

## Q&A at the Conference on Financial Results for Q1 FY2024

Question	Answer
<p>How do you assess the progress in the Q1 against the FY2024 full-year forecast?</p>	<p>Excluding the benefit of ¥4.5 billion to business profit due to the larger-than-expected yen depreciation, the Q1 results are within our expectations as a whole company. However, progress varies by business segment. While the Aero Engine business and the Ship and Offshore structure business exceeded the forecast, the Power Sports &amp; Engines fell short.</p> <p>&lt; Aero Engine Business &gt; Solid after-sales performance due to recovery in passenger demand</p> <p>&lt; Ship and Offshore Structure Business &gt; Improvement of proficiency through continuous construction of LPG carriers and improvement of profitability of Chinese joint shipyards</p> <p>&lt; Power Sports &amp; Engine &gt; A drop in sales from April to July due to recalls of off-road four-wheelers</p>
<p>Why did SG &amp; A expenses in Q1 FY2024 increase by ¥11.4 billion year on year?</p>	<p>As a result of the depreciation of the yen, SG &amp; A expenses of overseas subsidiaries increased, especially in the Power Sports &amp; Engine segment. In addition, there was an increase in labor costs due to higher wages and an increase in water and utility costs at domestic facilities due to higher energy prices.</p>
<p>Is there any concern that the improper conduct related to submarine repair work will have a negative impact on future orders for Ministry of Defense?</p>	<p>The impact related to this issue has not been factored into the forecast.</p> <p>At present, the Special Investigative Committee is conducting an investigation, and as soon as we find out what needs to be reported, we will report it one after another. We plan to make a final report on the entire investigation by the end of this year.</p>
<p>Regarding Q1 results in the Precision Machinery &amp; Robots segment, please explain the factors behind the increase in business profit year on year, together with the current business environment.</p> <p>*Precision Machinery &amp; Robotics Business Profit and Loss FY 2023 1Q: -2,500 million yen FY 2024 1Q: -100 million yen</p>	<p>As for business profit, Hydraulic Components &amp; Systems business and Robotics business improved by the same amount.</p> <p>&lt; Hydraulic Components &amp; Systems Business &gt; The improvement in fixed costs and price pass-through that we have been promoting since last fiscal year have had a significant effect.</p> <p>Demand for excavators in China stopped declining, particularly for small models, and started to increase year on year from around March of this year. However, due to a slowdown in export from China, we did not see a significant recovery in revenue from Q1 FY2023.</p>

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	<p>&lt; Robot Business &gt;                      Gradual recovery in sales for semiconductor manufacturing equipment and the elimination of lingering inventories for general industrial equipment in China contributed.                      However, it is expected to take a little more time to improve profitability, as the semiconductor market is expected to recover in earnest in the second half of the FY2024, and it will take until the end of the FY2024 to clear inventories in China.</p>
<p>The business environment in Power Sports &amp; Engine seems to have deteriorated compared to the initial forecast, due to the recall of the MULE PRO 1000 series and concerns over the market environment for off-road four-wheelers. Why did you leave the plan unchanged for FY2024?</p>	<p>In the Q1, the following three events occurred that were not anticipated at the beginning of the fiscal year, which adversely affected the progress of our business. However, we are aiming to catch up from the 2Q onward.</p> <ol style="list-style-type: none"> <li>1. Due to the recall, MULE PRO 1000 series were not shipped.                          -&gt;Shipments of modified products resumed in late July</li> <li>2.The increase of production at a new plant in Mexico, which started operations in April 2024, was delayed due to power supply and other factors.                          -&gt;Production is currently on track and increasing steadily</li> <li>3. Production of the RIDGE series at the KMM plant in the U.S. was delayed, while competitors aggressively promoted sales.                          -&gt;The production system was improved in July, and we are enforcing promotions and advertising</li> </ol>
<p>What is the impact of the recall of the MULE PRO 1000 series?                      Was this impact factored into the initial plan announced in May?</p>	<p>This recall was made because improper combustion occurred when the engine was started, which could lead to a fire. We suspended shipments from mid-April to late July. As a result, opportunity loss and expenses for modification negatively impacted on business profit of several billion yen.                      Such adverse effects were not included in the initial plan.</p>