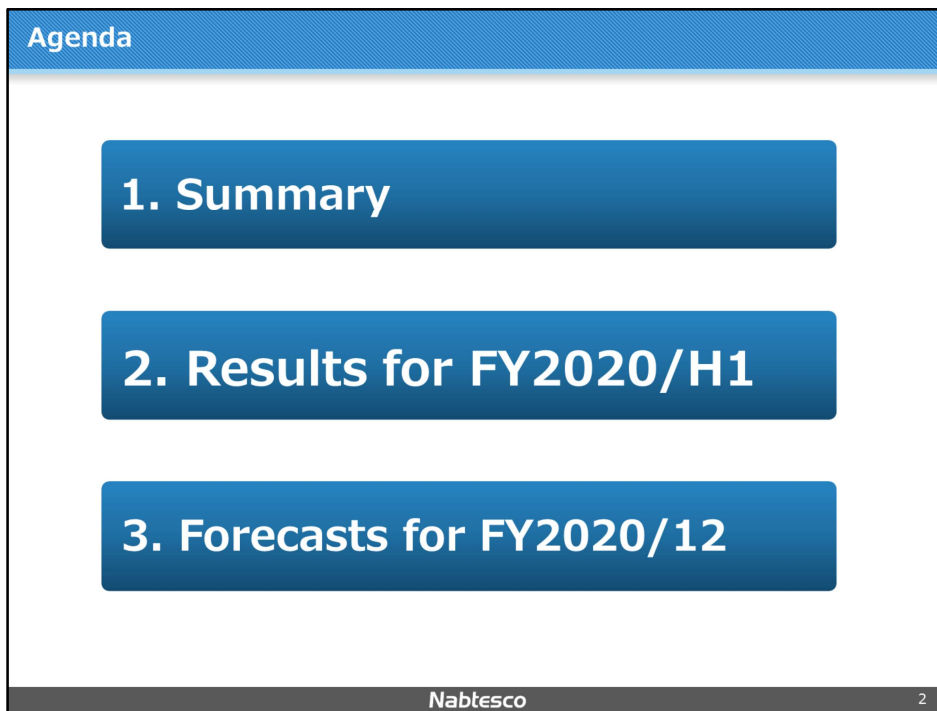


# Results Briefing for the First Half of the Fiscal Year Ending December 31, 2020 (FY2020/12 H1)

August 11, 2020  
CEO Katsuhiro TERAMOTO

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.  
Numerical figures presented herein are rounded down to the nearest whole unit for monetary value and rounded off to one decimal place for percentage.

Good morning. I am Katsuhiro Teramoto, CEO of the company.

The slide features a blue header with the word "Agenda" in white. Below the header, three blue rectangular buttons with rounded corners are stacked vertically, each containing white text. The first button says "1. Summary", the second says "2. Results for FY2020/H1", and the third says "3. Forecasts for FY2020/12". At the bottom of the slide, there is a dark grey footer bar containing the company name "Nabtesco" on the left and the number "2" on the right.

**Agenda**

- 1. Summary**
- 2. Results for FY2020/H1**
- 3. Forecasts for FY2020/12**

Nabtesco 2

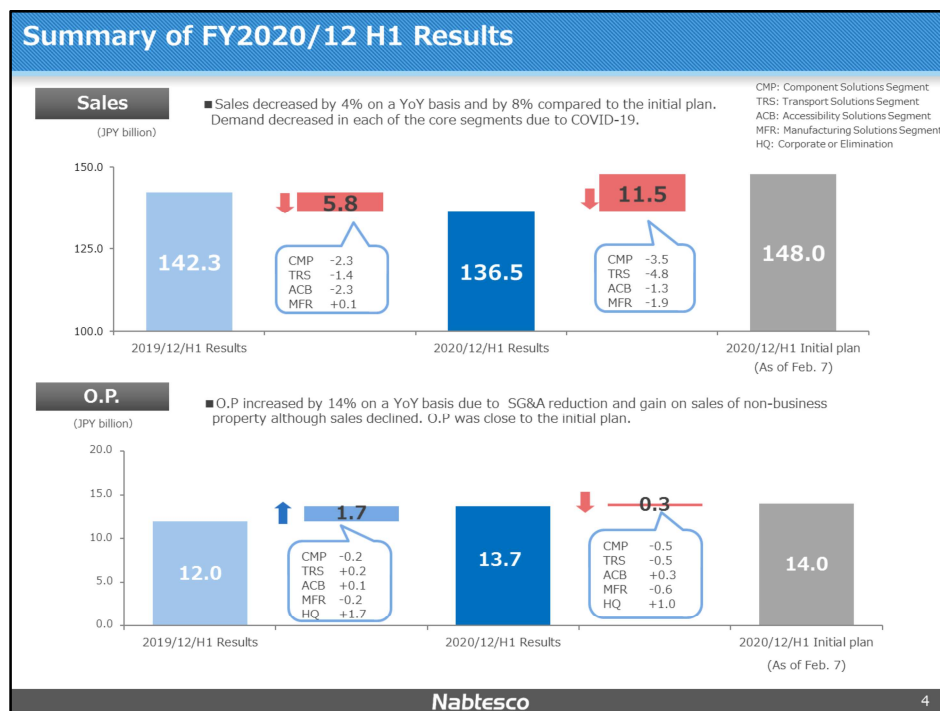
This is today's agenda.

