



FY2003 Annual Financial Results Briefing

Nabtesco Corporation

*Aiming to be the world's leading manufacturer of Motion Control Systems
and related components for Air, Land and Marine applications*

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

I. The Group

II. Annual Financial Results for FY2003

III. Topics

IV. Forecast for FY2004



I. The Group

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Nabtesco Group aims

***to be the World's Leading Manufacturer
of Motion Control Systems
and Related Components
for Air, Land and Marine Applications***

**by combining the strength of both TS Corporation
Group's **component technology** and NABCO Group's
system technology.**

Management Principles

Nabtesco aims to achieve long term growth of corporate values based on the following principles;

- Form a highly-profitable corporate group that is a global industry player
- Become a global R&D leader by assembling an advanced team of specialists/engineers
- Build a flexible management organization that can quickly respond to the changing environment
- Establish a strong financial structure
- Maintain a high level of transparency and corporate ethics



Group Organization (44 affiliates/subsidiaries)

Nabtesco Corporation

TS Corporation

Precision Equipment Company

Aircraft & Oil Hydraulic Equipment Company

- Harmonic Drive Technologies Nabtesco Inc.
- Nabtesco Precision Europe GmbH
- Nabtesco Precision USA Inc.
- Diavac Ltd.
- TS Heatronics Co., Ltd.
- LogIT Corporation
- CMET Inc.
- Vacuum-tech Service Co., Ltd
- Toyo Jidoki Co., Ltd.
- TSTM Co., Ltd.
- Aishin Kikoo Co., Ltd.
- Shanghai TM Co., Ltd.
- TMT Machinery, Inc.
- Nabtesco Aerospace Inc.
- Suikoh Co., Ltd.
- Shanghai Nabtesco Hydraulic Co., Ltd.
- Nabtesco USA Inc.
- STS Corporation
- TS Precision Co., Ltd.
- T.S.Mechatech Co., Ltd.
- Marifu Engineering Co., Ltd.
- PT Pamindo Tiga T

NABCO

Control Systems and Products Div.

Building Products Div.

Hydraulic Machinery

Control Systems

Welfare Products Dept.

Railroad Products Div.

Automotive Products Div.

- NABCO Service Co., Ltd.
- NABCO Door Ltd.
- NABCO Entrances Inc.

Other non-consolidated affiliates/subsidiaries: 17

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**The figures up to FY2002 hereafter
are obtained by the **simple summation**
of the figures of
TS Corporation group and NABCO group**



Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Profit & Loss Summary (Comparison with the last fiscal year)

Increase in sales and profit

(JPY billion)

	FY 2002	FY 2003	Variation	Ratio
Net sales	121.5	125.4	3.9	3.3%
Operating Profit	6.0	8.3	2.3	38.5%
Non-operating profit and loss	- 0.7	0.1	0.8	—
Ordinary Profit	5.2	8.4	3.1	60.1%
Extraordinary profit and loss	- 1.7	- 1.8	- 0.1	9.3%
Profit before taxes	3.5	6.5	3.0	84.5%
Net profit	1.8	4.2	2.3	123.7%

■ Increase: FY2002 figure included about JPY 8 billion sales for synthetic fiber machinery business which was relegated at FY2002 end.

■ Increase of sales	2.1billion
■ Relegation of synthetic fiber machinery business	-0.2billion
■ Cost reduction & Price effect	1.3billion
■ Increase of SGA expenses	-0.9billion
Total:	JPY2.3billion

■ Increase of capital return (equity method)	0.7billion
■ Decrease of non-operating expenses	0.2billion
Total	JPN0.8billion

■ Increase of special contribution to a pension fund	-0.6billion
■ Decrease of gain on sales of fixed assets	-1.4billion
■ Decrease of structural improvement and others	0.9billion
■ Decrease of gain on sale of securities	0.9billion
■ Others	0.1billion
Total	JPY-0.1billion

Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Group sales by Business Segments

Precision Equipment JPY25.4billion

Precision Reduction Gear
Room-less Lift Machine
Vacuum Pump, Vacuum valve
Rapid Prototyping System
Thermal Management Device
Digital Logging System

Transport Equipment JPY33.7billion

Railroad Vehicle brake System
Railroad Vehicle Automatic
Door Operating System
Commercial Vehicle Wedge
Brake Chamber
Commercial Vehicle Air Dryer
Automotive Hydraulic Clutch
Marine Vessel Engine Remote
Control System

Aircraft & Oil hydraulic Equipment JPY33.4billion

Flight Control Actuation System
Engine Accessories
Electric Generating System
Excavator traveling motor
Hydraulic Control Valve
Wind Turbine Generator
drive mechanism

Industrial Equipment JPY32.8billion





Automatic Door
Filler/Sealer Machine
Forming Machine
Intelligent Prosthesis
Knee Joint
Electrically Assisted
Wheel Chair

