

Q&A for Fiscal 2021 Results Briefing

1. What's the outlook for the civil aero engine business?

- We look for flight hours as a benchmark for a demand turnaround to recover to around 80% of the fiscal 2019 level in fiscal 2022 after being at around 65% of that level in fiscal 2021.
- For fiscal 2022, we accordingly expect profitability to improve significantly year on year and return to the black. This would be despite a downside earnings impact of higher unit sales of aero engines. A key upside factor would be higher sales, primarily from greater spare parts transaction volumes, particularly in North American markets experiencing strong recoveries. Another would be a more robust cost structure from reducing total expenses and enhancing productivity.

2. What are the outlooks for the market climate and your performance in the vehicular turbocharger business?

- We expect an absence of lockdowns in China and a recovery in automobile production in the second half of fiscal 2022 owing to resolutions to semiconductor shortages and supply chain disruptions. We look to lower our breakeven point and otherwise enhance profitability, thereby improving our performance.

3. Tell us about outcomes from lifecycle business initiatives and growth prospects.

- We have undertaken more projects in the nuclear power business to bring facilities into compliance with new regulatory standards.
- We anticipate further growth in demand for converting thermal power plants to run on biomass fuels, contributing to progress toward carbon neutrality. Demand should also rise for enhancing the operating efficiencies of thermal power plants that are on downsizing paths. We will focus on expanding our lifecycle business overseas, particularly in Southeast Asia. We endeavor to boost lifestyle business sales outside Japan by at least 30%.
- Our true goal through such efforts is to enhance services and products in our lifecycle business, not just provide maintenance and after-sales services, and combine them with new technologies.

4. Will you keep divesting fixed assets?

- We made major asset sales in fiscal 2020 and fiscal 2021 to fund growth business investments. In fiscal 2022 and fiscal 2023, we seek to derive operating income largely from business performance contributions.
- On that note, we don't plan further major asset sales at this juncture, and will instead tap investment capital to pursue growth.

5. How will you invest in growth businesses?

- Investments that were at the planning stages in fiscal 2020 and fiscal 2021 should get under way in fiscal 2022.
- Investments will be more in new technologies in diverse fields than in acquisitions or other large deals.
- Key focuses will be on ammonia, methanation, and developing composite materials for aero engines.

6. What operating profit margin are you targeting for Project Change?

- Our earnings foundations have improved significantly owing to lifecycle business expansion, a recovery in the aero engine business, and other factors.
- We nonetheless recognize the emergence of risks not envisaged when we formulated Project Change.
- We will take steps to tackle these risks while continuing to progress steadily toward our operating profit margin target.