

FY 2008 Second Quarter Results Briefing

November 2008

Nabtesco Corporation

The forecast data presented herein reflects assumed results based on conditions that are subject to change.

Nabtesco Corporation does not make representations as to, or warrant, in whole or in part, the attainment or realization of any of the forecasted results presented in this document.

- I. Second Quarter Consolidated Results for FY 2008
- II. Forecast for FY 2008
- III. Consolidated Results and Forecast by Segment
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Consolidated Profit & Loss Summary

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



(the period from Apr. to Sep.)

(JPY billion)	2007/9	2008/9 (the original forecast)	2008/9	Variation	Ratio
Sales	84.0	(87.4)	86.8	2.7	3.3%
Operating profit	9.6	(8.1)	8.2	-1.4	-15.0%
Non-operating profit and loss	0.6		0.7	0.1	—
Ordinary profit	10.2	(8.1)	8.9	-1.3	-12.9%
Extraordinary profit and loss	-0.5		-0.5	—	—
Profit before taxes	9.6		8.3	-1.3	-13.7%
Net profit	5.8	(4.8)	4.8	-1.0	-17.6%
Net profit per share (Yen)	46.37	(37.78)	38.19	-8.18	

Dividend per share (Yen)	8	9	9	1
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Variation Analysis

■ Sales

Increased due to growth of construction machinery demands in emerging countries and expansion of industrial robot demands in non-automotive industries, etc.

■ Operating Profit

Fluctuation of sales	1.1 billion
FOREX effect	-0.5 billion
Material cost increase	-0.7 billion
Price effect	0.1 billion
Quality issues	-0.8 billion
Losses on revaluation of inventory	-0.1 billion
Increase of SG&A expenses	-0.1 billion
Increase of depreciation and amortization, etc.	-0.4 billion
Total	-1.4 billion

Consolidated Profit & Loss Forecast



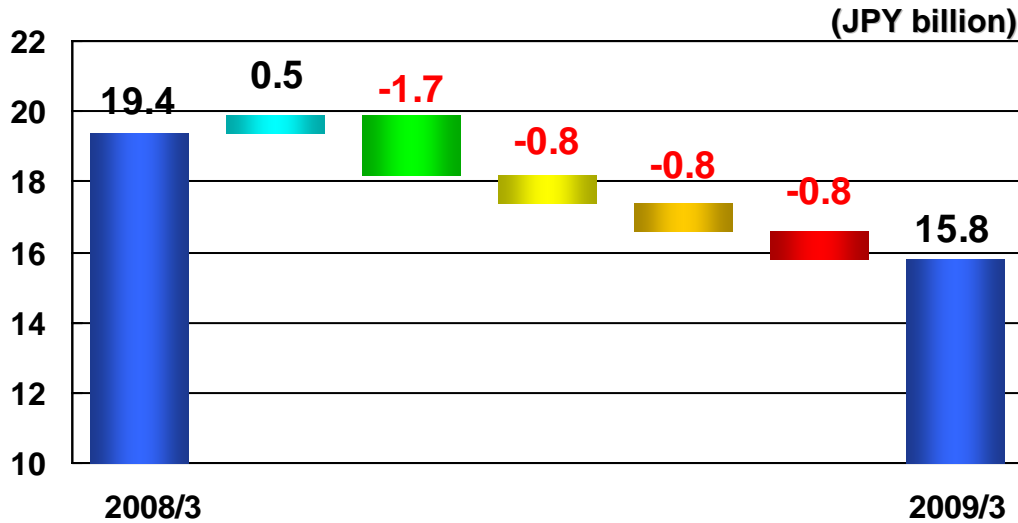
(JPY billion)	2008/3	2009/3 (the original forecast)	2009/3	Variation	Ratio
Sales	174.2	(178.0)	174.0	-0.2	-0.1%
Operating profit	19.4	(18.4)	15.8	-3.6	-18.7%
Ordinary profit	20.0	(18.4)	16.6	-3.4	-17.3%
Net profit	11.0	(11.3)	9.5	-1.5	-13.8%

Dividend per share (Yen)	16	(18)	18 (forecast)	2
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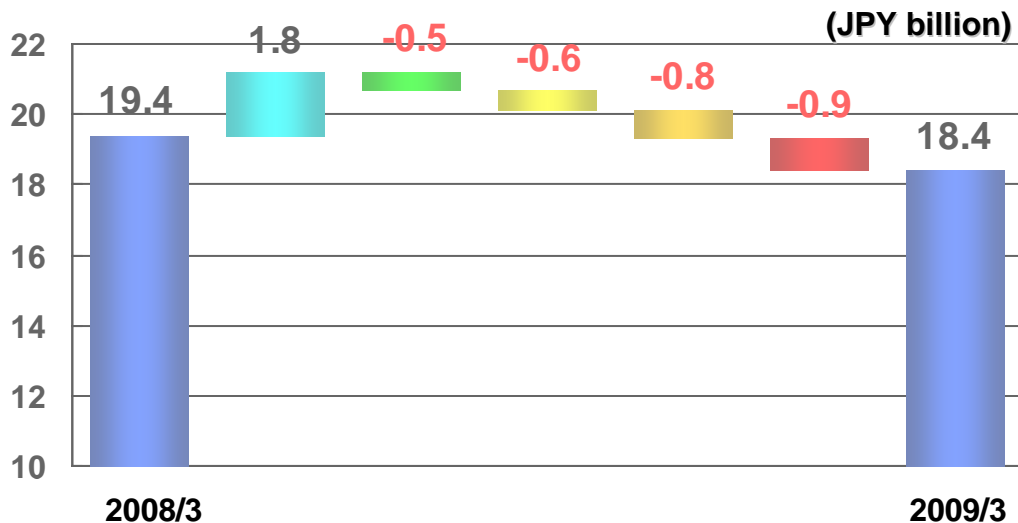
Analysis of Operating Profit Forecast