**Consolidated sales: JPY125.4billion
(FY2003)**

Consolidated Financial Results **Nabtesco**

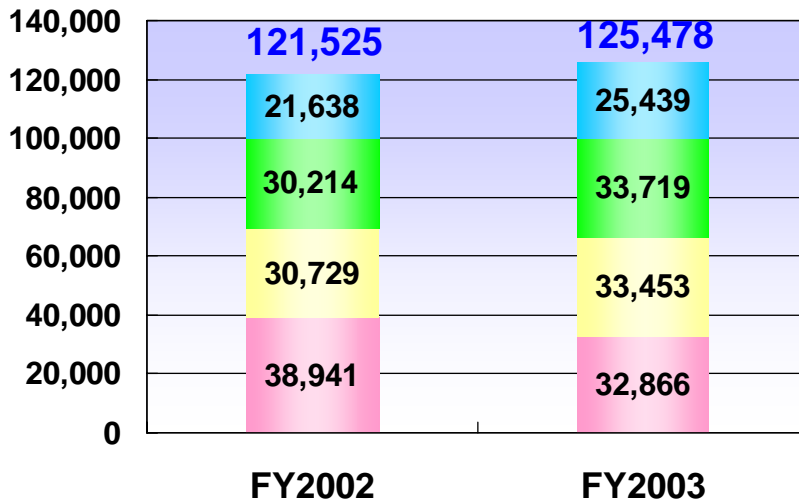
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Sales & Profit by Business Segments

<Business Segment>		<Comparison with the last fiscal year>
	Precision equipment	Increase in sales, Significant increase in profit
	Transport equipment	Increase in sales, Profit leveling off
	Aircraft & Oil Hydraulic equipment	Increase in sales, Increase in profit
	Industrial equipment	Fall in sales, Increase in profit

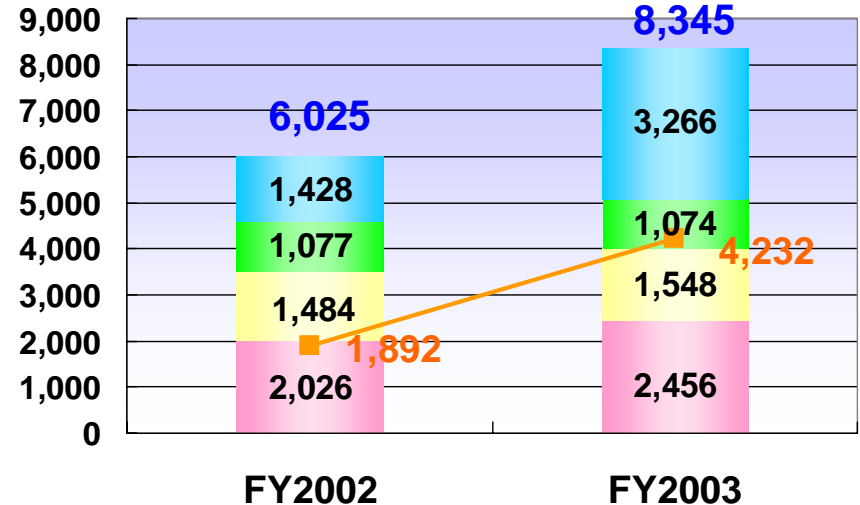
(JPY million)

Net Sales



(JPY million)

Operating/Net Profit



 Net Profit

Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

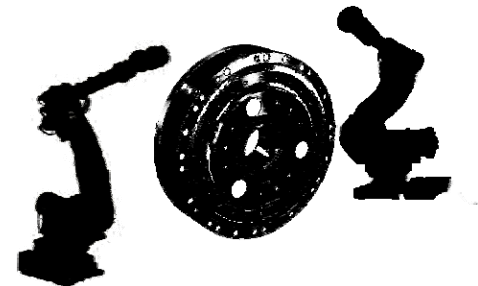
Precision Equipment (Comparison with the last financial year)

Increase in sales, Significant increase in profit

(JPY million)

	FY2002	FY2003	Variation	
				Ratio
Net sales	21,638	25,439	3,801	17.6%
Operating profit	1,428	3,266	1,838	128.7%
Operating profit ratio	6.6%	12.8%		

- Increased shipment of precision reduction gears for industrial robot due to facility investment in automotive industry remained active worldwide.
- Substantial increase of the reduction gears for machine tools and semiconductor production equipments.
- Vacuum equipments for PDP & LCD manufacturing is good demand.



Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

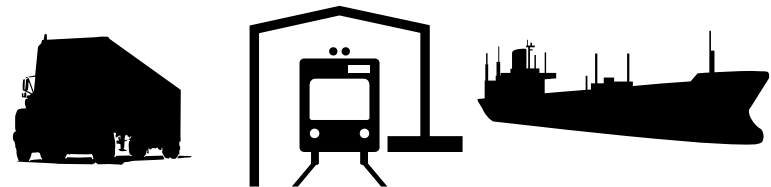
Transport Equipment (Comparison with the last financial year)

Increase in sales, Profit leveling off

(JPY million)

	FY2002	FY2003	Variation	
				Ratio
Net sales	30,214	33,719	3,505	11.6%
Operating profit	1,077	1,074	- 3	- 0.3%
Operating profit ratio	3.6%	3.2%		

- Export of railroad vehicle equipments to Mainland China increased though domestic sales decreased.
Started delivery of brake and door system for Taiwan Shinkansen bullet train.
- Increased brake system sales due to good demand of commercial vehicle for corresponding environmental regulation.
- Slight increase in engine control system for marine vessels due to construction increment in the industry.



