



# **FY2003 Semiannual 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*

## I. The Group

## II. Semiannual Financial Results for FY2003

## III. Forecast for The Whole Financial Year

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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

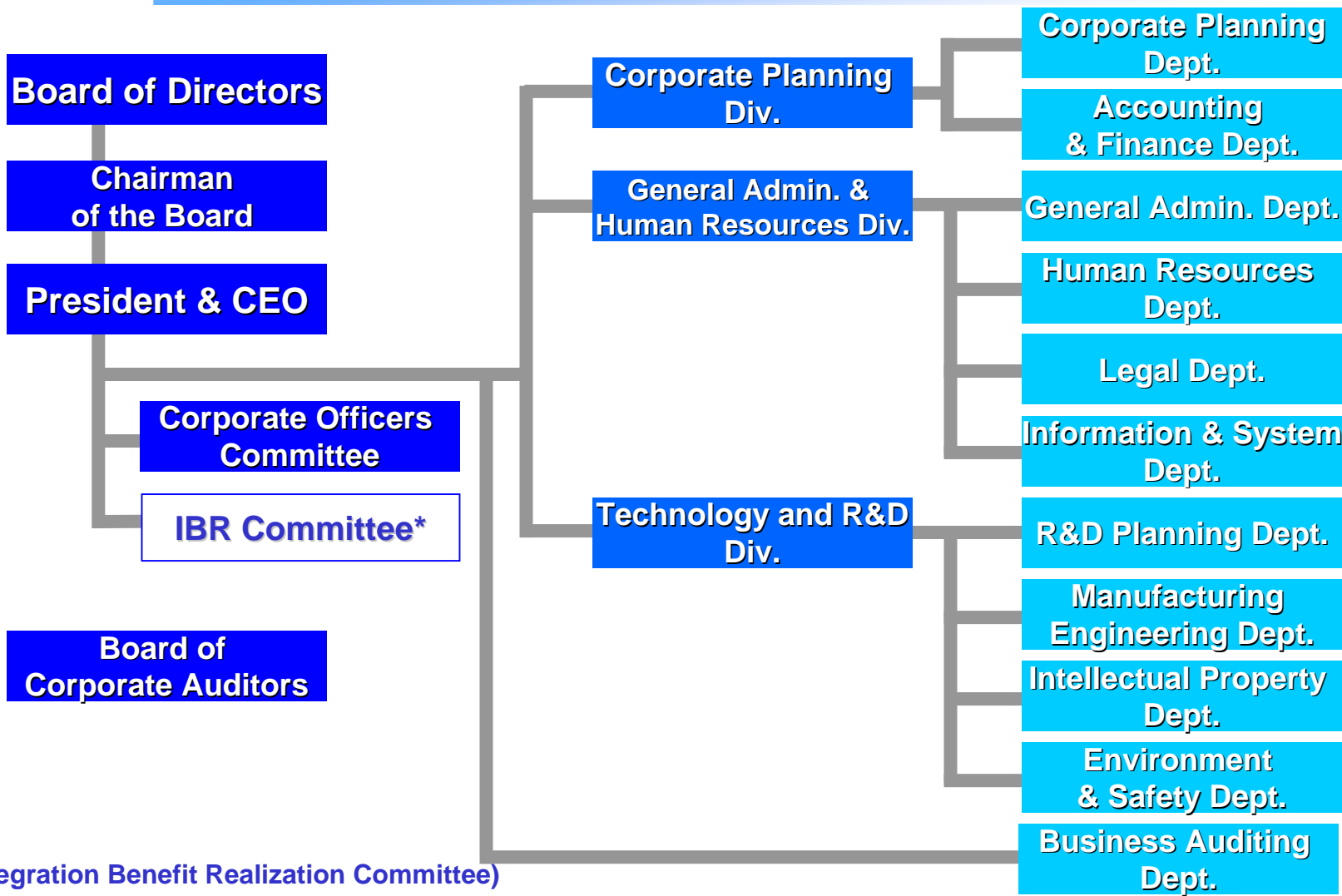
Nabtesco aims to achieve long term growth of corporate values based on the following principles;

- 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

## Corporate Profile

<b>Capital</b>	<b>¥10 billion</b>
<b>Employees (consolidated basis)</b>	<b>3,837</b>
<b>Consolidated subsidiaries (domestic)</b>	<b>16</b>
<b>Consolidated subsidiaries (overseas)</b>	<b>9</b>
<b>Equity method affiliates</b>	<b>2</b>
<b>Non-consolidated subsidiaries/affiliates</b>	<b>16</b>
<b>Total number of subsidiaries/affiliates</b>	<b>43</b>

