

FY2014/3 Second Quarter Results Briefing

November 2013

Nabtesco Corporation

Securities code: 6268

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.

Agenda



- I. Consolidated Results for the First Half of FY2014/3
- II. Forecast for FY2014/3 Consolidated Results
- III. Transition of Annual Consolidated Results and Forecasts by Business Segment
- IV. Consolidated Results by Geographic Segment
- V. Balance Sheet Summary
- VI. CAPEX, R&D and Depreciation
- VII. Consolidated Cash Flow
- VIII. Long-term Vision
- IX. Topics

Consolidated Results for the First Half of FY2014/3 (Comparison with the same period of the previous fiscal year)



Both sales and OP increased in H1 YoY.

Profits exceeded the initial forecast though the sales target was not achieved.

(From April to September)

(JPY million)	2013/3 H1 result	2014/3 H1 (previous forecast)	2014/3 H1 result	Variation	Ratio
Sales	90,666	94,700	93,458	2,791	3.1%
Operating profit	7,595	7,400	7,938	343	4.5%
Non-operating profit and loss	874	-	1,734	859	98.2%
Ordinary profit	8,470	8,600	9,673	1,203	14.2%
Extraordinary profit and loss	973	-	-896	-1,870	-192%
Profit before taxes	9,444	-	8,776	-667	-7%
Net profit	6,513	4,600	5,037	-1,475	-22.7%
Net profit per share (yen)	51.33	36.25	39.52	-11.81	

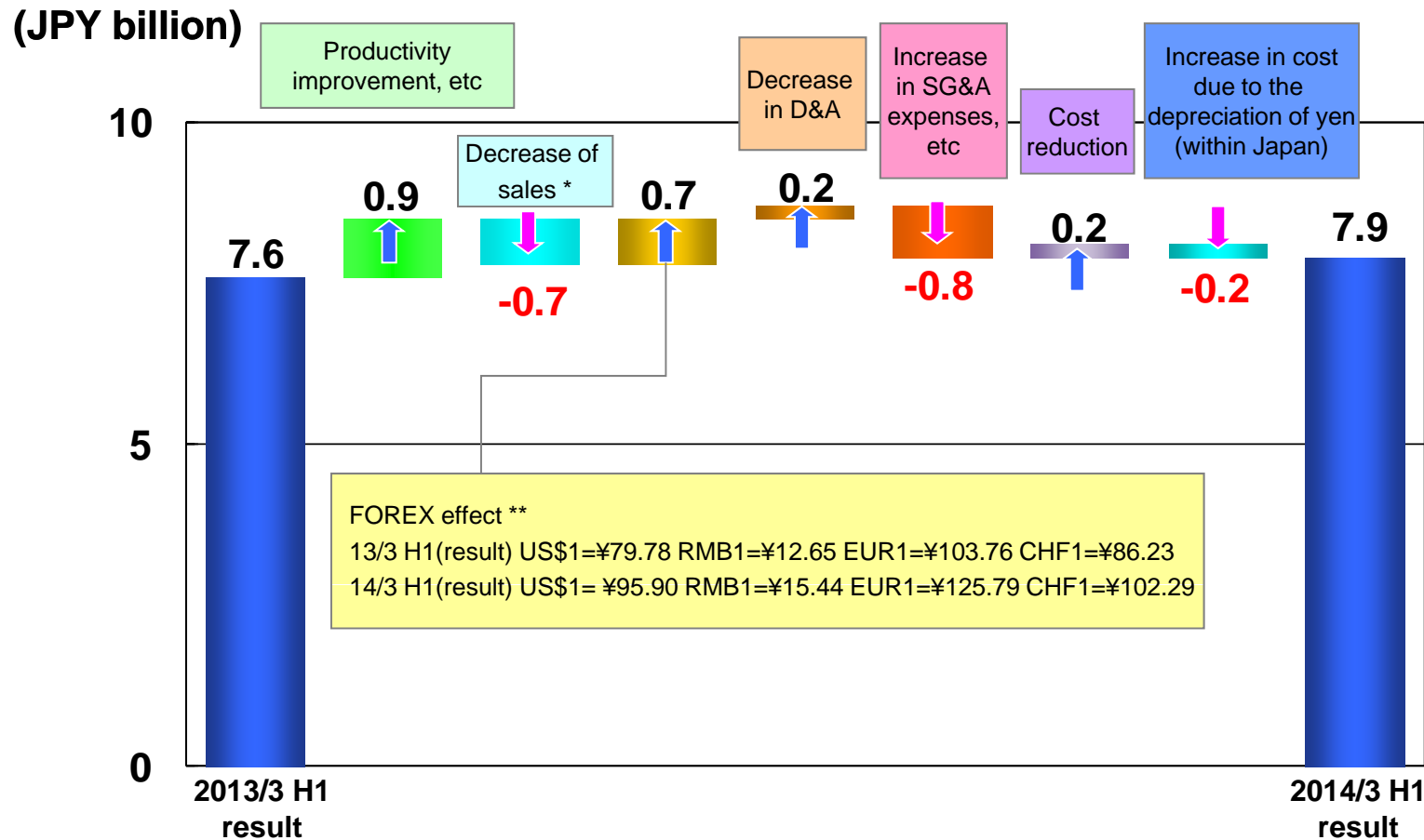
Remark: Extraordinary profit and loss
(Main contents)

- Disappearance of negative goodwill
-1.0 billion yen
- A loss on revisions to the retirement benefit plan
-0.8 billion yen

Dividend per share (yen)	18	18	18	0
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*Three-month time lag should be considered for all overseas subsidiaries of Nabtesco.
(Their accounting period is from January to December.)

Consolidated Profit & Loss for 2014/3 H1 (Analysis of Changes in Operating Profit)



*Fluctuations in operating profit owing to the increase or decrease of sales are based on the calculation without FOREX effect.

**FOREX sensitivity in O. P. (US\$):JPY 44 million, (RMB): JPY 38 million, (EUR): minimal, (CHF): minimal

(This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen.)

