

English translation from the original Japanese-language document

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



# FY2005 Semiannual Results Briefing

November, 2005

## **Nabtesco Corporation**

*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*

**I. Semiannual Consolidated Results  
for FY2005**

**II. Topics**

**III. Forecast for FY2005**

## I. Semiannual Consolidated Results for FY2005

## II. Topics

## III. Forecast for FY2005

# Profit & Loss summary

comparison with the same period of last fiscal year

# Nabtesco

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

## Increase in both sales and profit

(JPY billion)

	'04/9	'05/9	Variation	
				Ratio
Net sales	66.5	71.7	5.2	7.8%
Operating profit	5.2	7.3	2.0	40.0%
Non-operating profit and loss	0.4	- 0.3	- 0.8	—
Ordinary profit	5.7	6.9	1.2	21.1%
Extraordinary profit and loss	- 0.2	0	0.2	—
Profit before taxes	5.4	6.8	1.4	25.8%
Net profit	3.4	3.9	0.5	13.5%

- Increase in sales in all business segments
- Significant increase in Precision Equipment and Aircraft & Oil Hydraulic Equipment

■ Increase of sales	1.3billion
■ Improvement of productivity	0.7billion
■ Cost reduction & selling price effect	0.4billion
■ Increase of material cost	- 0.3billion
<b>Total:</b>	<b>2.0billion</b>

- Investment profit on equity method - 0.8billion

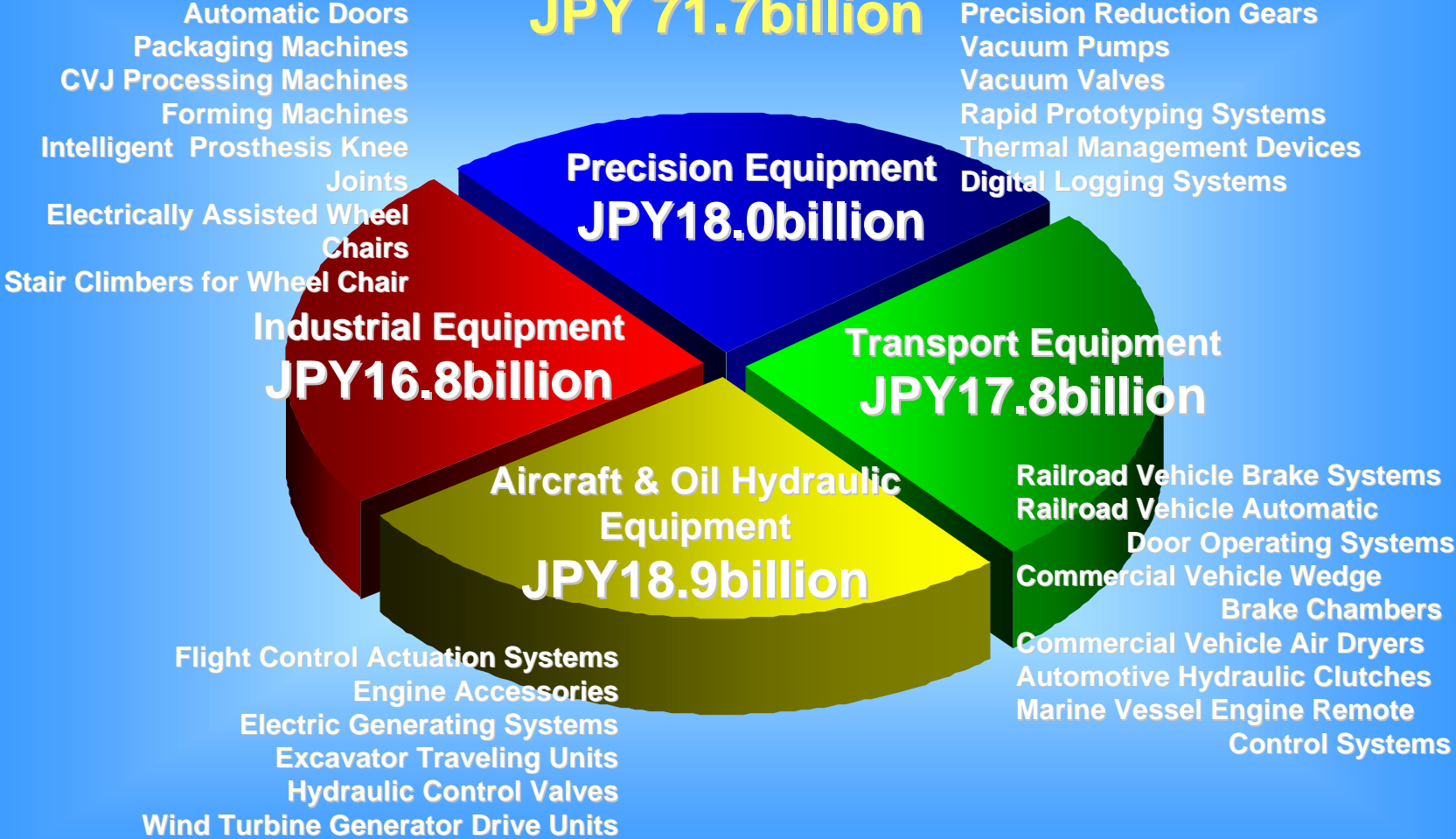
■ Decrease in loss on cancellation of leasehold property	0.3billion
■ Decrease in sales profit of fixed assets	- 0.1billion
<b>Total:</b>	<b>0.2billion</b>

