

Q&A for Fiscal 2022 First-Quarter Results Teleconference

1. How has slow growth in regional jet operations affected your results?

- Labor shortages in the airline industry have particularly slowed regional jet operations during the first quarter.
- On top of that, airlines have prioritized aircraft requiring fewer parts replacements, so aero engine spare parts sales for regional jets were thus below expectations, hampering operating profit.
- We will keep close tabs on the industry's labor shortages. Still, we expect a steady recovery in overall spare parts sales in the civil aero engines business to continue amid a robust turnaround passenger demand.

2. What is your operating profit forecast for the Aero Engine, Space and Defense segment?

- Management concluded that it would be hard to make up for the abovementioned first-quarter operating profit downside within this fiscal year, so it has factored in a 5 billion yen reduction in its operating profit forecast for the spare parts business in its full term forecasts.
- At the same time, we lifted our fiscal 2022 operating profit forecast by a net 10 billion yen to reflect a 15 billion yen contribution from a revision in foreign exchange rate assumptions to project a weaker yen.
- Our first-quarter figures reflected the impacts of reinforcing our cost structure and enhancing profitability. We still need to do more in this regard. We will accordingly pursue steady improvements to generate greater earnings gains in the second half of fiscal 2022.

3. How did the Chinese lockdown affect the vehicular turbocharger business?

- While unit sales were very low in April and May owing to the lockdown, we experienced a significant recovery in June. So, we have retained our full-term unit sales forecast.

4. What are your takes on the impacts of supply chain disruptions and materials and equipment price hikes?

- On the disruption front, lower automobile production has hampered turbocharger sales. Longer semiconductor delivery lead times have affected operations with some products in the Industrial Systems and General-Purpose Machinery segment.
- Soaring rare metals prices have yet to hamper our civil aero engines business although they could.

5. You revised your foreign exchange rate assumptions to reflect a weaker yen. How would this affect revenues and earnings this fiscal year?

- The civil aero engine business is export-oriented, so the revision will add to sales and operating profit in the Aero Engine, Space and Defense segment.
- In other business areas, while foreign exchange fluctuations have primarily affected overseas subsidiaries, the earnings impact should not be all that great, as while we look for revenues to rise we will also face higher costs from a lower yen.
- We revised our forecasts for foreign exchange gains relating to financial income.