Analysis of Operating Profit Variation (revision)



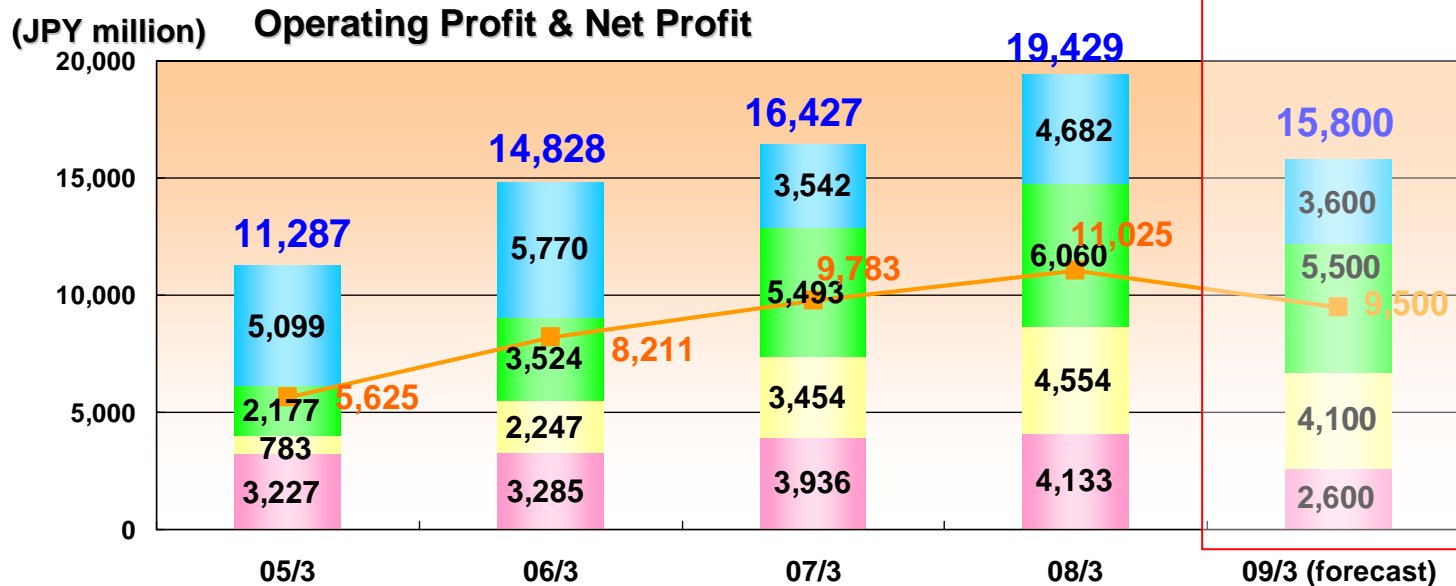
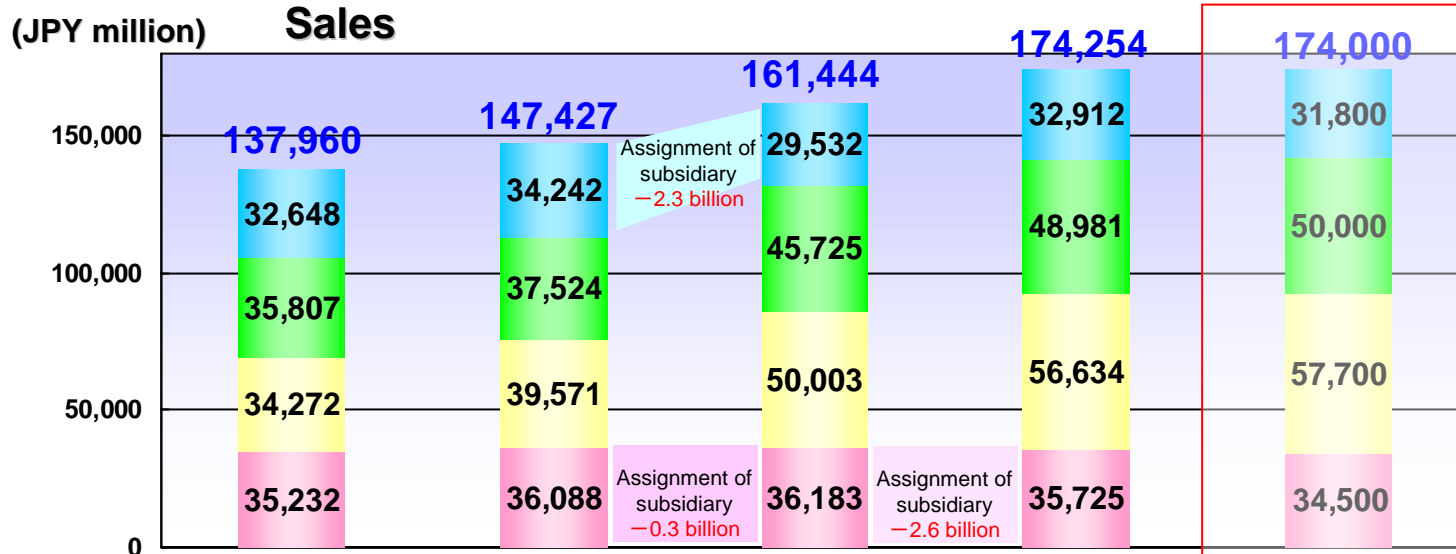
Analysis of Operating Profit Variation (original)



