

No	Item	Question	Answer
1	Corporate	Please explain the percentages of temporary and permanent contributors in the breakdown of cost reduction.	<ul style="list-style-type: none"> <li>• Transportation expenses decreased due to reductions in traveling from/to plants and overseas business trips. While these are temporary factors, some of them are likely to become permanent considering new working styles such as the introduction of web conferencing systems, mainly at Tokyo Head Office, and working from home have become more common.</li> <li>• Also at manufacturing sites, some expenses of a not temporary nature are included.</li> <li>• I refrain from disclosing the actual amounts, but the temporary reduction of expenses was larger than that of other expenses except for general expenses (research and development, capital expenditure, etc.).</li> </ul>
2	Corporate	Please explain your thoughts and outlook to date for the four businesses to which the post COVID-19 world is likely to provide opportunities for business expansion, as described on page 7 of the briefing material.	<ul style="list-style-type: none"> <li>• As to the aircraft equipment business, many of our customers expect that passenger demand will recover in 2022 to 2025. However, in light of the trend of globalization, we anticipate that air traffic will increase in the long run despite the trend of unilateralism.</li> <li>• In the precision reduction gears business, demand for industrial robots will increase from the medium- to long-term point of view since the trend of using robots to substitute for human labor has prevailed since before COVID-19.</li> <li>• With respect to the packaging machines business, we anticipate that demand for our packaging machines and requirements for specifications will be heightened as a result of changes in packaging materials for food (such as a change from plastic to paper).</li> <li>• As to the automatic door business, we expect that demand will increase due to requirement for noncontact type. At the same time, we are now searching for the possibility of developing products applying noncontact features other than automatic doors.</li> </ul>
3	Precision reduction gears	Please explain the operation rate of Tsu Plant for the second quarter.	The operation rates for the first quarter and second quarter were 95% and 85%, respectively, resulting in 90% for the first six-month period.
4	Precision reduction gears	Sales in the precision reduction gears business are expected to increase in the second half of the fiscal year over the first half. Please give us your perspectives concerning demand for precision reduction gears including the impact of the novel coronavirus disease ("COVID-19").	<ul style="list-style-type: none"> <li>• Although the impact of COVID-19 is not easy to measure, we examined the scale of the impact using several scenarios. We have used a market assumption that demand for automobiles related investment will pick up in the fourth quarter.</li> <li>• By region, we expect that capital expenditure in the automobile industry in North America, which had been put off for a while, will recover; and that investments relating to electric vehicles (EV) and hybrid vehicles (HV) will be implemented in China.</li> </ul>
5	Precision reduction gears	As to precision reduction gears, please explain your expectation for the timing of recovery of demand. Am I correct in understanding that the recovery expected for the second half has been realized earlier than expected considering that orders received in June increased compared with the previous month?	Orders received increased in the first quarter, while decreasing in the second quarter. Given that orders received in July remained at almost the same level as in the second quarter, we expect that a full-fledged recovery will be observed in the fourth quarter.
6	Hydraulic equipment business	Please give us the ratio of overseas sales in the hydraulic equipment business.	In the first half of FY2020, on a direct sales basis, China accounted for 60%, Japan 30% and Asia 10%. (Europe and the US accounted for just 1%). For reference, in the first half of FY2019, China accounted for 45%, Japan 40%, Asia 10% and Europe and the US 5%.
7	Hydraulic equipment business	Please explain any changes from the first quarter in your forecast for the hydraulic equipment business in Asia and other regions. Did the business deteriorate due to the impact of COVID-19 or is it on a recovery path?	<ul style="list-style-type: none"> <li>• The Southeast Asian market has been in very tough situation since the previous fiscal year, before the outbreak of COVID-19.</li> <li>• In China, sales of power shovels have grown since 2018, exceeding 230,000 units in FY2020, which we had considered the peak in FY2019. Therefore, we have revised upward the forecast of sales of power shovels for FY2020 from 230,000 to 250,000.</li> </ul>
8	Hydraulic equipment business	Please tell us if hydraulic equipment will be intensively manufactured at around the end of this fiscal year in preparation for the Lunar New Year of the next year.	According to the annual trend, construction machinery is manufactured by the end of the year in preparation for the Lunar New Year of the following year. However, considering that current demand is strong to cover the decreased manufacturing in March and April, it is likely that the production of the preparation for the next Lunar Year will be less than usual.
