

Nabtesco Corporation

FY2004 Annual Results Briefing

and New Mid-Term Management Plan



- I. Annual Consolidated Results for FY2004
- II. Forecast of Consolidated Results
for FY2005
- III. Review on the previous
Mid-Term Management Plan 2003
- IV. Corporate Philosophy
and Long-Term Vision
- V. Mid-Term Management Plan 2005

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- **The figures here in after shown up to, FY2002 were obtained by a **simple summing-up** of the two figures of Teijin Seiki (TS Corporation) group and NABCO group.**
- **Any and all contents herein published are based on various conditions, and Nabtesco Corporation does not represent and/or warrant, in whole or in part, the attainment or realization of any planned figures and/or plans published by this document.**

Profit & Loss summary

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

Increase in sales, Significant increase in profit

	'04/3	'05/3	(JPY billion)	
			Variation	Ratio
Net sales	125.4	137.9	12.5	9.9%
Operating profit	8.3	11.2	2.9	35.3%
Non-operating profit and loss	0.1	0	- 0.1	—
Ordinary profit	8.4	11.3	2.9	33.4%
Extraordinary profit and loss	- 1.8	- 2.0	- 0.2	—
Profit before taxes	6.5	9.2	2.7	39.8%
Net profit	4.2	5.6	1.4	32.9%

■ Increase in sales in all business segments	
■ Significant increase in Precision Equipment	

■ Increase in sales	2.6billion
■ Purchase price effect	0.7billion
■ Cost reduction & Selling Price effect	1.0billion
■ Increase of SGA expenses	-1.4billion
Total:	2.9billion

■ Financial account balance	0.1billion
■ Exchange gain and loss	0.2billion
■ Decrease of Investment profit on equity method	- 0.6billion
■ Others	0.2billion
Total:	- 0.1billion

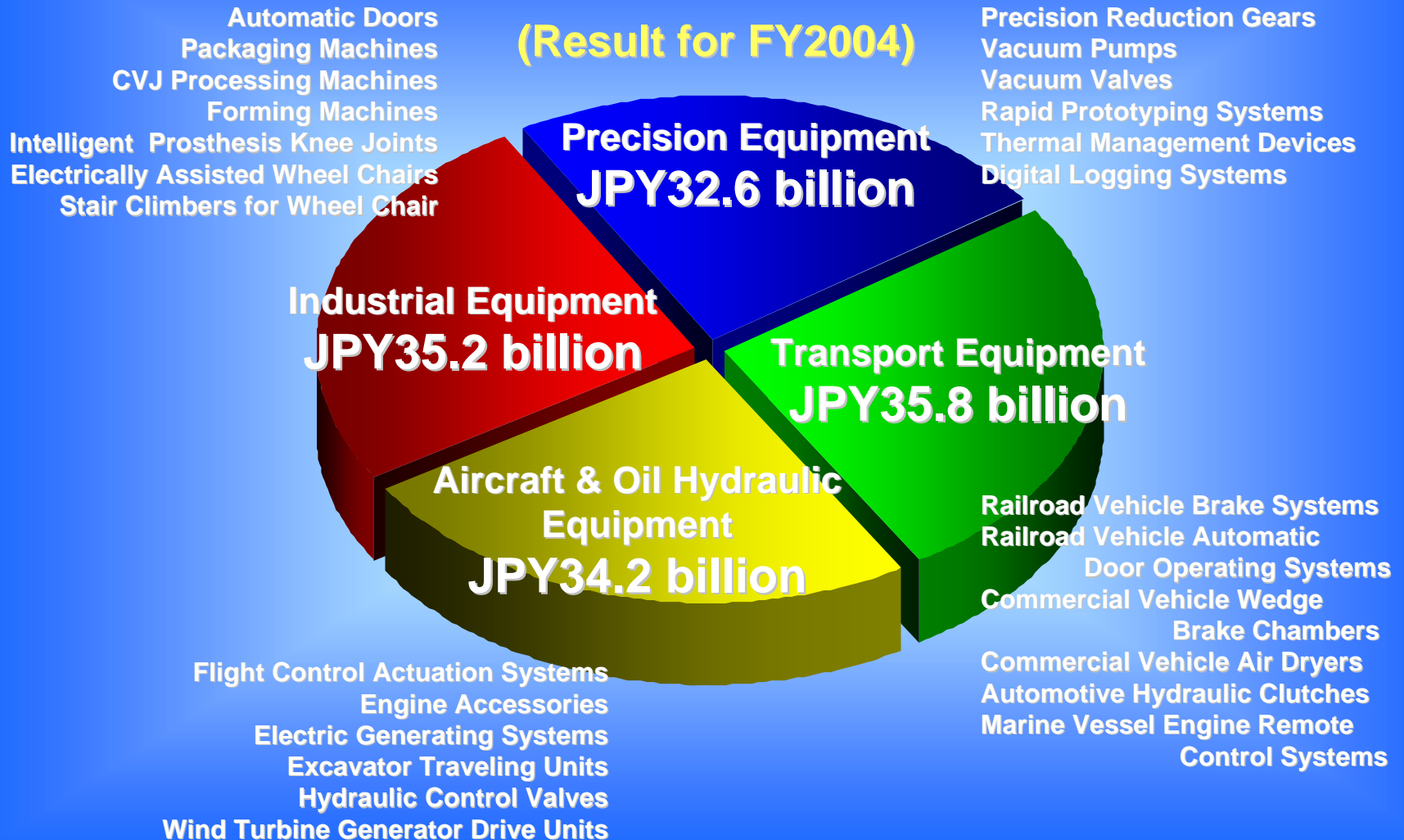
■ Decrease of special contribution to a pension fund	1.1billion
■ Loss provision for soil melioration	- 1.1billion
■ Loss on disposition of fixed assets	- 0.6billion
■ Others	0.4billion
Total:	- 0.2billion

Group sales by Business Segments



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





Consolidated Annual Sales: JPY137.9 billion (Result for FY2004)



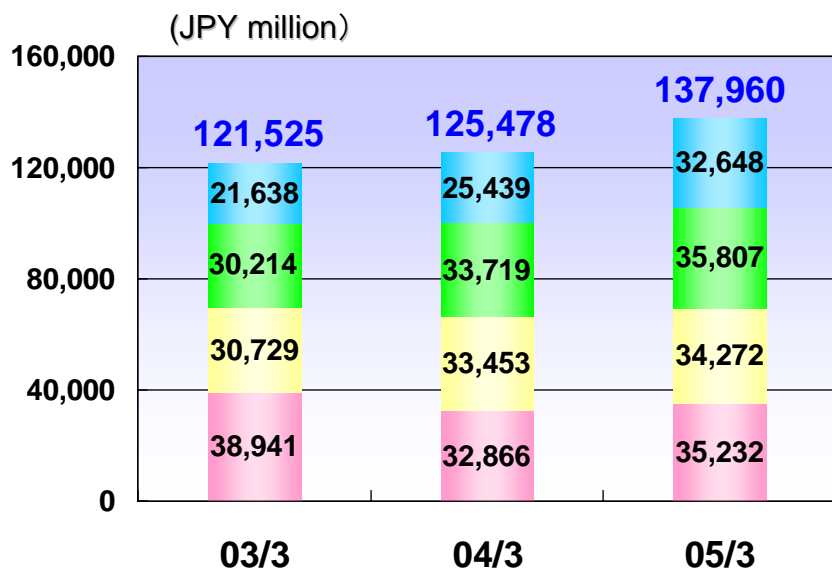
Growth of Consolidated Annual Sales & Profit by Business Segments