# Consolidated Sales by Business Segments **Nabtesco**

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

## FY2005 Consolidated Semiannual Sales:





**JPY 71.7billion**



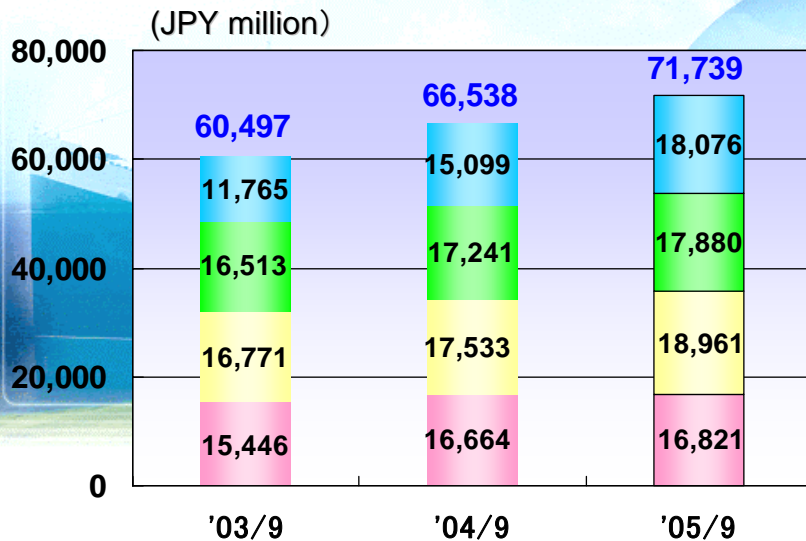
# Growth of Consolidated Semiannual Sales & Profit by Business Segments



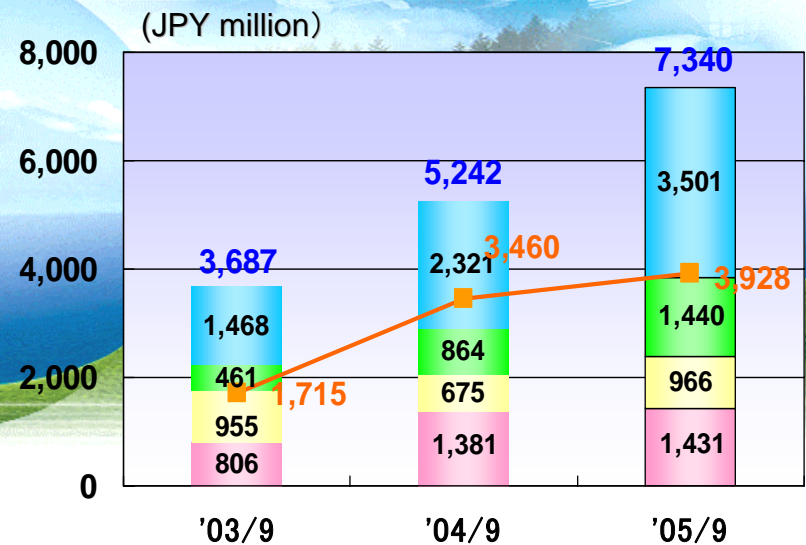
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

<Business Segment>		<Comparison with the same period of last Fiscal Year >	
	Precision Equipment	—————	Increase in sales, Significant increase in profit
	Transport Equipment	—————	Increase in sales, Significant increase in profit
	Aircraft & Oil Hydraulic Equipment	—————	Increase in sales, Significant increase in profit
	Industrial Equipment	—————	Sales leveling off, Increase in profit

### Net Sales



### Operating Profit



 Net Profit After Tax

# Precision Equipment

(Comparison with the same period of last fiscal year)

# Nabtesco

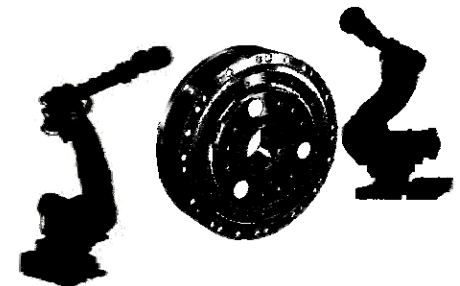
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

## Increase in sales, Significant increase in profit

(JPY million)

	2004/9	2005/9	Variation	
				Ratio
Net sales	15,099	18,076	2,977	19.7%
Operating profit	2,321	3,501	1,180	50.8%
Operating profit ratio	15.4%	19.4%		

- Increased sales of the precision reduction gears for industrial robots due to successively active CAPEX in automotive industry, both overseas and domestic.
- The precision reduction gears for machine tools also increased.
- Demand in LCD remains flat, SPE slightly decreased.



