

English translation from the original Japanese-language document

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

# FY2006 Semiannual Results Briefing

November 2006

## Nabtesco Corporation

I. Semiannual Consolidated Results  
for FY2006

II. Topics

III. Forecast for FY2006

## I. Semiannual Consolidated Results for FY2006

## II. Topics

## III. Forecast for FY2006

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# Profit & Loss Summary

Comparison with the same period of the previous 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)

	'05/9	'06/9	Variation	
				Ratio
<b>Sales</b>	<b>71.7</b>	<b>77.9</b>	<b>6.1</b>	<b>8.6%</b>
<b>Operating profit</b>	<b>7.3</b>	<b>8.1</b>	<b>0.8</b>	<b>11.2%</b>
<b>Non-operating profit and loss</b>	<b>-0.3</b>	<b>0.2</b>	<b>0.6</b>	<b>-</b>
<b>Ordinary profit</b>	<b>6.9</b>	<b>8.4</b>	<b>1.4</b>	<b>21.5%</b>
<b>Extraordinary profit and loss</b>	<b>0</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-</b>
<b>Profit before taxes</b>	<b>6.8</b>	<b>8.1</b>	<b>1.2</b>	<b>18.7%</b>
<b>Net profit</b>	<b>3.9</b>	<b>4.7</b>	<b>0.8</b>	<b>22.1%</b>

■ Increase of transport equipment and aircraft & oil hydraulic equipment covers decrease of precision equipment and 1.5 billion decline by assignment of subsidiary.

■ Increase of sales	0.7 billion
■ Cost reduction & price effect	0.6 billion
■ New plant startup, etc.	-0.3 billion
■ Material cost increase	-0.2 billion
<b>Total</b>	<b>0.8 billion</b>

■ Investment profit by equity method	0.5 billion
■ Improvement of financial account balance	0.1 billion
<b>Total</b>	<b>0.6 billion</b>

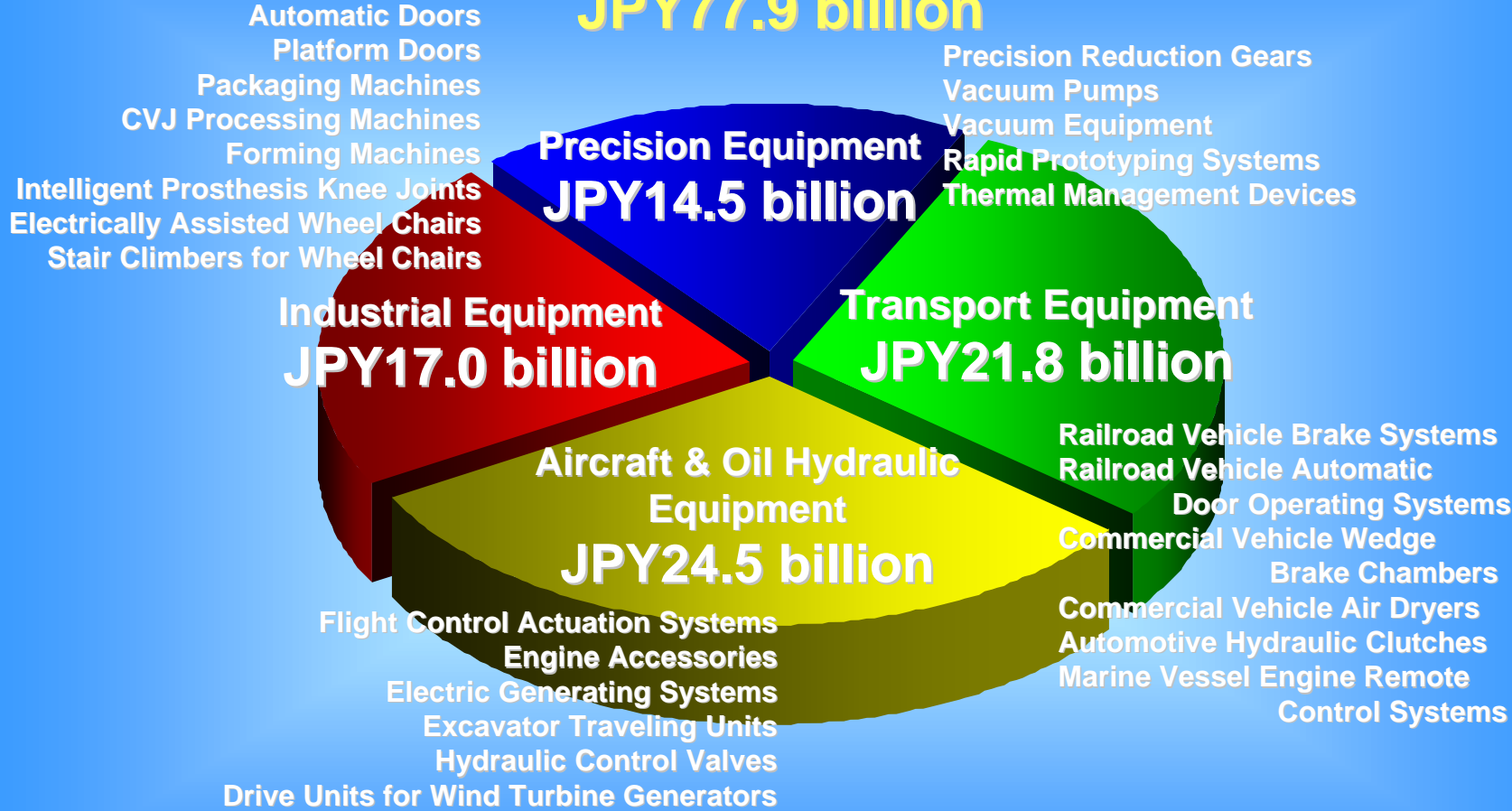
Increase of loss on disposition of fixed assets and others	-0.2 billion
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# Consolidated Sales by Business Segment



