

Q&A of the Financial Results Briefing for the First Quarter of the Fiscal Year Ending December 2024

Date: Tuesday, April 30, 2024, 18:30-19:20

No	Item	Questions	Answers
1	Company-wide	There was an increase in sales due to foreign exchange impact in First Quarter, but is there a possibility of a revision to the earnings forecast of full year forecast for 2024 due to considering current weak yen situation?	Current forecast is assumed on USD 1 = 135 yen base. Looking at recent exchange rate trends, there is a possibility of further revisions due to weak yen impacts.
2	Company-wide	What was the reason why the gross profit margin is high in First quarter results compared to the past?	H1: The main factor behind the increase was gross profits was the delay in expenses and to get operating profit.
3	Company-wide	Is First Quarter's profit results within expectations?	It is become more than expected. Factors behind this were sales and expense timing shift to be spend after Second quarter, and pushed up by exchange rate fluctuations, and from a full-year perspective, this could be considered to be in-line.
4	Company-wide	Are the product-mix differences in Page 6 of materials likely to continue in the future?	This was mainly due to the composition of Precision Reduction Gears, and the ratio for FA increased compared to the ratio for industrial robotics. Profit recognition from first Quarter are expected to be remain as a positive impact for the full-year.
5	Company-wide	How is the progress of Project 10?	Project 10's activities are ongoing. Although results have not yet materialized in First Quarter financial results, we would like to include them in the plan somewhere this year.
6	CMP	What is the background to the decline in operating income, while sales are expected to rise in Second Quarter compared to First Quarter of 2024?	First Quarter profit increased due to the delay of expenses scheduled to be realized after Second Quarter, product mix differences, utilization increase benefited from increased orders due to the impact of the Suez Canal turmoil. Higher utilization, which caused by the fronted manufacturing due to reconstructing of the Tarui Plant, in Hydraulic Equipment also increase the profit
7	CMP	What was the background of the decline in operating income more limited in First Quarter of 2024 compared to Fourth Quarter of 2023?	This was mainly due to progress in cost pass-through and cost reductions, as well as the delay in the cost to be realized in Second Quarter onward.

8	Precision Reduction Gears	How many prior orders have been placed due to the Suez Canal turmoil? Is it growing as a real demand?	<p>The Suez Canal disruption has resulted in an increase in orders equivalent to the additional two to three weeks orders from European customers due to the extended transportation period. Excluding this, orders grew by 5% in real terms compared to the previous quarter.</p> <p>The increase in the amount of orders received is almost within the range assumed at the beginning of the period.</p>
9	Precision Reduction Gears	Have there been any changes in the demand environment?	<p>It was rarely heard from industrial robot manufacturers that a wave of large demand has come. Some industrial robot finished inventories are in progress, and others are not.</p> <p>The Company has not changed its view that the recovery trend from the H2 of 2024 envisaged at the beginning of the period and the full-fledged recovery in demand will come in 2025, and it expects the recovery to materialize.</p> <p>In preparation for this, the Hamamatsu Plant prepare to start operating with highly automated production line and contribute to improving profitability as well.</p>
10	Precision Reduction Gears	Is the capacity utilization rate at domestic and foreign plants expected to recover after Second Quarter?	It is expected to be bottoming out in First Quarter and gradually increasing in Second Quarter, Third Quarter.
11	Precision Reduction Gears	The main reason for the recovery in orders in the H2 is either the elimination of inventory adjustments or the recovery in the end market?	<p>Not only is it due to the elimination of inventory adjustments, but the return of demand in the end market is also assumed.</p> <p>In terms of the end market, we believe automobile industry demand will recover regardless EV, HV or ICE.</p>
12	ACB	Which impact were larger for the main factors behind the YoY increase in First Quarter sales in ACB the impact of exchange rates or the fronted of domestic sales?	Although the impact of the domestic front-loaded sales was slightly larger, the foreign exchange rate is also about half of the increase.