

No	Classification	Q	A
1	Corporate	You have said that you made your performance forecast for the year ending December 31, 2020 (FY2020) without considering the impact of the new strain of coronavirus. But what is the current situation at your plants in China?	Our hydraulic equipment plant in Shanghai resumed operation on February 11. Many of its employees are from areas in and around Shanghai, but there are some who have been unable to return from their hometowns. Our precision reduction gear plant in Changzhou will resume operation on February 17 but not on a full scale because some of the employees have not returned from their hometowns. It is difficult to estimate the impact of the coronavirus on our business and predict when the virus outbreak will end. We will continue to monitor the situation carefully.
2	Corporate	For operating income, you have estimated an increase of 1 billion yen between FY2019 and FY2020, anticipating the improvement of productivity. Which of the business segments specifically will contribute to this increase?	We do not disclose specific details, but the income will increase driven by the investments we have made in automation.
3	Corporate	As for the factors that will contribute to the year-on-year increase of operating income between FY2019 and FY2020, I want to know the details about the effect of asset sales.	We are considering selling our unutilized real property, the proceeds from which will amount to about 1.5 billion yen.
4	Corporate	Have you made the plans for FY2020 in a bottom-up manner?	We have adopted the following method to make the plans: the divisions make their own plans and if any of the numeric data included in the plans pose a risk, we will make adjustments to the data at the corporate level.
5	Precision reduction gears	I want to know the outlook for the entire precision reduction gear business for FY2020.	Sales for the second half of the term will increase by 9% relative to the first half. We expect that demand will recover in the second half, though not so dramatically as in 2019.
6	Precision reduction gears	I want to know the background for your forecast that demand will recover in the second half of the term in the precision reduction gear business.	For the following reasons, we expect that demand will recover relative to FY2019. 1)For the third quarter (Q3) of FY2019, the amount of orders that we received substantially decreased year on year and also relative to the previous quarter. For Q4, however, the orders received increased slightly (6%) relative to Q3 while decreasing by 6% year on year. 2)According to the first comment made by the Japan Robot Association, the total amount of orders received for industrial robots will increase by 6% year on year and capital investment by automakers, which has been suspended since 2018, will be resumed. 3)Without considering the impact of the coronavirus, the electrification of vehicles and the change of car models, which has been put off, will fuel demand.
7	Precision reduction gears	Demand for automobiles has been stagnant globally. Why do you expect that automakers will make capital investments and help drive demand for robots and precision reduction gears?	1)At our company, back orders totaled about 18 billion yen in monetary value at the end of 2019, increasing slightly year on year. Sales from these orders will be included in the sales for the first half of the term and so we think we will be able to achieve sales of 30 billion yen for the first half. 2)We are seeing signs of recovery across the semiconductor industry and expect that demand for industrial robots will also recover in the future.

8	Precision reduction gears	<p>Are the numerical data shown by the Japan Robot Association consistent with the actual amount of orders that you received for precision reduction gears? Will demand for the products truly recover in the first half of 2020? If demand for robots dramatically recovers, could you supply products in an amount sufficient to meet the needs of robot manufacturers?</p>	<p>The statistics on the amount of orders received shown by the Association include data for both large and small robots and so the data are not always consistent with the demand trends of our precision reduction gears. Demand seems to be robust in the Japanese market but stagnant in Europe. We expect that we will continue receiving more orders throughout 2020. We estimated the data for the first half in consideration of the back orders. We still have no clear picture for the trends of the second half. If the demand size is almost equal to that for 2017, we will be able to meet the needs of our customers with our current production capacity, although some overtime work might be necessary.</p>
9	Precision reduction gears	<p>I want to know how you will enhance the production capacity for precision reduction gears.</p>	<p>We now have the production capacity for 840,000 units globally. We have already invested in the expansion of space at our manufacturing facilities and can start operation after installing the production equipment there. In response to the expected expansion of demand in and after 2022, we have also acquired land to construct additional facilities and enhance the production capacity.</p>
10	Precision reduction gears	<p>You exhibited your new super-compact and super-light reduction gear at the International Robot Exhibition held in December 2019. Have you received inquiries for the product? Have you changed your policies on the launch of business in the small robots market?</p>	<p>We have already received inquiries, but it will take some more time for the product to be officially adopted by customers. We usually make prototypes for evaluation and examination by customers before receiving orders. The market for small robots is promising in terms of the growth rate, but we will continue to focus on business in the medium- to large-sized robot market.</p>

11	Hydraulic equipment	For the hydraulic equipment business, I want to know the following: FY2019 sales by region and FY2020 outlook for the regional markets excluding Indonesia.	1)For FY2019 direct sales by region, the Japanese market, the Chinese market and the emerging markets of countries such as India, Turkey and some Asian countries accounted for 35%, 60% and 5%, respectively. 2)For FY2020, demand in the Chinese market will remain high, as in 2019, while demand will recover in the Southeast Asian and Indian markets (without considering the impact of the coronavirus).
12	Hydraulic equipment	What are the FY2019 and FY2020 competition trends of local and foreign-based construction machinery manufacturers in the Chinese market?	According to newspaper reports, local Chinese construction machinery manufacturers are boosting their market share while foreign-based manufacturers are slightly losing their share. Nabtesco supplies to local manufacturers and so the impact of the competition results will be limited. The trends will remain almost the same in 2020.
13	Aircraft equipment	I want to ask why you expect increased sales in the aircraft equipment business for 2020 and also about the share of sales from the products supplied for the 737 MAX.	1)For FY2020, sales to the Ministry of Defense and sales from the MRO services will increase. Also, the increased production of the 777X civil aircraft will help boost our sales. 2)We supplied our products for use in the 737 MAX until December 2019. We did not do this in January and February 2020. 3)We do not publicly disclose information about 737 MAX-related sales, but these sales do not have much impact on our consolidated sales.
14	Aircraft equipment	In the aircraft equipment business, the MRO services will contribute to increasing sales for 2020. I want to know how much sales increased year on year for the MRO services.	In the aircraft equipment business, sales for FY2019 came to 22.8 billion yen (40% for the Ministry of Defense and 60% for civil aircraft) and the MRO services accounted for 20% of the civil aircraft-related sales. In FY2018, sales amounted to 18.5 billion yen (45% for the Ministry of Defense and 55% for civil aircraft) and the MRO services accounted for 20% of the civil aircraft-related sales. The percentage is the same for the two years, but because total sales increased for the aircraft equipment business, sales from the MRO services also increased steadily.
15	OVALO	I want to know why sales of OVALO are expected to increase for FY2020 and what changes have been made to the related plan formulated last year. What do you think is necessary to promote the growth of the company?	Mass production for Audi will contribute to increasing sales throughout the year. Before the acquisition, OVALO already had sales from the supply of reduction gears to manufacturers of small- and medium-sized robots with which it had concluded supply agreements, and the plan has not been changed much. The company needs to increase sales to other customers and is currently engaging in negotiations also with new customers.
16	OVALO	I want to know about the actual results and progress of OVALO.	1)Sales for 2018 and sales for 2019 amounted to 2.0 billion yen and 1.4 billion yen, respectively. Operating loss came to about 2.0 billion yen and impairment loss to 1.3 billion yen for 2019. For 2020, we expect sales of 4 billion yen and operating income that is on par with that for 2019. 2)OVALO will continue to supply to Audi and in 2020 the mass production will contribute more to increasing sales year on year.