

No	Item	Q	A
1	Corporate	Could you tell us about the progress of the first quarter (Q1) results against the first half (H1) plan?	Operating profit on a company-wide basis is 61% of the 1H plan, but we recognize that this is within the expected range. The businesses that grew significantly in Q1 compared to the plan were hydraulic equipment and automatic doors. Both businesses have seasonal factors in Q1 every year, so it was not a big surprise. In addition, although there were fluctuations by business, the company-wide figures are in line with our expectations.
2	Corporate	Were one-time costs included in the increase in "Corporate or Elimination" for Q1?	We recognize the increase in taxes on a pro forma basis of about 900 million yen as a one-time cost.
3	Corporate	Could you give us the breakdown of "Financial costs" increase year-on-year on page 7 of Summary of Consolidated Financial Statements?	Reversal of Harmonic Drive Systems Inc.'s (HDS) share options of negative 2.5 billion yen, quarter-end valuation loss on HDS shares of negative 6.4 billion yen, and foreign exchange loss of positive 0.7 billion yen.
4	Corporate	Will you continue to post quarter-end valuation gains and losses on HDS shares in the future?	There may be such a possibility due to the fluctuation of the stock price.
5	Corporate	Why did inventories increase?	(1) Due to a production increase in the Component Solutions Segment (CMP) (2) Due to some delays in delivery caused by the disruption of sea transportation in the CMP business (this issue has already been resolved) (3) Due to unexpected production cuts in aircraft equipment and other businesses.
6	Corporate	What is the reaction of customers after the sale of HDS shares?	Although we have dissolved the cooperative relationship with HDS and been selling HDS shares, there has been no particular reaction because the products we deliver have not changed.
7	CMP	CMP orders are strong, but are there any advance orders? Please tell us your forecasts for after Q2.	In Q1, orders for precision reduction gears increased in applications for automotive robots. Due to the characteristics of the automotive industry, it is difficult to expect advance orders, so we forecast that the orders are based on actual demand. Based on customer information, we expect that orders will remain strong even after Q2.
8	CMP	Orders for CMP are strong, so are you considering a production increase? Are there any requests from customers with regard to the desired capacity level?	Precision reduction gears Considering the growth of demand, we think that it is necessary to increase the production capacity, so we have been examining how much we should increase capacity in light of the current demand situation. We will ensure not to worry our customers.  Hydraulic equipment We will consider the capacity levels while monitoring the demand trends in the Chinese market. Unlike precision reduction gears, we are skeptical about future market growth, so we are not expecting a major capacity increase.  There have been no direct requests from customers regarding an increase in production capacity, but we will decide the required level after listening to our customers' production plans.
9	Precision Reduction Gears	You mentioned that there is strong demand related to EVs in China. What about competition from local Chinese precision reduction gears manufacturers?	While local Chinese manufacturers have also been active, their products are mainly for general industries. Since their products are not widely used in the automobile field, there is no change in the competitive landscape.
10	Precision Reduction Gears	What is the end market demand situation in the United States?	Although capital investment was sluggish last year, demand began to increase mainly in China from around Q4 of 2020. Since the beginning of 2021, demand has been rising in North America as well.

11	Precision Reduction Gears	What is the BB ratio of precision reduction gears?	1.2 in Q1 for precision reduction gears non-consolidated basis.
12	Precision Reduction Gears	Sales of precision reduction gears are quite high compared to the plan for H1, but do you expect that the recovery trend will continue even after Q2?	Demand for precision reduction gears in Q1 was higher than expected, and a rapid recovery has been seen. We believe that the recovery trend itself will continue, but we are paying close attention to the level of recovery. We will prepare for an expansion of capacity so that we will be able to respond even if the recovery trend at the current level continues.
13	Precision Reduction Gears	What is the expected operation rate of precision reduction gears in Q2?	We do not disclose it directly. If the trend remains brisk, the rate is expected to increase from the Q1 level.
14	TRS	What is the reason for the operating profit of the Transport Solutions Segment not increasing? Were there any one-time factors?	Due to the restrictions on the movement of people, TRS has been most affected by the COVID-19 pandemic. Initially, the business was expected to recover from the middle of the current fiscal year, but considering the current situation of COVID-19, recovery in Japan could be delayed. The decrease in operating profit was due to a decline in sales, and there were no special factors.
15	OVALO	Please tell us about the progress being made by OVALO.	There has been steady progress against the full-year plan.
16	ACB	What is the reason for posting a year-on-year decrease in sales but a significant increase in profits for ACB?	There was a rush in demand toward March due to a subsidy program in Japan for the introduction of contact-less systems. Since the rush demand is included in the replacement demand (MRO), the profit margin was higher due to sales mix variance.