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

## FY2006 Consolidated Semiannual Sales: JPY77.9 billion



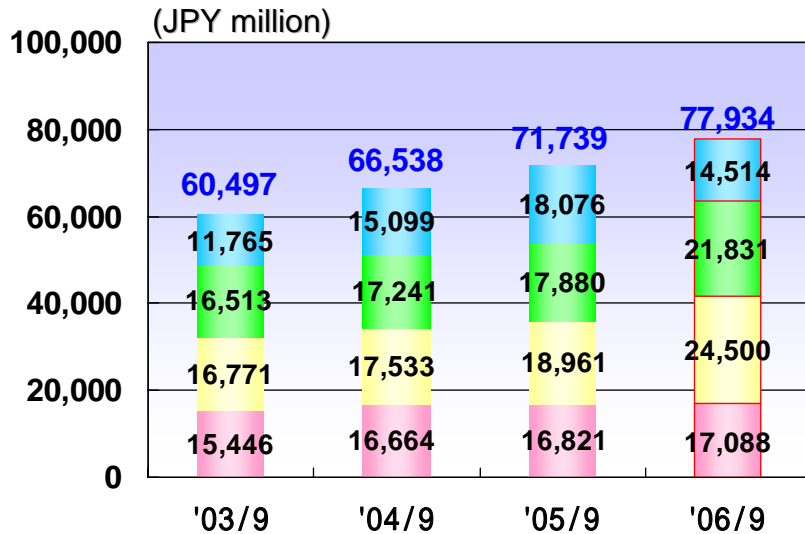
# Growth of Consolidated Semiannual Sales & Profit by Business Segment



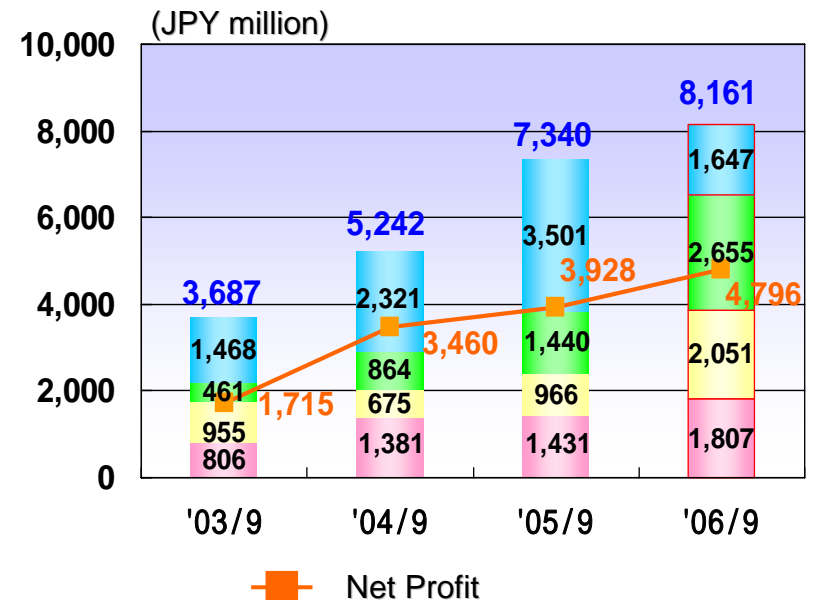
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

<Business Segment>		<Comparison with the Previous Fiscal Year >	
<span style="color: blue;">■</span>	Precision Equipment	—	Decrease in both sales and profit
<span style="color: green;">■</span>	Transport Equipment	—	Increase in both sales and profit
<span style="color: yellow;">■</span>	Aircraft & Oil Hydraulic Equipment	—	Increase in both sales and profit
<span style="color: pink;">■</span>	Industrial Equipment	—	Increase in both sales and profit

### Sales



### Operating Profit



# Precision Equipment

(Comparison with the same period of the previous fiscal year)

# Nabtesco

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## Decrease in both sales and profit

(JPY million)

	2005/9	2006/9	Variation	
				Ratio
Sales	18,076	14,514	-3,561	-19.7%
Operating profit	3,501	1,647	-1,854	-53.0%
Operating profit ratio	19.4%	11.4%		

- Precision reduction gears for industrial robots in downturn since automotive industry's CAPEX in conditioning period.
- Gears for machine tools remained in good demand.
- Sales in other demands such as LCD and SPE increased.
- Sales decreased by 1.4 billion due to assignment of subsidiary.
- Decreased profit due to declined sales, new plant startup, increasing R&D, etc.