Variation from the Original Forecast

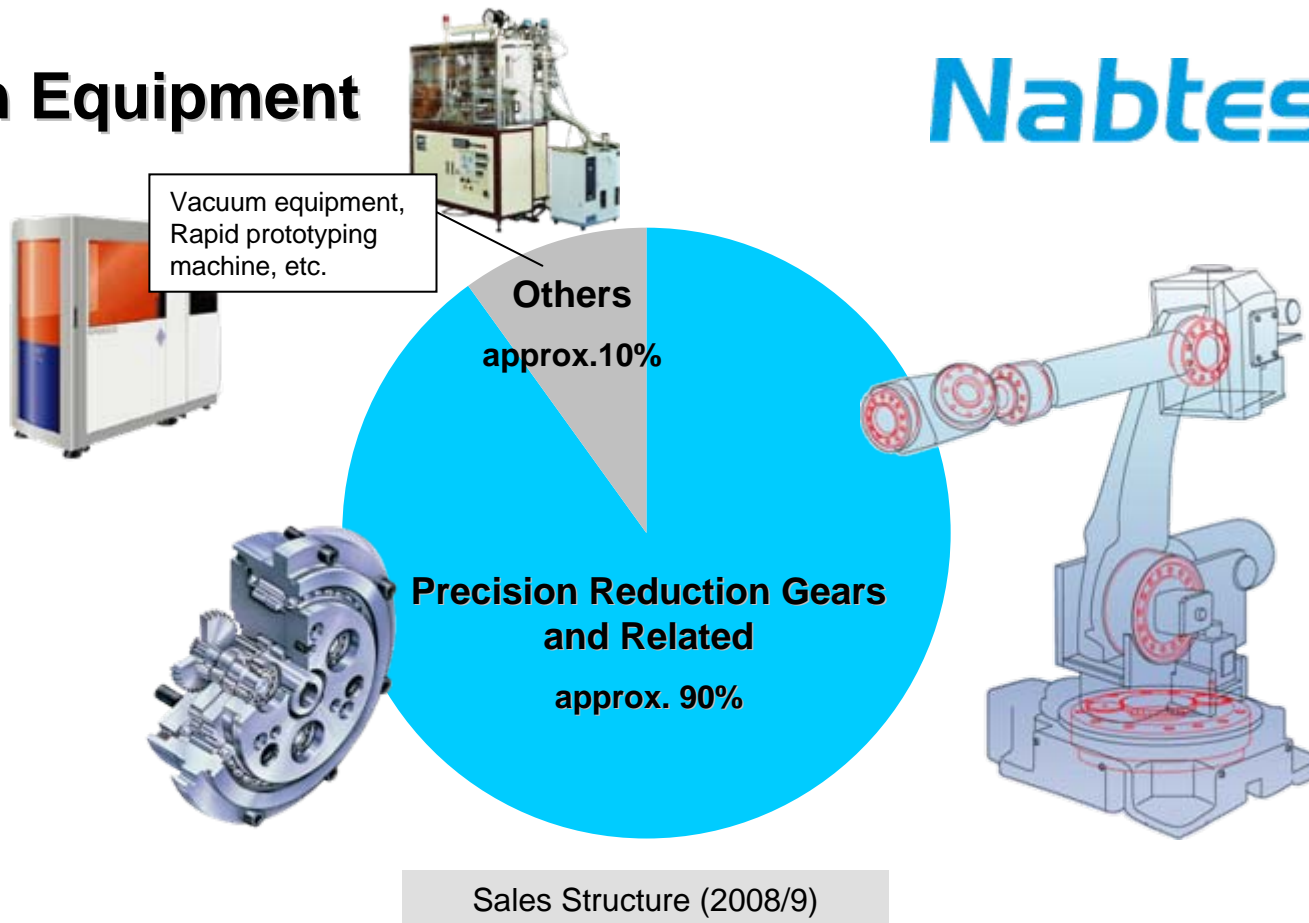
- **Sales influence**
Risk of the slowdown global economic
- **Cost reduction, Productivity improvement, Material cost increase & Price effect**
Increase of quality warranty expense
Non-attainment of cost reduction
- **FOREX influence**
Risk of appreciating yen
- **Increase of depreciation and amortization**
As planned
- **Increase of SG&A expenses**
Nearly as planned

