

FY2023/12 Q1 Results Briefing: Q&A

Date and Time: 6:00 p.m. to 7:00 p.m., Friday, April 28, 2023

No	Item	Q	A
1	Corporate	Are there any businesses in which the results surpass or under of the predetermined targets?	In company-wide basis, the results were inline to our plan. Surpass the targets: Overseas results in the ACB segment Under of the targets: Hydraulic equipment business in the CMP segment (due to the influence of the Chinese construction machinery market)
2	Corporate	Which company did you acquire that caused the increase in the monetary value of goodwill on the balance sheet? Is that part of your plan?	We acquired a French distributor of automatic doors (which posts annual sales of several billions of yen) in January 2023. Yes, it is included of our plan for the fiscal year.
3	Corporate	Have you offset the rise of materials costs by raising your prices and reduced the costs as planned? I'd like to know about your progress with the offsetting and reduction plans.	We have been steadily implementing the offsetting plan, although there has been some delays. We are sure to proceed price pass through and have not change our full-year forecast.
4	Corporate	Has the rise of costs exceeded the planned level?	The prices of some materials have risen beyond the expected levels, which we regard as a risk factor, and to offset the rises we may need to consider raising our prices again.
5	Precision reduction gears	Why the order intake was behind the plan for precision reduction gears?	There were delays in the reception of orders in a large project for a Chinese EV manufacturer, an end-user, but we received some of the orders in April and will receive the remaining orders going forward.
6	Precision reduction gears	The precision reduction gear business was affected by the difference in product mix. Will the impact caused by the difference continue in and after the second quarter? I also would like to know the details of your cost reduction plan.	The business situation has not been very favorable with regard to FA business environment has temporally slow down since the beginning of the year, and the impact might continue in and after the second quarter. We try to reduce the costs through measures such as producing bearings internally and negotiating with suppliers.
7	Precision reduction gears	I'd like to understand properly the reason why there was happened the OP differences between FA and Robot usage.	We produce gear for robotics as mass-manufactured products for use in robots, while we mainly supply customized products for FA. Against this backdrop, the difference in product mix has an impact on our profitability.
8	Precision reduction gears	What is your outlook on the future demand for precision reduction gears?	Nabtesco has been steadily receiving orders, but according to what we have heard from our customers, there have been changes in the investment plan taken by end users over the past six months. Although demand for precision reduction gears used in EVs will remain stable, we need to monitor the market trends carefully.
9	Hydraulic equipment	You mentioned to the intensification of competition in the hydraulic equipment business. Do you mean that you are competing more severely with local hydraulic equipment manufacturers, or that you are facing difficulties due to the in-house production of such equipment by construction machine manufacturers?	We mean both. Construction machine manufacturers seem to have been comparing the prices of products buying from hydraulic equipment manufacturers while also considering making the equipment internally, and accordingly, we are placed in a more severe competitive environment.
10	Hydraulic equipment	Has the Chinese hydraulic equipment market achieved growth just as you assumed?	In the first quarter, the market growth rate was a bit lower than assumed. In China, however, the real estate market is being revitalized, and the government is expected to implement measures to stimulate the economy toward the second half of the fiscal year. We therefore expect that the market will recover.
11	Hydraulic equipment	Please tell your progress with cost reductions and the effect of the reductions that can be observed in the hydraulic equipment business.	We have reassigned some employees to the precision reduction gear business, for which we have increased the operation rate at some of our sites. We also try to promote the sales of strategic products to make more profit.
12	TRS	What kind of factors are contributed to improve TRS OPM?	The contributing factors are the favorable MRO business situation and sales increased due to the demand expansion for the aircraft equipment business and the marine vessel equipment business.

13	TRS	Concerning the offset of rising costs between increasing your prices in the TRS segment, in which businesses have you made progress?	We have been negotiating with our customers to raise our prices in the businesses based on surging materials costs, and regarding this, we have been making progress in the railroad vehicle equipment, commercial vehicle equipment and marine vessel equipment businesses. Also, we have obtained customers' approval to increase prices for our equipment used in defense aircraft.
14	Packaging machines	You say you will monitor the trends in the packaging machine market carefully after second quarter, although you left favorable results in the business for the first quarter. Is this because you think this favorable situation will not last?	For the MRO business, we will foresee to continue favorable situation for MRO business because electric parts shortage issues is currently not big impact, on the other hand, we found that our customer is more pay attention to make new investment.