

Q&A for Fiscal 2023 Q1 Results Briefing

1. What is your operating profit forecast for this fiscal year in the Aero Engine, Space and Defense segment?

- Amid measures to improve the durability of the PW1100G-JM engine, the supply chain has been unstable because of labor shortages and other factors, delaying parts replacements.
- While we incorporated these factors and the impact of additional inspection costs in our forecast, we retained our full-year projection for fiscal 2023, owing partly to the foreign exchange impact. Under our three-year Group Management Policies 2023, we look for cumulative spare parts sales to increase, eliminating the impact of supply chain delays.
- Most of the impacts that we factored into our forecasts stemmed from the supply chain.

2. Tell us about additional inspections for some parts on PW1100G-JM engines already delivered to customers.

- This arose from defects in the powder metallurgical material manufacturing process that Pratt & Whitney is overseeing. We concluded from recent delivery inspections that we needed to conduct inspections earlier.
- We are identifying which engines to inspect, determining the inspection scopes, and taking other steps to finalize inspection plans as soon as possible.
- We recently narrowed down the number of relevant engines we needed take out of service for inspections in this process. Inspections to date have found that the percentage of parts requiring replacement as a result of this problem is very low. We believe that the number of parts needing replacement and costs incurred in this process would be minimal.

3. How would you assess your performance and operating profit for the first quarter?

- Companywide performances exceeded our projections.
- Resources, Energy, Environment: While construction volumes in the nuclear power business are dwindling, we expect to accumulate work in the lifecycle business, particularly in carbon solutions.
- Social Infrastructure: While we are incurring some up-front costs to cover advance construction expenses, we look to secure contract payments commensurate with this expenditure by fiscal year-end.
- Industrial Systems and General-Purpose Machinery: Overall, we are progressing in line with plans, including in terms of vehicular turbocharger unit sales.
- Aero Engine, Space and Defense: Despite the issues mentioned earlier, we performed steadily on sales of spare parts recovering and also benefited from foreign exchange rates.

4. To what extent do you think price revisions in response to surging materials and equipment costs will enhance earnings?

- For large projects, we are passing on costs through such steps as setting prices that reflect the risks of higher expenses and by incorporating escalation clauses in contracts.
- While we have progressed to an extent in passing on materials costs for mass-produced offerings, in many cases we are still negotiating with customers to pass on energy and labor costs to them.