# Transport Equipment

(Comparison with the same period of the previous fiscal year)

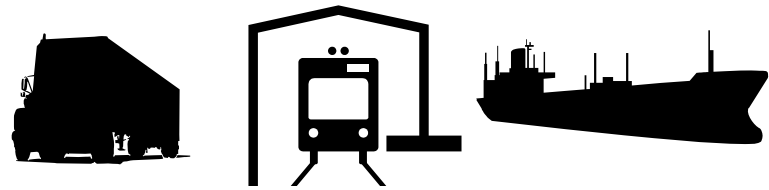
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

## Increase in both sales and profit

(JPY million)

	2005/9	2006/9	Variation	
				Ratio
<b>Sales</b>	<b>17,880</b>	<b>21,831</b>	<b>3,950</b>	<b>22.1%</b>
<b>Operating profit</b>	<b>1,440</b>	<b>2,655</b>	<b>1,215</b>	<b>84.4%</b>
<b>Operating profit ratio</b>	<b>8.1%</b>	<b>12.2%</b>		

- Railroad vehicle products – increased – Domestic replacement demand and full-scale delivery of China project.
- Commercial vehicle products – increased – New vehicle responding to emission control in good demand.
- Marine vessel products – increased – World demand of shipbuilding steadily growing
- Earnings growth, increase of repair & replace and technical assistance contributed to increase of profit.



# Aircraft & Oil Hydraulic Equipment

(Comparison with the same period of the previous fiscal year)



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 million)

	2005/9	2006/9	Variation	
				Ratio
Sales	18,961	24,500	5,539	29.2%
Operating profit	966	2,051	1,084	112.2%
Operating profit ratio	5.1%	8.4%		

- Aircraft equipment – increased – Demand in civil aviation recovered.
- Hydraulic equipment – increased – World demand continued to rise. Chinese market remarkably recovered.
- Drive units for wind turbine generators in good demand.
- Profit increase mainly led by construction machinery related business in China.



# Industrial Equipment

(Comparison with the same period of the previous fiscal year)

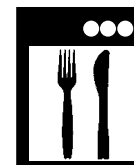
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

## Increase in both sales and profit

(JPY million)

	2005/9	2006/9	Variation	
				Ratio
Sales	16,821	17,088	266	1.6%
Operating profit	1,431	1,807	375	26.2%
Operating profit ratio	8.5%	10.6%		

- Automatic doors – increased – Prime utility doors expanded share in both Japan and overseas.
- Packaging machines – increased – CAPEX in food industry recovered.
- CVJ processing machines – decreased – Affected by conditioning period of CAPEX in automotive industry.
- Profitability improved by contribution of utility automatic door increment.



# Balance Sheet Summary

(Comparison with the same period of the previous 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)

	'05/9E	'06/9E	Variation	Comments
<b>Assets</b>	<b>139.2</b>	<b>150.2</b>	<b>10.9</b>	
(Cash and time deposits)	(17.1)	(15.1)	(-2.0)	
(Accounts receivable)	(43.1)	(46.9)	(3.8)	Increase of sales
Receivable turnover period	11.0	10.5	-0.5	(reference)
(Inventories)	(15.9)	(17.6)	(1.7)	Correspondent to sales increase
Inventory turnover period	3.8	3.9	0.1	(reference)
(Fixed assets)	(41.8)	(43.9)	(2.0)	Expansion of Tsu plant, etc.
<b>Liabilities</b>	<b>78.2</b>	<b>78.3</b>	<b>0.1</b>	
(Interest-bearing debt)	(24.6)	(18.1)	(-6.4)	Redemption of loans
<b>Net Assets</b>	<b>60.9</b>	<b>71.8</b>	<b>10.9</b>	
<b>Minority Interest</b>	<b>(3.5)</b>	<b>(3.9)</b>	<b>0.4</b>	

**Equity Ratio**                      **41.3%**    **45.2%**

# 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)

	2006/9
Income before taxes	8.1
Depreciation and amortization	2.2
Others	-8.9
<b>Cash flow from operating activities</b>	<b>1.4</b>
<b>Cash flow from investing activities</b>	<b>-3.2</b>
<b>Free Cash Flow</b>	<b>-1.7</b>
<b>Cash flow from financing activities</b>	<b>-1.9</b>
<b>Changes in cash and cash equivalents</b>	<b>-3.6</b>

## Cash flow breakdown for '06/9

### ■ Cash flow from operating activities

Income before taxes	8.1 billion
Depreciation and amortization	2.2 billion
Increase of accounts receivable	-3.2 billion
Corporate tax, etc.	-5.7 billion
<b>Total</b>	<b>1.4 billion</b>

### ■ Cash flow from investing activities

CAPEX	-3.1 billion
Acquisition of securities, etc.	-0.1 billion
<b>Total</b>	<b>-3.2 billion</b>

### ■ Cash flow from financing activities

Redemption of interest-bearing debt	-1.0 billion
Dividend payment and others	-0.9 billion
<b>Total</b>	<b>-1.9 billion</b>