# Transport Equipment

(Comparison with the same period of last fiscal year)

# 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 increase in profit

(JPY million)

	2004/9	2005/9	Variation	
				Ratio
Net sales	17,241	17,880	639	3.7%
Operating profit	864	1,440	576	66.6%
Operating profit ratio	5.0%	8.1%		

- **Railroad vehicle products:**  
Domestic:  
Maintenance parts and sales for newly built conventional railcars increased.  
Overseas:  
Sales for Taiwan bullet train concluded in this interim period though the project itself delaying in completion.
- **Commercial vehicle products:**  
Although domestic brake products increased, sales declined due to the end of sensor export to Korea.
- **Marine vessel engine control systems:**  
Marine transport industry's active investment for new vessels remained ongoing  
Maintenance and repair business increased.





# Aircraft & Oil Hydraulic Equipment

(Comparison with the same period of last fiscal year)

# 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 increase in profit**

(JPY million)

	2004/9	2005/9	Variation	
				Ratio
<b>Net sales</b>	<b>17,533</b>	<b>18,961</b>	<b>1,428</b>	<b>8.1%</b>
<b>Operating profit</b>	<b>675</b>	<b>966</b>	<b>291</b>	<b>43.2%</b>
<b>Operating profit ratio</b>	<b>3.8%</b>	<b>5.1%</b>		

- Aircraft equipment  
After market sales of spares increased in US despite of depression of airline industry due to oil price hike  
Recovery of OEM sales for increased production of new commercial aircraft.
- Sales in oil hydraulic equipment increased due to expanding trend of worldwide demand except for China market downsizing due to monetary tightening policy.  
  
Export of drive unit for wind turbine generator just started and total sales of such drive unit increased.



# Industrial Equipment

(Comparison with the same period of last fiscal year)

# Nabtesco

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

## Sales leveling off, Increase in profit

(JPY million)

	2004/9	2005/9	Variation	
				Ratio
Net sales	16,664	16,821	157	0.9%
Operating profit	1,381	1,431	50	3.6%
Operating profit ratio	8.3%	8.5%		

- Domestic semiannual installation of automatic doors recorded highest during the past half year.  
Sales of platform screen doors sharply increased especially in overseas market.
- Packaging machines decreased in sales due to CAPEX downturn in Asian market.
- CVJ processing machines for automotive industry enjoys good demand.



# Balance Sheet Summary

(Comparison with the same period of last fiscal year)



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

(JPY billion)

	'04/9E	'05/9E	Variation	Comment
<b>Assets</b>	<b>132.8</b>	<b>139.2</b>	<b>6.3</b>	
(Cash and time deposits)	(16.3)	(17.1)	(0.8)	Increase of liquidity in hand
(Accounts receivable)	(38.9)	(43.1)	(4.1)	Increase of sales
Receivable turnover period	106	110	4	(reference)
(Inventories)	(15.5)	(15.9)	(0.3)	Correspondent to sales increase
Inventory turnover period	39	38	- 1	(reference)
(Fixed assets)	(42.7)	(41.8)	(- 0.8)	Scrapping of idle facilities
<b>Liabilities</b>	<b>79.2</b>	<b>78.2</b>	<b>- 0.9</b>	
(Interest-bearing debt)	(29.5)	(24.6)	(- 4.8)	Redemption of corporate bond and loans
<b>Minority Interest</b>	<b>3.3</b>	<b>3.5</b>	<b>0.2</b>	
<b>Shareholder's Equity</b>	<b>50.3</b>	<b>57.4</b>	<b>7.1</b>	

**Equity Ratio**                      **37.9%**      **41.3%**

# Balance Sheet Summary

(Half year comparison against the end of March, 2005)



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

(JPY billion)

	'05/3E	'05/9E	Variation	Comment
<b>Assets</b>	<b>133.6</b>	<b>139.2</b>	<b>5.6</b>	
(Cash and time deposits)	(14.3)	(17.1)	(2.8)	Increase of liquidity in hand
(Accounts receivable)	(43.0)	(43.1)	(0)	
Receivable turnover period	108	110	2	(Reference)
(Inventories)	(14.1)	(15.9)	(1.7)	Correspondent to sales increase
Inventory turnover period	36	38	2	(Reference)
(Fixed assets)	(41.9)	(41.8)	(0)	
<b>Liabilities</b>	<b>77.7</b>	<b>78.2</b>	<b>0.5</b>	
(Interest-bearing debt)	(25.0)	(24.6)	(- 0.4)	Redemption of loans
<b>Minority Interest</b>	<b>3.3</b>	<b>3.5</b>	<b>0.1</b>	
<b>Shareholder's Equity</b>	<b>52.4</b>	<b>57.4</b>	<b>4.9</b>	