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

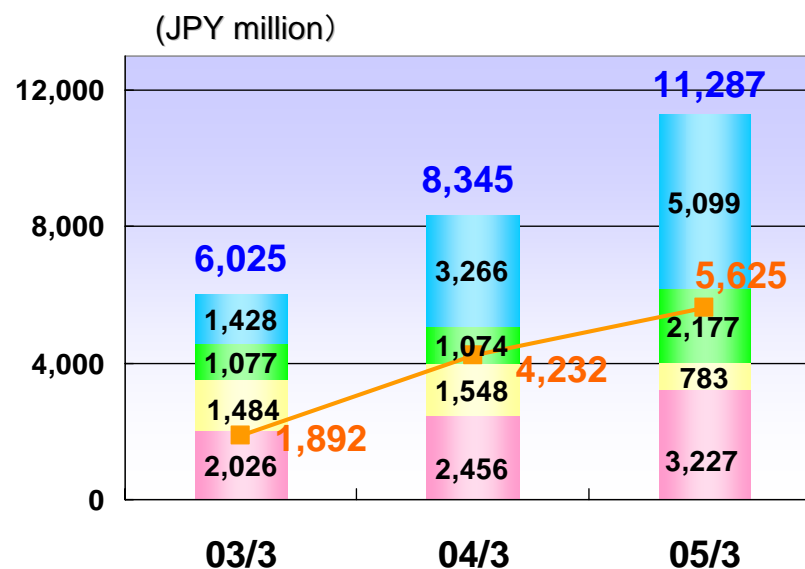
<Business Segment>		<Comparison with the last Fiscal Year >	
	Precision Equipment	—	Significant Increase in both sales and profit
	Transport Equipment	—	Increase in sales, Significant increase in profit
	Aircraft & Oil Hydraulic Equipment	—	Increase in sales, Significant fall in profit
	Industrial Equipment	—	Increase in sales, Significant increase in profit

Net Sales



Industrial Equipment at 03/3 includes JPY 8 billion sales of synthetic fiber machinery

Operating Profit



 Net Profit After Tax

Precision Equipment

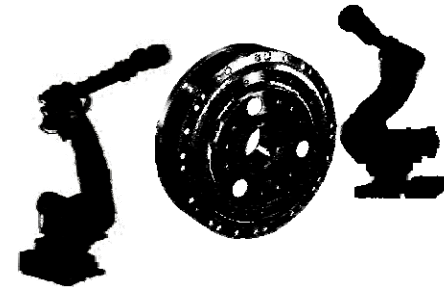
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Significant increase in both sales and profit

(JPY million)

	'04/3	'05/3	Variation	
				Ratio
Net sales	25,439	32,648	7,209	28.3%
Operating profit	3,266	5,099	1,833	56.1%
Operating profit ratio	12.8%	15.6%		

- Increased sales of precision reduction gears for industrial robots due to active CAPEX in automotive industry
- Increase of the reduction gears for machine tools
- Vacuum equipment for flat display panel also in good demands



Transport Equipment

Increase in sales, Significant increase in profit

(JPY million)

	'04/3	'05/3	Variation	
				Ratio
Net sales	33,719	35,807	2,088	6.2%
Operating profit	1,074	2,177	1,103	102.7%
Operating profit ratio	3.2%	6.1%		

- Brake system for railroad vehicle:
Domestic: Increase of conventional vehicle updates
Overseas: Increase of Asian business mainly for Taiwan Shinkansen

Improvement of productivity and profitability contributed to increase of profit

- Brake products for commercial vehicle:
Slightly decreased due to conclusion of increased demand to satisfy environmental regulation of Tokyo area while demand in west Japan expanded resulting in slight decrease in total sales

- Marine vessel engine control systems:
Increased in both sales and profit with high level shipbuilding production rate



Aircraft & Oil hydraulic Equipment **Nabtesco**

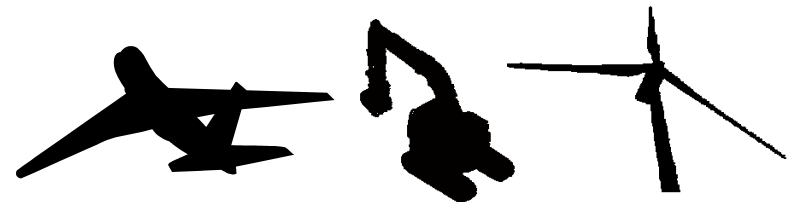
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

Increase in sales, Significant fall in profit

(JPY million)

	'04/3	'05/3	Variation	
				Ratio
Net sales	33,453	34,272	819	2.4%
Operating profit	1,548	783	- 765	- 49.4%
Operating profit ratio	4.6%	2.3%		

- Aircraft equipment decreased due to recession in airlines by soaring oil prices besides successive downturn since 9-11 terroristic attack
- Sales in oil hydraulic equipment increased due to the active markets of Europe, the U.S. and Japan which covered depressed Mainland China market. Profit in the business weakened because of material cost hike and increase of less-profitable products.



Increase in sales, Significant increase in profit

(JPY million)

	'04/3	'05/3	Variation	
				Ratio
Net sales	32,866	35,232	2,366	7.2%
Operating profit	2,456	3,227	771	31.4%
Operating profit ratio	7.5%	9.2%		

- Automatic doors increased in both sales and profit by expanding market share and updating demands of existing buildings
- Packaging machines slightly increased in sales for domestic food industries and export business expanded steadily
- Good demand continued in machine tools for automotive industry



Balance Sheet Summary



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

(JPY billion)

	'04/3E	'05/3E	Variation	コメント
Assets	130.6	133.6	3.0	
(Cash and time deposits)	(14.8)	(14.3)	(- 0.5)	
(Accounts receivable)	(38.5)	(43.0)	(4.5)	Increase of sales
Receivables turnover period	117	108	- 9	(reference)
(Inventories)	(13.2)	(14.1)	(0.9)	Correspondence for production increase
Inventory turnover period	40	36	- 4	(reference)
(Property, plant and equipment)	(42.8)	(41.9)	(- 0.9)	Sale of idle asset
Liabilities	79.7	77.7	- 2.0	
(Trade payable)	(24.1)	(27.5)	(3.4)	Increase of sales
(Interest-bearing debt)	(31.8)	(25.0)	(- 6.8)	Redemption of loans
Minority Interest	3.2	3.3	0.1	
Shareholder's Equity	47.7	52.4	4.7	

Equity Ratio **36.5%** **39.3%**

Cash Flow Summary



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

(JPY billion)

	'04/3	'05/3	Variation
Income before taxes	6.5	9.2	2.7
Depreciation and amortization	4.5	4.4	- 0.1
Operating Capital and others	4.7	- 2.5	- 7.2
Cash flow from operating activities	15.7	11.1	- 4.6
Cash flow from investing activities	- 3.8	- 4.5	0.7
Free cash flow	11.9	6.5	- 5.4
Cash flow from financing activities	- 5.3	- 7.8	- 2.5
Foreign currency conversion adjustment, Consolidation effect, etc.	—	0.7	—
Changes in cash and cash equivalents	6.6	- 0.5	—

Cash flow breakdown at 05/3

■ Cash flow from operating activities

Income before taxes	9.2billion
Depreciation and amortization	4.4billion
Operating capital and others	- 2.5billion
Total:	11.1billion

■ Cash flow from investing activities

CAPEX	- 4.6billion
Sale of fixed assets	1.5billion
Investment and others	- 1.4billion
Total:	- 4.5billion

■ Cash flow from financing activities

Redemption of loans	- 6.7billion
Dividend payment and others	- 1.1billion
Total:	- 7.8billion