# Improvement of Financial Constitution



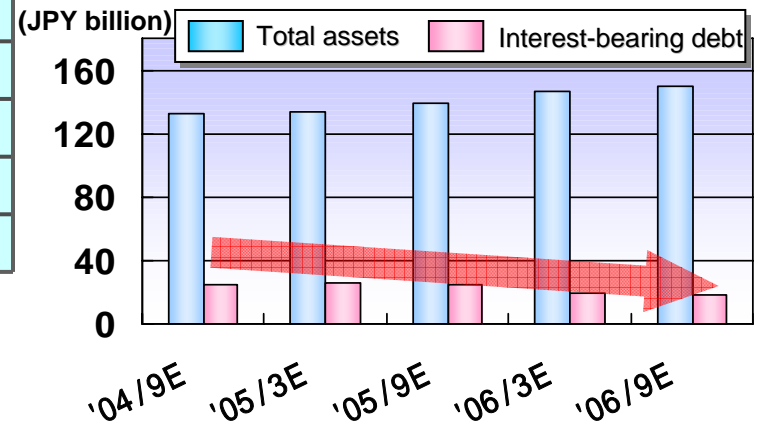
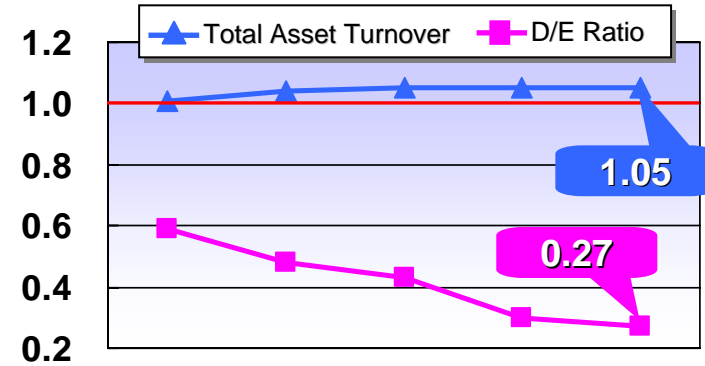
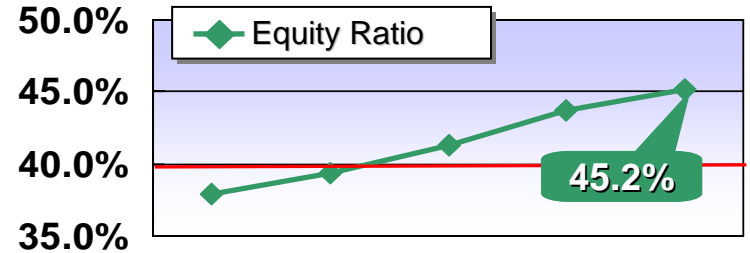
Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications

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



(\*JPY billion, \*\*times)

	'04	'05	'05	'06	'06
	9/E	3/E	9/E	3/E	9/E
Total assets*	132.8	133.6	139.2	146.8	150.2
Interest-bearing debt*	29.5	25.7	24.6	19.1	18.1
Equity Ratio (%)	37.9	39.3	41.3	43.7	45.2
D/E Ratio	0.59	0.48	0.43	0.30	0.27
Total Asset Turnover**	1.01	1.04	1.05	1.05	1.05



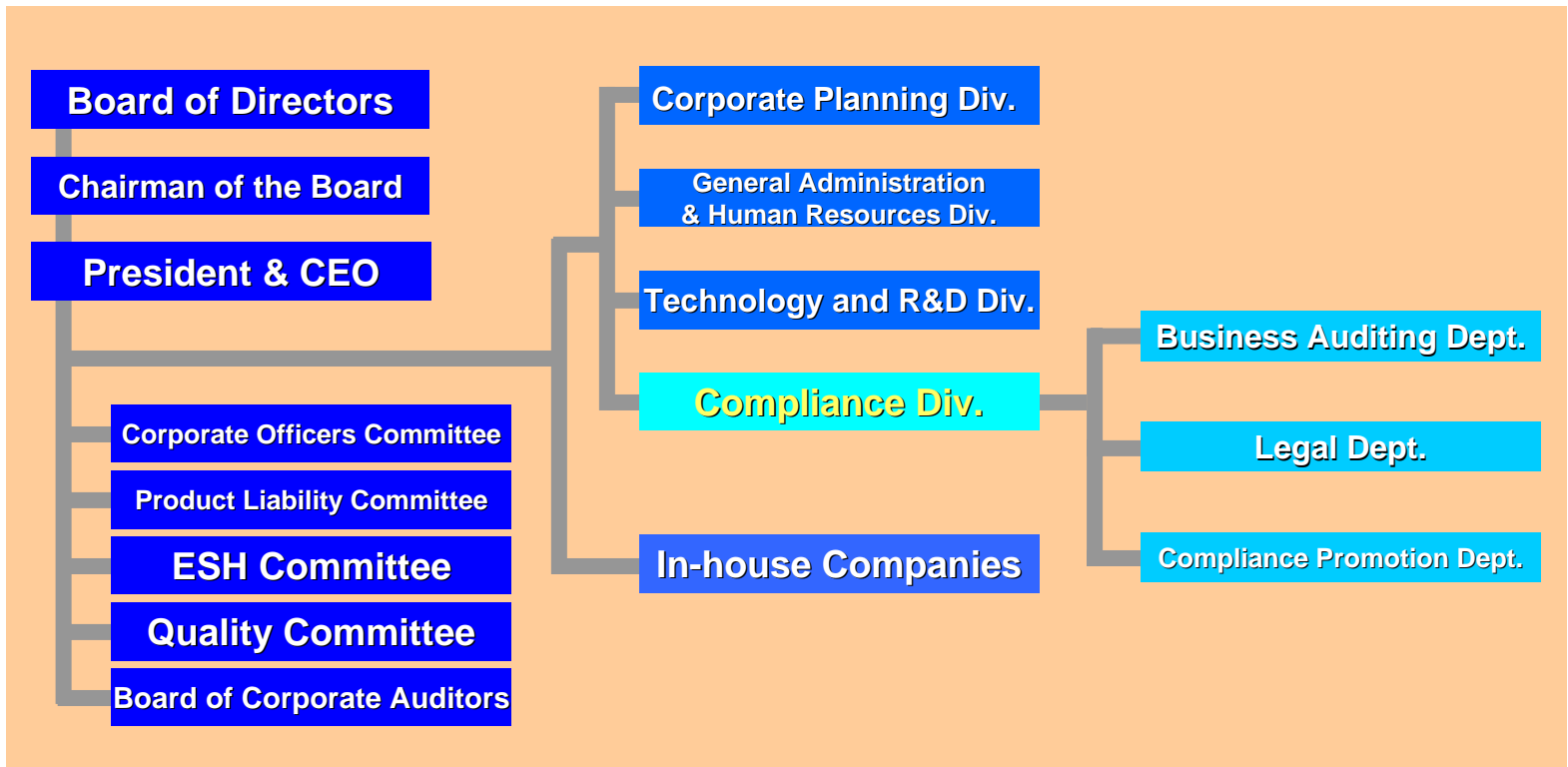
I. Semiannual Consolidated Results  
for FY2006