## Organization (Nabtesco)



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

## Group Organization (43 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: 16



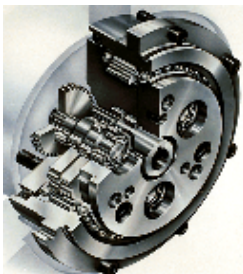
## Core Businesses – Precision Equipment -

### Precision Reduction Gears:

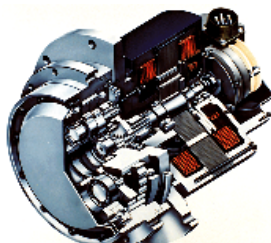
- World market share of robot joints application: approx. 60%
- Domestic market share of ATC drive application for machine tools: approx. 60%
- Foray into Lift Machine business (newly developed “room-less” type)



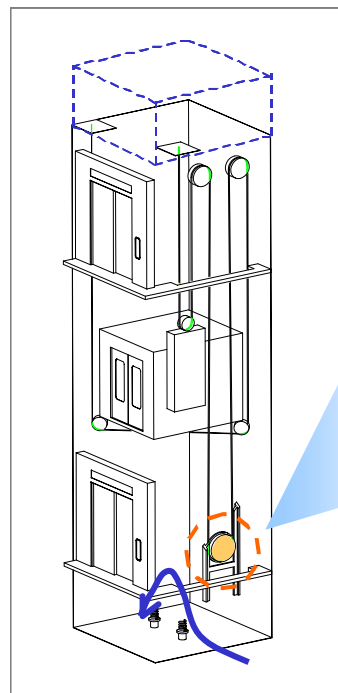
Industrial Robot



Precision Reduction Gear



Precision Servo Actuator



Room-less Lift Machine

## Core Businesses – Transport Equipment -

### Railroad Vehicle applications:

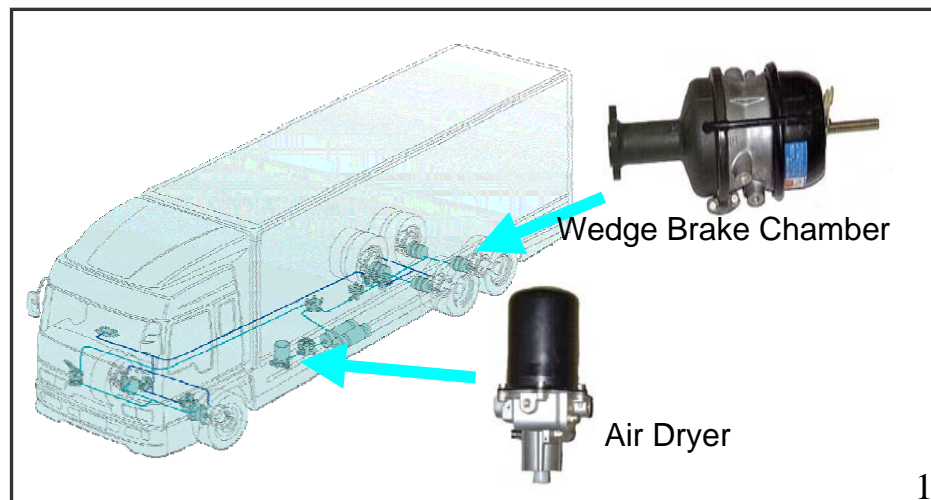
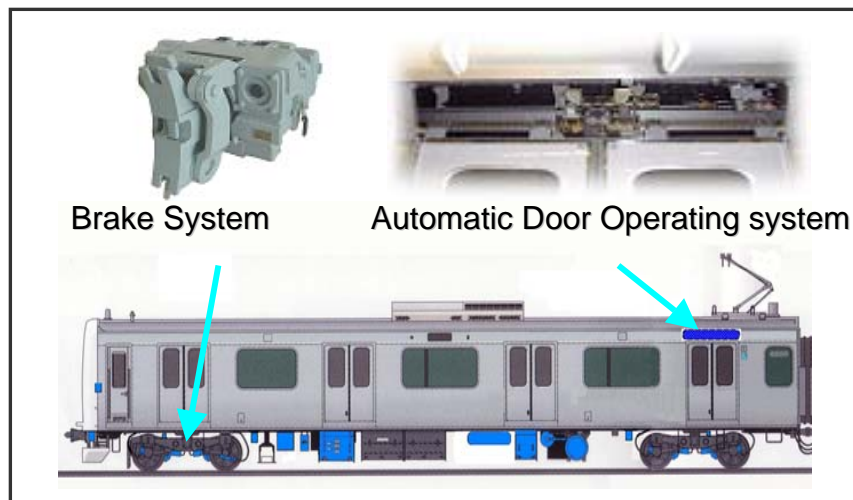
- Domestic market share of brake systems: approx. 50%
- Market share of Automatic Door Operating systems for Shinkansen bullet train: approx. 95%

### Marine Vessel applications:

- Market share of Remote Control Systems: Domestic 70%, Worldwide 40% (approx.)