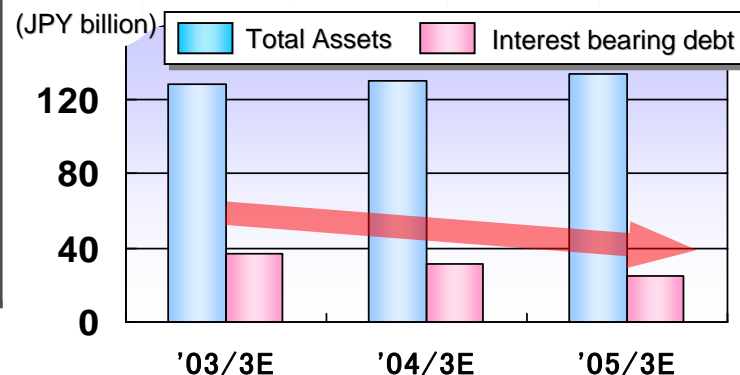
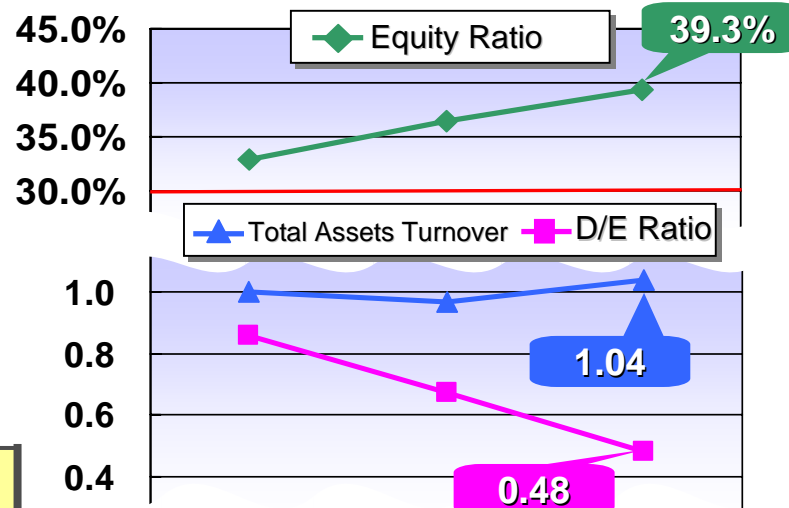
Improvement of Financial Constitution



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

- Increase of Equity Ratio
- Reduction of interest bearing loans resulting in D/E Ratio improvement
- Leveled off Total Assets Turnover

	'03/3E	'04/3E	'05/3E
Total assets (JPN billion)	128.7	130.6	133.6
Interest bearing debt (JPN billion)	36.5	31.8	25.0
Equity Ratio	32.9	36.5	39.3
D/E Ratio	0.86	0.67	0.48
Total Assets Turnover (time)	1.00	0.97	1.04



New business Dry Vacuum Pump Awarded the Prize of the Minister of Economy, Trade and Industry as Superior Energy-Conserving Machinery

- Innovative two-stage screwed
- High energy-saving
- Reducing environmental load
- Low running cost

Sales target at '07: JPY3.5billion

vigo-vac

eco vacuum pump



Mainland China

Awarded a contract of supplying brake systems for conventional railroad lines speed-up project

Contract total: approx. JPY5billion

- Delivery period: 2005 – 2007
- Transferring technology to a local manufacturer

Sole ownership acquired over automatic door joint venture

Before:
CSCEC NABCO AUTODOOR CO., LTD.



After:
NABCO AUTODOOR (BEIJING) CO., LTD.

- Restructuring agency network
- Penetration and expansion of NABCO brand

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Profit & Loss forecast

Increase in sales and profit

(JPY billion)

	2005/3 Result	2006/3 Forecast	Variation	
				Ratio
Net Sales	137.9	141.0	3.1	2.2%
Operating profit	11.2	11.6	0.4	2.8%
Ordinary profit	11.3	11.2	- 0.1	—
Net profit	5.6	6.0	0.4	6.7%

■ Net Sales:

- Increase in sales due to steady growth of precision reduction gear business, recovery of China market for oil hydraulic equipment, expansion of new business, etc.

■ Operating profit:

Increase of sales	0.7billion
Material cost increase	- 0.6billion
Cost reduction & price effect	1.3billion
Increase of SGA expenses	- 1.0billion
Total:	0.4billion





■ Ordinary profit:

Increase of operating profit	0.4billion
Decrease of Investment profit on equity method	- 0.6billion
Financial account balance	0.1billion
Total:	-0.1billion

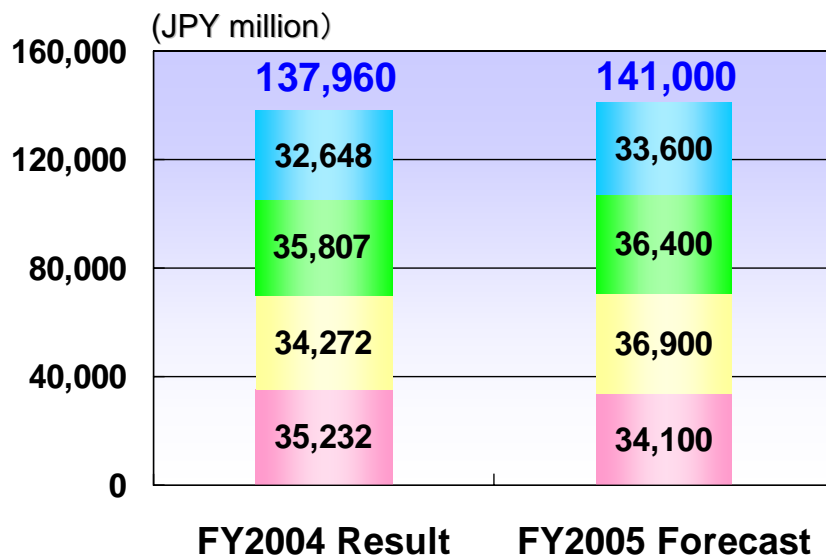
Sales & Profit Forecast by Business Segment



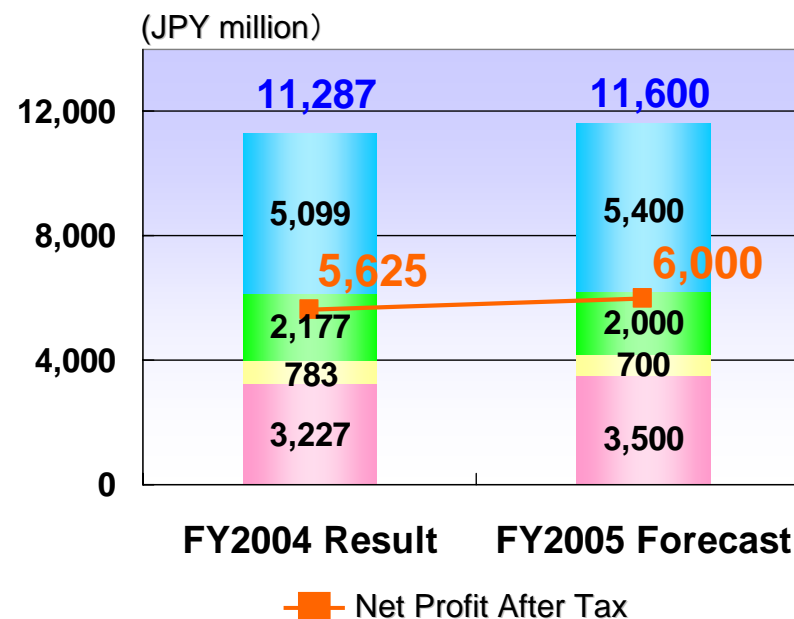
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

<Business Segment>		<Comparison with previous year >	
	Precision Equipment	—————	Increase in sales and profit
	Transport Equipment	—————	Increase in sales, Fall in profit
	Aircraft & Oil Hydraulic Equipment	—————	Increase in sales, Fall in profit
	Industrial Equipment	—————	Fall in sales, Increase in profit

Net Sales



Operating Profit



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Achievement for Major Management Index

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**Achieved most of the targets
ahead of schedule**