Forecast for FY2014/3 Consolidated Results

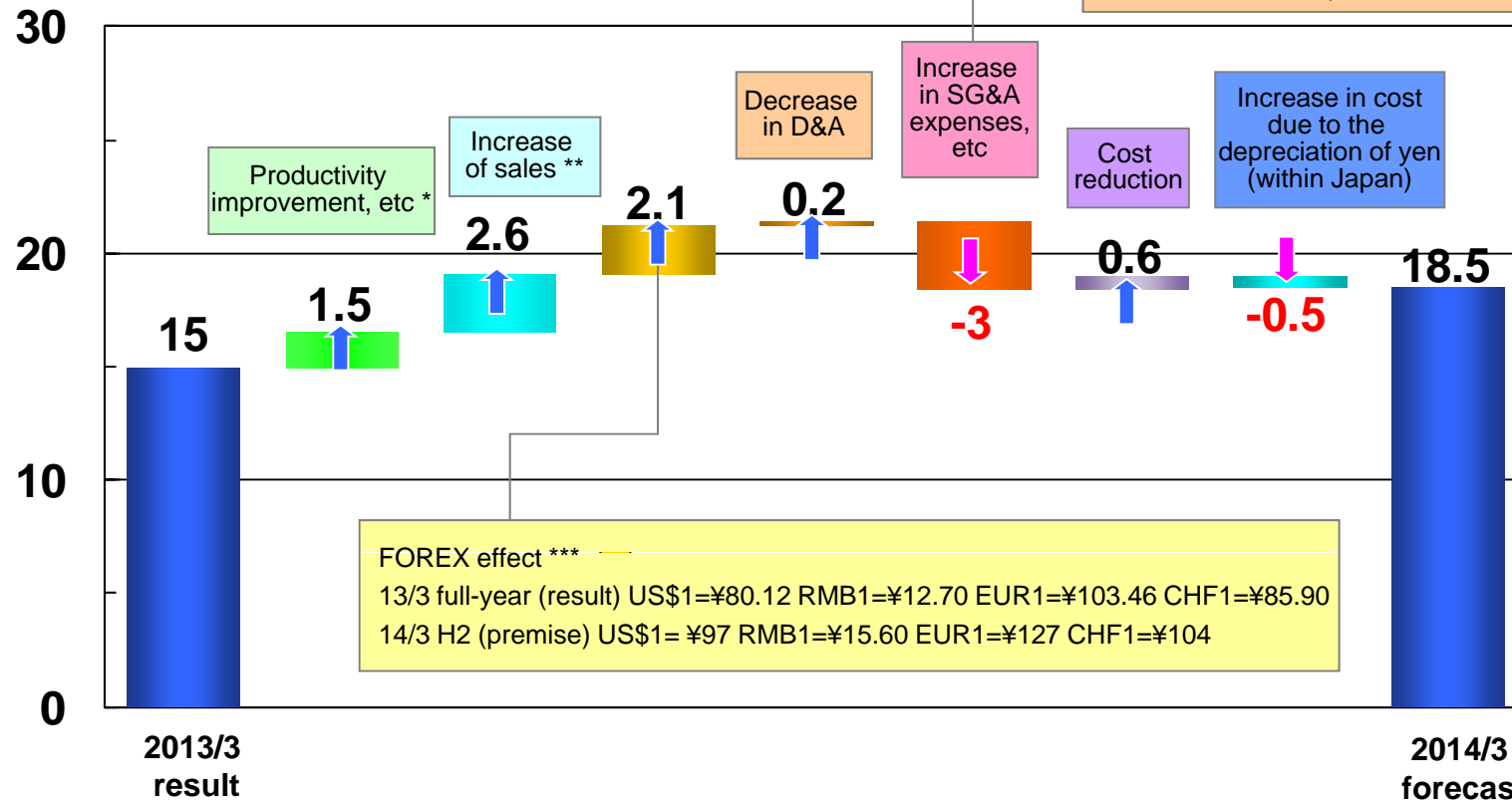


- The whole year forecast has been revised down in consideration of the latest business environment.
- There is no revision to the initial forecast for dividend.

(JPY million)	2013/3			2014/3			
	H1 result	H2 result	Full-year result	Full-year (previous forecast)	H1 result	H2 forecast	Full-year forecast
Sales (year-on-year)	90,666 (-7.2%)	88,876 (-11.9%)	179,543 (-9.6%)	201,000 (+12.0%)	93,458 (+3.1%)	105,442 (+18.6%)	198,900 (+10.8%)
Operating profit (year-on-year)	7,595 (-37.9%)	7,418 (-30.2%)	15,013 (-34.3%)	22,000 (+46.5%)	7,938 (+4.5%)	10,562 (+42.4%)	18,500 (+23.2%)
Operating profit margin	8.4%	8.3%	8.4%	10.9%	8.5%	10.0%	9.3%
Ordinary profit (year-on-year)	8,470 (-35.8%)	9,419 (-17.8%)	17,890 (-27.4%)	25,100 (+40.3%)	9,673 (+14.2%)	12,427 (+31.9%)	22,100 (+23.5%)
Net profit (year-on-year)	6,513 (-22.0%)	6,756 (+5.5%)	13,269 (-10.1%)	15,900 (+19.8%)	5,037 (-22.7%)	8,863 (+31.3%)	13,900 (+4.7%)
ROA			6.5%	FOREX effect 14/3 1H (premise) US\$1=¥90 RMB1=¥14.30 EUR1=¥118 CHF1=¥98			6.4%
ROE			12.5%				12.3%
Dividend per share(yen)	18	16	34	38(forecast)	18	20(forecast)	38(forecast)
Dividend payout ratio			32.5%	30.3%			34.9% (forecast)

Profit & Loss Forecast for FY2014/3 (Analysis of Changes in Operating Profit)

(JPY billion)