Growth of Consolidated Annual Sales & Profit by Business Segment



Precision Equipment

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Main Products and Customers

Precision reduction gears

Robot: Fanuc, Yaskawa Electric, KUKA (Germany), ABB (Sweden)

Machine tools: Yamazaki Mazak, Okuma, Mori Seiki

SPE: Tokyo Electron

Precision Equipment



Q1-Q2 Accumulated Results

(JPY million)	2007/9	2008/9 (original forecast)	2008/9	Variation	Ratio
Sales	15,460	(16,600)	16,390	930	6.0%
Operating profit	2,429	(2,200)	2,081	-348	-14.3%
O. P. margin	15.7%	(13.3%)	12.7%		

Forecast for F Y2008

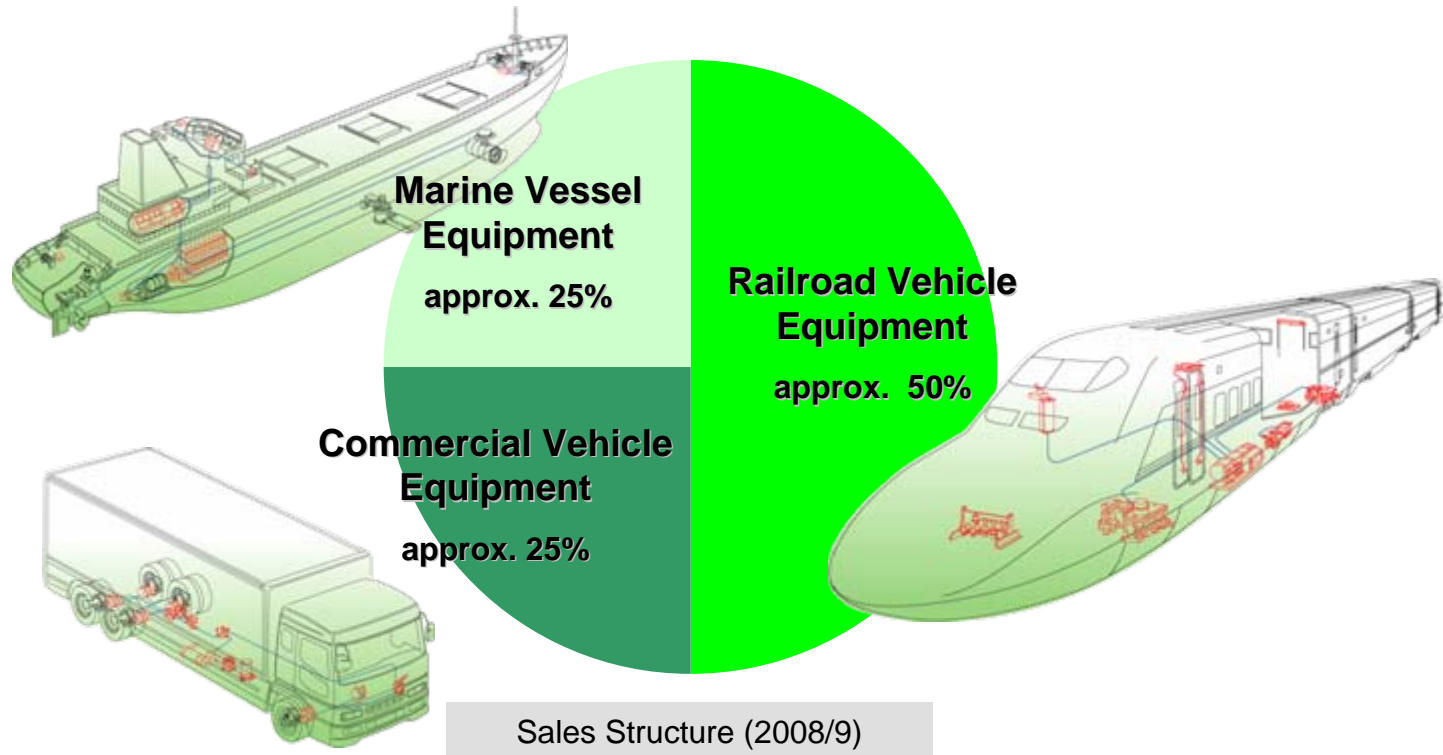
(JPY million)	2008/3	2009/3 (original forecast)	2009/3	Variation	Ratio
Sales	32,912	(34,000)	31,800	-1,112	-3.4%
Operating profit	4,682	(4,700)	3,600	-1,082	-23.1%
O. P. margin	14.2%	(13.8%)	11.3%		

Notes: Precision reduction gears

- Industrial Robots: Although non-automotive industry covered the decline of automotive industry, the second half circumstance is more opaque.
- Machine Tools: Sales increased up to Q2 due to high order backlogs of machine tool manufacturers. However, their current orders are reported to be decreasing, and this will reflect on our results from the second half in the way of decreased sales.
- SPE : Significant downturn, but lightly affected because of the low absolute sales.
- Decrease in sales and profit forecast due to decreased sales, increased material cost and SG&A expenses, and quality issues.