	Net Sales (JPY billion)	Net Profit (JPY billion)	ROE	ROA	Free CF (JPY billion)	D/E Ratio
FY2005 (Mid-term Plan 2003)	135.0	4.0	9%	3%	20.0 (3 years accumulation)	0.4
FY2004 (Result)	137.9	5.6	11%	4%	18.4 (2 years accumulation)	0.48
Achievement	+2.9	+1.6	+2	+1	- 1.5	- 0.08
FY2005 (Forecast)	141.0	6.0	11%	5%	27.8 (3 years accumulation)	0.32

Benefit of The Integration



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

Total: JPY1,200million (annual conversion)

(JPY million)

I. Reduction of Indirect Expenses 400

Integration of business bases	200
Reduction of labor cost at head quarter	80
Promotion of efficiency in equity affairs	40
Improvement of information systems	20
Revision of insurance coverage	20
Others	40

(JPY million)

II. Improvement of Productivity 400

- Revision of production process
- Multi-skillization of workers, etc

III. Reduction of Interest Expenses 400

- Expansion of CPS in Japan and the U.S.
- Reduction of financing interests
- Reduction of interest-bearing debt

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Philosophy

The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation

Our Promises

1. Value close communications with our customers worldwide
2. Value each individual's spirit of challenge and innovation
3. Continue to expand our business and profit
4. Continue to reinforce our sense of ethics and highly transparent business activities
5. Value the environment and promote harmony with local communities and cultures

Long-Term Vision

Global company group growing with society

~ Challenge, Creation and Progress to the higher stage ~

Targets at 10 years later (2014)

Net sales JPY220billion

Operating income ratio 15%

ROE 15% and more

**New products in net sales
30% and more**

Improvement in environmental contribution

Contribution to prevention of global warming

Reduction of energy consumption (basic unit): 10% and more (FY2004 basis)

Accomplishing zero emission goal

Reduction of landfill disposal amount: 1% and below of total emission

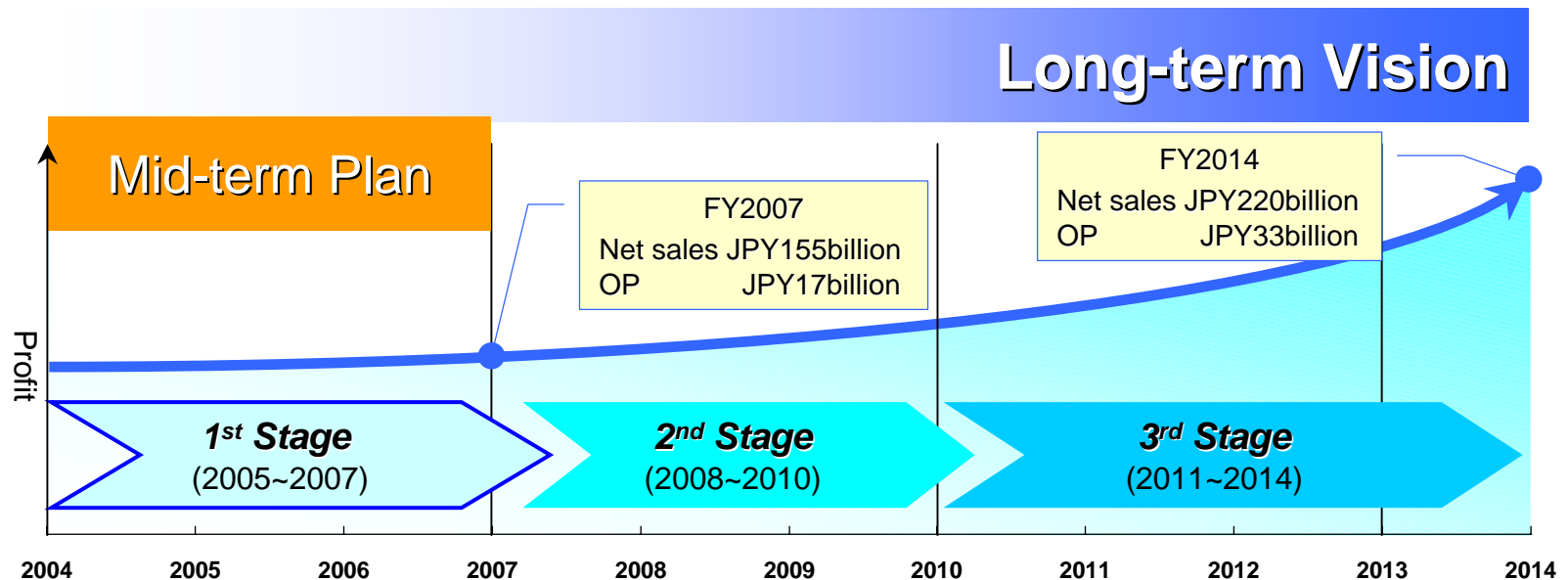
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Position of the Mid-Term Management Plan 2005

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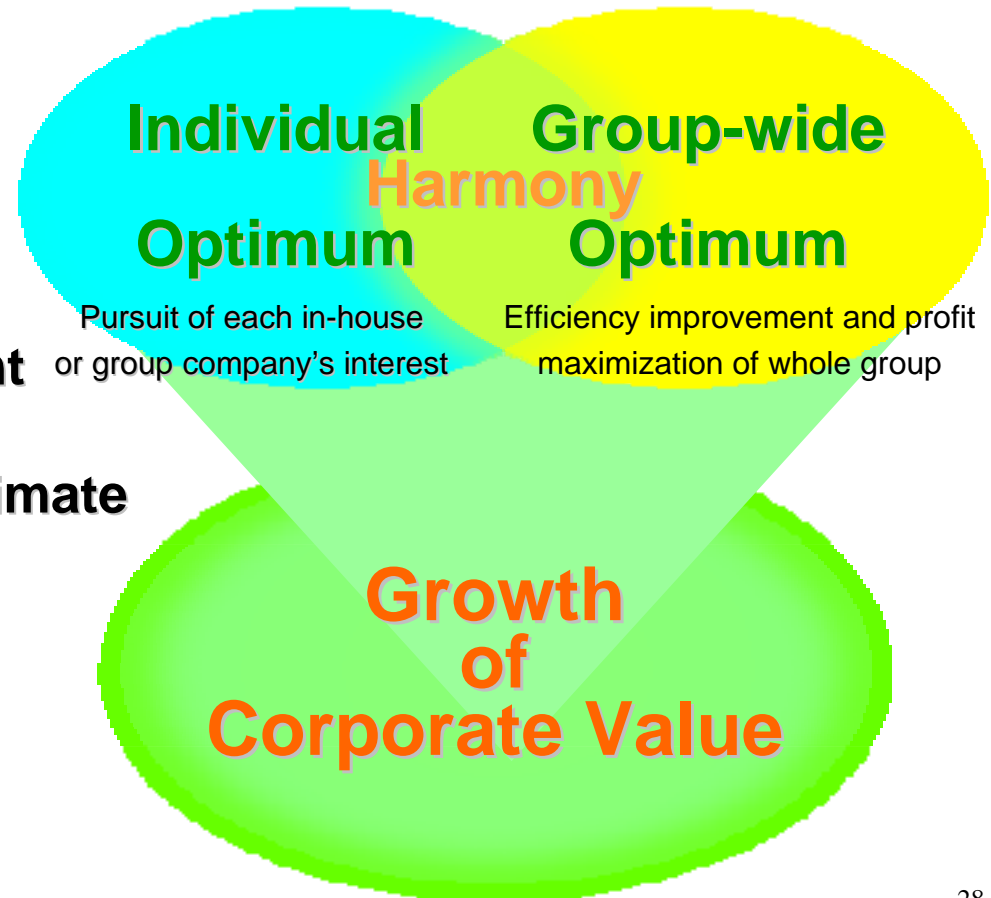
- Keep seeking penetration and thoroughness of the Corporate Philosophy and the Long-Term Vision
- Define the plan as “1st Stage” of action program for achieving the Long-Term Vision