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Aircraft & Oilhydraulic Equipment (Comparison with the last financial year)

Increase in sales, Increase in profit

(JPY million)

	FY2002	FY2003	Variation	
				Ratio
Net sales	30,729	33,453	2,724	8.9%
Operating profit	1,484	1,548	64	4.3%
Operating profit ratio	4.8%	4.6%		

- No recovery trend showed in aircraft business after 9-11. SARS and the Iraq war also affected the industry.
- High demand for construction machinery in Mainland China.
- Demand for construction machinery in domestic market also tight.
- Expansion of wind turbine generator drive system.



Consolidated Financial Results **Nabtesco**

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Industrial Equipment (Comparison with the last financial year)

Fall in sales, Increase in profit

(JPY million)

	FY2002	FY2003	Variation	
				Ratio
Net sales	38,941	32,866	- 6,075	- 15.6%
Operating profit	2,026	2,456	430	21.2%
Operating profit ratio	5.2%	7.5%		

- Decrease in sales by JPN 8 billion due to relegation of synthetic fiber machinery business.
- Decrease in automatic door due to major projects settled for the time being.
- Filling machine sales increased due to worldwide steady facility investment in food industry.
- Increased in welfare related businesses.
- Increase in sales of machine tools.



Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Balance sheet Summary (Comparison with the end of last fiscal year)

(JPY billion)

	3/E/02	3/E/03	Variation	Comments
Assets	128.7	130.6	1.9	
(Cash and time deposits)	(7.4)	(14.8)	(7.3)	Increase of liquidity in hand
(Accounts receivable)	(41.8)	(38.5)	(- 3.2)	Recovery of account receivable of relegated synthetic fiber machinery business
(Inventories)	(14.2)	(13.2)	(- 1.0)	Disposal caused by relegation of synthetic fiber machinery business
(Property, plant and equipment)	(45.2)	(42.8)	(- 2.3)	Disposal caused by relegation of synthetic fiber machinery business, lid on facility investment
Liabilities	83.2	79.7	(- 3.4)	
(Interest-bearing debt)	(36.5)	(31.8)	(- 4.7)	Redemption of borrowings
Minority Interest	3.1	3.2	0.1	
Shareholder's Equity	42.4	47.7	5.3	

Equity Ratio 32.9% 36.5%

Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Cash Flow Summary

(JPY billion)

	FY2003
Income before taxes	6.5
Depreciation and amortization	4.5
Others	4.7
Net cash provided by operating activities	15.7
Net cash provided by investing activities	- 3.8
Free cash flow	11.9
Net cash provided by financing activities	- 5.3
Increase in cash and cash equivalents	6.6

➤ Net cash provided by operating activities

Income before taxes	6.5 billion
Depreciation and amortization	4.5 billion
Others	4.7 billion

Total JPN 15.7 billion

➤ Net cash provided by investing activities

Facility investment	- 4.5 billion
Sales of fixed assets and others	0.7 billion

Total JPN - 3.8 billion

➤ Net cash provided by investing activities

Redemption of interest bearing dept	- 4.6 billion
Dividend payment and others	-0.7 billion

Total JPN - 5.3 billion

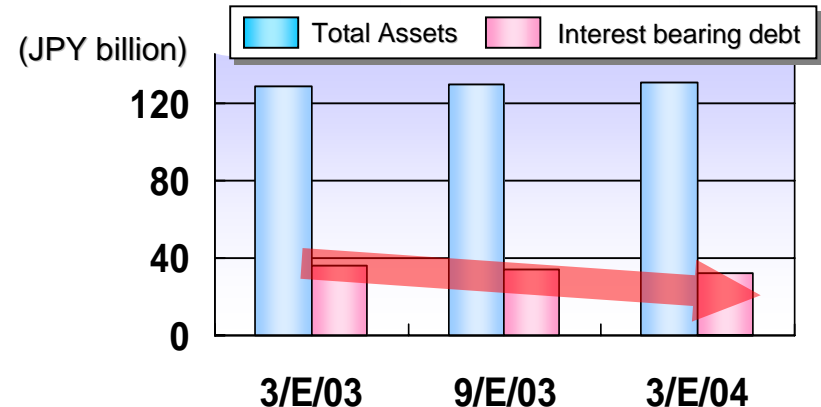
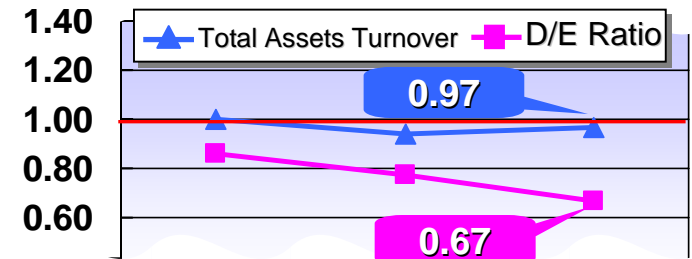
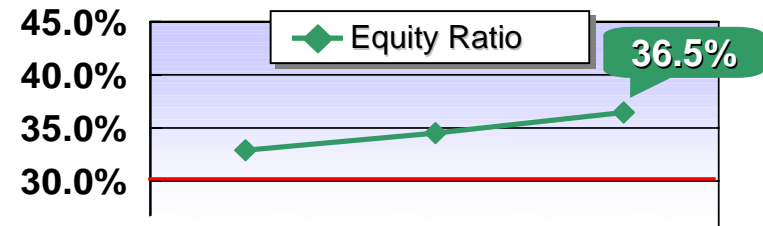
Consolidated Financial Results **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Improved Financial Standing

