

## Q&A at the Conference on Financial Results for Q3 FY2024

#	Question	Answer
1	<p>Regarding the business profit in Aerospace Systems, what is the reason for the significant decline in the October-December period compared to the July-September period?</p> <p>*Aerospace System Business Profit and Loss FY 2024 Jul-Sep:20.5 billion yen FY 2024 Oct-Dec: 3.9 billion yen</p>	<p>The revaluation of our dollar-denominated refund liabilities* due to FX rate had significant impacts on both results for the July-September and October-December periods.</p> <p>Also, in the October-December period, we recorded an allowance for doubtful accounts in connection with Spirit Airlines' Chapter 11 filing and suffered a decline in profitability due to the impact of a strike at Boeing.</p> <p>* This is a dollar-denominated refund liability related to the in-service issues of PW1100G-JM engine, which will be translated into Japanese yen at the end of every quarter. If the balance changes due to the revaluation by FX rate, there will be the same effect on sales revenue (increase/decrease in refund liability → decrease/increase in sales revenue) and the profit for the accounting period will change.</p>
2	<p>Does Energy Solutions &amp; Marine's recorded orders or forecasted order for fiscal year 2024 include products for data centers?</p>	<p>Gas turbine standby generator sets for data centers are counted, as backup power sources</p> <p>We expect the data center market to grow at a CAGR (Compound Annual Growth Rate) of 10% or more over the next 3 years, with orders for gas turbine standby generator sets expected to exceed 10 billion yen annually.</p>
3	<p>Why did revenues from motorcycles in developed countries and off-road four-wheelers increase significantly in October-December compared to the July-September period?</p>	<p>The reasons are as follows.</p> <p>&lt;Motorcycles in developed countries&gt; This was due to delays caused by transport container shortages and operational problems in the Suez Canal, and a portion of sales that should have been recorded in the July-September period were recorded in the October-December period.</p> <p>&lt;Off-road four-wheelers&gt; Revenue remained low in the July-September period due to the recall and production delays at our new plant in Mexico. Revenues in the October-December period increased due to the resolution of these problems and the promotion of new models.</p>
4	<p>The order for FY2024 full-year forecast for Ministry of Defense business was revised upward. Is there a possibility that it will rise further?</p>	<p>We do not expect a significant increase from the current guidance as we have already received orders of major projects by the October-December period,</p>

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5	How many orders will you assume to receive from MOD in the next fiscal year (FY2025)?	Although we cannot disclose our unformulated plan for the next fiscal year at this moment, there may be a reactionary decline in large-scale projects (Orders for 17 CH-47 helicopters: approximately ¥260.0 billion; submarines: approximately ¥50.0 billion) in this fiscal year.
6	What is your outlook by segment in the next fiscal year (FY2025)?	<p>Although we have not yet formulated a plan for the next fiscal year, we expect overall revenue and profit to increase. The direction of each segment is as follows.</p> <p>&lt;Aerospace Systems&gt;</p> <p>In the commercial aircraft business, the impact of the Boeing strike will be resolved by FY2024, and an increase in the number of aircraft produced is expected. In MOD business, orders received in and after FY2023 will account for an increasing proportion of revenues, and this will bring profitability improvement. The aircraft engine business is expected to grow in line with increased passenger demand.</p> <p>&lt;Rolling Stock&gt;</p> <p>The R211 project, which accounts for most of the revenue to Northern American market, will shift to production for option contracts with escalation clauses from next fiscal year. Profitability is expected to improve.</p> <p>&lt;Energy Solution &amp; Marine Engineering&gt;</p> <p>Ship &amp; Offshore Structure business: Ship prices have been on an upward trend due to rising global demand for ships, and profitability can be expected to improve if there are no major fluctuations in exchange rates or sharp rises in materials and equipment.</p> <p>&lt;Precision Machinery &amp; Robot&gt;</p> <p>Hydraulic Components &amp; Systems: Although the outlook is uncertain due to demand trends in the Chinese construction equipment market, we aim to expand our business performance through measures such as a joint venture* with Eddie, a major Chinese hydraulic equipment manufacturer.</p> <p>* Our company's technological capabilities and Eddie's strengths in core component manufacturing and material procurement will be integrated to strengthen competitiveness.</p>

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		<p>Robotics: The semiconductor market is expected to recover, and the number of robots for highly profitable semiconductor manufacturing equipment is expected to increase. Mediaroid Corporation, which makes "hinotori™", a surgical support robot system, is expected to turn a profit.</p> <p>* Joint venture with Sysmex Corporation</p> <p>&lt;Powersports &amp; Engine&gt;            The recall of off-road four-wheelers that occurred in fiscal 2024 and the production delay in the new plant in Mexico will be resolved, and sales volume is expected to increase. Even in a weak market environment, we aim to increase market share by introducing models that meet market needs.</p>
7	Is there any possibility that the profitability of Power Sports & Engines will be lower in the next fiscal year than that of this fiscal year?	As indicated in No.6, although revenue is expected to increase, there is a possibility that sales promotion expenses and advertising expenses will increase due to the sluggish off-road four-wheeler market, which will depress profitability.