Basic Policies and Major Actions for the Mid-Term Management Plan

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

- i. **Creation of New Product and New Business**
- ii. **Strengthening profitability of the existing business**
- iii. **Aggressive penetration into oversea markets**
- iv. **CSR-conscious management**
- v. **Reforming organizational climate**



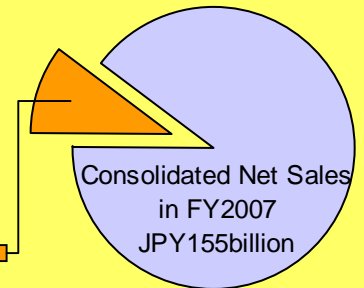
i. Creation of New Product and New Business

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

- **Creation of new product and new business by strengthening and evolution of the Motion Control Technology**
- **Launch of new product and new business which will generate profit in ten years later**

Actions

- ✓ Launching new products promptly (drive units for wind turbine generators, dry vacuum pump, etc.)
Sales amount of new products in FY2007 = JPY16billion
- ✓ Strengthening electronics technology
(determination and research of the strategic targets under leadership of most competent supervising engineers)



ii. Strengthening profitability of the existing business

- **Priority investment focused on highly-profitable business and growth-potential business**
- **Strengthening superiority and mastery of weakness**

Actions

- ✓ **Reduction of direct cost by expansion of overseas procurement, especially from Asian neighbors**
- ✓ **Improvement of profitability by reducing inventory, improving productivity etc.**
- ✓ **Enhancement of after-sales service business**

iii. Aggressive penetration into overseas markets

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- Developing priority marketing by defining and focusing on Mainland China as “Important Market” and Europe as “Long-Term Potential Market”
- Aggressive penetration into overseas markets

Actions

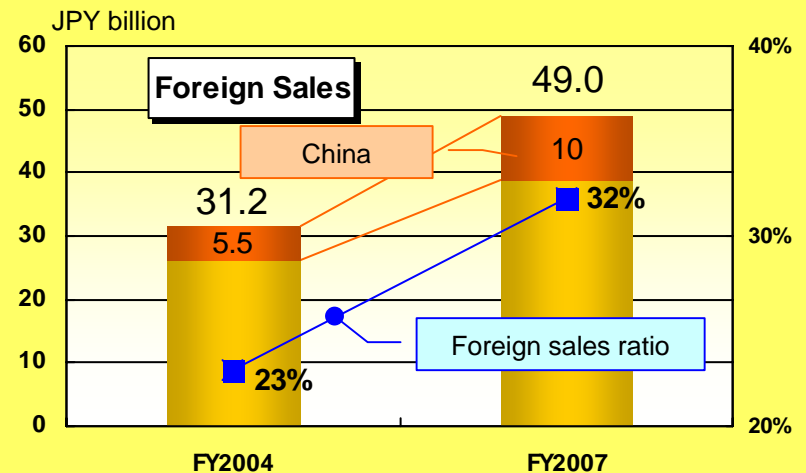
- ✓ Establishing overseas bases especially in China

<Figures in FY2007>

Foreign sales : JPY49billion

Foreign sales ratio : 32%

Sales to China : JPY10billion



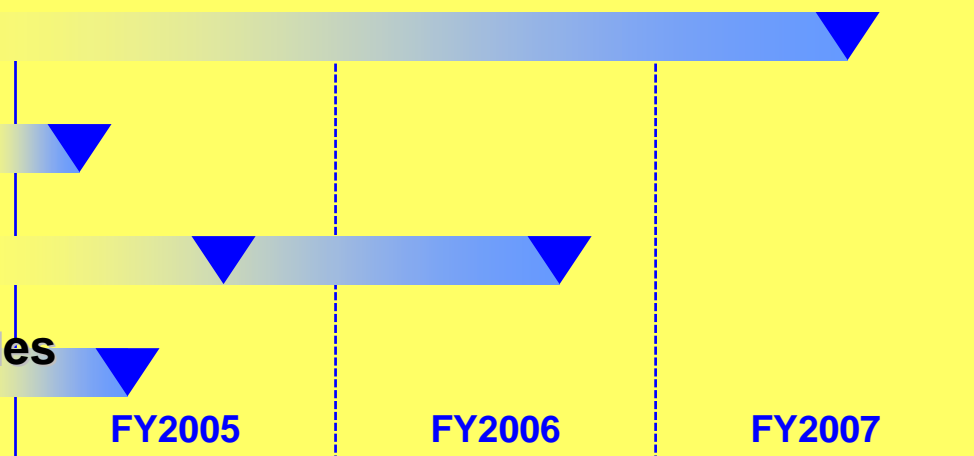
iv. CSR-conscious management **Nabtesco**

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- **Stakeholder conscious management**
- **Respect to and compliance with laws, regulations, culture, etc. Fostering high ethical standards.**

Actions

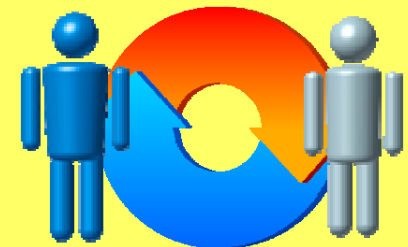
- ✓ Production of CSR report
- ✓ Establishing environmental philosophy and principle
- ✓ Disclosure on environmental actions
- ✓ Establishing ethical principles and behavioral criteria



- **Establishing system to promote “Group-wide Optimum”**
- **Efficient and effective personnel allocation**
- **Cultivation of diversified human resources from long term point of view**

Actions

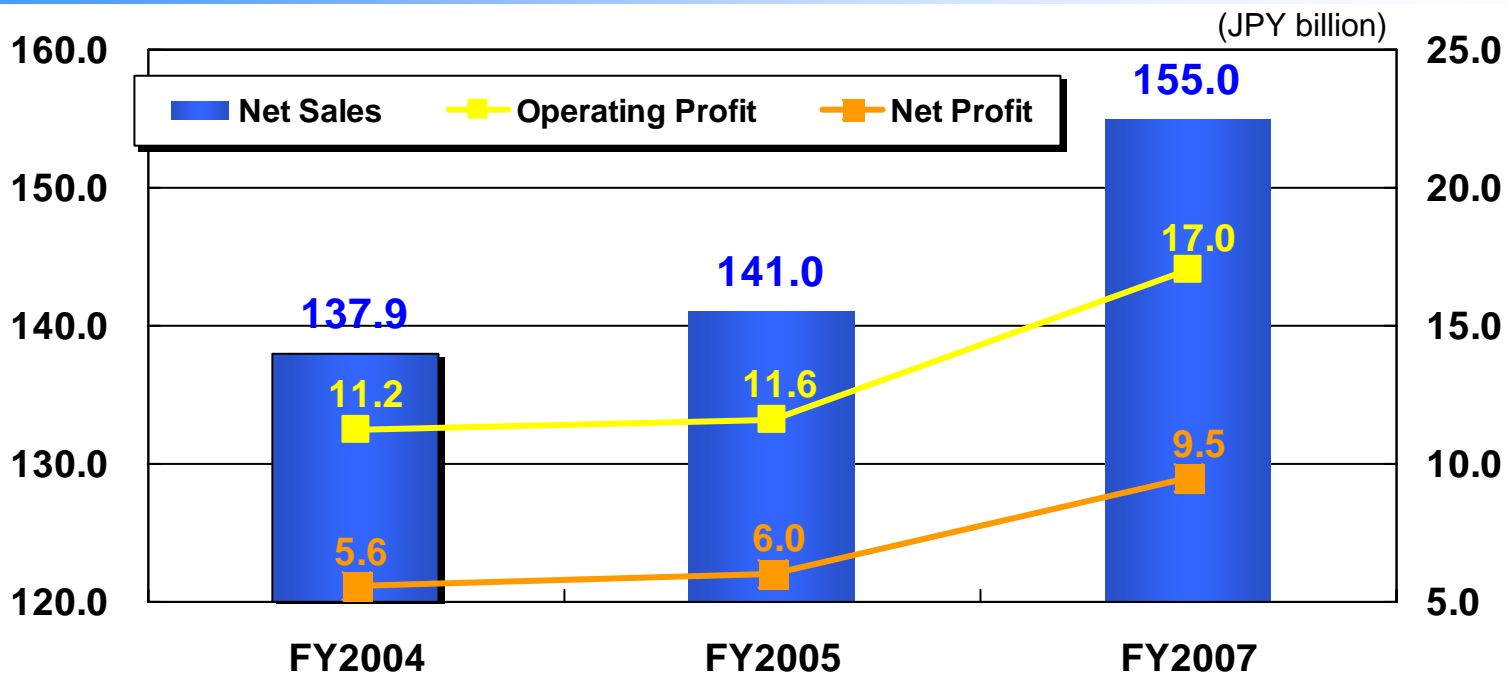
- ✓ **Introduction of group-wide personnel rotation system**
- ✓ **Tactical cultivation of international business talents, including local executive candidate**
- ✓ **Increasing and training of electronics engineers**
- ✓ **Establishing a personnel system aiming at “pay-for-performance”**