Remarks: Quality Issues

- Amount: 0.45 billion increased in Q1-2 YoY. Beyond the original forecast, 0.1 billion increase for the whole financial year.
- Reason: Defects in precision reduction gears for robots that are used under particular circumstances.
- Action: All-out confirmation of specifications
Reviewing quality assurance and reliability assessment system



Main Products and Customers

Railroad vehicle equipment (brake system, door operating units)

JR companies, Private railway companies, KHI, Nippon Sharyo, Bullet-train project in China, etc.

Commercial vehicle equipment (air brake peripherals)

Hino, Isuzu, Mitsubishi Fuso Truck & Bus, Nissan Diesel Motor

Marine vessel equipment (remote control system for marine diesel engines)

KHI, Mitsui Engineering & Shipbuilding, Hitachi Zosen Diesel & Engineering, MAN Diesel (Denmark)

Transport Equipment

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Q1-Q2 Accumulated Results

(JPY million)	2007/9	2008/9 (original forecast)	2008/9	Variation	Ratio
Sales	23,957	(23,800)	24,326	369	1.5%
Operating profit	2,770	(2,500)	2,350	-420	-15.2%
O. P. margin	11.6%	(10.5%)	9.7%		

Forecast for FY 2008

(JPY million)	2008/3	2009/3 (original forecast)	2009/3	Variation	Ratio
Sales	48,981	(48,500)	50,000	1,019	2.1%
Operating profit	6,060	(5,900)	5,500	-560	-9.2%
O. P. margin	12.4%	(12.2%)	11.0%		

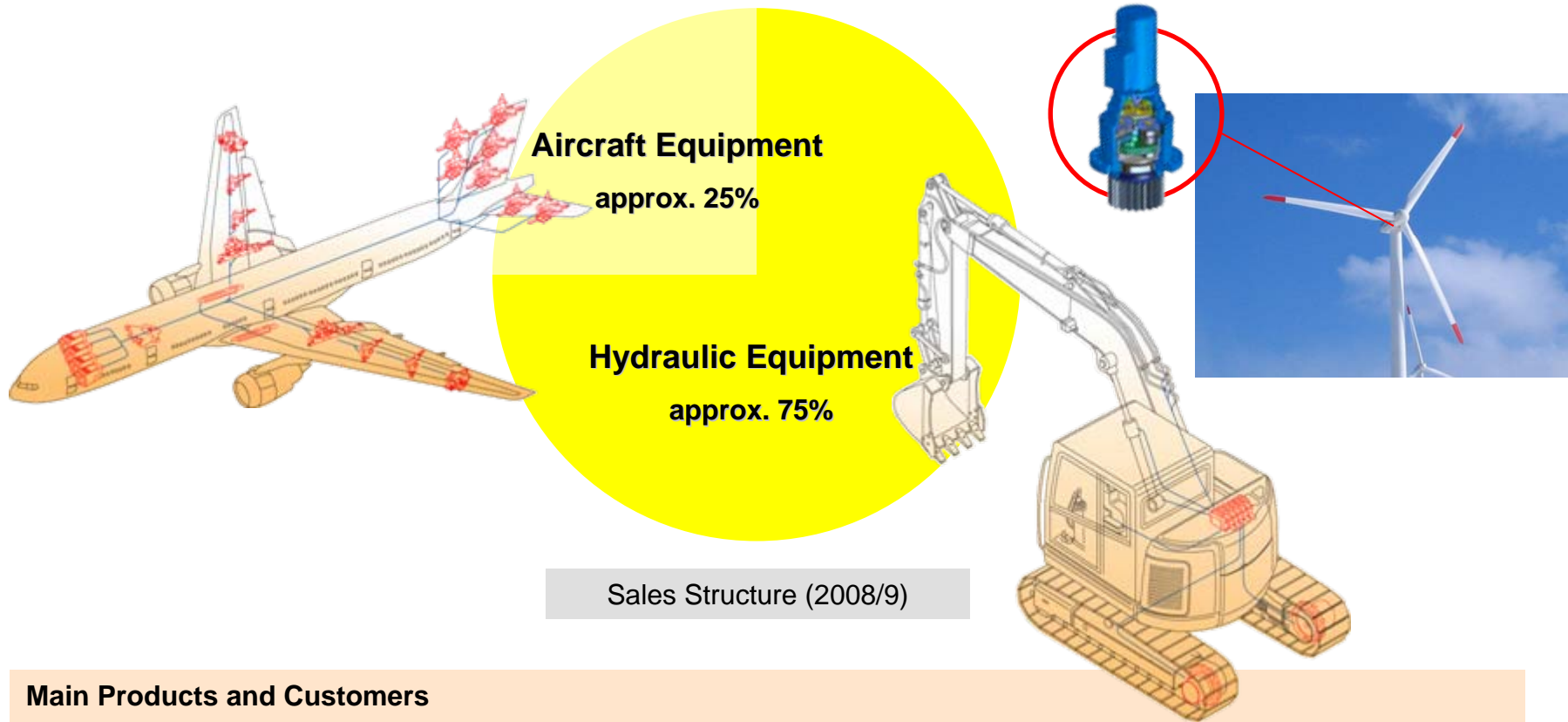
Notes:

- **Railroad Vehicle** : Decrease in sales due to off-season for deliveries. Decrease in profit because of the quality issues and losses on revaluation of inventory.
- **Commercial Vehicle** : Increase of commercial vehicle manufacturers' exports covered the decline of domestic demand. Despite the flat sales result, decrease in profits due to the time-lag of material cost pass-through.
- **Marine Vehicle** : Increased sales and profit due to high global demand for shipbuilding.
- Decrease in profits due to the increase of SG&A expenses, depreciation and amortization, quality issues of Railroad Vehicle and material cost increase of Commercial Vehicle, etc.

Remarks:

Quality Issues of Railroad Vehicle

- Price : 0.5 billion increased in Q1-2 YoY. 0.2 billion increase from our original FY2008 forecast.
- Reason : Multiple defects, mostly in compressors, but no human suffering
- Action : Replacing all the potential failure parts with newly designed ones, while the itemized method has only been taken after the fact previously.



Main Products and Customers

Hydraulic products

Traveling motors: Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery Manufacturing, TADANO LTD., Doosan (Korea), Liu Gong (China)

Drive units for wind turbine generators: MHI, others

Aircraft products

Flight control actuation systems: Boeing, KHI, IHI, MHI, Ministry of Defense, Singapore Airlines

Aircraft & Hydraulic Equipment



Q1-Q2 Accumulated Results

(JPY million)	2007/9	2008/9 (original forecast)	2008/9	Variation	Ratio
Sales	27,912	(29,300)	30,258	2,346	8.4%
Operating profit	2,512	(2,000)	2,797	285	11.4%
O. P. margin	9.0%	(6.8%)	9.2%		

Forecast for FY2008

(JPY million)	2008/3	2009/3 (original forecast)	2009/3	Variation	Ratio
Sales	56,634	(59,000)	57,700	1,066	1.9%
Operating profit	4,554	(4,100)	4,100	-454	-10.0%
O. P. margin	8.0%	(6.9%)	7.1%		

Notes:

● **Hydraulic Equipment**: Hydraulic equipment for construction machinery increased due to high demand, but it is slowing down from the second half.

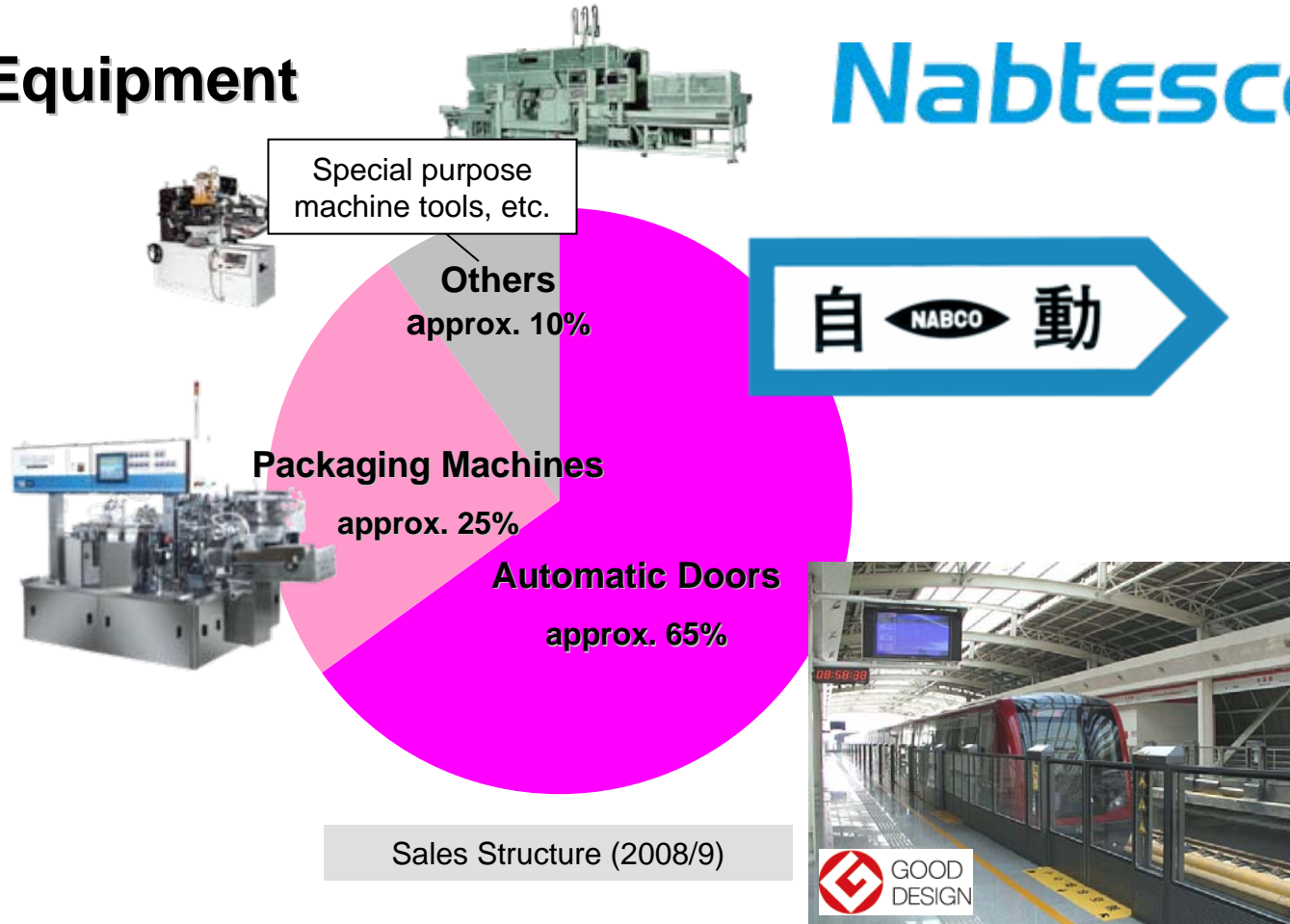
Drive units for wind turbine generators are well above the original forecast.