### Automotive (Commercial Vehicle) applications:

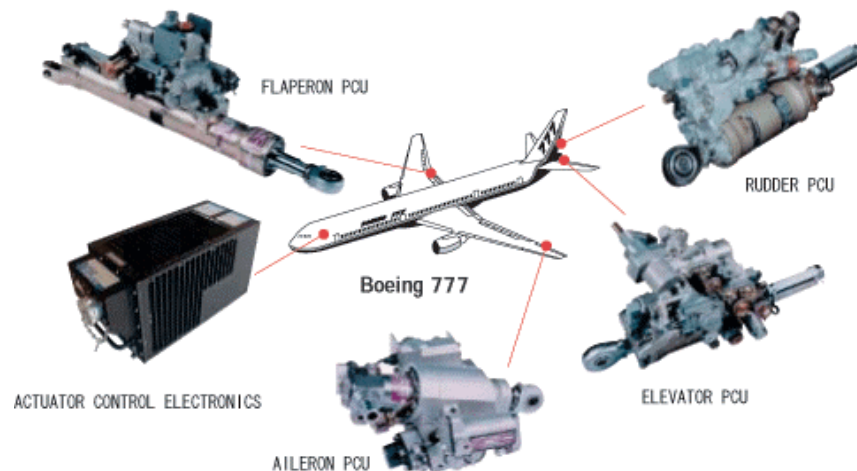
- Domestic market share of Wedge Brake Chamber: approx. 90%
- Domestic market share of Air Dryer: approx. 85%



## Core Businesses – Aircraft & Oil Hydraulic Equipment -

### Aircraft Equipment;

- One of the key suppliers for Boeing FCA (Flight Control Actuation) Systems
- Prominent supplier of engine accessories and electronic generating systems in the domestic market



### Oil Hydraulic Equipment;

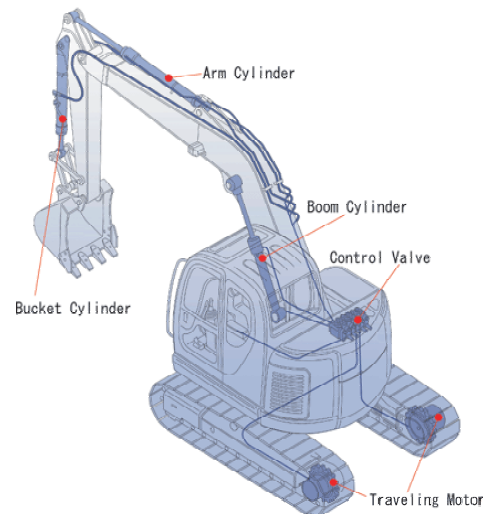
- Capturing approx. 40 % domestic market share of traveling motors for mini to mega size excavators



Traveling Motor



Control Valve



## Core Businesses – Industrial Equipment -

### Automatic Door;

- World's No.1 manufacturer of Building Automatic Door Systems
- Well-established domestic sales network: 110 offices, 2,000 personnel
- One of the major manufacturers of Platform Screen Door in the world (No.1 in Japan)



PSD for Hong Kong  
Subway



Monorail Platform Door



Automatic Revolving Door

### Filler/Sealer Machines;

- Capturing approx. 80% domestic market share of Automatic Filling and Wrapping Machines for pouched food products



Automatic Filling and Wrapping Machines



Pouched foods, chemicals and pharmaceuticals



## Group Sales by Business Segments

Segment  
Sales

Precision  
Equipment

**¥11.7** billion

Transport  
Equipment  
**¥16.5** billion

Aircraft  
&  
Oil Hydraulic  
Equipment  
**¥16.7** billion

Industrial  
Equipment  
**¥15.4** billion

**Consolidated  
Semiannual Sales:  
¥60.4 billion  
(FY2003)**

## I. The Group

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## III. Forecast for The Whole Financial Year

**The figures for FY2003 hereafter  
are obtained by the simple summation  
of the figures of  
TS Corporation group and NABCO group**