Targeted Financial Figures [Sales & Profit]



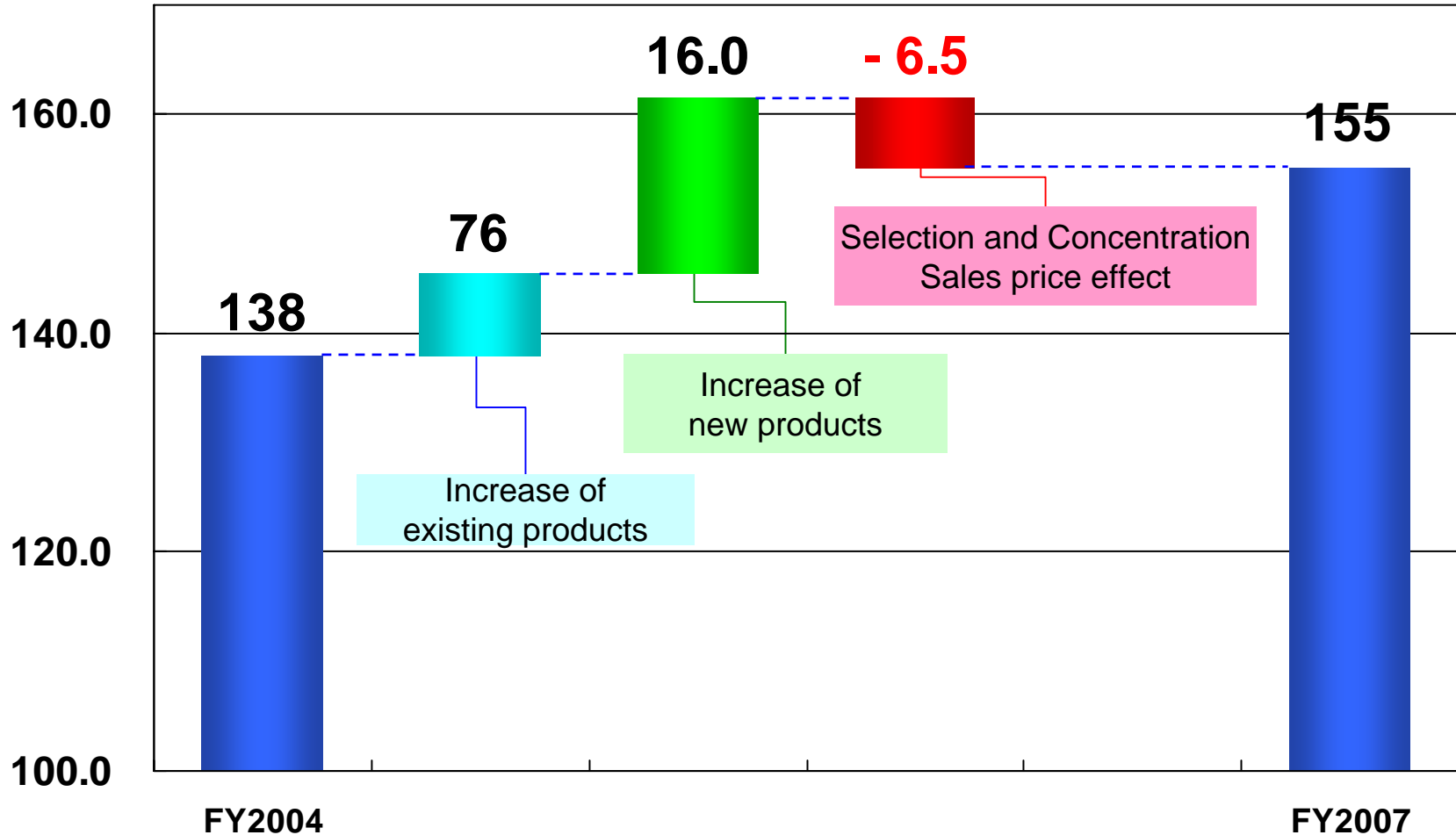
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Business Segment	Net Sales			'05/3 → '08/3		Operating Profit			'05/3 → '08/3	
	'05/3	'06/3	'08/3	Increase	Ratio	'05/3	'06/3	'08/3	Increase	Ratio
Precision	32.6	33.6	37.0	4.4	13%	5.0	5.4	6.8	1.8	36%
Transport	35.8	36.4	40.0	4.2	12%	2.1	2.0	2.9	0.8	38%
Aircraft & Oil Hydraulic	34.2	36.9	41.0	6.8	20%	0.7	0.7	2.7	2.0	286%
Industrial	35.2	34.1	37.0	1.8	5%	3.2	3.5	4.6	1.4	44%
Consolidated	137.9	141.0	155.0	22.9	12%	11.2	11.6	17.0	5.8	52%