- Increase of Equity Ratio
- Reduction of interest bearing loans → D/E Ratio improved
- Leveled off Total Assets Turnover

	2003	2003	2004
	3/E	9/E	3/E
Total assets (JPN billion)	128.7	129.7	130.6
Interest bearing dept (JPN billion)	36.5	34.3	31.8
Equity Ratio	32.9	34.5	36.5
D/E Ratio	0.86	0.77	0.67
Total Assets Turnover (time)	1.00	0.94	0.97



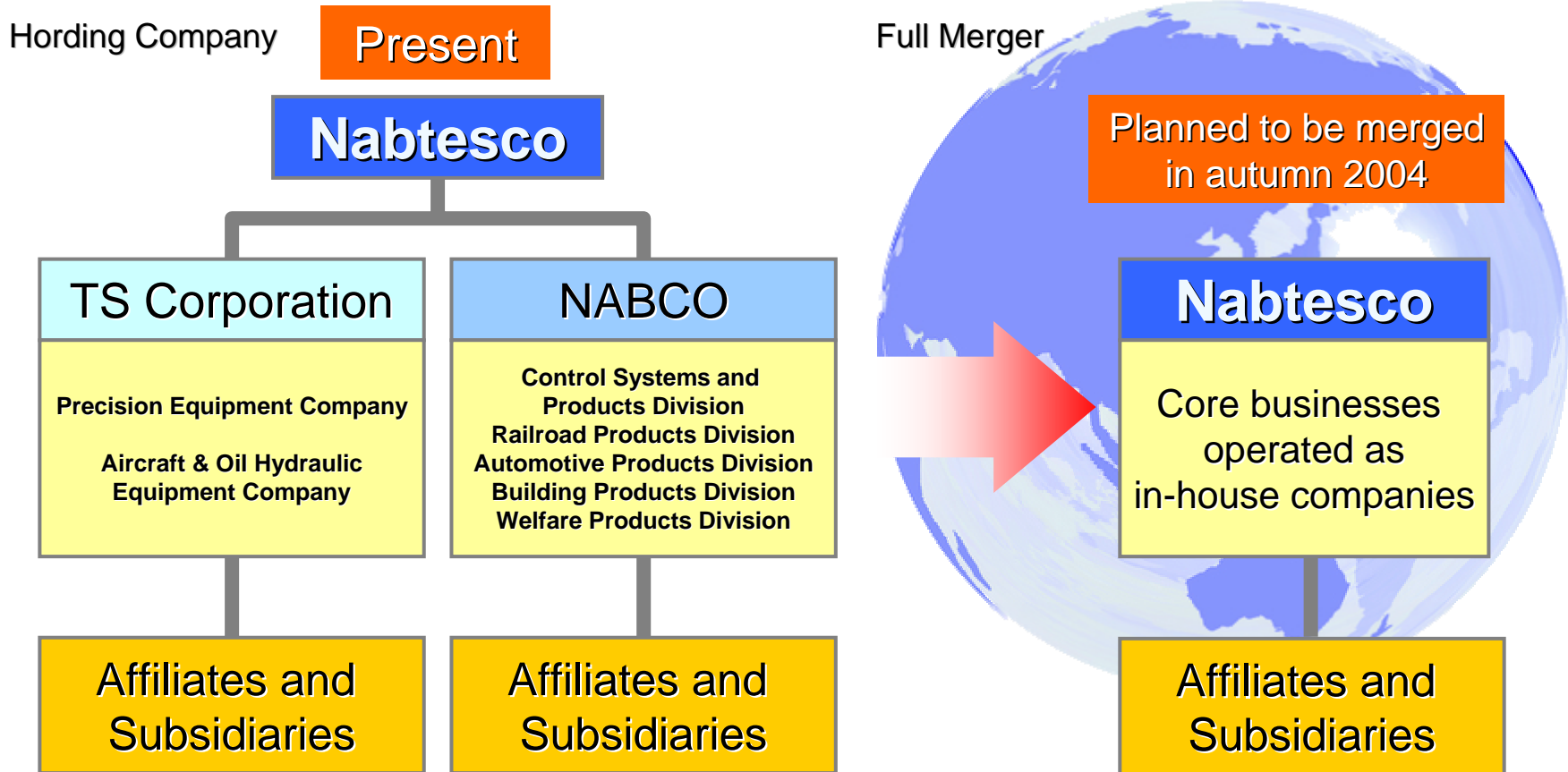
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Transition to a Fully Merged Company



TS Corporation and NABCO are wholly owned subsidiaries

Pursuit of the integration merit

I. Create New Products = JPN 10 billion sales in FY2007

New Products from Existing Business

- Wind turbine Generator Drive Systems
- Computerized Construction Machinery Systems

Exploration of New Market

- New Products for Growing Fields
(IT Related Facilities, Medical and Welfare Facilities etc.)