● **Aircraft Equipment**: Decrease in sales due to weak defense demand. Lightly affected by the strike at Boeing and the B787 development delay.

● Decrease in profit forecasted for FY2008 due to material cost increase, FOREX effect and increase of depreciation and amortization.

Industrial Equipment

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Main Products and Customers

Automatic Doors

Automatic doors for buildings: Major general contractors, Tostem, etc.

Platform doors: MTR (Hong Kong), CTCI (Taiwan), Yurikamome, Yokohama Transit Authority

Packaging Machines

Otsuka Foods, Marudai Foods, Ezaki Glico, Latinpack (France), Dole (USA), Nissan Soap (detergent refill)

Q1-Q2 Accumulated Results

(JPY million)	2007/9	2008/9 (the original forecast)	2008/9	Variation	Ratio
Sales	16,726	(17,700)	15,839	-887	-5.3%
Operating profit	1,936	(1,400)	972	-964	-49.8%
O. P. margin	11.6%	(7.9%)	6.1%		

Forecast for FY2008

(JPY million)	2008/3	2009/3 (original forecast)	2009/3	Variation	Ratio
Sales	35,725	(36,500)	34,500	-1,225	-3.4%
Operating profit	4,133	(3,700)	2,600	-1,533	-37.1%
O. P. margin	11.6%	(10.1%)	7.5%		

Notes:

- **Automatic Doors** : Decrease in profit due to downturn of construction demand.
- **Packaging Machines** : Sales increase due to domestic food industry's facility replacement time. Profit decrease due to increased SG&A expenses to develop foreign market.
- **Special Purpose Machine Tools** : Decrease in sales and profit due to failing CAPEX in automotive industry.
- Decrease in profit due to sales decrease of automatic doors, product mix, delayed cost reduction and Increase of SG&A expenses, etc.