**II. Topics**

III. Forecast for FY2006

## Establishment of Compliance Division

- “CSR-conscious management” – One of the basic policies of the mid-term plan
- Stakeholder-conscious management
- Respect for and compliance with laws, regulations, culture, etc. Fostering high ethical standards.





## “Hybrid Knee,” an intelligent prosthetic knee joint, newly developed and launched

Anxiety for sudden bends when placing weight on the knee

Dynamic stability by hydraulic and mechanical control

Anxiety for delayed step in walking

Wide speed range pacing by pneumatic and computer control

Unification

Hybrid Knee  
Mastery



- Enables going down stairs or steep slopes with weight on the joint
- Complies with various life scenes
- No daily charge of battery required (two-year battery life)

## New type of the Automatic Platform Gate for railroad stations



(Test site at Konan plant)



Nabtesco's conventional type

- Upgraded design and clarity
- Features a monitoring function
- Improved installation on existing platform

### Awarded Projects

- Mainland China:  
Beijing metro, Tianjin metro, Chongqing monorail
- Korea: Seoul metro

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for FY2006

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# Profit & Loss Forecast



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)

	2006/3 Result	2007/3 Forecast	Variation	
				Ratio
Sales	147.4	159.0	11.5	7.8%
Operating profit	14.8	16.0	1.1	7.9%
Ordinary profit	14.4	16.5	2.0	13.9%
Net profit	8.2	9.3	1.0	13.3%

### ■ Sales:

■ Increase of railroad vehicle products, hydraulic equipment and aircraft equipment covers 2.6 billion sales decrease by assignment of subsidiary and decrease of precision reduction gears.

### ■ Operating profit:

Increase of sales	1.9 billion
Cost reduction & price effect	1.4 billion
Increase of SGA expenses	-0.9 billion
New plant startup, etc.	-0.6 billion
Material cost increase	-0.5 billion
Assignment of subsidiary	-0.2 billion
<b>Total</b>	<b>1.1 billion</b>





### ■ Ordinary profit:

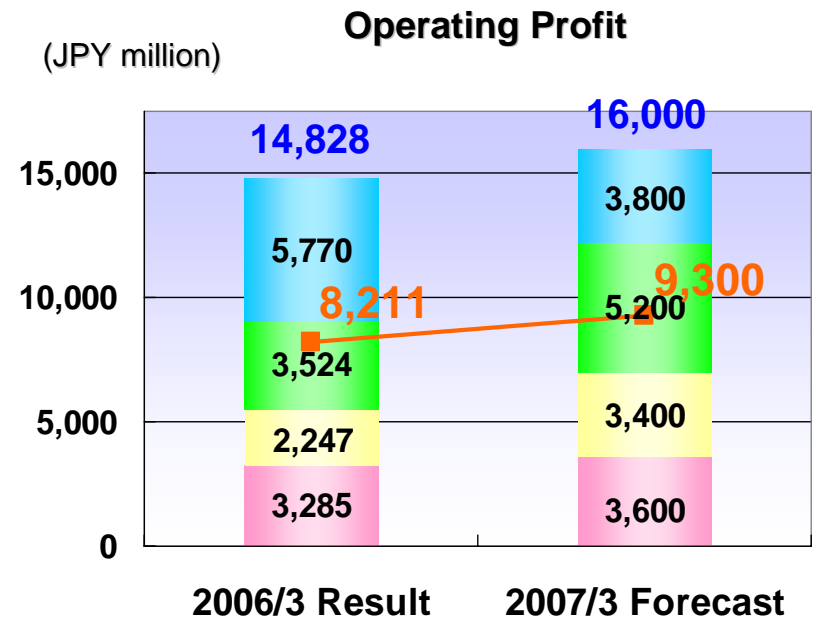
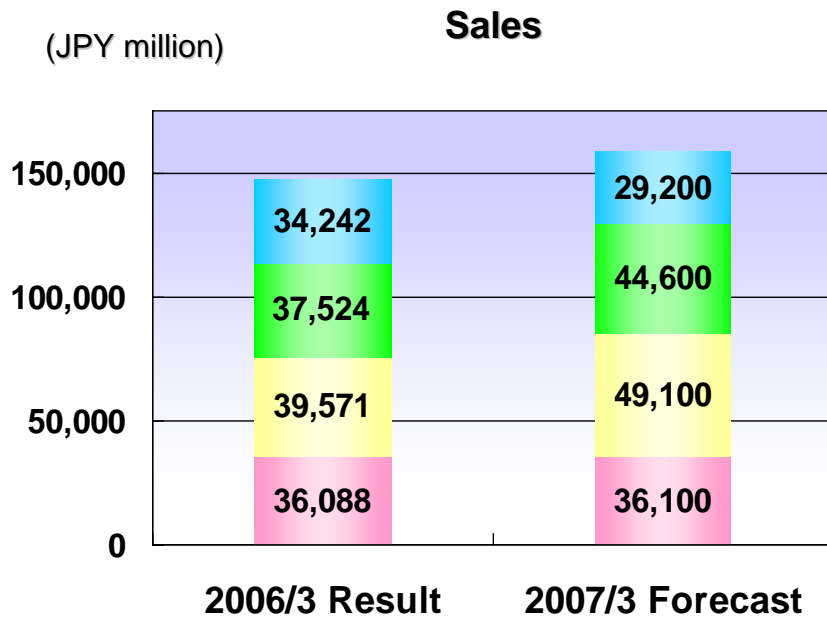
Increase of operating profit	1.1 billion
Investment profit by equity method	0.6 billion
Financial account balance	0.3 billion
<b>Total</b>	<b>2.0 billion</b>