II. Profit growth by “Manufacturing SCM” = JPN 2 billion in FY2005

Selection and Execution
of Each Factory's Best Practice

Reduction of
Production Lead time

Reduction of Inventory

Business Unit Projects, Cross-Group Projects

III. Integration and Restructuring of bases and function = JPN 1 billion in FY2005

Integration of Oil Hydraulic Business

Started integrated operation at Sales, Engineering
and Procurement sections (April, 2004)

Integration of ERP system (January, 2005)

Development of next model of traveling motor (Ongoing)

Exploration of the best production structure

Integration of world and
domestic bases

Effective utilization
of human resources

Strengthening Efforts for Compliance

Activities of Business Auditing Dept.

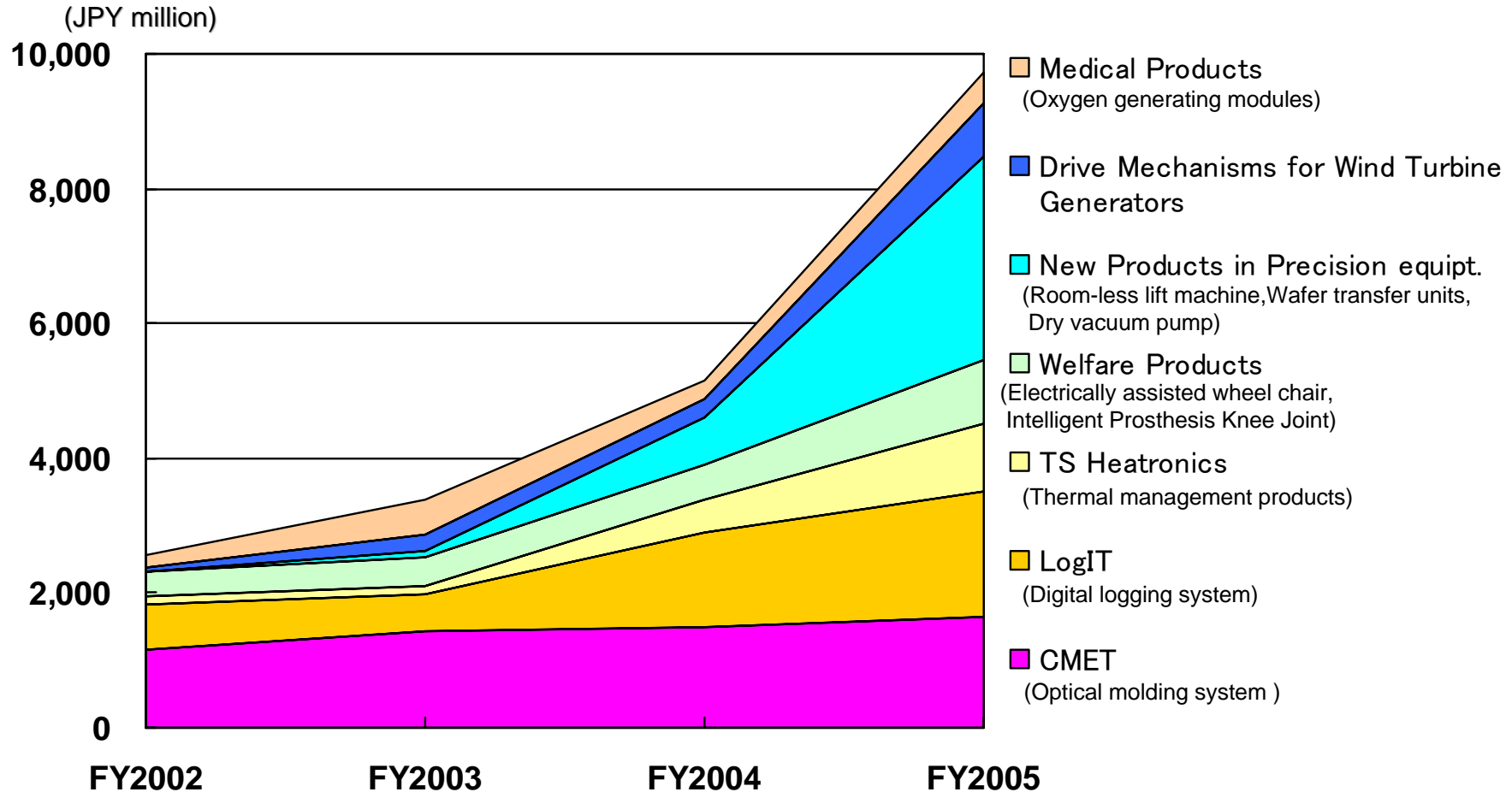
- Systemizing, improving and enforcing CRSA (Control Risk Self Assessment) list.
- Promoting tactical auditing based on internal auditing regulation and plan.

