

FY2023/12 Q3 Financial Results Briefing: Q&A

Date and Time: 17:00 to 18:00, Tuesday, October 31, 2023

No	Item	Q	A
1	Corporate	You have not revised your earnings forecast despite the high hurdles expected in 23/Q4. Is this because you are confident in the Q4 outlook?	The results through Q3 were generally in line with the projection. If things go as planned, we will achieve the targets for Q3.
2	Corporate	How should I think about the achievability of 4Q target?	There is seasonality reasons for ACB business both in sales and profits concentration in Q4. We expect a similar trend this year. Since securing sales to fulfilled Q4 target, is needed to get certain amount of order volume in Q4, However we do not look too optimistic for the situation.
3	Corporate	You reported that Q3 has progressed well including the effect of special factors, such as the additional billing on ACB's overseas PD project and the gain from subsidiary sales. What discussions are taking place internally regarding earnings from the core businesses?	Of course we had recognized there are some special factors in Q3. The substantial issues for Nabtesco is to improve profits in the next fiscal year and beyond, not just in Q4. We will aggressively implement improvement actions.
4	Corporate	You have increased M&A. How well are the acquired businesses doing?	<p>■ The OVALO business is in a difficult situation because the automotive market is shifting to EVs.</p> <p>■ Copas is progressing as planned. We believe that the synergies with Gilgen will continue to increase the earnings in the future.</p> <p>■ DeepSea has not yet contributed to our financial results as it is still in the early stages of business development. We expect that Digital Transformation will bring us business opportunities.</p>
5	CMP	I would like to know why CMP's operating profit margin has declined and what measures you are taking.	<p>There are two main reasons for the decline in operating profit margins.</p> <p>(1) Increased procurement costs due to rising steel, electricity utility, and oil prices Measures: Passing on the cost to the selling price. Since the timing of the price increase does not coincide with the timing of the procurement costs increase, there is a delay in the timing of improvement in profits.</p> <p>(2) Delays in adjusting a production capability to meet demand Measures: We will optimize the number of workers to meet demand. However, given the length of employment contracts and other factors, the adjustment will take until around December.</p>
6	Precision reduction gears	Why has the order environment deteriorated and when will it recover?	<p>Demand has dropped significantly since the summer. We believe this is because investment in EVs and automation has been curbed in North America and Europe, not just in China.</p> <p>It is difficult to predict when orders will recover as it depends on the status of customers' inventories of finished industrial robots and the timing of the capex recovery in the automotive industry. We expect the difficult situation to continue at least until the first half of next year.</p>
7	Precision reduction gears	Compared to last year, to what extent can prices be passed through? I would also like to know if you plan to increase the frequency of negotiations to every six months.	<p>The range of price pass-through we have negotiated in FY2023 is greater than that implemented in FY2022. Although we have obtained customers' understanding regarding price pass-through to some extent, we have not yet reached an agreement with all customers.</p> <p>Negotiations with customers benefiting from the weak yen have gone relatively smoothly.</p> <p>Negotiations take a long time, so it is not realistic to negotiate on a six-month basis, but we are determined to reach our price pass-through target by the end of the year.</p>
8	Precision reduction gears	I think raising prices will only bring limited improvement in profits. Will you take other profit improvement measures, such as electrification?	<p>We intend to offset the supplier price increases by passing them on to our selling prices and make up for other inflationary effects through internal efforts.</p> <p>When we think about how to improve profits in the future, electrification is certainly one of the strategies. However, we need to consider strategies that are scalable and not limited to the precision reduction gears business, so we have formulated and implemented strategies that can be applied to other businesses.</p>
9	Precision reduction gears	What level of headcounts are preferable for current situation?	We plan to reduce the number of employees in the precision reduction gears by about 300 in total, including returning the support employees transferred from other businesses during the busy season to their former workplaces.
10	Hydraulic equipment	Do you see a changing trend in the construction equipment market in Japan, such as a shift to smaller equipment?	We have not seen such a trend.
11	OVALO	I understand that your main products are for ICE. What is your strategy for product development and growth in the future?	Since production order from Audi has been greatly reduced, so that we are reviewing our plan. We are looking at what we need to take action to get OVALO back on track. We would like to discuss the details when we explain the revival plan for the next fiscal year.

12	ACB	Can you recover all additional costs incurred in the past for overseas platform doors? What are the results in Q3 of this year and what is the outlook for Q4 and beyond?	<p>Basically, we intend to charge for the additional costs incurred. So far this fiscal year, we have been able to charge the additional cost portion incurred in FY2022.</p> <p>Q3 Actual: 600 million yen Q4 Projected: 200 million yen</p> <p>The sharp rise in material and labor costs, the main cause of the additional costs, has slowed down. Therefore, we do not expect these costs to increase significantly in the future.</p>
13	MFR	How much was the planned and actual gain from the sale of the subsidiary, TS Precision Co., Ltd.?	While we had planned to sell the subsidiary for less than one billion yen in our business plan , however we were able to sell it for 1.2 billion yen, including the land at the end of this deal.