# 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

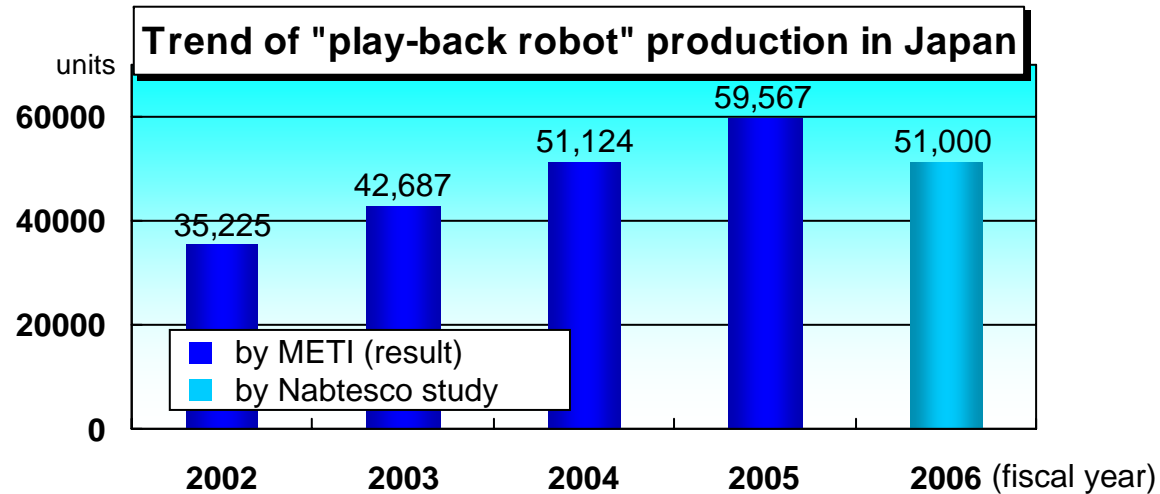
<Business Segment>		<Comparison with the previous fiscal year >	
	Precision Equipment	Decrease	Decrease in both sales and profit
	Transport Equipment	Increase	Increase in both sales and profit
	Aircraft & Oil Hydraulic Equipment	Increase	Increase in both sales and profit
	Industrial Equipment	Sales leveling off	increase in profit