## Profit & Loss Summary (Comparison with the same period of last fiscal year )

### Increase in sales and profit

(¥ billion)

	FY2002 Semi- annual	FY2003 Semi- annual	Variation	
				Ratio
Net sales	57.1	60.4	3.3	5.9%
Operating income	2.6	3.6	1.0	39.4%
Non-operating profit and loss	- 0.4	0.1	0.5	—
Ordinary income	2.1	3.8	1.6	77.4%
Extraordinary profit and loss	0.6	- 1.1	- 1.7	—
Income before taxes	2.8	2.7	- 0.1	- 3.8%
Net income	1.2	1.7	0.4	36.0%

■ Increase: FY2002 figure included ¥2.7 billion sales for synthetic fiber machinery business which was relegated at FY2002 end.





■ Reduction of variable expense      ¥1.2billion  
 ■ Increase of fixed expense      ¥-0.5billion  
 ■ Effects by market environment      ¥0.3billion  
 Total:      ¥1.0billion

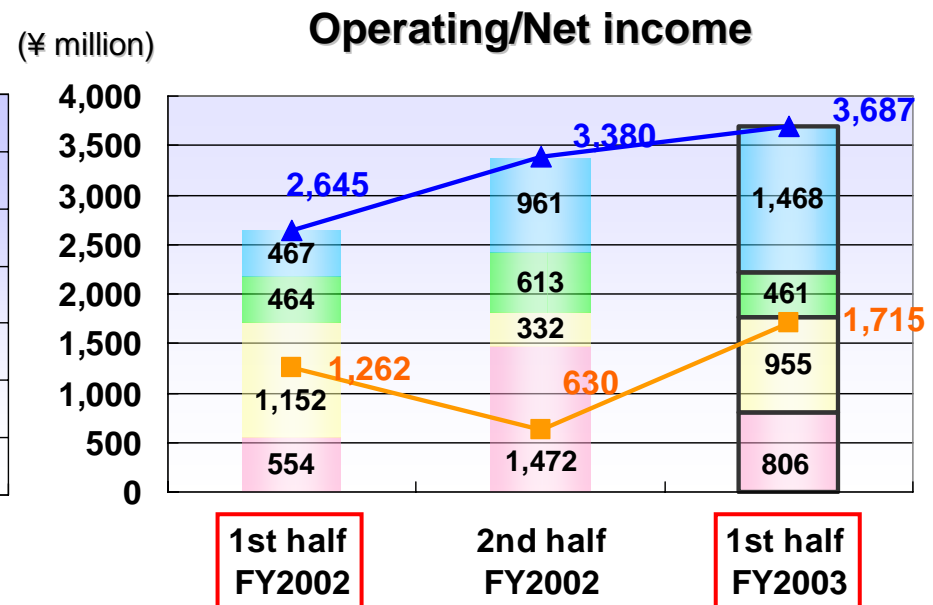
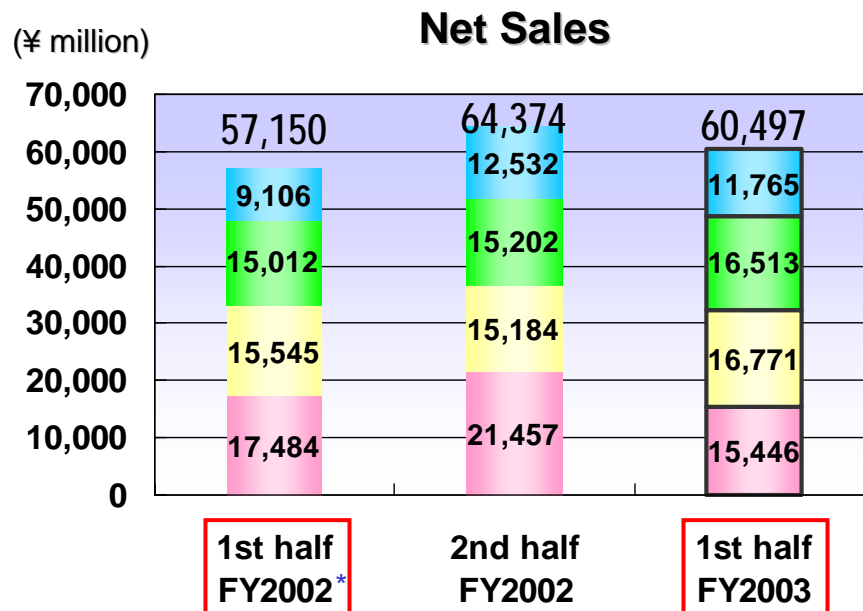
■ Increase of capital return  
 (equity method)      ¥0.4billion  
 ■ Decrease of exchange loss      ¥0.1billion  
 Total:      ¥0.5billion

