

Q&A for Fiscal 2020 Third-Quarter Results Teleconference

1. Tell us about your performance forecasts for the Aero Engine, Space & Defense business

- We anticipate significantly higher defense and space-related sales from the third through fourth quarters. Earnings should remain basically unchanged.
- While we greatly constrained selling, general, and administrative expenses and research and development expenses through the third quarter, our full-year forecasts cover R&D and other expenses that we cannot postpone to next fiscal year and must undertake in the fourth quarter.
- Sales of spare parts are declining for highly profitable conventional engine models, while sales for less profitable new engines are rising. This trend should persist through the fourth quarter.
- We lowered our sales projections for the third through fourth quarter for civil aero engines because we will probably incur spending in the fourth quarter to handle initial issues with new engines (we will deduct these expenses from sales in line with the Accounting Standard for Revenue Recognition, which we adopted this fiscal year).

2. What primarily drove you to significantly increase your operating profit forecast for the Resources, Energy & Environment business?

- Shifting our focus to after-sales service business, particularly for thermal power facilities, has begun to have an impact.

3. What is the outlook for the vehicular turbocharger business?

- We think that sales are unlikely to drop dramatically through the fourth quarter.
- We are continuing to negotiate with customers regarding recouping cost rises from hikes in materials prices. Notwithstanding a low probability of recouping costs by the fourth quarter, we have factored in some risks.

4. What did you generate from third-quarter asset sales that you included in your full-year forecasts?

- We are continuing to work on asset sales with a view to materializing them in the fourth quarter.