**Equity Ratio**                      **39.3%**      **41.3%**

# 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)

		2005/9
	Income before taxes	6.8
	Depreciation and amortization	2.1
	Others	- 2.5
<b>Cash flow from operating activities</b>		<b>6.4</b>
<b>Cash flow from investing activities</b>		<b>- 2.7</b>
<b>Free Cash Flow</b>		<b>3.7</b>
<b>Cash flow from financing activities</b>		<b>- 1.0</b>
<b>Changes in cash and cash equivalents</b>		<b>2.7</b>

## ➤ Cash flow from operating activities

Income before taxes	6.8billion
Depreciation and amortization	2.1billion
Others	- 2.5billion
<hr/>	
Total	6.4billion

## ➤ Cash flow from investing activities

CAPEX	- 2.6billion
Purchase of securities, others	- 0.1billion
<hr/>	
Total	- 2.7billion

## ➤ Cash flow from financing activities

Redemption of loans	- 0.4billion
Dividend payment and others	- 0.5billion
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Total	- 1.0billion

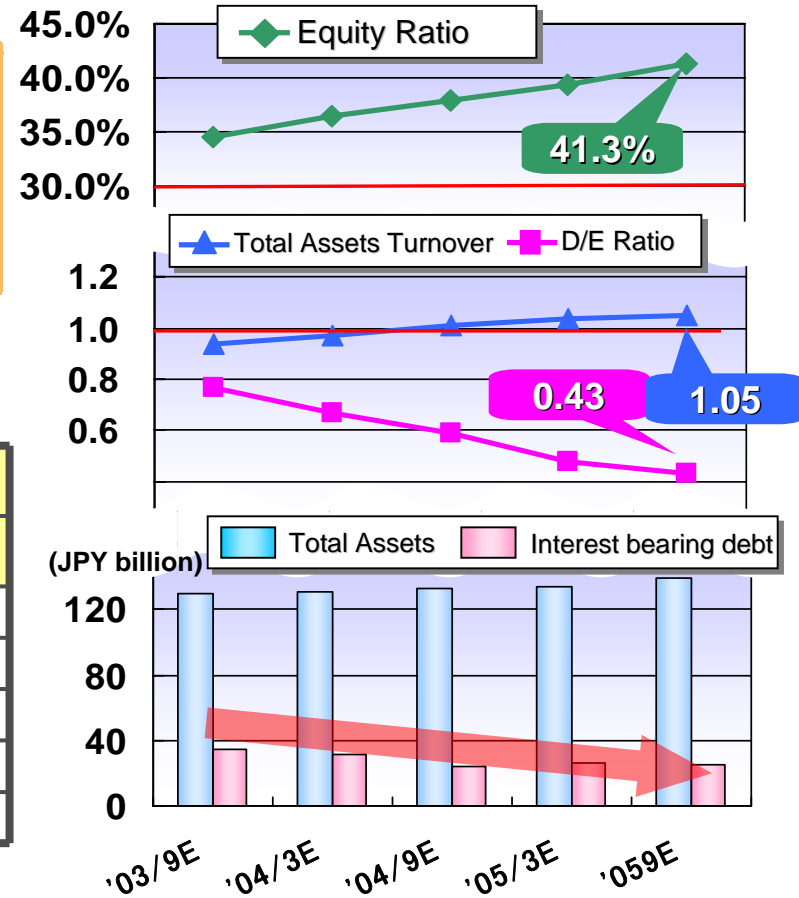
# Improvement of Financial Constitution



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	'04	'04	'05	'05
	9/E	3/E	9/E	3/E	9E
Total assets (JPY billion)	129.7	130.6	132.8	133.6	139.2
Interest bearing debt (JPY billion)	34.3	31.8	29.5	25.7	24.6
Equity Ratio (%)	34.5	36.5	37.9	39.3	41.3
D/E Ratio	0.77	0.67	0.59	0.48	0.43
Total Assets Turnover (times)	0.94	0.97	1.01	1.04	1.05



I. Semiannual Consolidated Results  
for FY2005

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III. Forecast for FY2005

## Accumulated production of Precision Reduction Gears reached 2 million units



### ■ Features:

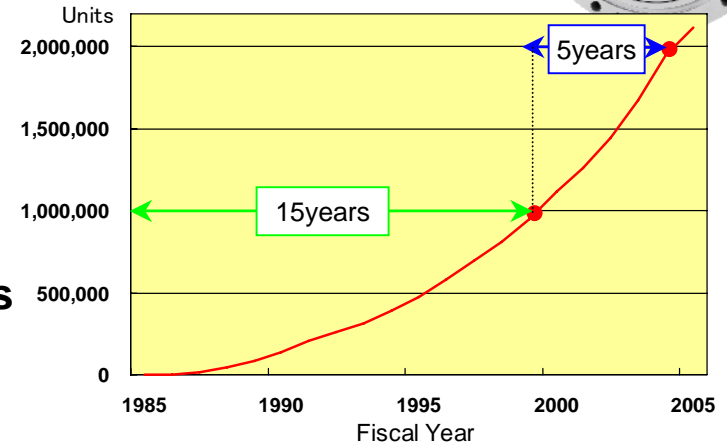
High positioning accuracy, highly rigid, lightweight, compact-size