■ Increase of special  
 contribution to a pension fund      ¥-0.9billion  
 ■ Decrease of gain on sales  
 of fixed assets      ¥-0.9billion  
 ■ Decrease of structural  
 improvement and others      ¥0.2billion  
 ■ Decrease of gain on sale  
 of securities      ¥-0.1billion  
 Total:      ¥-1.7billion



## Sales & Profit by Business Segments

<Business Segment>		<Comparison with the same period of 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, Fall in profit
	Industrial equipment	Fall in sales, Increase in profit



\*Includes ¥2,700 million for synthetic fiber machinery business relegated at FY2002 end.

▲ Operating Income    ■ Net Income

## Precision Equipment (Comparison with the same period of last fiscal year )

**Record high sales, Significant profit increase**

(¥ million)

	FY2002 Semi- annual	FY2003 Semi- annual	Variation	
				Ratio
Net sales	9,106	11,765	2,659	29.2%
Operating income	467	1,468	1,001	214.3%
Operating income ratio	5.1%	12.5%		

- Increased shipment of precision reduction gears for industrial robot due to facility investment in automotive industry remained active worldwide.
- Reduction gears for machine tools started on recovery trend
- Products for IT related industry also started on recovery trend (Started commercial shipment of dry vacuum pump)
- Vacuum equipment for PDF & LCD manufacturing in good demand

## Transport Equipment (Comparison with the same period of last fiscal year)

**Increased sales, Leveling off profit**

(¥ million)

	FY2002 Semi- annual	FY2003 Semi- annual	Variation	
				Ratio
Net sales	15,012	16,513	1,501	10.0%
Operating income	464	461	- 3	- 0.6%
Operating income ratio	3.1%	2.8%		

- Export to Mainland China increased. Shinkansen bullet train application business decreased. Slight decrease in total domestic sales.
- Increased brake system sales due to good demand of commercial vehicle for corresponding environmental regulation
- Slight decrease in engine control system for marine vessels due to fall in domestic sales though export increased.

## Aircraft & Oil Hydraulic Equipment (Comparison with the same period of last fiscal year )

**Increased sales, Leveling off profit**

(¥ million)

	FY2002 Semi- annual	FY2003 Semi- annual	Variation	
				Ratio
Net sales	15,545	16,771	1,226	7.9%
Operating income	1,152	955	-197	-17.1%
Operating income ratio	7.4%	5.7%		

- Decrease in both fuselage and after-market applications. Downturn in profitability.
- Domestic sales of excavator increased due to outflow of secondhand excavators to oversea market
- Sharp increase of export to Mainland China and other Asian countries

## Industrial Equipment (Comparison with the same period of last fiscal year )

**Effective increase\* in sales, Increase in profit**

(\*after the effect of the relegated business)

(¥ million)

	FY2002 Semi- annual	FY2003 Semi- annual	Variation	
				Ratio
Net sales	17,484	15,446	-2,038	-11.7%
Operating income	554	806	252	45.5%
Operating income ratio	3.2%	5.2%		

- Decrease in sales due to relegation of synthetic fiber machinery business
- Decrease in automatic door for buildings due to major projects settled for the time being
- Increase in welfare related businesses
- Increase in sales of machine tools
- Filling machines spurred in beverage industry

# Consolidated Semiannual Financial Results



*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 same period of last fiscal year )

(¥ billion)

	9/E/02	9/E/03	Variation	Comments
<b>Assets</b>	<b>127.9</b>	<b>129.7</b>	<b>1.8</b>	
(Cash and time deposits)	(9.1)	(12.8)	(3.7)	Increase of liquidity in hand
(Accounts receivable)	(37.0)	(37.7)	(0.7)	Increase of sales
(Inventories)	(16.4)	(14.1)	<b>(- 2.3)</b>	Reduction. Disposal caused by relegation of synthetic fiber machinery business.
(Property, plant and equipment)	(46.3)	(43.9)	<b>(- 2.4)</b>	Disposal caused by relegation of synthetic fiber machinery business
<b>Liabilities</b>	<b>82.6</b>	<b>81.7</b>	<b>- 0.9</b>	
(Interest-bearing debt )	(41.1)	(34.3)	<b>(- 6.8)</b>	Redemption of interest bearing debt
<b>Minority Interest</b>	<b>3.0</b>	<b>3.2</b>	<b>0.2</b>	
<b>Shareholder's Equity</b>	<b>42.1</b>	<b>44.7</b>	<b>2.6</b>	