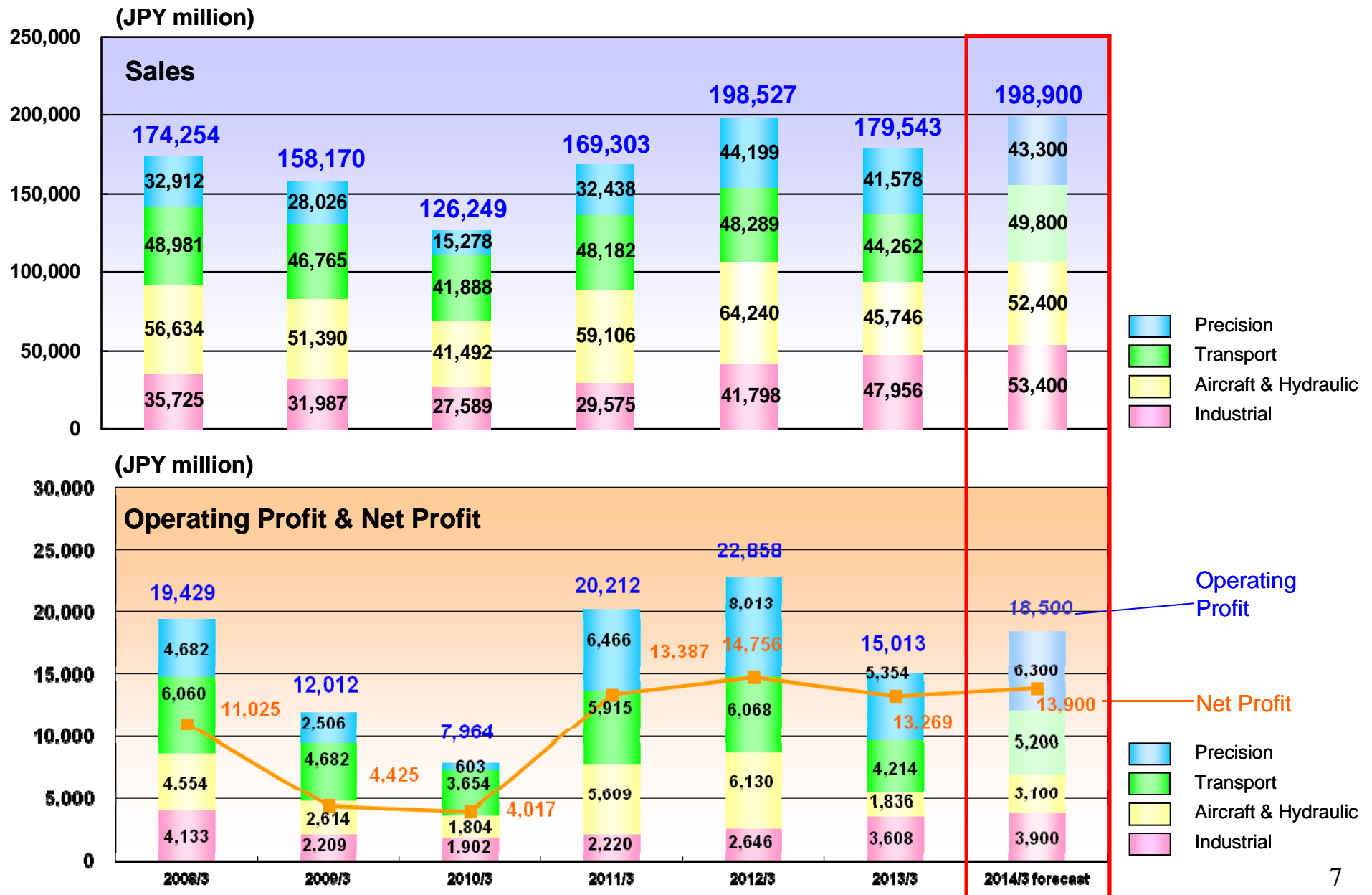


Remark:
 ● Increase in R&D expenses
 ● Increase in SG&A expenses for further growth (headquarter's training cost and increase in overseas subsidiaries' SG&A)

FOREX effect ***
 13/3 full-year (result) US\$1=¥80.12 RMB1=¥12.70 EUR1=¥103.46 CHF1=¥85.90
 14/3 H2 (premise) US\$1= ¥97 RMB1=¥15.60 EUR1=¥127 CHF1=¥104

* Including decrease in quality-related cost +0.3 billion yen.
 ** Fluctuations in operating profit owing to the increase or decrease of sales are based on the calculation without FOREX effect.
 *** FOREX sensitivity in O. P. (US\$):JPY 111 million, (RMB): JPY 36 million, (EUR): minimal, (CHF): minimal
 (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen.)

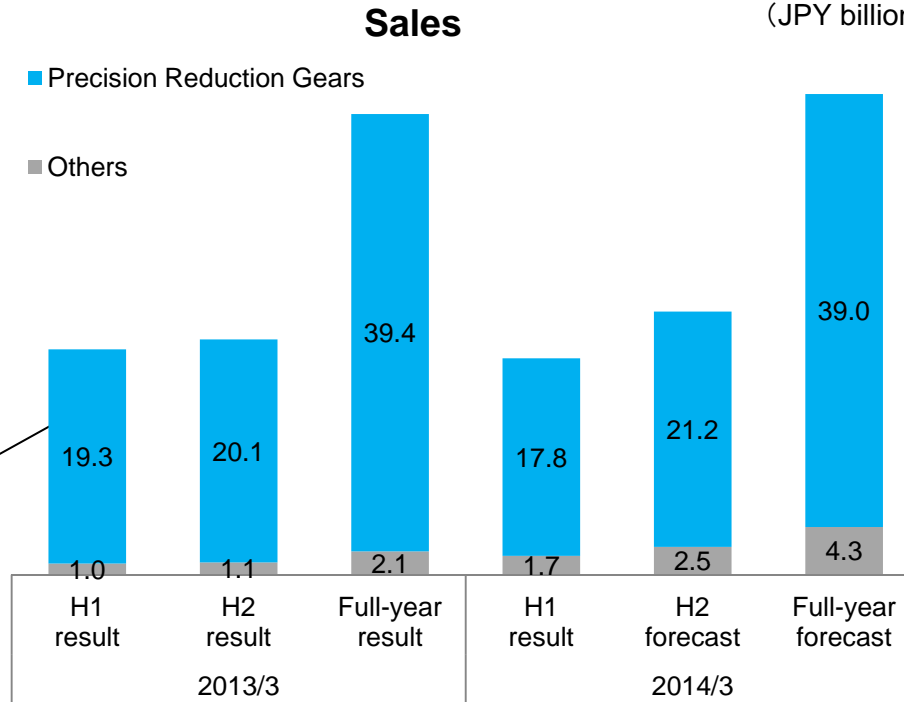
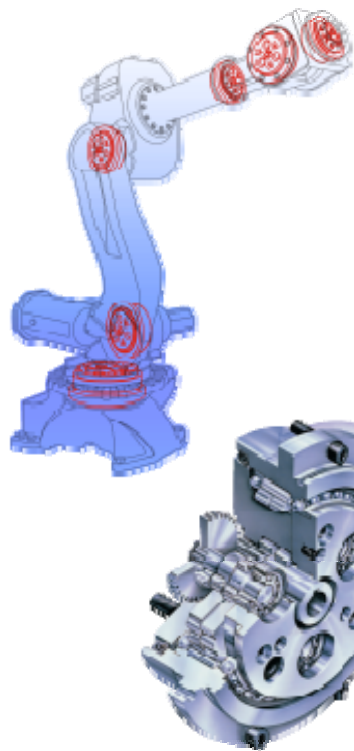
Transition of Consolidated Annual Results and Forecasts by Business Segment



Precision Equipment



(JPY billion)



Rapid prototyping machines



Vacuum equipment



Precision reduction gears

※Due to the establishment of the New Energy Business Development Division in April 2013, the sales of drive units for wind turbine generators were transferred from the Aircraft & Hydraulic Segment to the Precision Equipment Segment from 2014/3.

Main Products and Customers

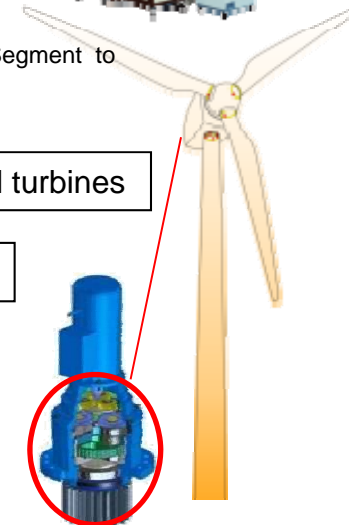
• Precision reduction gears

Industrial Robots: Fanuc, Yaskawa Electric, KUKA Roboter (Germany), ABB Robotics (Sweden)
 Machine Tools: Yamazaki Mazak, Okuma, DMG Mori Seiki

• New energy business

Solar Thermal Power Tower Plant: Cobra Thermosolar Plant (Spain)
 Drive Units for Wind Turbines: Mitsubishi Heavy Industries, etc.