Future Activities

- Establishing Compliance Committee (Chairman = CEO)
- Establishing group rules and standards of conduct
- Strengthening and neutralizing Legal Department. (Assigning full-time person in charge)
- Improving business lines. (Assigning responsible person)
- Improving education and training

**Realizing “Maintaining high level of transparency
and corporate ethics”**

Cultivation of New Businesses



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Profit & Loss forecast (comparison with the last fiscal year)

Increase in sales and profit

(JPN billion)

	FY2002 Result	FY2003 Forecast	Variation	
				Ratio
Net Sales	125.4	133.0	7.5	6.1%
Operating profit	8.3	8.5	0.1	1.9%
Ordinary profit	8.4	9.0	0.5	6.2%
Net profit	4.2	4.8	0.5	13.4%

➤ Sales:

Increase, driven by business circumstances of precision reduction gears and oil hydraulic products

➤ Operating profit:

Increase of sales	1.7 billion
Price and cost reduction	0.1 billion
Increase of SGA	- 1.7 billion

Total	JPY 0.1 billion
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➤ Ordinary profit:





Decrease of non-operating expenses	JPY 0.4 billion
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Forecast for FY2004

Nabtesco

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Sales & Profit forecast by Business Segments

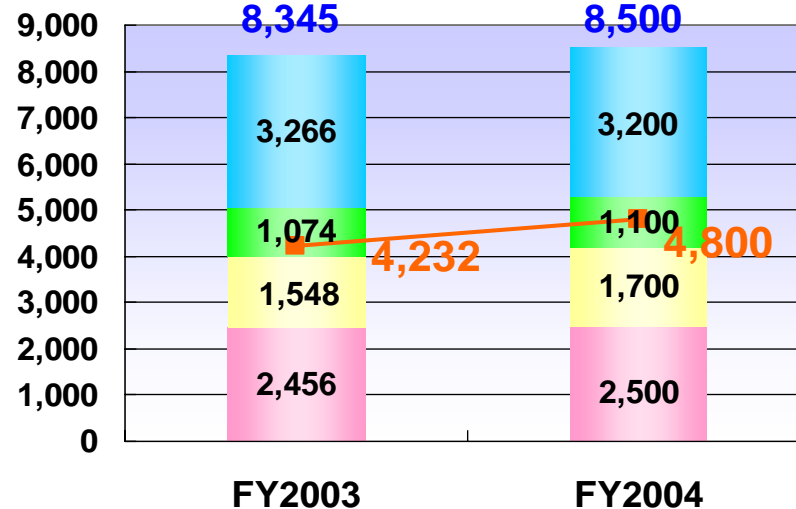
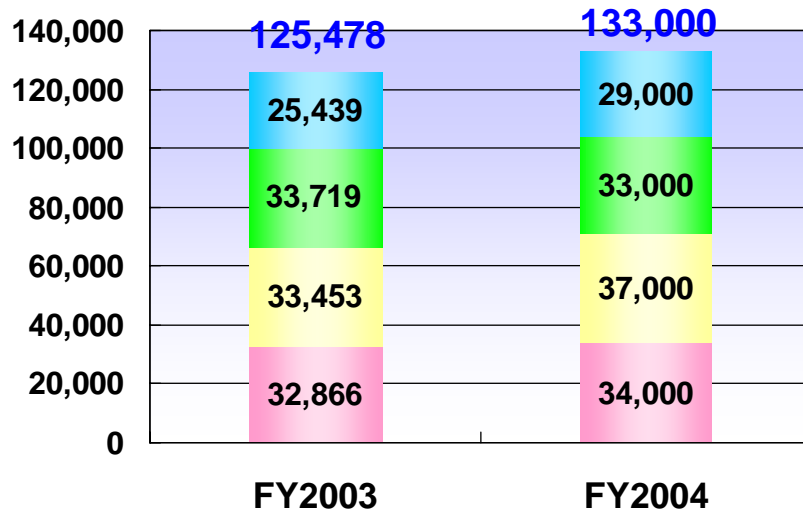
<Business Segment>		<Comparison with the last fiscal year >
	Precision equipment	Increase in sales, Profit leveling off
	Transport equipment	Fall in sales, Profit leveling off
	Aircraft & Oil Hydraulic equipment	Increase in sales, Increase in profit
	Industrial equipment	Increase in sales, Profit leveling off

(JPY million)

Net Sales

(JPY million)

