

Q&A at the Conference on Financial Results for Q2 FY2024

#	Question	Answer
1	<p>Regarding Power Sports & Engine segment, even though you mentioned that the recall issue of MULE PRO was resolved at the end of July, in the first quarter financial results presentation, why did profits for the July-September period remain lower than those for the April-June period?</p> <p>*Power Sport & Engine Business Profit and Loss FY 2024 Apr-Jun: 11.5 billion yen FY 2024 Jul-Sep: 3.4 billion yen</p>	<p>The main reasons are as below:</p> <ul style="list-style-type: none"> ① Impact of recall of MULE PRO: Although shipments resumed in late July, the wholesale volume of MULE PRO remained low during the July-September period because it took a certain period of time for dealer inventory that needed repair to be replaced with non-defective products, which are then purchased by customers. ② Decrease in recreational vehicle sales: Sales of recreational models decreased in the July-September period compared with the April-June period, as a result of the allocation of production capacity to the utility model. ③ Impact of delays in transportation of motorcycles: Shipments of motorcycles were delayed due to a shortage of containers and operational problems in the Suez Canal, and revenues that should have been recorded in the July-September quarter were pushed back to the October-December quarter.
2	<p>With regard to Power Sports & Engine segment, given the sluggish performance in the first half of the year, the second half plan looks challenging. What are the drivers for achieving the plan?</p>	<p>The main drivers are as follows:</p> <ul style="list-style-type: none"> ① New and highly competitive models of four-wheelers will be introduced. ② In four-wheelers production, a sufficient production system for utility models will be established in the second half of the fiscal year as a result of allocating production capacity from recreational models, where demand has declined significantly, to utility models. ③ Increased production by eliminating the delay in the start-up of the new plant in Mexico ④ As per #1 answer 3
3	<p>In Four-wheeler business, we assume that the average unit selling price will decrease if we increase the product mix of utility models. Will we be able to secure sufficient profits in the second half of the year?</p>	<p>The unit price of the utility models is not necessarily lower than those of the recreational model; the recreational model TERYX has a lower-priced model, and the utility model also has a higher-priced RIDGE. As a result, the change in product mix will not have a significant impact on average unit selling prices, and we expect to earn sufficient profits in the second half of the year.</p>
4	<p>What is your outlook for Power Sports & Engine for fiscal 2025 and what measures will you take to increase sales and profits?</p>	<p>In the coming fiscal year, the temporary negative factors that occurred this year (Impact of recalls, production delays, etc.) will be resolved, and full-scale growth in the four-wheeler</p>

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		<p>business is expected. We are also confident that we can launch highly competitive new models for both motorcycles and four-wheelers.</p> <p>As a measure to increase sales and profits, we will work with ITOCHU Corporation in the United States to promote the user-oriented finance business, which has been an issue for us, with the aim of expanding business performance.</p>
5	<p>What is your stance on the balance between increasing sales volume through sales promotion expenses and securing profit margins in the Power Sports & Engines business?</p>	<p>We set KPIs for each model, using profit margins as an important indicator, and determine the amount of sales promotion expenses to be spent within these KPIs. As long as the economy does not deteriorate rapidly, we do not invest in sales promotion expenses that would put significant pressure on profits. We try to maximize profits by keeping a close eye on the balance between sales volume and profit margin.</p>
6	<p>The motorcycle business seems to be struggling in Southeast Asia. Please tell us your future strategy.</p>	<p>The main reason for the slump in Southeast Asia is the shrinking of the motorcycle market itself, which is our company's main battleground, due to the expansion of the scooter market.</p> <p>Although the business environment is challenging, we are currently implementing "the Plaza policy", which has been successful in Japan, to increase the number of exclusive dealerships as a strategy to retain customers and improve our brand image and increase sales volume. In fact, we have been able to increase sales in Southeast Asian countries and are seeing a positive trend.</p>
7	<p>With regard to Aerospace Systems, the full-year outlook for business profit looks conservative given the strong performance of the Aero Engine business through the first half of the fiscal year. What is your view on this?</p> <p>*Aerospace System Business Profit and Loss FY 2024 H1: 25.3 billion yen FY 2024 Full (FCST): 52.0billion yen</p>	<p>As the premise of the second-half business profit plan includes the following, the increase in business profit from the first-half results is limited. However, in light of the growth in air passenger demand, we recognize that there is a possibility of an upward trend.</p> <ul style="list-style-type: none"> ① Due to an increase in the cost burden in the second half due to the postponement of program-related expenses. ② As the exchange rate assumption for the second half of the year is set at ¥140 to the dollar, a stronger yen than the first half (¥151.44).

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		<p>③ The results for the first half included an upturn (3.1 billion yen) due to the year-end revaluation of the foreign currency denominated refund liability related to the PW1100G-JM engine issue.</p>
8	<p>What are your efforts and progress toward improving profitability in low-margin businesses such as Rolling Stocks, Precision Machinery, and Domestic Ships?</p>	<p>< Rolling Stock Business > The unprofitable M-9 project was completed, and the profitable R211 project now accounts for the majority of sales to North America. At the same time, we have succeeded in improving productivity and stabilizing employment at the KMM Plant (Lincoln, Nebraska, USA), resulting in improved profitability.</p> <p>< Precision Machinery Business > By establishing a joint venture with EDDIE, a major Chinese hydraulic equipment manufacturer, we are working to reduce costs. By leveraging our company's product and quality assurance capabilities and EDDIE's cost competitiveness, we will expand our market share in China and improve profitability.</p> <p>< Domestic Ships Business > Continuous construction of LPG/ammonia carriers (of the same type) improves production efficiency.</p> <p>In all of these businesses, the effects of passing on prices, which have been implemented for several years, have become apparent in profits.</p>
9	<p>Are there any risks to our company business arising from the inauguration of the Trump administration in the United States?</p>	<p>As we manufacture four-wheelers in Mexico, there is a risk that profitability will deteriorate due to an increase in tariffs against Mexico. However, we recognize that the impact will be limited because most of our high-priced models and mainstay products for the U.S. market are manufactured in the United States.</p>