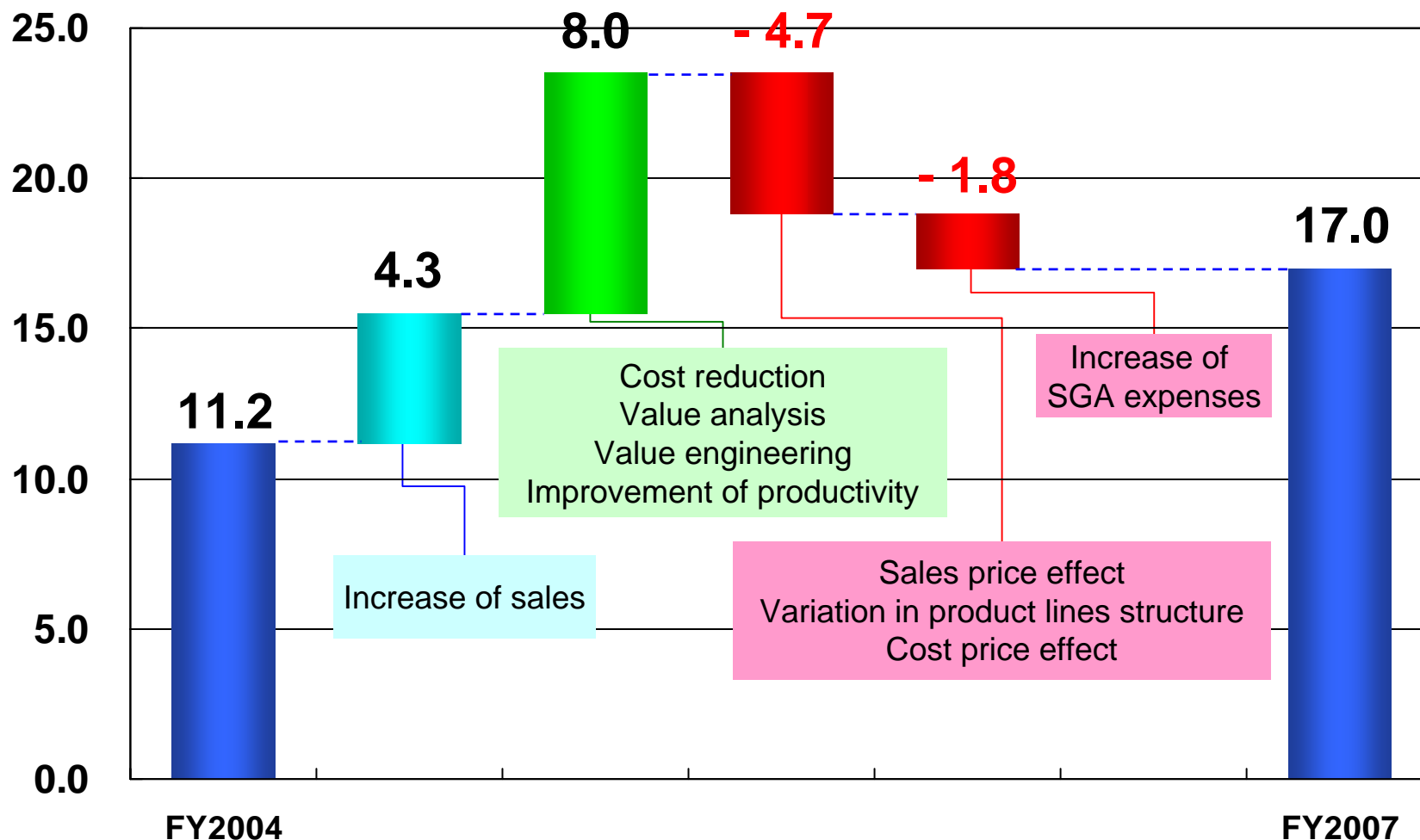
Targeted Financial Figures [Analysis of Net Sales Variation]

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



Targeted Financial Figures [Analysis of Operating Profit Variation]

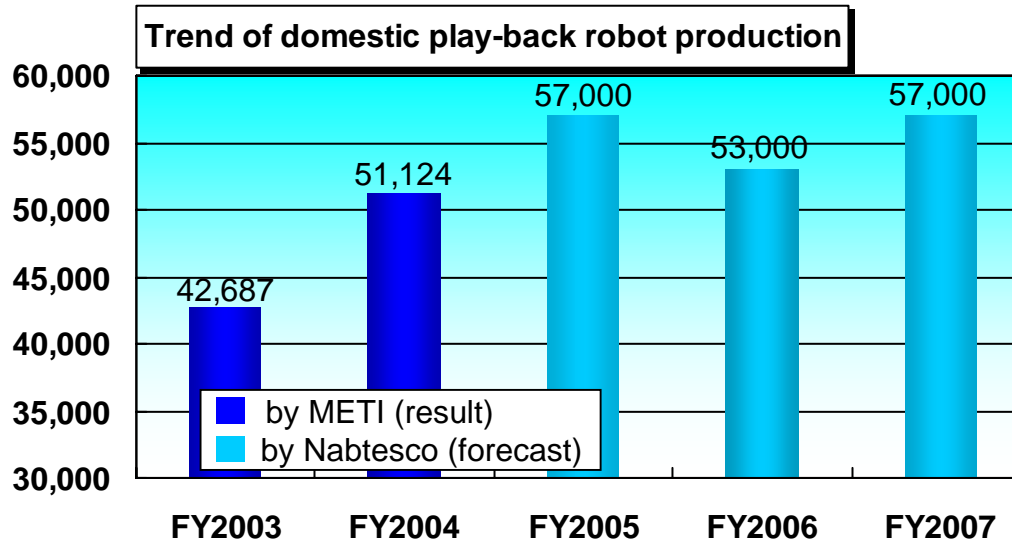
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Major Strategies by Business Segment [Precision Equipment]

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Business environment

- Expansion of CAPEX for Industrial Robots and Machine Tools lead by automotive industry hitting the peak in 2005 and growing again from 2007 onward (precision reduction gears)
- Silicon cycle peaked in 2004 and modestly reemerge expected in 2006 (precision reduction gears, dry vacuum pumps)
- Digital consumer electronics in stable demand (vacuum device), growing trends for expected telephony logging systems and rapid prototyping machines

Main strategies

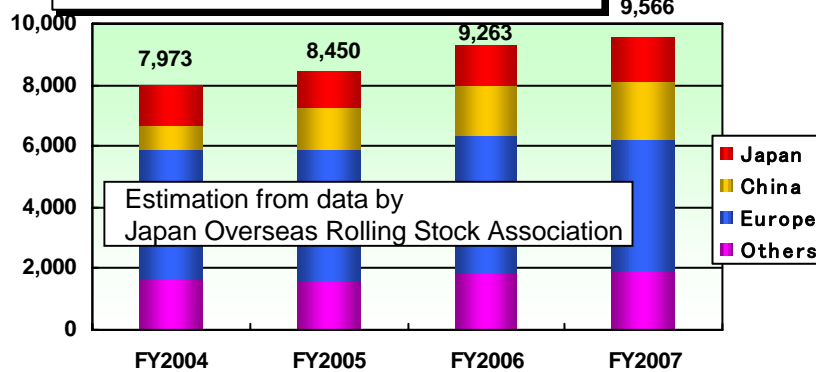
- Business expansion by developing and launching the next-generation precision reduction gears
- Increase production capacity of precision reduction gears
- Capture and expand market shares by smooth launch and timely supply of new business/new products (dry vacuum pumps, newly designed rapid prototyping machines, etc.)

Major Strategies by Business Segment [Transport Equipment]



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

World production trends of railway vehicles



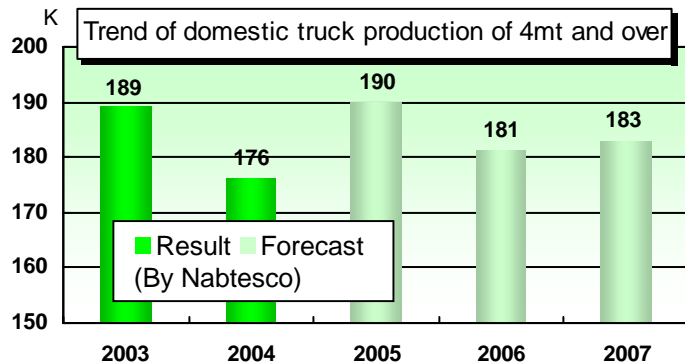
Business environment

- Railway vehicle equipment
 - Japan: Remaining flat. Demands mainly for replacement.
 - Mainland China: Strong public investment expected in preparation to Olympic games and Expo
 - Taiwan: Demands increasing due to introduction of bullet train, improvement of city transportation, etc.
 - Korea: Estimated flat
- Commercial vehicle equipment
 - Overseas demand growing, flat in Japan
- Marine vessel equipment
 - High level shipbuilding remaining with growth of BRICs countries

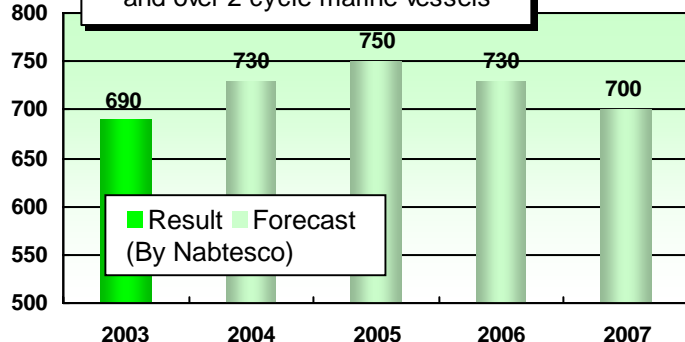
Main strategies

- Railway vehicle equipment
 - Focus on China market. Establishing local assembling plant and expanding market share.
 - Early realization of totally systematized products supply
- Commercial vehicle equipment
 - Expand sales in ASEAN countries through Thai plant
 - Early development and launch of products corresponding to digitization
- Marine vessel equipment
 - Accelerate development of the next generation products by concentrated development on electronics technology