Drive units for wind turbines



Solar tracking equipment



Precision Equipment



Results and forecast

(JPY million)	2013/3			2014/3			
	H1 result	H2 result	Full-year result	Full-year (previous forecast)	H1 result	H2 forecast	Full-year forecast
Sales (year-on-year)	20,314 (-4.6%)	21,263 (-7.2%)	41,578 (-5.9%)	44,600 (+7.3%)	19,513 (-3.9%)	23,787 (+11.9%)	43,300 (+4.1%)
Operating profit (year-on-year)	2,146 (-45.6%)	3,208 (-21.1%)	5,354 (-33.2%)	7,100 (+32.6%)	2,665 (+24.1%)	3,635 (+13.3%)	6,300 (+17.7%)
Operating profit margin	10.6%	15.1%	12.9%	15.9%	13.7%	15.3%	14.6%

Notes:

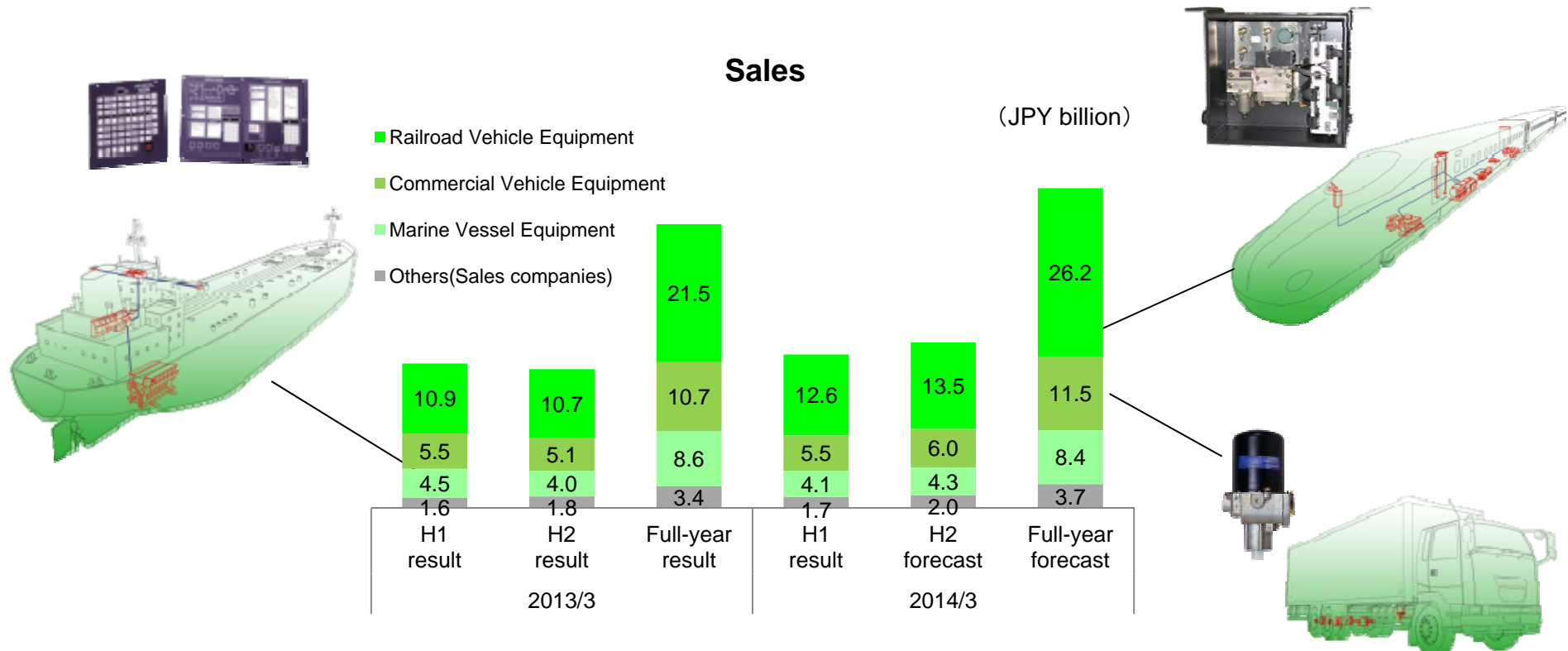
- Precision reduction gears: Sales decreased year on year in H1 due to a drop in demand from industrial robots manufacturers. The industrial robot demand is expected to recover in H2 while its growth is weaker than the initial expectation.

Expected sales of solar tracking equipment to be postponed to the next fiscal year due to delay of the targeted project.

- O.P. of the segment: Profit in H1 increased owing to a reduction in fixed costs and an improvement in productivity, leading to the achievement of the initial target.

The whole year profit is expected to be below the initial forecast because of the weaker demand for industrial robots as well as increases in overseas purchase cost due to the depreciation of yen.

Transport Equipment



Main Products and Customers

- **Railroad vehicle equipment (brake systems, door operating units)**

JR companies, Private railway companies, KHI, Bullet train and subway projects in China, etc.

- **Commercial vehicle equipment (air brake peripheral equipment)**

Hino, Mitsubishi Fuso Truck & Bus, Isuzu, UD Trucks

- **Marine vessels equipment (remote control systems for marine diesel engines)**

KHI, Mitsui Engineering & Shipbuilding, Hitachi Zosen, MHI, Diesel United, Hyundai Heavy Industries (Korea), MAN Diesel (Denmark)

Transport Equipment



Results and forecast

(JPY million)	2013/3			2014/3			
	H1 result	H2 result	Full-year result	Full-year (previous forecast)	H1 result	H2 forecast	Full-year forecast
Sales (year-on-year)	22,565 (-3.9%)	21,697 (-12.5%)	44,262 (-8.3%)	48,700 (+10.0%)	23,960 (+6.2%)	25,840 (+19.1%)	49,800 (+12.5%)
Operating profit (year-on-year)	2,452 (-21.8%)	1,762 (-39.9%)	4,214 (-30.6%)	5,300 (+25.8%)	2,581 (+5.3%)	2,619 (+48.6%)	5,200 (+23.4%)
Operating profit margin	10.9%	8.1%	9.5%	10.9%	10.8%	10.1%	10.4%

Notes:

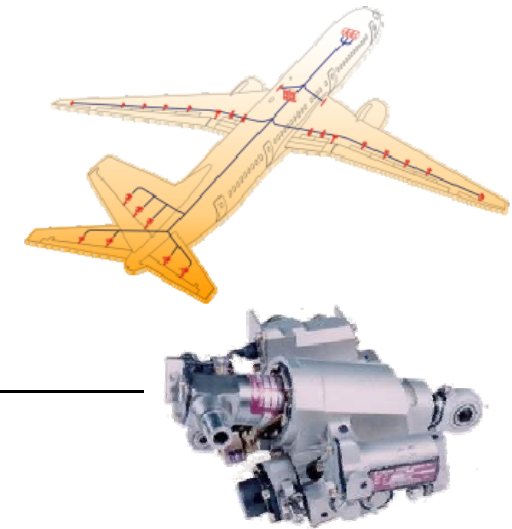
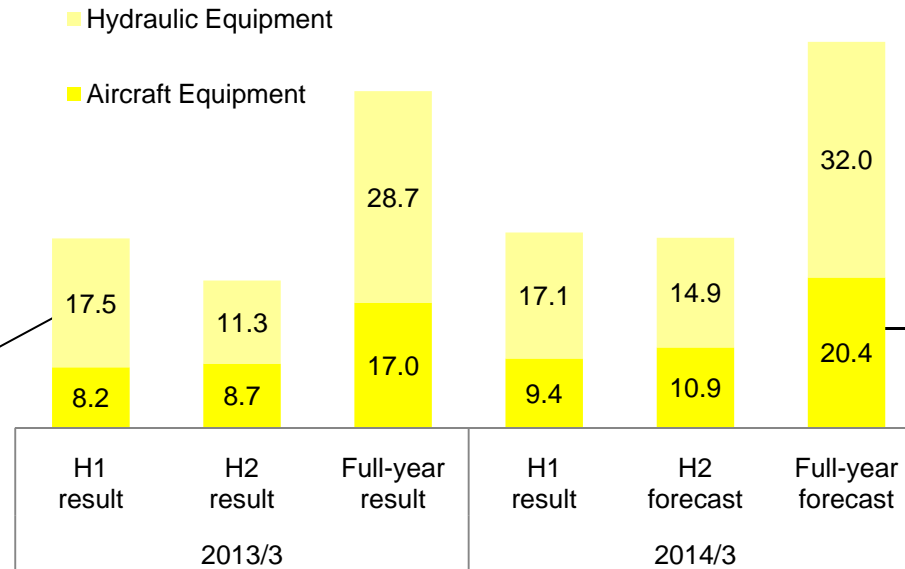
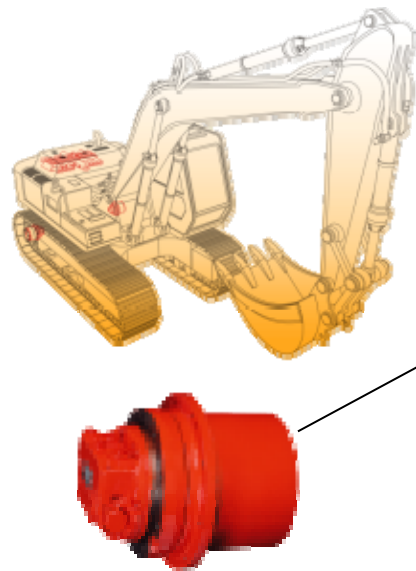
- Railroad vehicle equipment: Sales increased year on year in H1 as a result of an increase in the Japanese domestic market. Compared with the last fiscal year and the initial forecast, an increase in sales is expected for FY2014/3 due to sales growth in both Japan and China.
- Commercial vehicle equipment: Sales decreased year on year in H1 due to the decrease in demand in the Japanese after-service market while demand for commercial vehicles in emerging countries was robust. Whole year sales are expected to be below the FY 2013/3 level and the initial forecast.
- Marine vessels equipment: Due to stagnancy in the market, sales decreased in H1 and are expected to decrease for the whole year. However, business environment is turning into a positive direction owing to weaker yen. The whole year sales are expected to be beyond the initial forecast and the market demand is expected to hit the bottom within FY2014/3.
- O.P. of the segment: Profit increased year on year in H1 due to an increase in sales of railroad vehicle equipment, which has covered the declining profit from the sales of commercial vehicle equipment and marine vessels equipment. FY2014/3 profit is expected to be increased YoY since the decrease of profit from the sales of both commercial vehicle and marine vessels will be covered by the increase of profit from the sales of railroad vehicle, though the profit will be below the initial forecast.

Aircraft & Hydraulic Equipment



Sales

(JPY billion)



※Due to the establishment of the New Energy Business Development Division in April 2013, the sales of drive units for wind turbine generators were transferred from the Aircraft & Hydraulic Equipment Segment to the Precision Equipment Segment from 2014/3.

Main Products and Customers

Hydraulic equipment

Traveling motors:

Japan: Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery Manufacturing

China: Xugong Excavator, Sany, Liu Gong, Zoomlion

Aircraft equipment

Flight control actuation systems:

Boeing, KHI, IHI, MHI, Japanese Ministry of Defense, Airlines

Aircraft & Hydraulic Equipment



Results and forecast

(JPY million)	2013/3			2014/3			
	H1 result	H2 result	Full-year result	Full-year (previous forecast)	H1 result	H2 forecast	Full-year forecast
Sales (year-on-year)	25,713 (-26.2%)	20,033 (-31.9%)	45,746 (-28.8%)	53,200 (+16.3%)	26,538 (+3.2%)	25,862 (+29.1%)	52,400 (+14.6%)
Operating profit (year-on-year)	1,689 (-56.7%)	146 (-93.4%)	1,836 (-70.1%)	4,600 (+150.5%)	1,840 (+9.0%)	1,260 (+763.0%)	3,100 (+68.8%)
Operating profit margin	6.6%	0.7%	4.0%	8.6%	6.9%	4.9%	5.9%

Notes:

● Hydraulic equipment: Sales increased year on year in H1 due to the recovery of demand for construction machinery in Japan and China.

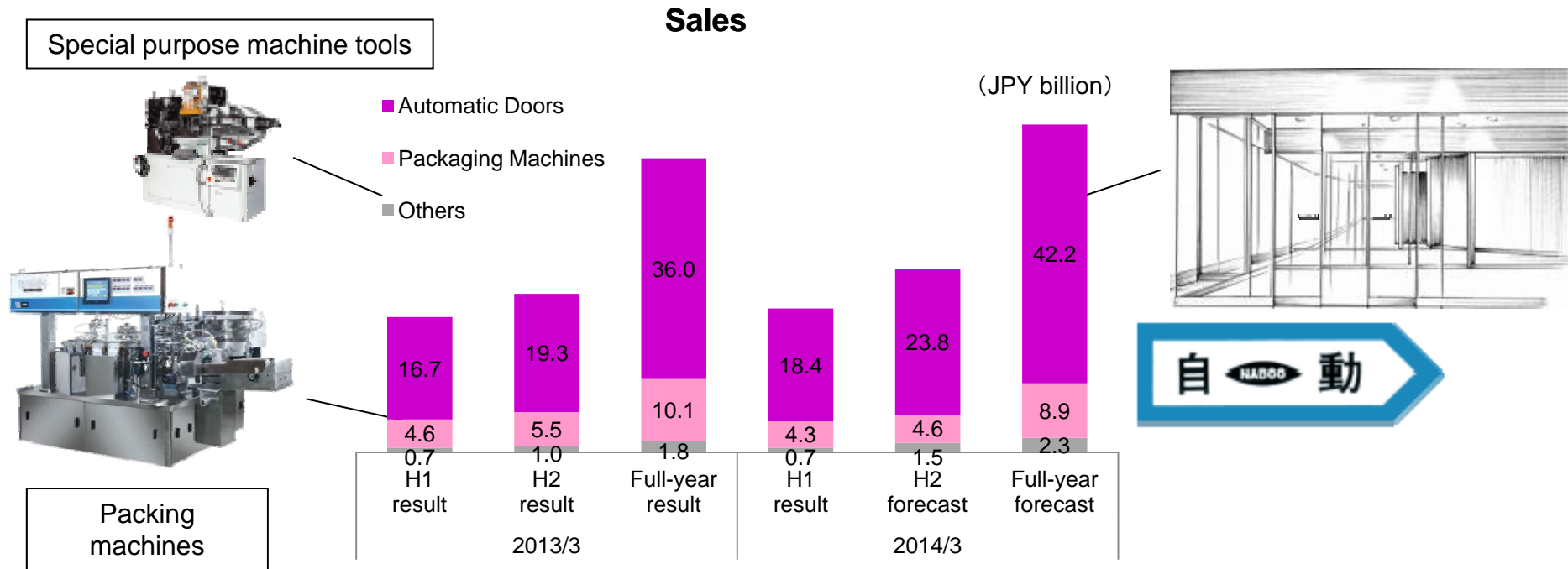
Decrease in sales to be expected for the whole fiscal year relative to FY2013/3 and the initial forecast. Domestic demand will remain robust in H2, while it will take longer than expected to adjust the excavator inventory in China, and sales will decrease to the level below the initial forecast.