### ■ Main applications:

Joints in industrial robots

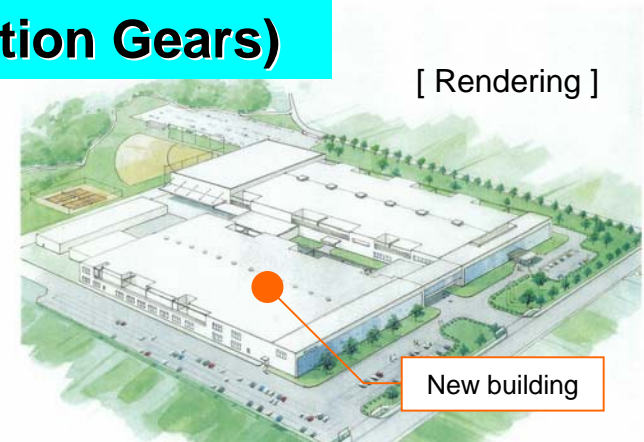
Automatic tool changers of machine tools

Production equipment of semiconductors and LCDs



## Expansion of Tsu Plant (Precision Reduction Gears)

- Operation begins: May, 2006 (partly)
- Completion scheduled: March, 2008
- Investment: Approx. 6 billion yen in 3 years
- Capacity increase: Approx. 160% (comparison with FY2004)





## To establish a local company dealing with marine vessel products in Shanghai, China

- Trade Name:  
Nabtesco Marine Control Systems (Shanghai) Co., Ltd.
- Capital: US\$300K                      ■ Establishment: Early 2006
- Objective: To perform direct sales in China market and reinforce after-sales services



## To newly organize Electronics Engineering Department

- To enhance corporate infrastructure of electronics technology
- To accelerate successful development of future advanced technologies



I. Semiannual Consolidated Results  
for FY2005

II. Topics

III. Forecast for FY2005

# Profit & Loss forecast

## Increase in both sales and profit

(JPY billion)

	2005/3 Result	2006/3 Forecast	Variation	
				Ratio
<b>Net Sales</b>	<b>137.9</b>	<b>149.0</b>	<b>11.0</b>	<b>8.0%</b>
<b>Operating profit</b>	<b>11.2</b>	<b>13.8</b>	<b>2.5</b>	<b>22.3%</b>
<b>Ordinary profit</b>	<b>11.3</b>	<b>13.0</b>	<b>1.7</b>	<b>15.0%</b>
<b>Net profit</b>	<b>5.6</b>	<b>7.1</b>	<b>1.4</b>	<b>26.2%</b>

### ■ Net Sales:

- Increase in sales due to stable business of the precision reduction gear, recovery of China market for oil hydraulic equipment, brake system for Chinese railroad projects, and etc.

### ■ Operating profit

Increase of sales	2.4billion
Improvement of productivity	1.0billion
Cost reduction & price effect	0.7billion
Material cost increase	- 0.7billion
Increase of SGA expenses	- 0.9billion
Total:	2.5billion





### ■ Ordinary profit:

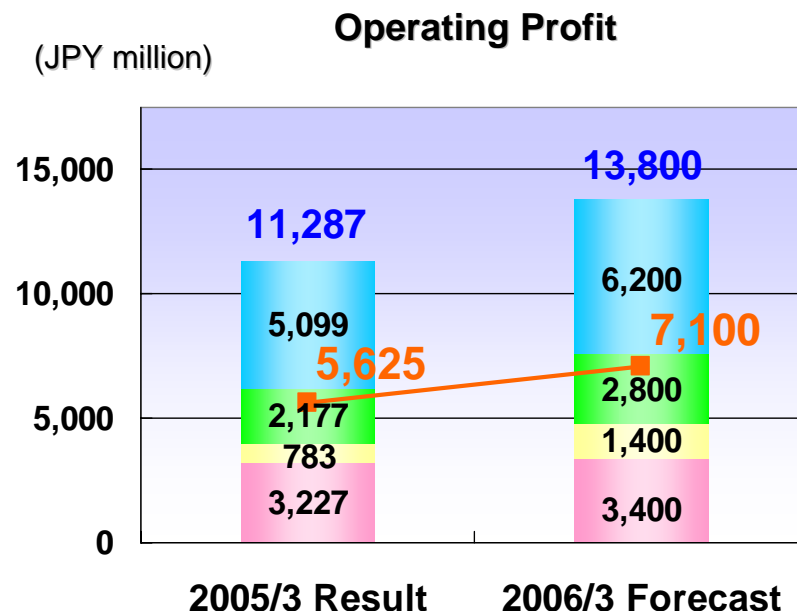
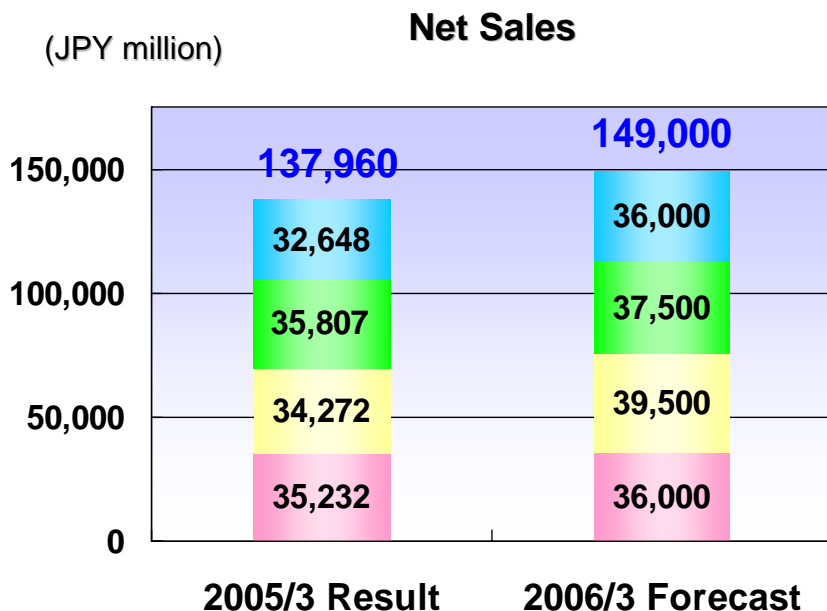
Increase of operating profit	2.5billion
Decrease of investment profit on equity method	- 0.9billion
Financial account balance	0.2billion
Total:	1.7billion

