

No	Item	Q	A
1	Corporate	Regarding the new Long-term Vision, why haven't you set performance targets? And, what KPI will you set as the concept of the new Medium-term Management Plan? (It seems difficult to set ROE as the target because shareholders' equity varies depending on the unrealized gains on the shares of Harmonic Drive Systems Inc. ("HDS"), doesn't it?)	In the process of preparing the Long-term Vision, we have internally set numerical goals including business performance, but we have no plan to disclose them right now. We will consider the scope of disclosure in the process of preparing the new Medium-term Management Plan. Regarding ROE, we may apply a method of monitoring figures on a real capability basis excluding the impact of sale of shares in HDS as disclosed as the reference information in the latest financial summary briefing. But we are planning to consider the KPI for the new Medium-term Management Plan in the process of preparation.
2	Corporate	Your plan shows that capital expenditure will not increase significantly in FY 2021. Please tell us the timing of resuming investments and the conditions for their resumption. Is it likely that you will resume investments by the end of FY 2021?	Presently, we expect to implement investments in line with the plan for FY 2021, but will consider them flexibly depending on the trend of demand. We believe that the present production capacity can cover the planned production of precision reduction gears for the current FY year. Therefore, we don't expect to start operation of the new Hamamatsu Plant this year. (We want to start operation as soon as possible from the viewpoint of BCP, another purpose for the establishment of the new Hamamatsu Plant.) We would like to start capital investment at the Tarui Plant (hydraulic equipment business) as soon as possible.
3	Corporate	In your integrated report, your company is defined as an "unsung hero." Do you expect that this definition will change as you aim to become an "Innovation leader" in the new Long-term Vision? Particularly, what changes can we expect in the component solutions segment?	The conventional positioning as "best solution partner" will remain unchanged, and we will maintain the conventional stance of "being close to customers to satisfy their expectations." Additionally, in the new Long-term Vision, we would like to take the stance of proposing solutions to customers from our side. For instance, we will endeavor to proceed with research and development aiming to voluntarily meet customers' potential needs such as improvement of the durability of industrial robots. We are still discussing this issue, and there are no specific matters to be disclosed. But, for example, we have images such as business development in the digital and information fields and the expansion of product lineup (for instance, electronic-controlled operation of hydraulic equipment).
4	Corporate	Company-wide inventories have been decreasing. Is this an adequate level? Apparently, orders received increased in the 4th quarter. Do you think it is necessary to increase production in the 1st quarter?	We are always prepared to reduce inventories by improving production efficiency. Although there are fluctuations depending on the business, we believe that the inventory as of the end of December is at an appropriate level. It is likely that inventory will increase in the 1st quarter, but it is expected there will be no major change in terms of turnover.
5	Corporate	What do you expect will be the scale of investments in the Hamamatsu Plant, Tarui Plant, etc. as the use of proceeds from the gain on sale of HDS' shares?	As a general rule, we assume capital investments in the Hamamatsu Plant, Tarui Plant, etc. amounting to 25 billion yen to 30 billion yen over multiple years.
6	Corporate	Regarding the "Core system update" and "PLM system construction" which are included in "Others" of the usage for capital expenditure, please give us the specific details and the subject companies.	Regarding the core system update, we will implement the company-wide renewal from the legacy system to SAP S4/HANA. The renewal has already started at the Tsu Plant since the 2nd half of FY 2020, and will be gradually expanded to other business bases in FY 2021. The construction of the PLM system is also closely related to the above-mentioned core system renewal, and in FY 2021, we plan to implement such construction in multiple businesses, starting from the hydraulic equipment business (at the Tarui Plant).
7	Component Solutions Segment	Regarding the management plan for FY2021, what is the reason for being unable to improve profitability despite the increase in net sales in the component solutions segment?	In FY 2020, there was also a profit improvement factor of cost reduction. In FY 2021, we will apply the funds for growth investments including the ones which were postponed from 2020 to 2021.