● Aircraft equipment: Sales increased year on year due to the sales expansion in the private sector and FOREX effect. For the whole fiscal year, increase in sales are expected relative to FY2013/3 and the initial forecast.

● O.P. of the segment: H1 profit increased due to increased sales from hydraulic equipment and FOREX effect year on year. Profit in FY2014/3 expected to be increased as well. Relative to the initial forecast, profit in FY2014/3 is expected to decrease due to the demand for construction machinery in China shifting its focus from large-sized machines to small ones and the decrease in MRO businesses* in aircraft equipment.

MRO: Maintenance, Repair, Overhaul

Industrial Equipment



Main Products and Customers

• Automatic doors

Automatic doors for buildings: Major general contractors, sash manufactures, hospitals, banks, public institutions, etc.

Platform doors: Subway projects in France, China etc

• Packaging machines (Toyo Jidoki Co., Ltd.)

Ajinomoto, Marudai Food, ARIAKE JAPAN, KENKO Mayonnaise, P&G, Kao, Lion, Mars (France), food companies in China, American Beverage Corporation (USA)

Industrial Equipment



Results and forecast

(JPY million)	2013/3			2014/3			
	H1 result	H2 result	Full-year result	Full-year (previous forecast)	H1 result	H2 forecast	Full-year forecast
Sales (year-on-year)	22,073 (+22.3%)	25,883 (+9.0%)	47,956 (+14.7%)	54,500 (+13.6%)	23,445 (+6.2%)	29,955 (+15.7%)	53,400 (+11.4%)
Operating profit (year-on-year)	1,306 (+4.7%)	2,301 (+64.6%)	3,608 (+36.3%)	5,000 (+38.6%)	851 (-34.8%)	3,049 (+32.5%)	3,900 (+8.1%)
Operating profit margin	5.9%	8.9%	7.5%	9.2%	3.6%	10.2%	7.3%

Notes:

● Automatic doors: Sales in H1 increased due to FOREX effect though Japan's domestic business remained flat. Sales for FY2014/3 are expected to increase but to be below the initial forecast due to weaker growth in Japan.

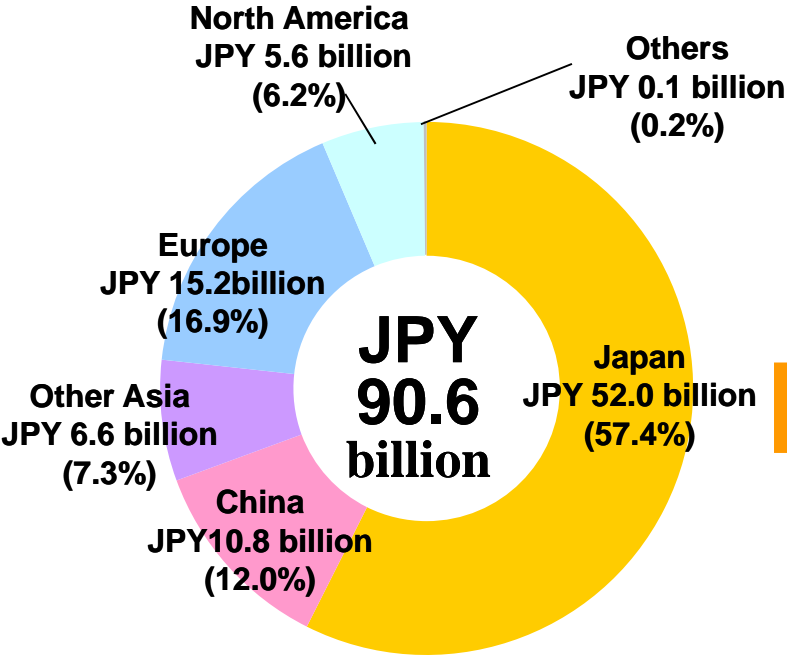
● Packaging machines: Sales in H1 decreased due to a decrease in sales in the overseas market. The whole year sales are expected to decrease due to the disappearance of the special demand from the sugar industry. Due to the decrease in H1 overseas sales, a decrease in sales is expected for the whole fiscal year relative to the initial plan.

● O.P. of the segment: H1 profit decreased due to the diminishing orders for highly profitable projects in automatic doors and the decline in sales of packaging machines as well. The whole year sales are expected to increase owing to FOREX year on year. Relative to the initial forecast, a decrease in profit is expected because of changes in the product mix in the domestic automatic door business and an increase of goodwill affected by FOREX.

Consolidated Results by Geographic Segment

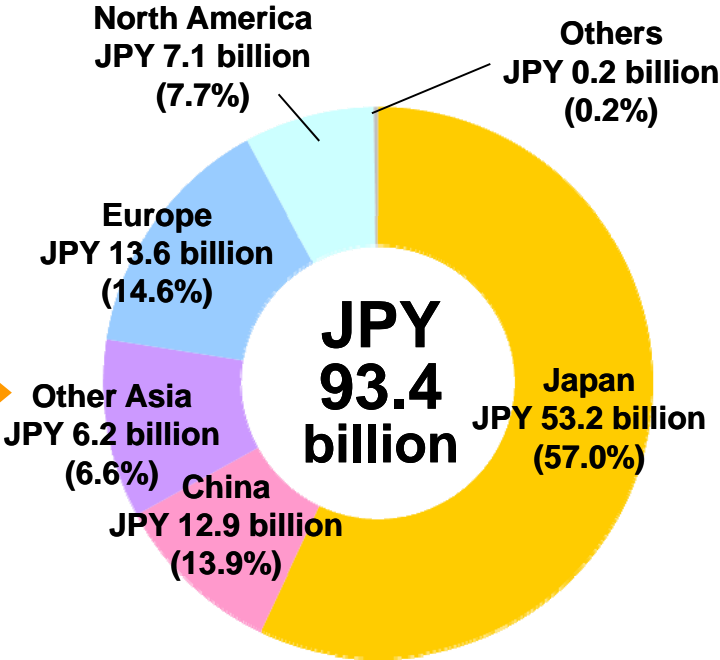


2013/3 H1 result



Overseas Sales Ratio
42.6%

2014/3 H1 result



Overseas Sales Ratio
43.0%

- Notes:**
- Sales to Europe decreased in H1 2014/3 due to the decrease in sales of precision reduction gears,.
 - Overseas sales increased to JPY 40.1 billion due to the increase in sales to China for hydraulic equipment and the sales to North America for aircraft equipment.

