

Q&A for FY2025/12 Q2 Results Briefing

Date and time : August 6, 2025 10:00-11:15(JST)

No	Items	Q	A
1	Overall	Even though sales increase for FY 2025 revision plan is increased but O.P. increase is limited as 1.8 billion yen. What is the reason for the behind?	Main reason is that the fixed cost increase for Hamamatsu plant for precision reduction gears. Additionally utilization ratio is still low for precision reduction gear plants.
2	Overall	Could you share the reason why H2 OPM decrease HoH?	Although there are some prior MRO sales recognition compare to plan in TRS. In addition, HQ cost is behind the plan in H1 and it will be expected to use in H2.
3	Overall	What is “improve the efficiency of investment” on page 12? Can you increase free cash flow from the actions going forward?	Investment efficiency is defined as the ability to execute at a lower than expected cost or to achieve the same effect through ingenuity. Since we are also promoting Project 10, we will continue to select more efficient investments.
4	Overall	H1 result is favorable. Are you more confident to achieve Medium-term Management Plan?	No big changes for market condition during the mid-term management plan. The 10% ROIC target for 2027 remains unchanged; however, the reference values for sales and operating income are subject to change due to the recent company split.
5	Portfolio	Are there any decrease or increase in business unit for business portfolio management since 2022?	After 2022, the sale of TS Precision and the integration of a Chinese hydraulics sales company have reduced the number of units, while the acquisition of Deepsea has increased the number.

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6	Portfolio	Would it be possible to share the progress of portfolio management in quantitative perspective?	<p>As mentioned in the medium-term management plan, there is no change in our goal of reducing the number of business units with EVA loss to less than 1/5 compare to 2023.</p> <p>As a result of disclosing a list of EVA by business unit, we feel that it may have given a wrong impression of our view of portfolio management. We would like to consider future disclosure methods that can better convey our company's policy.</p>
7	Portfolio	Are there any other rebuilding business to be reform?	<p>In the seven major businesses (excluding the hydraulic equipment business), the Company recognizes that there will be no extremely significant deterioration in the business environment or changes in the competitive environment, so it will focus on implementing strategies based on the medium-term management plan. On the other hand, smaller businesses other than the main businesses that are in a position to restructure will be continuously monitored through portfolio management.</p>
8	Company split	Do you consider any cash allocation change from the company split?	<p>The company split will not change cash-in and cash-out during the period of the mid-term management plan.</p>

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9	CMP	There are no improve in OPM compare to Q2 and H2 in CMP despite the sales increase. Are there any onetime cost or specific reason to suppress the OPM improve?	The profit level is expected to be the same in the H2 of the year due to the partial price pass-through that was planned in the H2 of the year, the deterioration in the H2 earnings of hydraulic equipment, and the delay in expenses.
10	Precision Reduction Gears	Does EV related demand continue in H2? Are you expecting the positive impact from the deal of the U.S. tariff start within this year?	EV related demand might continue in H2 too. Our H2 sales plan is in line with our initial plan. In earliest case of the positive impact from the negotiation settle of the U.S. tariff will be in 2026
11	Precision Reduction Gears	Could you share the reason why QoQ demand picking up in precision reduction gears?	There are two major reasons. One is the industrial robot inventory is getting normalize and the other is favorable demand in Chinese EV related area. Since the market shrink was significant in 2022 while production recovery was slow. The gap was mainly coming from the assembled robot inventories. We believe customer inventory of industrial robots finally meet the appropriate level.
12	Precision Reduction Gears	Which level the utilization meet in H2 for precision reduction factory?	Since the lead time from order to production is also short, the utilization ratio is expected to increase due to higher demand in the second half of the year. We expect an increase in capacity utilization mainly at our Japanese plants.

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13	Hydraulic	How tough the competitive dynamics in Hydraulic Equipment Business in China?	Chinese local competitor is getting power on small size of excavator applications and the price competition is getting intense, and our competitor is increase their market share.
14	TRS	Could you share which business drive the high OPM in TRS	There are no disclose or ranking on OPM by each sub segment
15	Railroad Vehicle Equipment	Could you share your view on Chinese subway business since real estate market in China is still weak?	This year we are expecting some new project in Chinese subway business and they are on track at this moment. Not only the new subway project but the MRO demand is steady.
16	Marine Vessels Equipment	Can marine vessels equipment business can grow more than 15% per annual?	Shipbuilding demand increase due to favorable end demand and re-opening of shipyard. 15% growth per annual is from 2021 to 2027. We are expecting higher level of growth going forward.

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