 Net Profit

# Forecast: Precision Equipment **Nabtesco**

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



## “Decrease in both sales & profit”

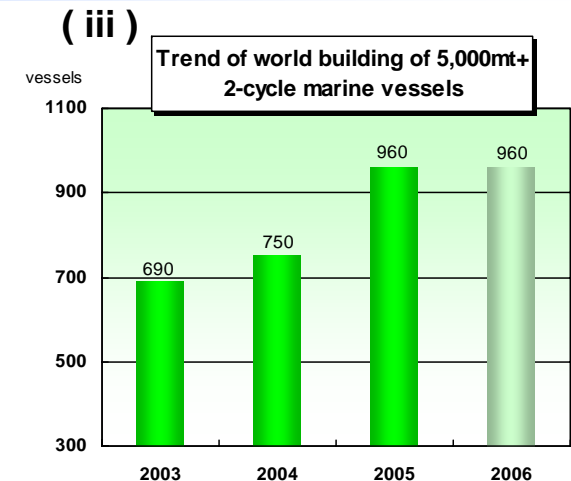
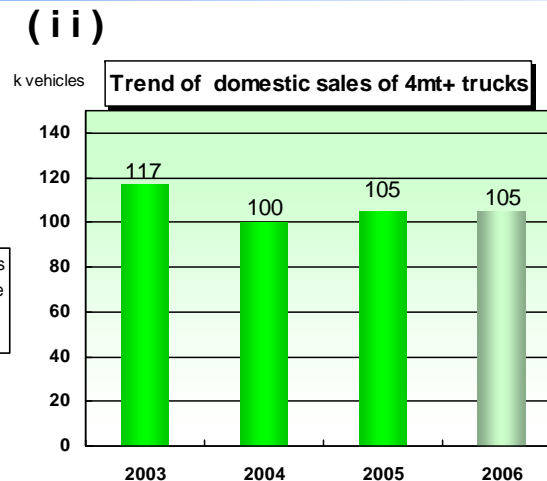
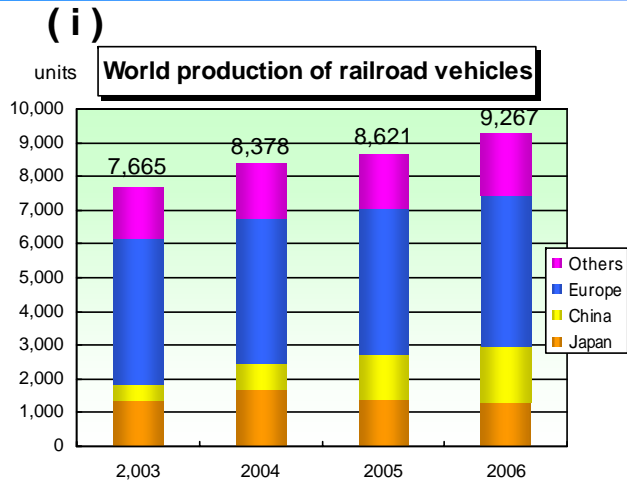
(JPY million)	2006/3 Result	2007/3 Forecast	Variation	Ratio
<b>Sales</b>	<b>34,242</b>	<b>29,200</b>	<b>-5,042</b>	<b>-14.7%</b>
<b>O.P.</b>	<b>5,770</b>	<b>3,800</b>	<b>-1,970</b>	<b>-34.1%</b>
<b>O.P. ratio</b>	<b>16.9%</b>	<b>13.0%</b>		

● Precision reduction gears for industrial robots to slightly recover in the 2<sup>nd</sup> half. Gears for machine tools remain in good demand. Increase in sales for SPE and sales for LCD industry remain unchanged.

● 2.3 billion sales decrease by assignment of subsidiaries.

# 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



By Nabtesco study; i&ii-fiscal year; iii-calendar year; i-estimated figures (other than Japan)

## “Increase in both sales & profit”

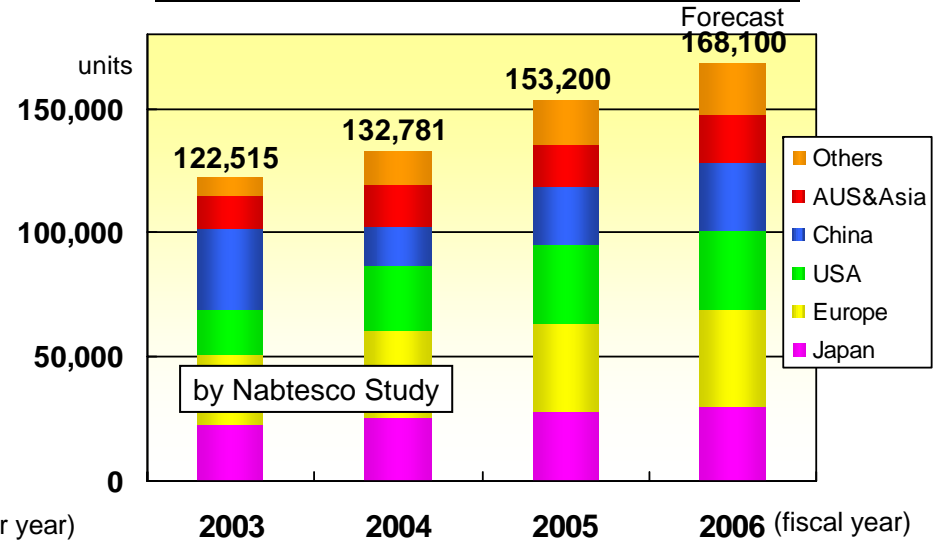
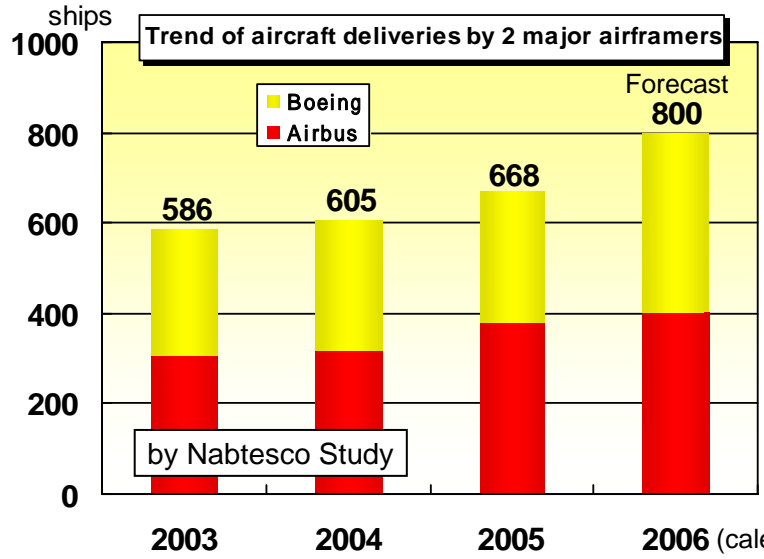
(JPY million)	2006/3 Result	2007/3 Forecast	Variation	Ratio
<b>Sales</b>	<b>37,524</b>	<b>44,600</b>	<b>7,076</b>	<b>18.9%</b>
<b>O.P.</b>	<b>3,524</b>	<b>5,200</b>	<b>1,676</b>	<b>47.6%</b>
<b>O.P. ratio</b>	<b>9.4%</b>	<b>11.7%</b>		