## Agenda

### 1. Summary

### 2. Results for FY2020/H1

### 3. Forecasts for FY2020/12

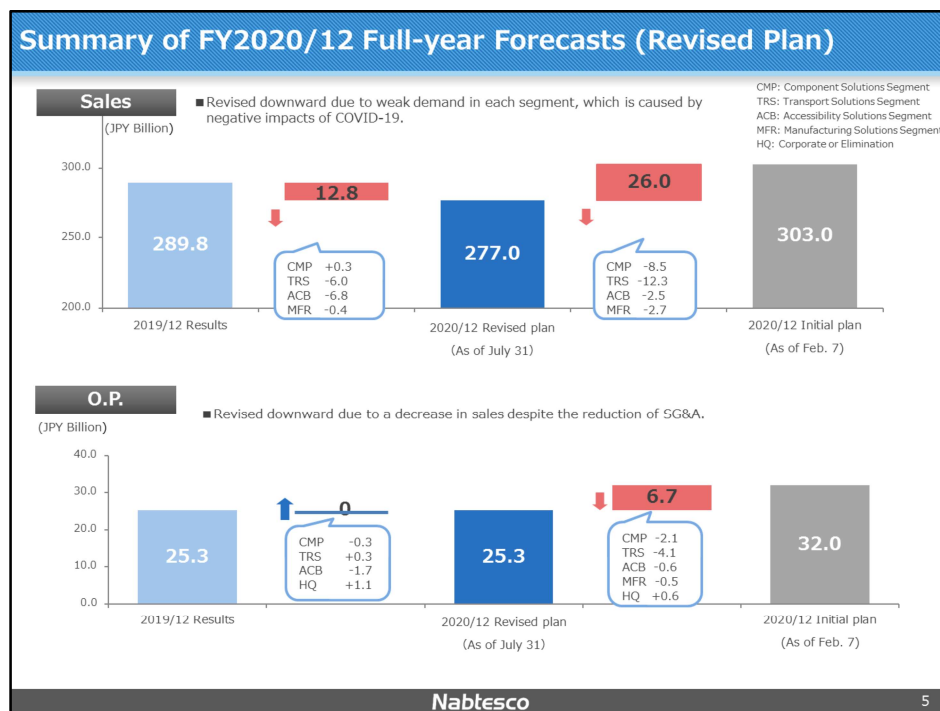


H1 sales decreased compared to a year before and the initial plan.  
On a year on year basis, sales decreased in each segment except in the MFR segment.  
Sales decreased in all segments compared to the initial plan.

O.P. remained at the same level as that in the previous year due to SG&A reduction, gain on non-business property and productivity improvement, despite a decrease in sales.

Despite a decrease in sales, O.P. was close to the initial plan because of HQ expenses reduction and O.P.M. improvement in the ACB segment, which offset decreases in profit in the CMP and TRS segments.





At the time of Q1 results announcement, we did not revise the full-year forecasts because the trend of the demand was unclear and impact of COVID-19 would become apparent after Q2 or later, and it was thus difficult to make new forecasts at that time.

This time, we have revised down our full-year forecasts in line with the H1 results. In the initial plan, we had estimated that demand in each segment would increase from the FY2019 level, but it will be difficult to achieve the plan.