**Equity Ratio**                      **32.9%**    **34.5%**

# Consolidated Semiannual Financial Results



*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 )

(¥ billion)

	3/E/03	9/E/03	Variation	Comments
<b>Assets</b>	<b>128.7</b>	<b>129.7</b>	<b>1.0</b>	
(Cash and time deposits)	(8.2)	(12.8)	(4.6)	Increase of liquidity in hand
(Accounts receivable)	(41.8)	(37.7)	(- 4.1)	Collection in synthetic fiber machinery business
(Inventories)	(14.2)	(14.1)	(- 0.1)	
(Property, plant and equipment)	(45.2)	(43.9)	(- 1.3)	Restraint in capital investment
<b>Liabilities</b>	<b>83.2</b>	<b>81.7</b>	<b>- 1.5</b>	
(Interest-bearing debt )	(36.5)	(34.3)	(- 2.2)	Redemption of interest bearing debt
<b>Minority Interest</b>	<b>3.1</b>	<b>3.2</b>	<b>0.1</b>	
<b>Shareholder's Equity</b>	<b>42.4</b>	<b>44.7</b>	<b>2.3</b>	

**Equity Ratio**                      **32.9%**   **34.5%**



## Cash Flow Summary

(¥ billion)

	FY2003 Semiannual
Income before taxes	2.7
Depreciation and amortization	2.1
Others	4.2
<b>Net cash provided by operating activities</b>	<b>9.0</b>
<b>Net cash provided by investing activities</b>	<b>- 1.8</b>
<b>Free cash flow</b>	<b>7.1</b>
<b>Net cash provided by financing activities</b>	<b>- 2.6</b>
<b>Increase in cash and cash equivalents</b>	<b>4.5</b>

### ➡ Net cash provided by operating activities

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Total ¥9.0 billion

### ➡ Net cash provided by investing activities

Capital investment ¥-2.0 billion  
 Sale of investment securities ¥0.4 billion  
 Others ¥-0.2 billion

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Total ¥-1.8 billion

### ➡ Net cash provided by financing activities

Redemption of interest bearing debt ¥-2.2 billion  
 Dividend payment & others ¥-0.4 billion

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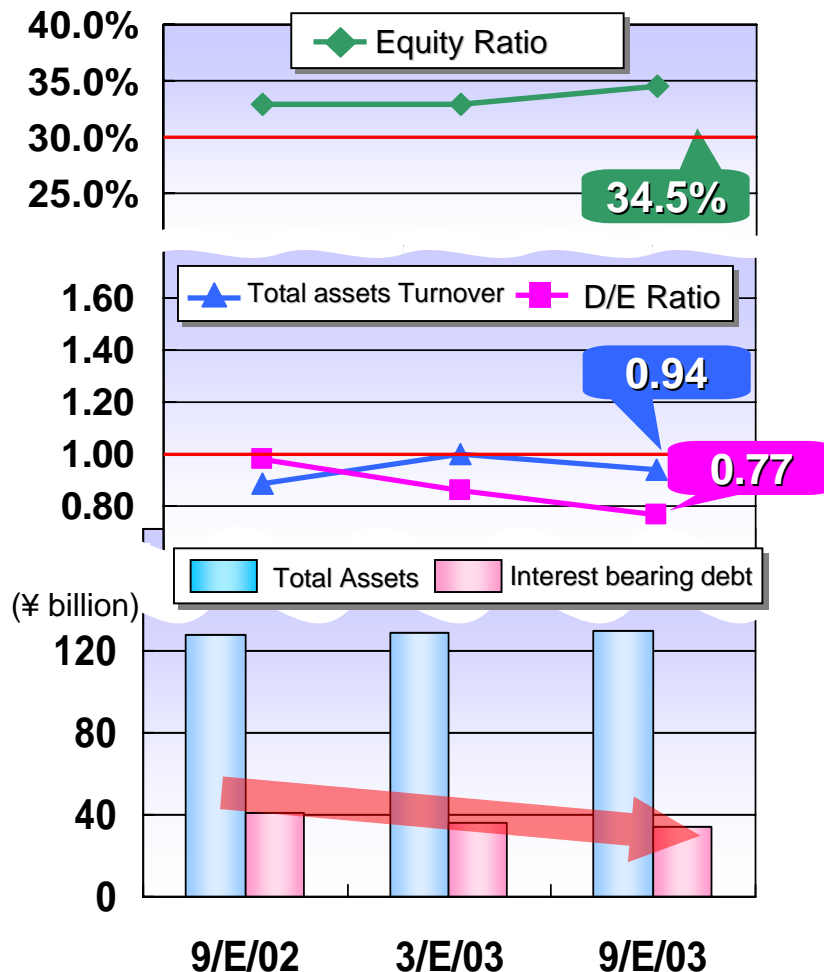
Total ¥-2.6 billion