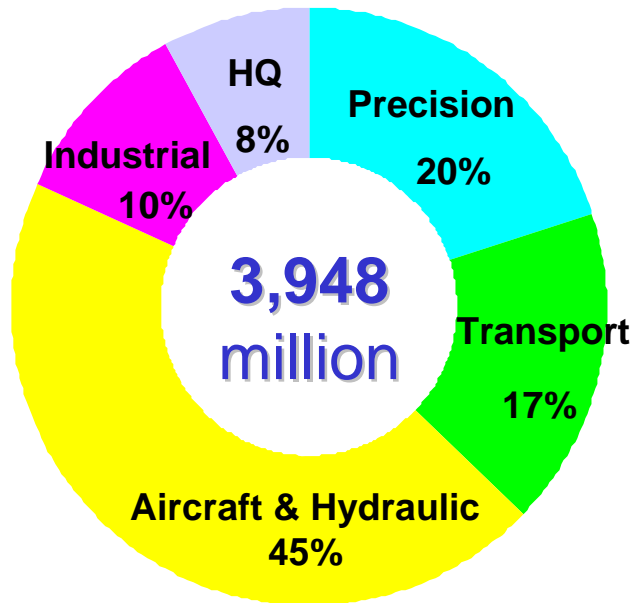
CAPEX, R&D and Depreciation



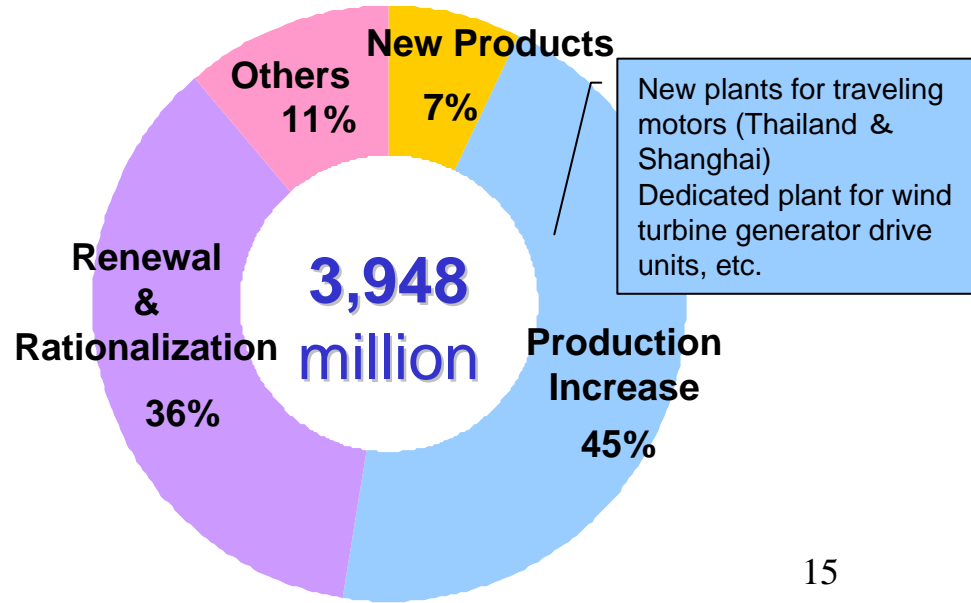
(JPY million)	2007/9	2008/9	2009/3 Forecast
CAPEX	2,125	3,948	12,600
R&D expenses	1,990	2,081	4,200
Depreciation	2,422	2,647	6,300

Planned amount at 08/9. Continuing automation investment for added value, but investment to increase production is to be reviewed according to actual demand.

CAPEX by Segment



CAPEX by Usage



New plants for traveling motors (Thailand & Shanghai)
Dedicated plant for wind turbine generator drive units, etc.

Topics

Establishing a new plant for hydraulic products in Thailand



Company Name Nabtesco Power Control (Thailand) Co., Ltd.
Location Amatanakorn Industrial Estate, Chonburi Prefecture, Thailand
Establishment February, 2008
Capital THB700 million
Capital contribution Nabtesco Corporation 70%
 Komatsu Asia & Pacific Pte Ltd 30%
Production start January, 2009
Products Traveling Motors and Swing Motors for excavators
CAPEX 3.5 billion yen (3-year accumulation)

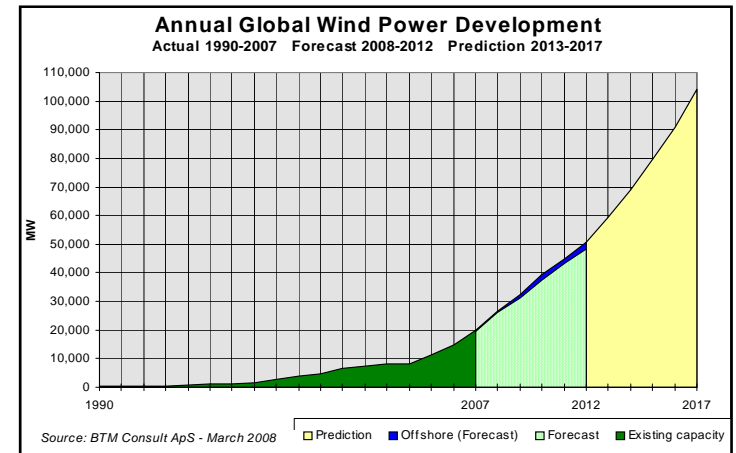


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Establishing a dedicated plant for wind turbine generator drive units



Location Tarui-cho, Gifu Prefecture, Japan (on Nabtesco Tarui Factory site)
Production start June, 2009
Products Drive Units for Wind Turbine Generators
CAPEX JPY2 billion for initial investment (JPY3.6 billion for completion)



Balance Sheet Summary



(JPY billion)	2008/3	2008/9	Variation
Assets	163.3	167.8	4.4
(Cash and time deposits)	30.1	33.9	3.8
(Accounts receivable)	46.6	46.5	-0.1
Receivable turnover period	98	98	0
(Inventory)	18.4	18.4	0
Inventory turnover period	50	50	0
(Fixed assets)	43.3	44.2	0.9
Liabilities	80.8	81.9	1.1
(Interest-bearing debt)	23.1	22.7	-0.3
Net Assets	82.4	85.8	3.3
(Minority interests)	5.0	5.6	0.6
Equity Ratio :	47.4%	47.8%	

Target Financial Figures



(JPY billion)	2009/3 Forecast	2009/3 The first FY of the mid-term plan
Sales	174.0	178.0
Net profit	9.5	11.3
ROA	5.7%	6.7%
ROE	11.8%	13.9%
Free cash flow	6.3	9.9

Global Challenge 2010

Nabtesco
moving it. stopping it.