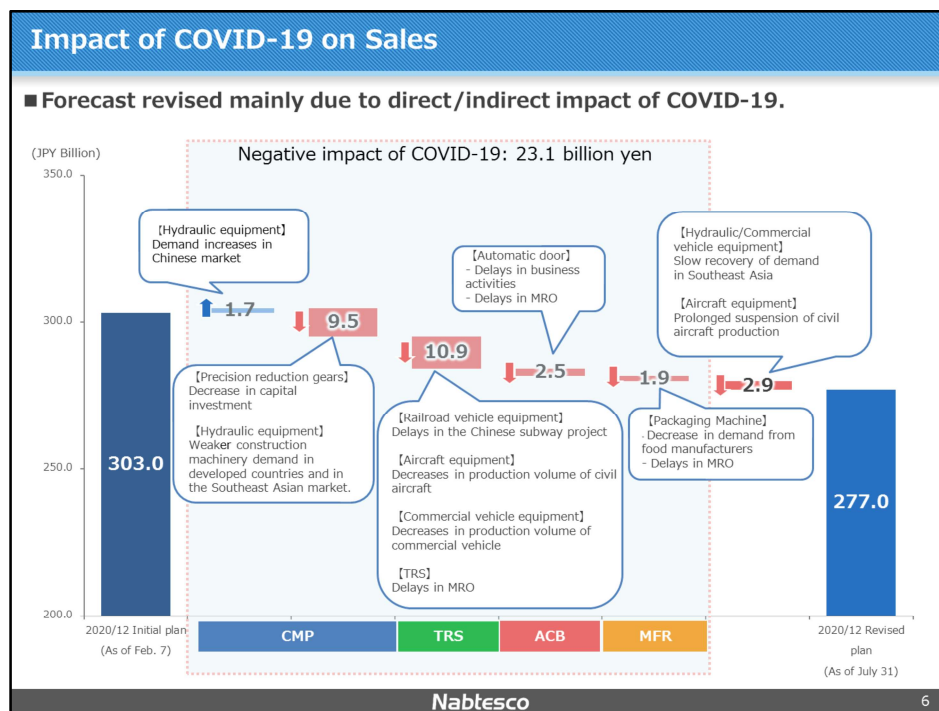
According to the new forecasts, sales will decrease by 26.0 billion yen compared to the initial plan.

Although sales in CMP remained at the same level as sales in the previous year, sales in TRS and ACB significantly decreased on a YoY basis.

Demand in the automatic door business will be lower than initially expected due to COVID-19.

O.P. will remain at the same level as that in the previous year due to gain on non-business property, elimination of impairment loss in the previous year, SG&A reduction and decrease in depreciation by lower CAPEX.

Compared to the initial plan, O.P. will significantly decrease, being affected by sales decrease, despite SG&A reduction.
















Now let me talk about the degree of impact that COVID-19 could have on our sales. First, regardless of COVID-19, sales will decrease by 2.9 billion yen due to changes in market demand, specifically to delayed demand recovery in the hydraulic equipment and commercial vehicle equipment businesses and to the prolonged suspension of civil aircraft production.

Due to COVID-19, sales will decrease by 23.1 billion yen compared to the initial plan.

However, in the hydraulic equipment business in China, demand has increased due to increased infrastructure investment, which will in turn boost sales more than initially expected.

Sales in the MRO business are badly affected by COVID-19, which hinders us from visiting customers to provide them with the MRO service.

Impact of COVID-19										
Risks and opportunities for our businesses under/after COVID-19										
		Matters caused by COVID-19	Impact on our business	Our businesses expected to be affected by COVID-19						
Short and Medium term	-	<div><div><div><div>- Restrictions on movement</div><div>- Lockdown</div></div></div><div><div>- Uncertainty of economy</div><div>- Worsened business confidence</div><div><b>IMF World Economic Outlook</b></div><table><tr><td>GDP</td><td>2020</td><td>2021</td></tr><tr><td>Growth rate</td><td>- 4.9%</td><td>+5.4%</td></tr></table></div></div>	GDP	2020	2021	Growth rate	- 4.9%	+5.4%	<div><div><div>- Restrictions on business activities</div><div>- Decrease in passenger demand</div><div>- Delay in installation</div></div><div><div>- Restrictions on capital investment</div><div>- Extension of product life-cycle and conservative buying</div><div>- Decrease in cargo volume</div></div></div>	<div><div> Aircraft equipment</div><div> Automatic door</div><div> Packaging machines</div><div> MRO</div></div>
	GDP	2020	2021							
Growth rate	- 4.9%	+5.4%								
				<div><div> Precision reduction gears</div><div> Commercial vehicle equipment</div><div> Marine vessel equipment</div></div>						
Long term	+	<div><div><div>- Economic measures taken by various governments</div></div></div>	<div><div><div>- Increase of infrastructure investment in China</div><div>- Subsidy for EV/HV</div></div><div><div>- Increase in demand for automation and labor saving at manufacturing sites</div><div>- Increase in demand for touchless technology</div><div>- Recovery in passenger demand</div></div></div>	<div><div> Precision reduction gears</div><div> Hydraulic equipment</div></div>						
		<div><div><div>- New normal</div><div>- Avoid the “Three Cs” (Closed spaces, Crowded places, and Close-contact settings)</div></div></div>		<div><div> Precision reduction gears</div><div> Packaging machines</div><div> Automatic door</div><div> Aircraft equipment</div></div>						
Nabtesco										

As for the negative impact of COVID-19 on a short- to medium-term basis, almost all our businesses, including the aircraft equipment business, automatic door business, packaging machine business, and MRO business, are affected.