- **Railroad vehicle products:**  
Increase: Domestic replacement demand enhancing besides on-going big project in China.
- **Commercial vehicle products:**  
Decrease: New car demands calming down in the 2<sup>nd</sup> half.
- **Marine vessel products:**  
Keeping high demand and increase in sales.

# Forecast: Aircraft & Oil Hydraulic Equipment **Nabtesco**

Aiming to be the world's leading manufacturer of Motion Control Systems and related com

## Trend of world demand for excavator



## “Increase in both sales & profit”

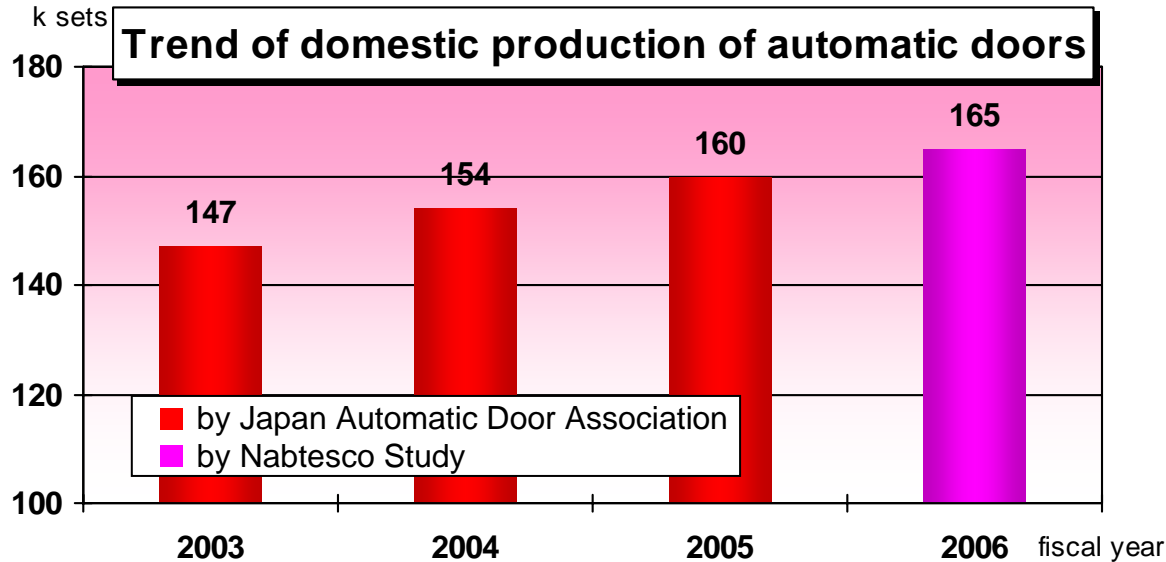
(JPY million)	2006/3 Result	2007/3 Forecast	Variation	Ratio
<b>Sales</b>	<b>39,571</b>	<b>49,100</b>	<b>9,529</b>	<b>24.1%</b>
<b>O.P.</b>	<b>2,247</b>	<b>3,400</b>	<b>1,153</b>	<b>51.3%</b>
<b>O.P. ratio</b>	<b>5.7%</b>	<b>6.9%</b>		

- Aircraft equipment  
Increase: Expanding demand in civil aviation, though R&D expenses are increasing.
- Hydraulic equipment  
Increase: Construction machinery market booming world-wide.  
Drive units for wind turbine generators also growing.



# 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



## “Sales leveling off, increase in profit”

(JPY million)	2006/3 Result	2007/3 Forecast	Variation	Ratio
<b>Sales</b>	<b>36,088</b>	<b>36,100</b>	<b>12</b>	<b>0%</b>
<b>O.P.</b>	<b>3,285</b>	<b>3,600</b>	<b>315</b>	<b>9.6%</b>
<b>O.P. ratio</b>	<b>9.1%</b>	<b>10.0%</b>		

- Automatic doors: Increase in domestic sales of prime utility doors, though platform doors for overseas are registering a decrease.

- Packaging machines: Increase due to recovering CAPEX of food industry.

- CVJ processing machines for the automotive industry: Decrease despite showing recovery trend in the 2<sup>nd</sup> half.

- 0.3 billion sales decrease by assignment of subsidiary.

# 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*

(JPY billion)	<b>2007/3 Forecast</b>	<b>2008/3 Last fiscal year of the mid-term plan</b>
Sales	159	155
Net Profit	9.3	9.5
ROE	13.7%	15%
ROA	6.3%	8%
Free Cash Flow	12 (2-year accumulation)	25 (3-year accumulation)
D/E Ratio	0.23	0.05

(Announced on May 2005)