# Sales & Profit Forecast by Business Segment



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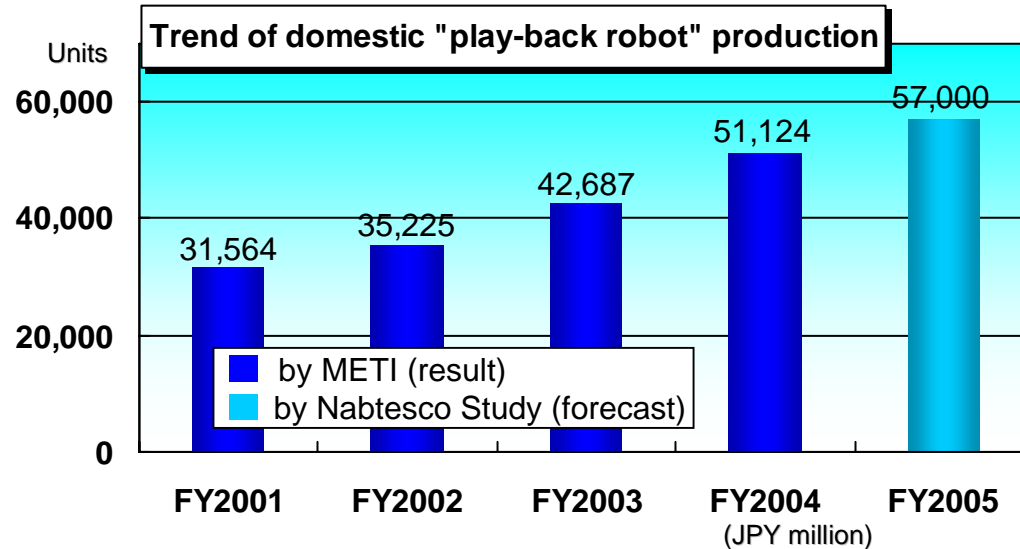
<Business Segment>		<Comparison with previous year >	
	Precision Equipment	—————	Increase in sales and profit
	Transport Equipment	—————	Increase in sales and profit
	Aircraft & Oil Hydraulic Equipment	—————	Increase in sales and profit
	Industrial Equipment	—————	Increase in sales and profit