## Improved Financial Standing

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

	2002		2003
	9/E	3/E	9/E
Total assets (¥ billion)	1,279	128.7	129.7
Interest bearing dept (¥ billion)	41.1	36.5	34.3
Equity Ratio	32.9%	32.9%	34.5%
D/E Ratio	0.97	0.86	0.77
Total Assets Turnover (time)	0.89	1.00	0.94



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

### Effective increase in sales and profit

(¥ billion)

	2002 Result	2003 Forecast	Variation	
				Ratio
Net sales	121.5	122.0	0.5	0.4%
Operating income	6.0	6.8	0.8	12.9%
Ordinary income	5.2	7.2	2.0	36.0%
Net income	1.8	3.8	2.0	101.0%

#### ➡ Net Sales;





After the ¥8 billion (FY2002) reduction effect from the relegation of synthetic fiber machinery business

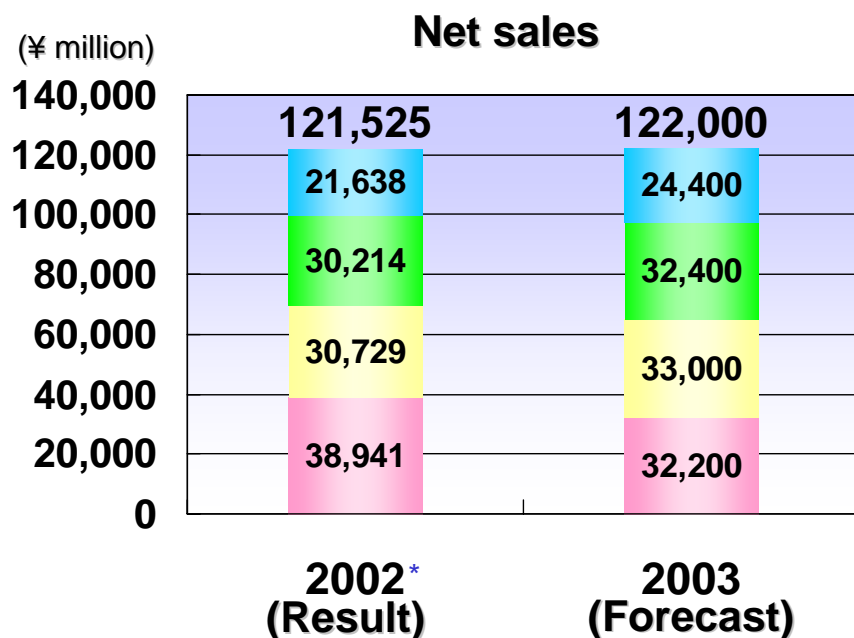
#### ➡ Ordinary income variation breakdown;

Reduction of variable expense	¥2.0 billion
Increase of fixed expense	¥-1.4 billion
Effects by market environment	¥0.2 billion
Increase of capital return (equity method)	¥0.6 billion
Increase of lease income from fixed assets	¥0.2 billion
Other decrease of loss	¥0.4 billion