Balance Sheet Summary



(JPY million)	2013/3 Full year result	2014/3 H1 result	Variation
Assets	203,056	217,114	14,058
(Cash and time deposits)	40,903	46,084	5,180
(Accounts receivable)	45,131	45,454	322
Receivable turnover period (in days)	94	88	6
(Inventory)	20,529	23,150	2,620
Inventory turnover period (in days)	55	58	3
(Fixed assets)	54,475	55,896	1,420
Liabilities	82,198	87,089	4,891
(Interest-bearing debt)	26,389	26,041	-347
Net assets	120,857	130,025	9,167
(Stock acquisition right)	304	236	-67
(Minority interests)	6,514	7,658	1,143
Equity capital	114,038	122,129	8,090

Remark:
 ● Translation adjustment
 + 4.2 billion yen

※ Equity ratio : 56.2% 56.3%

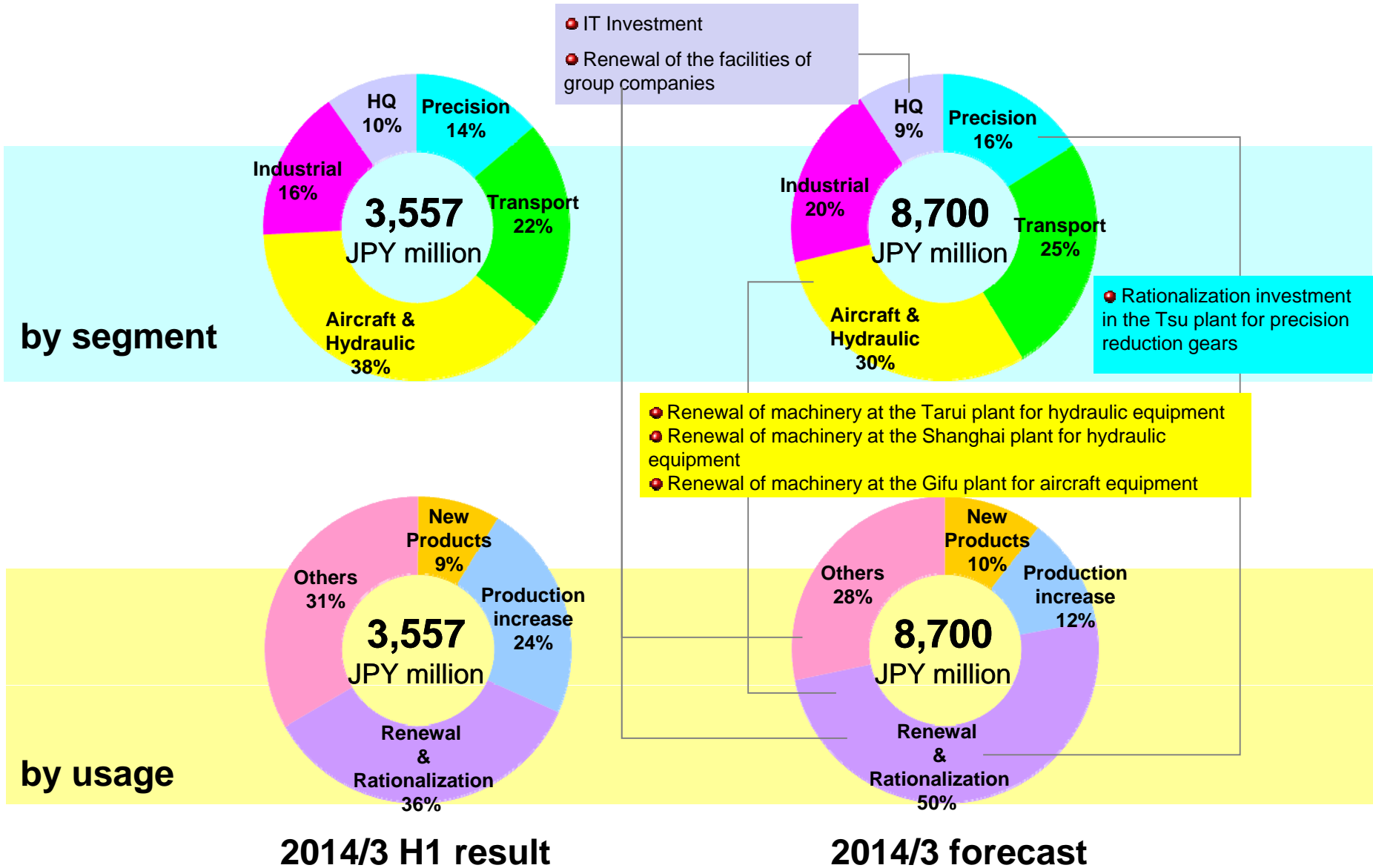
CAPEX, R&D and Depreciation



	H1 result	
(JPY million)	2013/3 H1 result	2014/3 H1 result
CAPEX	5,885	3,557
R&D	2,754	3,111
Depreciation	3,833	3,640

Full-year result & forecast		
2013/3 Full-year result	2014/3 Full-year (previous forecast)	2014/3 Full-year forecast
10,190	10,000	8,700
5,535	6,300	6,800
7,923	8,600	7,800