Trend of domestic truck production of 4mt and over



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

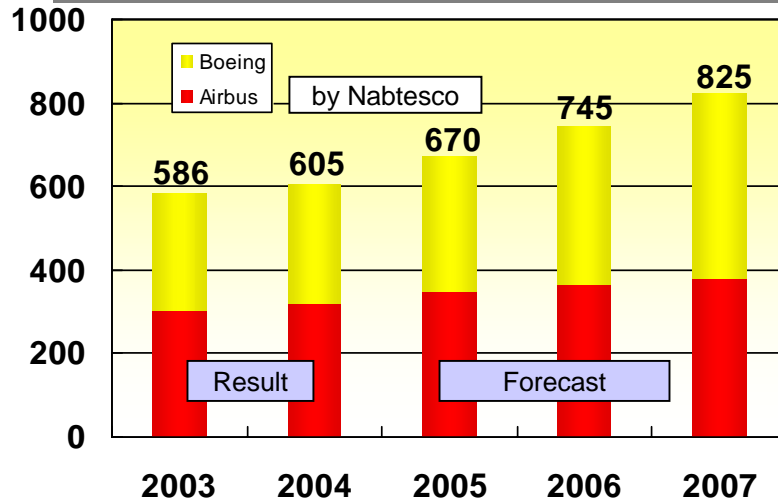


Major Strategies by Business Segment [Aircraft & Oil Hydraulic Equipment]

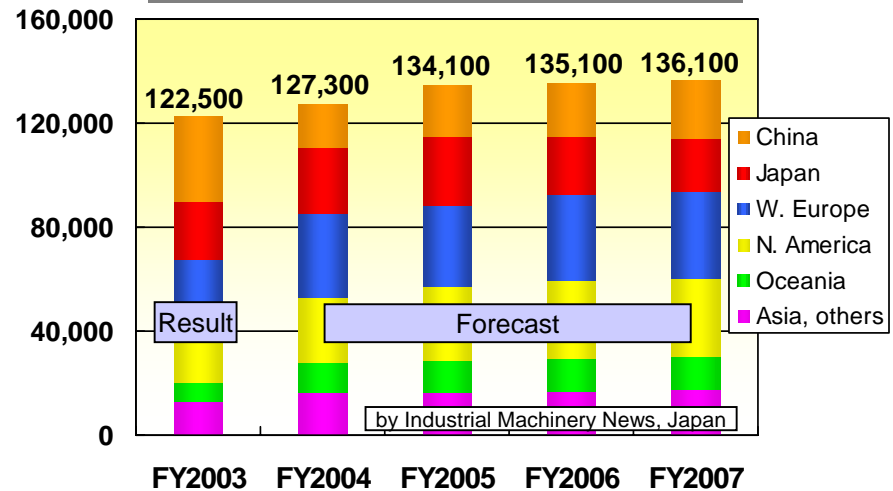
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Trend of aircraft deliveries by 2 major manufacturers



Trend of world demand for excavators



Business environment

- Aircraft equipment
 - Commercial aircraft market bottoming out
 - The next aircraft programs beginning in Japan and overseas
- Oil hydraulic equipment
 - Japan: Excavator demand in recovery trend
 - Europe and the U.S.: Remaining strong
 - Mainland China: Expected recovery in 2005 and expanding subsequently in spite of under the monetary tightening policy
 - Wind turbine generator: Expanding due to trend of decreasing environmental load

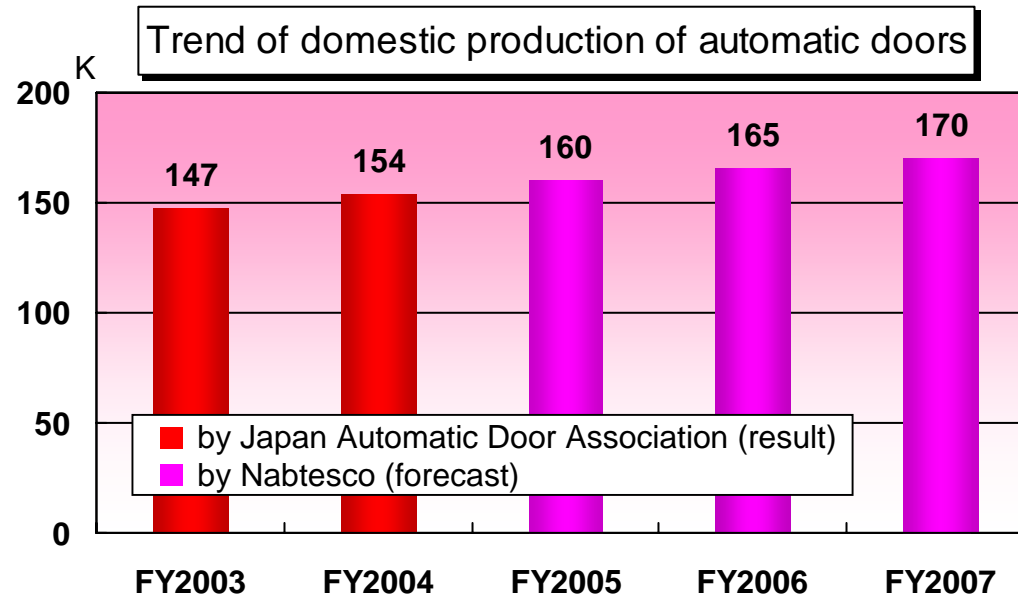
Main strategies

- Aircraft equipment
 - Secure profit by development of core-technology related equipment and strengthening after-sales business
 - Participate the next programs in order to establish base for future business base
- Oil hydraulic equipment
 - Launch and sales expansion of the next generation traveling unit and corresponding products to electrically controlled excavator
 - Review to and optimize production items at 2 plants in Japan, 1 plant in Mainland China
 - Expand European and the U.S. market share of drive unit for wind turbine generator by strengthening sales and service system

Major Strategies by Business Segment [Industrial Equipment]

Nabtesco

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



Business environment

- Automatic doors
 - Japan: Slight increase in building entrance, demand expansion expected for store front and interior application
 - Mainland China: Over 20% annual growth expected
 - Good demand of platform screen doors in East Asia
- Packaging Machines
 - Domestic demand matured, overseas demand increasing
 - Transition to flexible package accelerated in Europe and the U.S. due to tendency of environmental preservation and resource saving
- Machine tools
 - Demand increase foreseen in Mainland China and other Asian countries

Main strategies

- Automatic doors
 - Strengthen the NABCO brand in general-purpose automatic door market by launching new product for store front
 - Expand sales and market share of platform screen doors
 - Promote penetration and expansion of the brand value in China by reorganizing sales agency network according with equity monopolization of a joint venture company in Beijing
- Packaging Machines, Machine tools
 - Stimulate latent demand and explore foreign market by development of high performance and high-value added products

Targeted Financial Figures



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

*JPY billion	FY2004 <Result>	FY2005 <Forecast>	FY2007 <Target>
Net Sales*	137.9	141.0	155.0
Operating Profit*	11.2	11.6	17.0
Net Profit*	5.6	6.0	9.5
Total Assets*	133.6	131.7	133.8
Interest-Bearing Debt*	25.0	18.2	3.8
Equity*	52.4	57.4	72.0
ROE	11%	11%	15%
ROA	4%	5%	8%
D/E Ratio	0.48	0.32	0.05
Free Cash Flow* (3 years accumulation)			25.0

Targeted Financial Figures



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