9	TRS segment	As to the Transport Solution segment, please explain the reason for an increase in sales and a decrease in profit in the second half compared with the first half.	While sales will decrease significantly in the commercial vehicle equipment business, we expect some positive contributing factors to sales growth in the railroad vehicle equipment. However, we anticipate a decrease in profit mainly due to the impact of the product mix in sales.

10	TRS segment	Please give us the ratio of MRO in the Transport Solution segment. (Maintenance, Repair, Overhaul)	The actual result for the first half of FY2020 was approx. 35%. The full-year result for FY2019 was also approx. 35%. On a full-year basis for FY2020, we estimate that the ratio will be almost the same.
11	Aircraft equipment business	With respect to the aircraft equipment business, according to your explanations, your main customer, Boeing, has been reducing production on a long-term basis. I would like to know the current status of your capital expenditure and plant utilization rate. Furthermore, do you see any risk of impairment loss for the facilities?	<ul style="list-style-type: none"> <li>• In the aircraft equipment business, we ship our products to the Ministry of Defense based on a certain level of orders received. As to sales to the private sector, the decrease is mostly attributable to the reduction in production by Boeing. Since the planning stage at the beginning of the fiscal period, the relevant risk up to the resumption of production of 737 MAX had been taken into consideration, but we are facing a delay of recovery much longer than expected. As we have no specific measures which would bring us immediate effects, we will wait until demand recovers. Even under these tough circumstances, the aircraft equipment business including both domestic and overseas plants did not record deficits.</li> <li>• Although new buildings have been already completed in expectation of demand for 737 MAX and 777X, we will introduce machinery and facilities step by step considering the status of demand. At present, we see little possibility of a risk of impairment losses in noncurrent assets.</li> </ul>
12	OVALO	As to the financial performance of OVALO, please tell us about the impact of COVID-19 on gains and losses.	When we prepared the plan at the beginning of the fiscal period, we expected that sales would increase reflecting the AUDI project, but now we feel that a decrease in production on the customer side is unavoidable due to the impact of COVID-19. Net sales and operating income of OVALO for FY2020 are expected to be at the same level as FY2019.
13	OVALO	Going forward, what measures do you plan to implement to reinforce the performance of OVALO?	We recognize OVALO as a key business base in Europe. Therefore, we will continue research and development with OVALO and adcos, the R&D base.
14	OVALO	Do you think that the decrease in sales at OVALO will be recoverable in the next fiscal year? Aren't there any other negative factors leading to low profitability such as temporary expenses other than low quantity of sales?	<ul style="list-style-type: none"> <li>• With the mass production systems completed in November 2019, together with the systems of our suppliers, the production systems of OVALO were well prepared for an increase in sales. Net sales for the current fiscal year are estimated at 1.4 billion yen against the initial plan of 4.0 billion yen. The decrease in sales is mostly attributable to the products for Audi, which means the reason for the decrease in sales is a decline in car sales on our customer's side.</li> <li>• Sales in OVALO will depend on the production plan of our customer, but we do not expect that the decrease in the current fiscal year will be added to sales in the next fiscal year.</li> </ul>
15	OVALO	Do you expect that OVALO will be able to increase sales in the next fiscal year and thereafter? What measures will you implement for cost reduction?	I will refrain from mentioning the specific amount of expected increase in sales because it relates to the customer's production volume. However, I would like to say that the figure in our initial plan can be one of our targets. Furthermore, cost reduction is conducted by many other companies, not limited to OVALO. We are now reviewing capital expenditure and manpower planning.