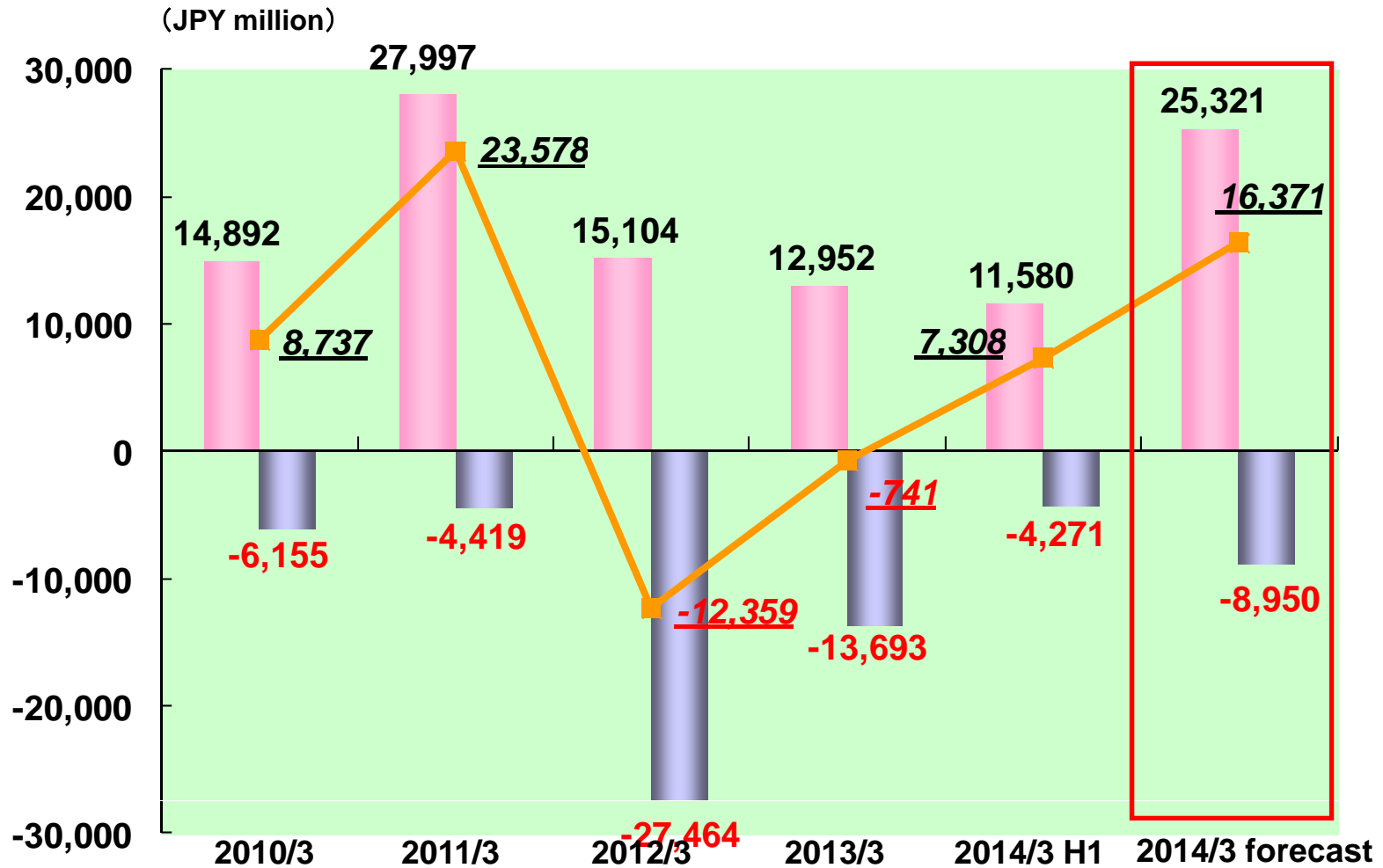
Breakdown in CAPEX



Consolidated Cash Flow



■ Operating Cash Flow
 ■ Investment Cash Flow
 —■— Free Cash Flow



Targeted Financial Figures



(JPY billion)	2013/3 <result>	2014/3 <forecast>	2021/3 <long-term vision>
Sales	179.5	198.9	400.0
Operating profit	15.0	18.5	60.0
O.P. margin	8.4%	9.3%	15.0%
Net profit	13.2	13.9	-
Payout ratio	32.5%	34.9%	-
ROA	6.5%	6.4%	11.0%
ROE	12.5%	12.3%	18.0%

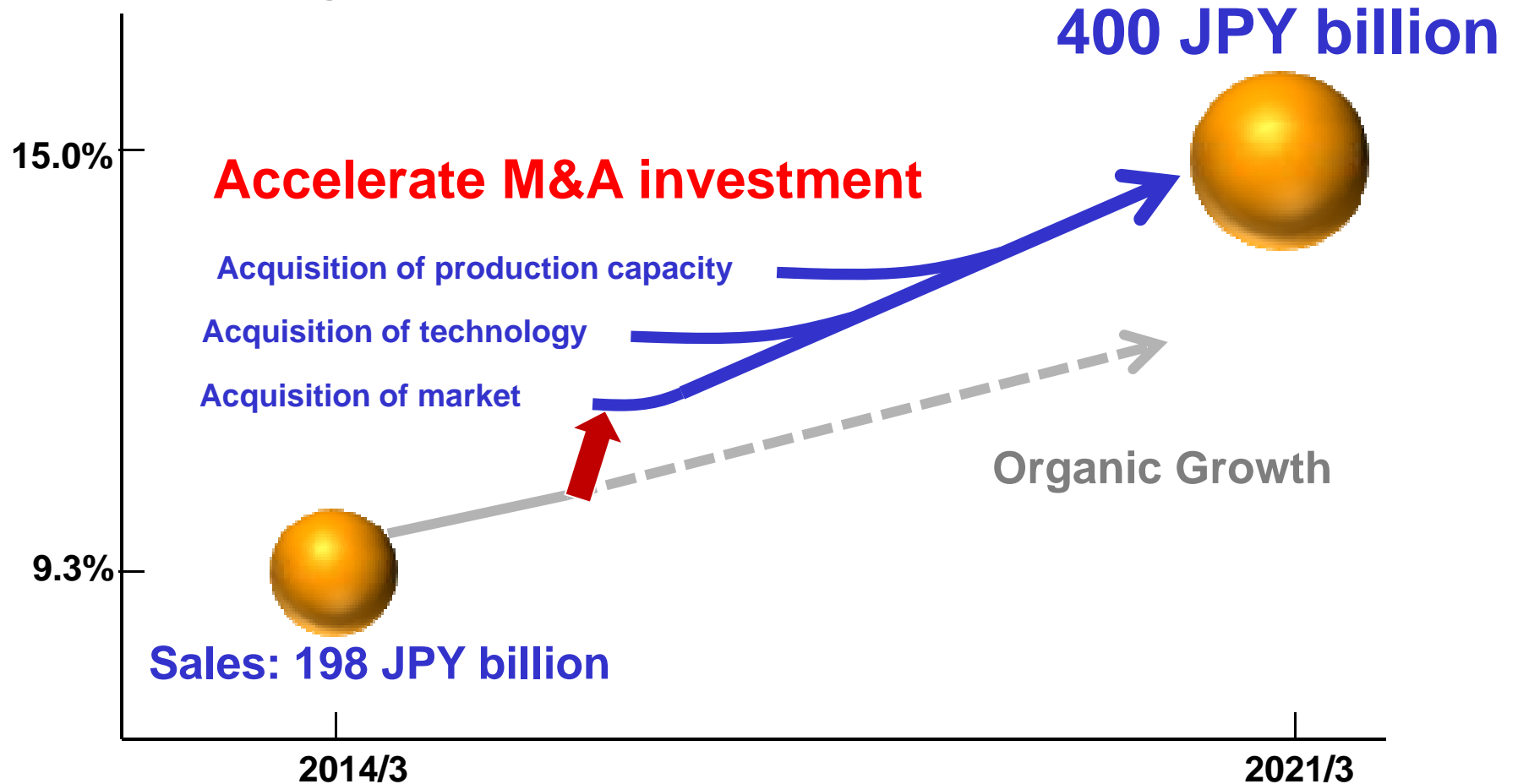
Long-term Vision



Organic growth + M&A \Rightarrow M&A + Organic growth

“Market acquisition” is kept in mind.

Operation Profit Margin



Topics

(Network information)



- **April: Established a service operation base for commercial aircrafts in Singapore**
Enhance after sales services for commercial aircrafts mainly for airliners in Southeast Asia
- **April: Established the New Energy Business Development Division**
Reinforce new energy business which has great potential for growth
- **April: Established a production base for marine vessels equipment in China**
Boost sales in the Chinese market
- **April: Determined to turn wholly owned marketing company in China for precision reduction gears to JV**
Provide fine-tuned services and products to the FA market and industrial robots industry in China
- **July: Acquired Canadian Automatic Door Sales Company Porta Service Inc. as a consolidated subsidiary**
Reinforce the business in North America
- **August: Established a subsidiary for packing machines in North America**
Boost sales and enhance service in the North American market
- **September: Established a sales company as a JV in Shanghai for hydraulic equipment**
Reinforce sales in the Chinese market
- **October: Established an office in L.A.**
Expand the solar tracking equipment business

Topics

(Orders and others)



- **May: Gained orders for Boeing 737 MAX Fly-by-Wire Spoiler Actuators**
Lead to sustainable business including after-market
- **August: Manufactured the two millionth Nabco Automatic Door**
Result of 57 years hard work since our first door appeared in Japan in 1956
- **September: Won an order for automatic platform gates from Stockholm Metro in Sweden**
Contribute to the improvement of the Nabtesco Group's position in the global market

(Evaluation and prizes)

- **September: Included in the global benchmarks for socially responsible investment (SRI)**
 - Dow Jones Sustainability Asia Pacific Index (First time)
 - FTSE4Good Index Series (Nine times in a row)



- **September: Won the 7th Kids Design Award for “Multipurpose Toilet Door”**
Three years in a row after receiving the award for “Losca Door” and “ Intelligent eco Door System”

Moving it. Stopping it.

Nabtesco

