

Q&A of the Financial Results for FY2024/12 H1

Date: Thursday, August 8, 2024, 11:00-12:08

No	Category	Question	Answer
1	Company-wide	What are the factors behind the exceed plan in operating profit in H1?	Factors behind the higher operating income in the H1 were (1) higher profits from higher sales (2) the impact of foreign exchange rates (3) curtailment of expenses centered on Precision Reduction Gears in CMP and the price pass through of cost increases.
2	Company-wide	What is your policy for passing on price increases in the future?	There is no change in the Company's policy of pass through the cost increase speedily as needed. In FY2024, the increase in costs such as utility and raw material costs has been settled down, and the cost increase in FY2023 has also been reflected.
3	Company-wide	What is the probability of achieving the latest plan (Plan as of on July 31)?	Although there are external factors that are difficult to forecast, such as exchange rate trends, the company recognizes that its full-year forecast incorporates factors that are currently conceivable. For example, the current H2 plan assumes an exchange rate of 145 yen to the dollar, and does not differ significantly from recent movements in exchange rates. This is a plan formulated after careful consideration of various factors, and I would like to achieve it.
4	Company-wide	Regarding the impact of foreign exchange rates, based on P24 foreign exchange sensitivity, the increase in profits (1.4 billion yen) from P19's H1 operating income analyses seems to be too large. Could you explain the detail?	P19 exchange rate assumption is compared with the same period of the previous year, and P24 exchange rate sensitivity is the difference between the end of the previous year and the point of H1. In addition, foreign exchange gains in P19 include foreign exchange valuation stations in Gilgen's platform door business (calculated exchange differences with Australian dollar, British pound, and other currencies based on the Swiss franc) of around 0.4 billion yen, and foreign exchange gains from currencies other than the dollar and RMB, which are expressed as "minimal" in P24, are also added.
5	Company-wide	Please tell us about the risk of impairment in the future.	As there is goodwill for Deep Sea and Gilgen, there is a potential risk of recording impairments depending on future performance. We want to strengthen the governance of the acquired companies and manage them properly to minimize impairment risk.
6	CMP Precision Reduction Gears	What is the status of Precision Reduction Gears's pass-through of cost increases?	Progress is made as planned. Some customers are still under the negotiation, so we are currently working to realize them as soon as possible.
7	CMP Precision Reduction Gears	Monthly orders for May to June are decreasing, but what is your view on future demand?	We believe that orders were already bottoming out in Third Quarter of 2023, but the rate of increase is slower than expected, and we believe that the timing of the full-fledged recovery was delayed from within FY2024 to within FY2025. Demand for general industries in China is on an improving trend, and the operating rate of our Chinese factory has risen compared to before, but demand for automotive applications has been severe.
8	CMP Precision Reduction Gears	What is the cause of the difference between the status of orders from robot manufacturers and that of Nabtesco?	We believe that this is due to the inventory of finished goods by robot manufacturers.
9	CMP Hydraulic Equipment	P12 says "Review of production capacity in Hydraulic Equipment Chinese market." While there are signs of a recovery in demand for construction machinery in China, what is the background to the revision of production capacity in Hydraulic Equipment business?	In terms of demand for construction machinery in China exclude export, monthly statistical analysis shows that the number of units sold continues to exceed the previous year's level, and demand for large models in our Hydraulic Equipment is increasing slightly. However, the strength of the recovery is still weak, and the company recognizes that it is necessary to carefully assess future trends. In China, the number of construction machinery sold peaked at 340,000 units in 2021, but considering the subsequent sluggish demand, the Chinese market is expected to mature, and the market is expected to be around 200,000 units in the future. As a result, the Company is reviewing its production capacity based on the scale of demand at the level of 200,000 units in China (including exports). Production capacity adjustment through personnel optimization at its plants in China has been effective in improving profit margins.

10	TRS	We would like to confirm which businesses will drive TRS earnings growth. However, it is difficult to analyze this because the profitability of the various businesses in the sub-segments is not disclosed. For example, because the profitability of Marine Vessels Equipment can be improved in a broad framework, could you give an indication of the outlook for future earnings growth?	Marine Vessels Equipment is a fabless factory, and there are few tangible fixed assets. Therefore, sales and profits tend to increase. We do not disclose operating profit on an individual business unit, but we would like to announce the future growth image of the segment and other information in the medium-term management plan that is scheduled to be announced in February 2025.
11	TRS	Are there potential spin-outs of non-core businesses from the perspective of business portfolio management?	Business portfolio management needs to be managed from a long-term perspective as we have conveyed, and we intend to pursue stable growth in multiple segments rather than relying on sales and profit growth in specific segments. I would like to once again explain the specific state of the business portfolio that we are aiming for, as we are in the process of discussions in the formulation of the next medium-term management plan.
12	Smart Motion Control	Regarding "Smart Motion Control" in the financial results briefing materials P15, is it likely to be realized in TRS since customers in TRS are already have the highly electrified final products?	We believe that synergies can be created by applying Precision Reduction Gears technology in all of our businesses. We highlighted two examples in hydraulic and packaging machines but TRS is also under development of electrification products. For example, in China, the market for electric buses has been established and products are shipped. We believe that new electrification technologies, such as electric trucks, will be needed even in Japan at a timing that is not far away, and we would like to propose solutions.
13	Smart Motion Control	Whether each of the cases described in the financial results briefing materials P15 is a market in which there is already competition or in which the market itself is newly created?.	Dealing with electrification of construction machinery (Case 1) is a new technology, and the market itself is just blooming. Regarding automation solutions within food-related factories (Case 2), while the technologies themselves are not new, we are expanding proposals as solutions, such as automation of some processes using an AGV equipped with a Mecanum wheel incorporating Precision Reduction Gears, and automation of back and forth processes including Packaging Machines. We will leverage Precision Reduction Gears's strengths to create new synergies in existing areas in each segment.