Operating/Net Profit



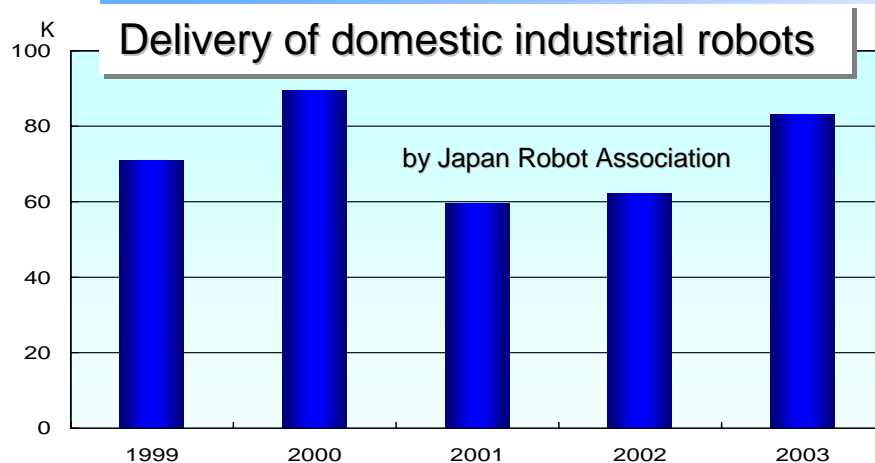
 Net Profit

Forecast for FY2004

Nabtesco

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Precision Equipment



Large robot manufacturers
continue production increase
in FY2004

(JPY million)

	FY2003 Result	FY2004 Forecast	Variation	Ratio	Comments
Net Sales	25,439	29,000	3,561	14.0%	<u>Increase in sales, Profit leveling off</u>
Operating profit	3,266	3,200	-66	-2.0%	
Operating Profit ratio	12.8%	11.0%			

- Precision reduction gears for industrial robots remain favorable supported by capital investment of automakers
- Continuous good demand expected in machine tools
- Leveling off operating profit due to R&D expenditure for new products and material cost increase

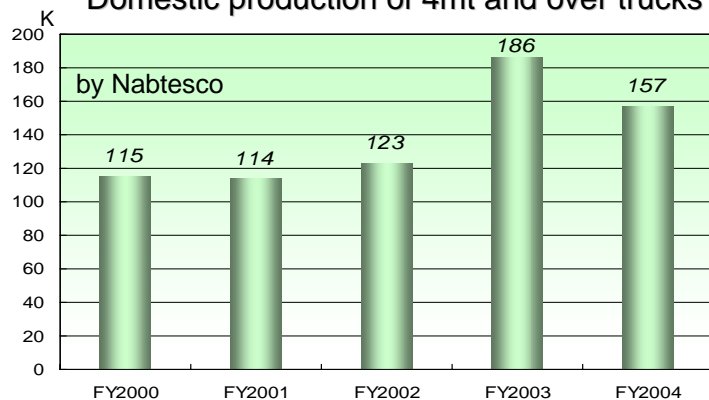
Forecast for FY2004

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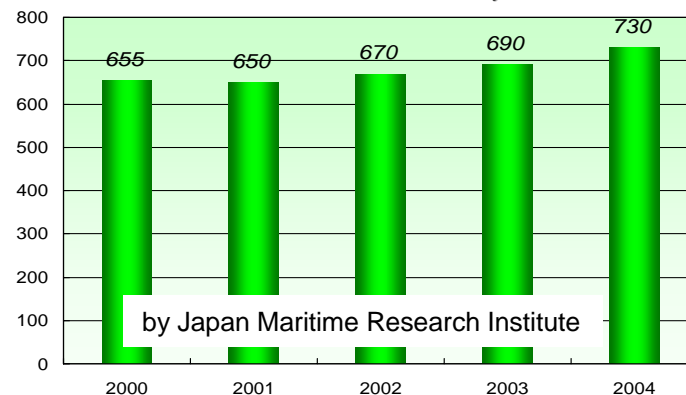
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Transport Equipment

Domestic production of 4mt and over trucks



World construction of 5,000mt and over 2 cycle marine vessels



(JPY million)

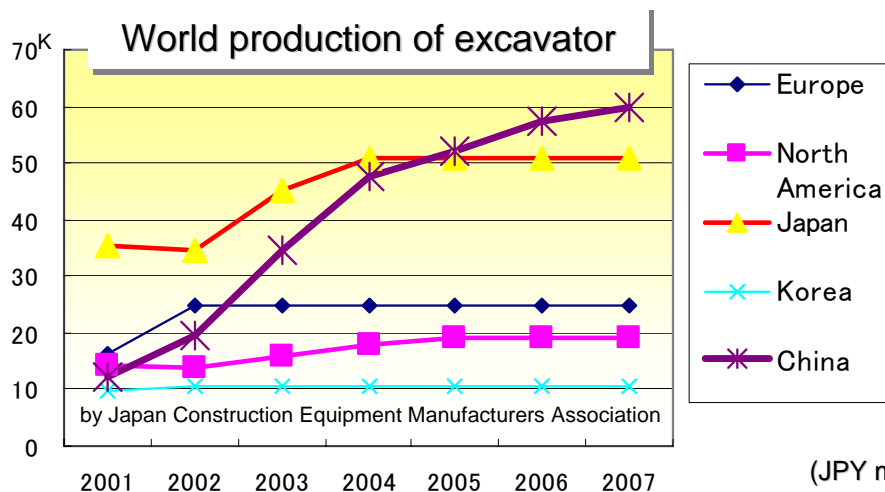
	FY2003 Result	FY2004 Forecast	Variation	Ratio	Comments
Net Sales	33,719	33,000	-719	-2.1%	<u>Fall in sales, Profit leveling off</u>
Operating profit	1,074	1,100	26	2.4%	
Operating Profit ratio	3.2%	3.3%			
<ul style="list-style-type: none">● Railroad vehicles: Fall in sales though export and new products covers fall in domestic demand● Commercial vehicles: Fall in sales due to replacement demand of diesel cars by environmental regulations calmed down● Cost improvement activity contributes achieving profit leveling off in spite of fall in sales					

