

CMP segment	
Question	Answer
<p>Considering the robust demand for hydraulic equipment, are you making relevant investments, such as in additional production facilities?</p>	<ul style="list-style-type: none"> • In the hydraulic equipment business, we are not investing in the facilities to increase production as driven by robust demand in China. While labor costs expanded due to the increase in workers, the utilization ratio is increased that it contributed significantly to the growth in profits compared with the times in which the business was in the red three years earlier.
<p>Your sales forecast for precision reduction gears indicates that sales in the second half will exceed those in the first half. What is your forecast for order taking in the second half and its visibility of the plan for the second half?</p>	<ul style="list-style-type: none"> • Sales to robot manufacturers account is amounted to approx. 80%. • The production lead time from order taking to shipment is one month. Therefore, order taking and sales are interconnected. • Compare to the order taking situation in 2nd half of 2017. Currently order taking become slow but it still remain almost the same level. • With respect to demand for robots in the second half of 2018, some robot manufacturers expect a recovery, while others remain skeptical. Our forecast for demand is uncertain because it depends on demand from robot manufacturers, so we are leaving the forecast for the second half unchanged. • Meanwhile, even if orders received for robots decelerate, we will focus on achieving the revised targets for reduction gears by also concentrating our efforts to general industries market, which account for 20% of net sales.

TRS segment	
Question	Answer
According to your explanation, one of the factors contributing to the decrease in operating profit in the TRS segment is the Chinese high-speed railways. Did you change the plan for annual sales?	<ul style="list-style-type: none"> • While our sales forecasts for the Chinese railroad vehicle equipment in the plan at the beginning of 2018 was 10.5 billion yen (40% of net sales will be from high-speed railways, 60% will be from subways), we revised the forecast to 9.5 billion yen (35% for high-speed railways, 65% for subways). We plan to record net sales from high-speed railways mainly for MRO.
What contributed to the increase in profits in the TRS segment in the second half?	<ul style="list-style-type: none"> • The aircraft equipment, commercial vehicle equipment and marine vessel equipment business will be in line with the plan. Due to loss for OVALO is eliminated in 2nd half of 2018, and the existing businesses are expected to show robust performance.
About the background of the impairment loss in OVALO, it seems that the amount of impairment is relatively large compared with the acquisition price. Please tell me what the sales estimate was for FY 2018 when you acquired OVALO.	<ul style="list-style-type: none"> • We had planned to record sales through the development for our client automobile manufacturer and a delivery of trial pieces. • At the acquisition, we had planned commercialization at an earlier stage in the joint project with the client automobile manufacturer. • A loss of 1.2 billion yen recorded by OVALO in the first half of 2018 was attributable to the delay in the project for the automobile manufacturer. • An impairment loss was recorded as a result of an impairment test performed in accordance with the IFRS rules due to the delay of the project assumed at the time of the acquisition.
Do you expect that sales not recorded in 1st half of 2018 due to the delay of the OVALO project will be accounted for in the second half? (Is it included in the revised plan?)	<ul style="list-style-type: none"> • Sales are partially included in the revised plan, but we expect sales from mass production will take more time.
What is the reason for the delay of mass production in the joint project between OVALO and Audi?	<ul style="list-style-type: none"> • We are not in a position to comment on specifics, but we are still working on performing detailed tests and enhancing the specifications with the aim of manufacturing better products with our client.

<p>Among the companies you acquired in the past, are there any other companies with the same risk of impairment as OVALO?</p>	<ul style="list-style-type: none"> • We believe that basically, there are no other Group companies with such a risk.
<p>Do you expect that OVALO has a risk of further impairment of goodwill in the future?</p>	<ul style="list-style-type: none"> • Goodwill was 50 million euros as of the acquisition. As we have recorded an impairment loss of 40 million euros in the first half, we still have goodwill equivalent to 10 million euro. • OVALO, the acquired company, is proficient with system development technology, and is doing business with automobile manufacturers.
<p>Regarding impairment of OVALO, I feel that the amount of impairment is relatively large against the acquisition price. Do you think it is necessary to review the process of selecting a company to acquire?</p>	<ul style="list-style-type: none"> • At present, we don't think it is necessary to review the selection process. • It may currently look difficult to estimate OVALO's future growth potential because we are not in a position to disclose the specific projects held by OVALO with their clients and the details. However, the growth potential of OVALO could be understood when specifics of the project can be disclosed. • Now we are facing difficulties in implementing post-merger integration, but we will not refrain from conducting an M&A just because of this reason. • In the future, the process of acquisition of startups is likely to be careful to purchase technology companies which have business area outside of ours. We will include this in the internal regulations concerning business acquisitions.
<p>Please tell us about OVALO's profits at the time when you acquired the company.</p>	<ul style="list-style-type: none"> • At the acquisition, OVALO recorded almost zero profits.
<p>What kinds of products are produced by OVALO for Audi, and at what scale of sales?</p>	<ul style="list-style-type: none"> • Please understand that we are not allowed to disclose the details of the products under the non-disclosure agreement with Audi.
<p>With respect to the investment of 10 billion yen in Corporate Venture Capital, have you already invested 10 billion yen?</p>	<ul style="list-style-type: none"> • No, we have not. The amount of the investment represents the upper limit of the fund, and we will invest in companies with capital equivalent to several hundred millions of yen by selecting carefully. We would emphasis on the scale of the investment framework.

Please explain the reason for the decrease (from 6.4 billion yen to 2.9 billion yen) in “Other sales” for the first half in the TRS segment (referring to the gray parts on page eight of the Presentation Material), and the factors contributing to the recovery in the second half. Is OVALO included in this?

- In “Other sales” (the gray parts on page eight of the Presentation Material), net sales of services companies and OVALO are included.

ACB segment	
Question	Answer
The second-half plan for operating income in the automatic door business looks very bullish. Do you anticipate any risks in achieving the plan?	<ul style="list-style-type: none"> • Profits in the automatic door systems for buildings failed to achieve the plan at the beginning of the first half due to the delay in the construction period in the Kanto region except for Tokyo. • In the second half, we expect that the full-year plan will be achieved if we can catch up and offset the delay.

Presentation Meeting on the Hydraulic Equipment Business	
Question	Answer
Demand was extremely strong during Chinese New Year in 2018 for hydraulic equipment in China. What is your forecast for the demand during Chinese New Year in 2019?	<ul style="list-style-type: none"> • Despite demand fluctuations for construction equipment in China, we expect strong demand will continue in 2019 as well.
Please explain the changes in hydraulic equipment products following the application of information and communication technology to construction machinery.	<ul style="list-style-type: none"> • Although there will be no change in the components, we expect that the control valves will be operated by electrical/electronic technologies in the automatic driving systems. In Japan, such works will be performed by construction machinery manufacturers, whereas a joint development may be realized outside Japan, especially in China. But, today, we do not have any plans of such joint development with a Chinese manufacturer.
What are the factors contributing to the upswing in the first half and the upward revision to the full-year forecast?	<ul style="list-style-type: none"> • The market environment and the development of new products with the acquisition of Hyst Corporation contributed to the increase for net sales.
What are the strengths of your products compared with overseas manufacturers (especially in China)?	<ul style="list-style-type: none"> • As traveling motors, our strengths include durability, efficiency and operability. The products of Hyst Corporation are also highly evaluated by customers.

General	
Question	Answer
Please explain about your plan to reduce other expenses, if any.	<ul style="list-style-type: none">• We may review non-urgent expenses. We will make the necessary investments and paying attention to daily efforts for cost reductions.