path, we expect a one-time write-off of development costs for a specific engine program and a deterioration in the sales mix due to an increase in engine sales*. In addition, in the aerospace business, the cost of utilities and other costs at factories are increasing due to cost inflation. *Commercial aero engines are less profitable due to higher sales of engines, as the business generates significant revenue from aftersales.</p>
<p>Q2: What is the production schedule of the R211 project in NYCT, for which the option order for 640 cars has been placed? Also, how will you ensure profitability?</p>	<p>A2: We plan to produce 640 cars of the option contract for the R211 project from FY2024 to FY2026. We believe we will be able to secure profitability because the R211 is smaller* than the unprofitable M-9, and also we have a lot of experience in subway cars. *R211 Length:18.4m Width:3m Hight:3.6 M-9 Length:25.9m Width:3.2m Hight:4</p>
<p>Q3: In Robotics business, why did you leave the full-year orders received and revenue forecast for FY2022 unchanged despite a review of currency assumptions since the last announcement in August?</p>	<p>A3: Revenue forecast was impacted by increased production lead time due to the semiconductor component shortage caused by the lockdown in China. Also, orders received forecast was impacted by the impact of U.S. restrictions on exports of semiconductor manufacturing equipment to China in the second half. However, we believe that both of these effects are temporary because the effects of the lockdown are now dissipating and semiconductor demand is expected to continue to grow over the medium to long term.</p>
<p>Q4: In Motorcycle & Engine, what is your outlook for the market in North America, including the possibility of a rebound decline from the surge in demand during the pandemic?</p>	<p>A4: Compared to the first quarter, there are signs of slowing demand for some models, but the overall North American market remains strong. There is no change in our view that the market for off-road four-wheelers will continue to grow over the medium to long term, because the market has continued to expand even before the pandemic, and there is demand not only for leisure applications but also for utility applications, such as the replacement of pickup trucks for side by sides.</p>
<p>Q5: As for Others, you posted a loss of 4.6 billion yen in the first half, which doesn't seem to be much progress compared to the forecast of a loss of 17 billion yen for the full year. What are your thoughts on the plan for the second half of the year?</p>	<p>A5: We have not changed the assumptions significantly from the previous announcement in August. Expenses related to DX-related investments, hydrogen business and presidential projects are expected to be disproportionately incurred in the second half.</p>
<p>Q6: The order-based business seems to be less profitable in FY2022, but do you expect it to improve in the next fiscal year?</p>	<p>A6: We believe there are factors that will lead to improved profitability in the next term:</p> <ul style="list-style-type: none"> • Aerospace Systems: Increase in flight demand and increase in Boeing 787 production • Rolling Stock: Improvement in profitability with R211 project • Energy Solutions & Marine Engineering: Increase in sales revenue of municipal waste incineration plants since FY2023