Forecast for FY2004

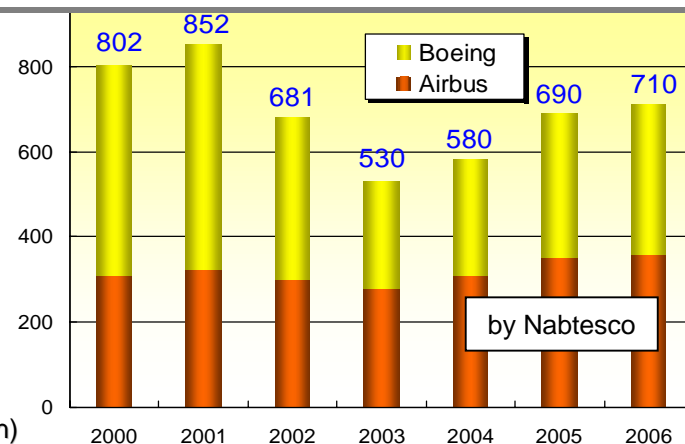
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Aircraft & Oil Hydraulic Equipment



Aircraft deliveries of 2 major manufacturers



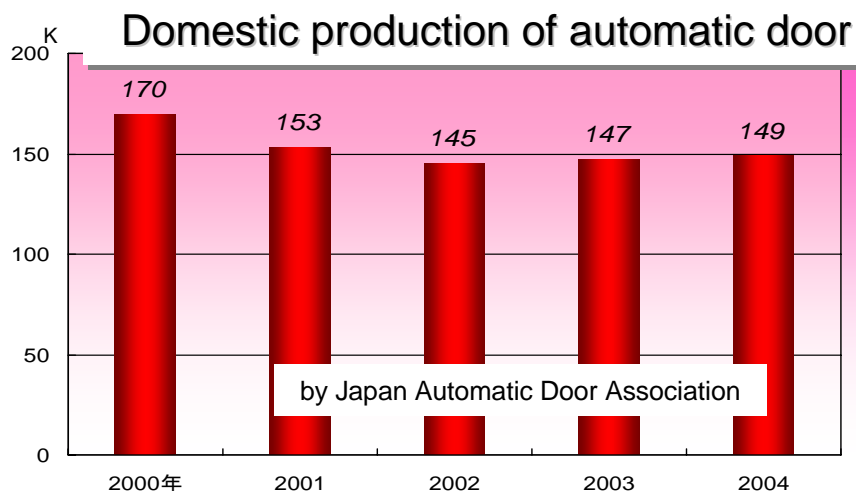
	FY2003 Result	FY2004 Forecast	Variation	Ratio	Comments
Net Sales	33,453	37,000	3,537	10.6%	<u>Increase in sales and profit</u>
Operating profit	1,548	1,700	152	9.8%	
Operating Profit ratio	4.6%	4.6%			
● Demand in civil aviation foreseen no recovery					
● Oil hydraulic products successively expands especially in construction machinery market of Mainland China					

Forecast for FY2004

Nabtesco

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Industrial Equipment



- Substantial recovery not expected in domestic market
- Downturn tendency in office building market
- Steady demand in store front market

(JPY million)

	FY2003 Result	FY2004 Forecast	Variation	Ratio	Comments
Net Sales	32,866	34,000	1,134	3.5%	<u>Increase in sales, Profit leveling off</u>
Operating profit	2,456	2,500	44	1.8%	
Operating Profit ratio	7.5%	7.4%			

- Automatic door: Increase by releasing new products
- Automatic filling and wrapping machines: Increase due to steady capital investment of world food industry
- Good demand in Tool machines for automotive industry

Forecast for FY2004

Nabtesco

Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Major Targeted Financial Figures under 2003 Mid-Term Plan

	March 2004 <Result>	March 2005 <Forecast>	March 2006 <Mid-Term Plan>
Net Sales (JPY billion)	1,25.4	133.0	135.0
Net Profit (JPY billion)	4.2	4.8	4.0
ROE	9.4%	9.7%	9%
ROA	3.2%	3.7%	3%
Free CF (JPY billion)	11.9	16.3 (2 years accumulation)	20.0 (3 years accumulation)
D/E Ratio	0.67	0.47	0.4

Forecasted figures for March 2005 exceeds Mid-Term Plan established in FY2003 due to unexpected expansion of market condition and contribution of equity method affiliates. Nabtesco will promote operation to achieve the figures in the plan as minimum goal.

The figures, plans, projects for FY2004 and future on this document are based on various assumptions.

Nabtesco Corporation has no responsibility for realizing and committing those forecasts.