 Net Profit After Tax

# Forecast: Precision Equipment **Nabtesco**

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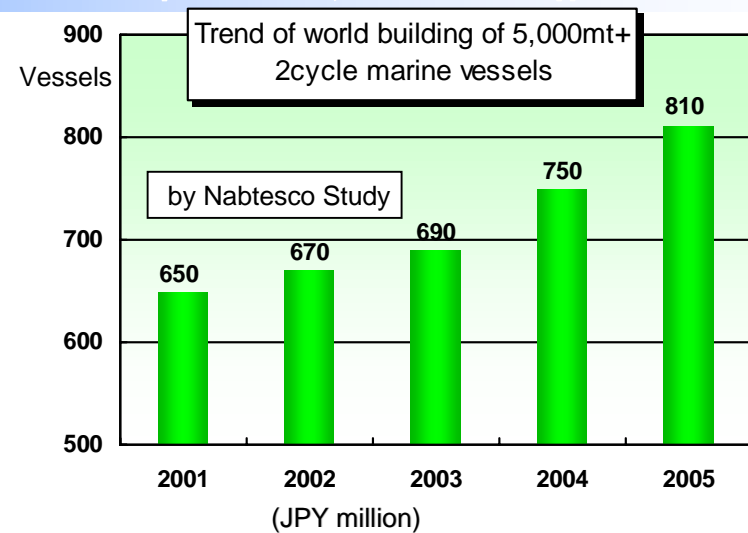
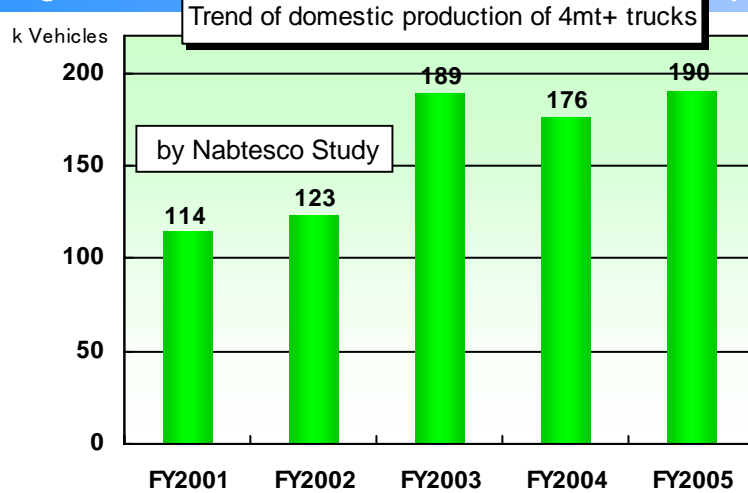


	2005/3 Result	2006/3 Forecast	Variation		Comment
				Ratio	
Net sales	32,648	36,500	3,352	10.3%	<b><u>“Increase in sales and profit”</u></b>
Operating profit	5,099	6,200	1,101	21.6%	
Operating profit ratio	15.6%	17.2%			

- Although demand of the precision reduction gear for industrial robots remains at high level, it is expected to enter into adjustment phase in 2<sup>nd</sup> half of FY2005. Sales for Machine Tools keep good condition while Semiconductor manufacturing equipment applications are expected to be slightly decreased.
- Increase of sales, improvement of productivity and cost reduction efforts contributed to the profit growth.

# Forecast: Transport Equipment **Nabtesco**

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



	2005/3 Result	2006/3 Forecast	Variation		Comment
				Ratio	
Net sales	35,807	37,500	1,693	4.7%	<b><u>“Increase in sales and profit”</u></b>
Operating profit	2,177	2,800	623	28.6%	
Operating profit ratio	6.1%	7.5%			

● Railroad vehicle products:

Sales increase due to starting up delivery for speed-up projects of China conventional railroad lines

● Commercial vehicle products:

Although sales of domestic brake products are expected to increase, the total sales will slightly decrease owing to the end of sensor export to Korea.

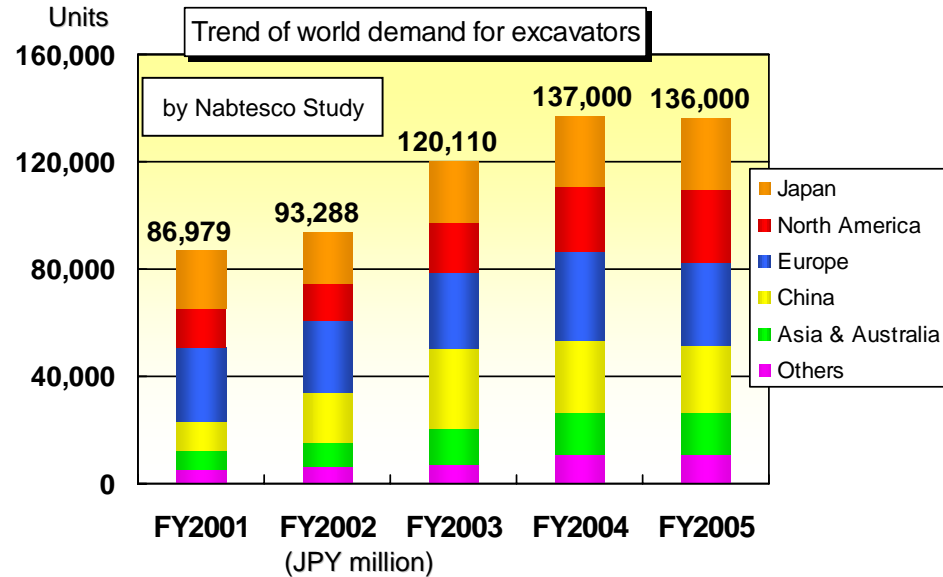
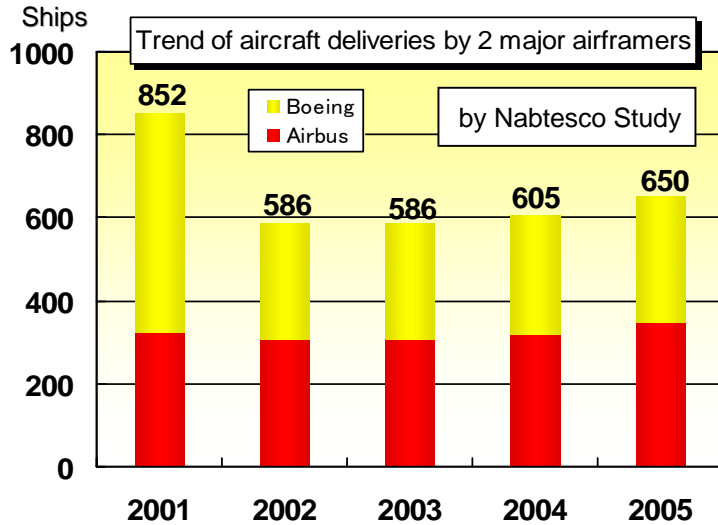
● Marine vessel products: Sales expected to increase thanks to worldwide growth of shipbuilding.