8	Precision Reduction Gears	Please explain the demand for precision reduction gears together with the external environment as the precondition for the sales plan for the current FY year.	Orders received in the precision reduction gears business grew significantly in the 4th quarter of FY 2020. In FY 2021, net sales are expected to grow approximately 20% on a year-on-year basis. We recognize that demand for capital investment is on an upward trend in each industry, expecting that sales will recover to the same level as in FY 2018, although the momentum is not as strong as it was in FY 2017. As for FY 2021, our plan assumes that demand will recover from the 1st half to the 2nd half, and we will pay close attention to the trends of capital investment by automobile manufacturers and in other industries.
9	Precision Reduction Gears	What is the reason for the inability to recover to the level of FY 2017? Also, please show us the trend of inquiries received by industry and region in FY 2020.	In FY 2017 when demand for precision reduction gears increased sharply, the introduction of robots advanced in all industries, and our production could hardly keep up with demand. Our calculation indicates that in order to reach the level of FY 2017, we need growth of at least 40% year on year, but I don't think there will be such a strong momentum in the year to come. By region, particularly, China and North America have observed an increase in demand for components for industrial robots for EVs and HVs.
10	Precision Reduction Gears	Please explain the recovery cycle of precision reduction gears. The plan indicates that performance will reach a new peak in the 2nd half of FY 2021. Then, do you expect that it will continue to exceed this level thereafter?	The growth model of the reduction gear business has a cycle of about three to four years, which used to form a trend in which once it starts to grow, it continued to grow and reached a level that exceeds the peak of the previous cycle. Given some other factors such as COVID-19 that did not exist in the past trend, there is uncertainty, but we expect that the current movement is in the early stage of the upward trend.

11	Precision Reduction Gears	Regarding sales of precision reduction gears in the FY 2021 plan, please explain the background behind the stronger growth in the 2nd half than in the 1st half. Is the expansion of sales of components for collaborative robots and non-automobile robots included in FY 2021?	Sales of precision reduction gears in FY 2021 are expected to further increase in the 2nd half as demand for industrial robots is anticipated to recover and demand for automation applications other than robots (for machine tools and general industries) will also recover from the 2nd half.
12	Precision Reduction Gears	Please show us the trends by customer taken into consideration in the formulation of the FY 2021 plan.	Demand from not just specific customers is increasing. By region, we have the impression that orders from Japanese robot manufacturers are pretty strong, but overall demand including from European robot manufacturers is on the rise.
13	Precision Reduction Gears	Regarding the data of the Japan Robot Association, we understand that orders received for robots increased on a year-on-year basis, but what was the background behind using the data of the number of units shipped?	We used the shipment-based figures of the Japan Robot Association which reflect the production trends in order to review the overall picture in FY 2020. The order received-based movements include demand which did not necessarily reach the Company. Therefore, we used the number of units shipped. Furthermore, the overall data also include robots in areas where we do not directly benefit, thereby not directly reflecting on our order trends.
14	Railroad Vehicle Equipment	Is it a fact that the Company has been losing market share in the Chinese subway vehicle market?	In FY 2021, despite the impact of delays in bidding for projects for China, we are not aware of the fact that European and local competitors have taken our market share.
15	OVALO	Please explain the background behind OVALO's anticipated poor performance again in 2021, when it is expected to be in the red. Are there any production problems?	It is due to a decrease in sales. Since the number of units produced decreased from the initial plan, OVALO has made self-help efforts including price increase negotiations, as necessary. We don't think that there are problems in production or technology.
16	OVALO	Could you tell us the direction of OVALO's future strategy?	OVALO has been reducing costs by reviewing suppliers and the composition of production lines. OVALO together with its subsidiary, adcos, also owns development technologies that we did not. Therefore, we will proactively utilize them in our existing businesses, too.
17	OVALO	Are you considering the sale of OVALO?	The positioning of OVALO as an important base for future development in the European market remains unchanged. Therefore, we are not considering selling it at present.