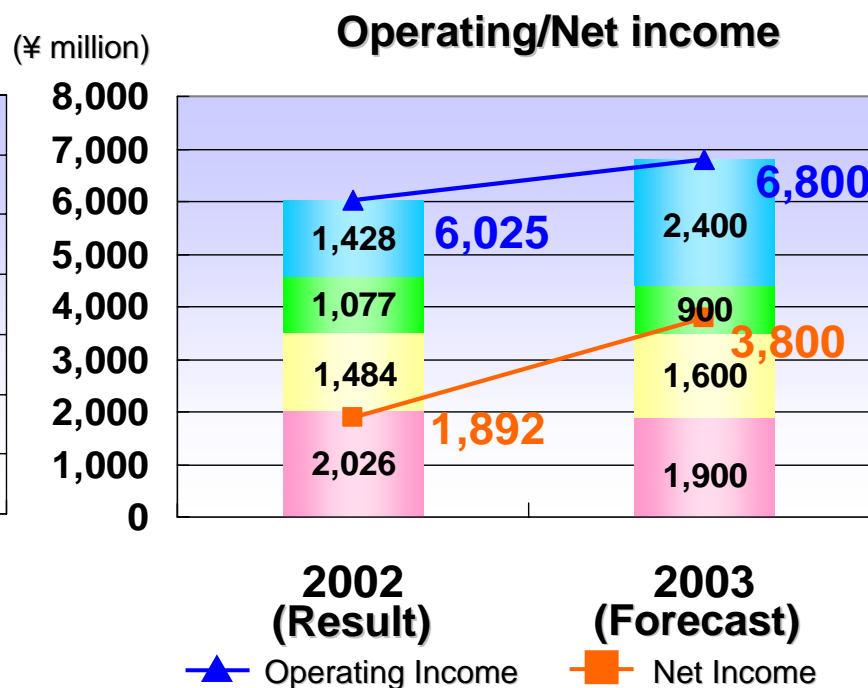
Total                      ¥2.0 billion

## Sales & Profit forecast 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, Decrease in profit
	Aircraft & Oil Hydraulic equipment	Increase in sales, Increase in profit
	Industrial equipment	Fall in sales, Decrease in profit



\*Includes ¥2,700 million for synthetic fiber machinery business relegated at FY2002 end.



## Forecast by Business Segment (comparison with the last fiscal year)

(¥ million)

		FY2002 Result	FY2003 Forecast	Variation	Ratio	Comments
Precision equipment	Net sales	21,638	24,400	2,762	12.8%	<u>“Increase in sales and profit”</u>
	Operating income	1,428	2,400	972	68.1%	
	Ratio	6.6%	10.0%			
	<ul style="list-style-type: none"><li>● Continuous good demand expected in precision reduction gears for industrial robot</li><li>● Increase in servo actuator for semiconductor equipment expected</li><li>● Upward sales tendency in machine tools</li></ul>					

Transport equipment	Net sales	30,214	32,400	2,186	7.2%	<u>“Increase in sales, Decrease in profit”</u>
	Operating income	1,077	900	-177	-16.4%	
	Ratio	3.6%	2.8%			
	<ul style="list-style-type: none"><li>● Railroad vehicle: Domestically downturn. Favorable for export.</li><li>● Commercial vehicle: Increase in sales comparing to the last fiscal year despite high demand for corresponding environmental regulation being settled</li><li>● Marine Vessel: Same sales result expected as the last fiscal year</li></ul>					

## Forecast by Business Segment (comparison with the last fiscal year)

(¥ million)

		FY2002 Result	FY2003 Forecast	Variation	Ratio	Comments
Aircraft & Oil Hydraulic equipment	Net sales	30,729	33,000	2,271	7.4%	<u>“Increase in sales and profit”</u>
	Operating income	1,484	1,600	116	7.8%	
	Ratio	4.8%	4.9%			
	● Demand in civil aviation successively downturn ● Oil hydraulic market in Mainland China to be expanded and domestic demand hit the bottom ● Expansion of Wind turbine generator drive system business expected					
Industrial equipment	Net sales	38,941	32,200	- 6,741	-17.3%	<u>“Effective increase in sales and profit”</u>
	Operating income	2,026	1,900	-126	- 6.2%	
	Ratio	5.2%	5.9%			
	● Influence by relegation of synthetic fiber machinery business: Sales ¥-8 billion Operating income¥-0.2 billion ● Automatic door: Profitability to be grown despite decrease of major construction projects ● Automatic filling machine expected further growth in 2nd half of the fiscal year					

## Profit & Loss forecast (comparison with 2003 Mid-Term Plan)

### Increase in sales and profit

(¥ billion)

	FY2003 2003 Mid-Term Plan	FY2003 Forecast	Variation	
				Ratio
Net sales	115.0	122.0	7.0	6.1%
Operating income	5.2	6.8	1.6	30.8%
Ordinary income	5.5	7.2	1.7	30.9%
Net profit	2.8	3.8	1.0	35.7%

#### ➡ Net Sales;

Better result expected than the projection due to strong economy in Mainland China and strong automotive related businesses

#### ➡ Ordinary income;

Income increase due to sales increase

## Major Targeted Financial Figures under 2003 Mid-Term Plan

	FY2003 Forecast		FY2005 Plan
Net sales	¥122.0 billion	→	¥135.0 billion
Net profit	¥3.8 billion	→	¥4.0 billion
ROE	8.7%	→	9%
ROA	2.9%	→	3%
Free cash flow	¥10.0 billion	→	¥20.0 billion (3 years accumulation)
D/E Ratio	0.72	→	0.4