● Increase in profit due to improvement of profitability for each individual order received in addition to sales increase.

# Forecast: Aircraft & Oil Hydraulic Equipment



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

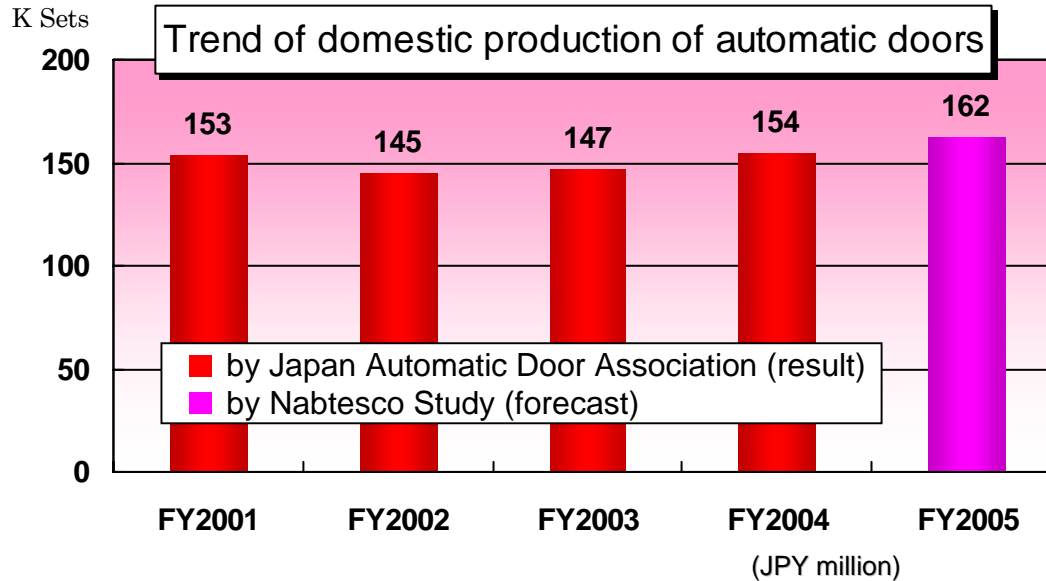


	2005/3 Result	2006/3 Forecast	Variation		Comment
				Ratio	
Net sales	34,272	39,500	5,228	15.3%	<b><u>“Increase in sales and profit”</u></b>
Operating profit	783	1,400	617	78.8%	
Operating profit ratio	2.3%	3.5%			

- Although the production of new commercial aircraft will show recovery trend, sales of aircraft equipment will be leveled off due to decrease in defense applications.
- Sales of hydraulic equipment will increase thanks to recovery trend in China and expansion of the markets in Japan, US and Europe.
- Increase in profit is expected thanks to increase in sales, improvement of productivity and cost reduction efforts.

# Forecast: Industrial Equipment **Nabtesco**

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



	2005/3 Result	2006/3 Forecast	Variation		Comment
				Ratio	
Net sales	35,232	36,000	768	2.2%	<b><u>“Increase in sales and profit”</u></b>
Operating profit	3,227	3,400	173	5.4%	
Operating profit ratio	9.2%	9.4%			

- Increase in sales is expected due to stable business of automatic doors for buildings.
- Sales of platform screen doors are expected to significantly increase due to growing demand in Asian market.
- Sales of packaging machines are expected to decrease in total in spite of recovery trend in 2<sup>nd</sup> half of FY2005.
- Growing demand of CVJ processing machine for automotive industry is expected to continue.



# Major Targeted Financial Figures under the FY2005 Mid-Term Plan



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

	FY2005 <Mid-Term Plan>	FY2005 <Forecast>
Net Sales (JPY billion)	141.0	149.0
Net Profit (JPY billion)	6.0	7.1
ROE	11%	12.6%
ROA	5%	5.2%
Free CF (JPY billion)	9.4	7.7
D/E Ratio	0.32	0.31

(Published in May, 2005)

# Cautions on the forecast



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

The figures, plans and projects for both FY2005 and future on this document are based on various assumptions.

Nabtesco Corporation hereby disclaims any responsibility or liability for realizing and committing any of those figures, plans and projects.