As for positive impact, due to the economic recovery policies implemented by the national governments in each country, demand for precision reduction gears and hydraulic equipment is expanding in particular in the Chinese market .

On a medium- to long-term basis, we expect that demand will increase for precision reduction gears, aircraft equipment, automatic doors, and packaging machines.

## Agenda

1. Summary

**2. Results for FY2020/H1**

3. Forecasts for FY2020/12

## Consolidated Results for FY2020/12 H1 (IFRS)

■ Sales decreased year-on-year and compared to the initial plan (as of Feb. 7) due to COVID-19.

■ O.P. improved because of SG&A reduction and gain on sales of non-business property.

(JPY million)	2019/12 H1 result (A)	2020/12 H1 plan As of Feb.7 (B)	2020/12 H1 result (C)	YOY Variation (C-A)	Plan Variation (C-B)
Sales	142,292	148,000	136,486	-5,806	-11,514
Gross profit	37,593	—	36,160	-1,433	—
Gross profit margin	26.4%	—	26.5%	0.1pt	—
SG&A*1	26,151	—	24,608	-1,543	—
O.P.	12,011	14,000	13,669	1,658	-331
Operating profit margin	8.4%	9.5%	10.0%	1.6pt	0.6pt
Profit before tax	13,488	15,000	14,693	1,205	-307
Net profit*2	7,706	9,200	9,392	1,686	192
Total basic earnings per share (JPY)	62.11	74.14	75.66		
DPS (JPY)	36.00	41.00 (plan)	41.00		

\*1 Selling, general and administrative expenses

\*2 Net profit attributable to owners of the parent

Nabtesco

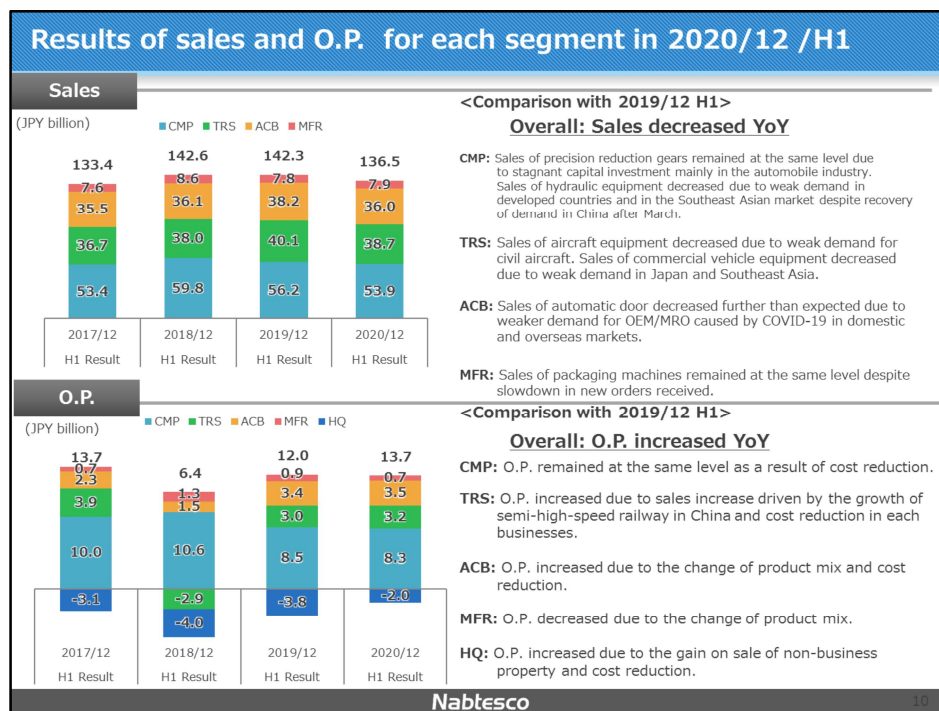
9

For FY2020/12/H1, sales decreased by 5.8 billion yen year on year and by 11.5 billion yen compared to the initial plan.

Gross profit decreased by 1.4 billion yen year on year, but SG&A reduction contributed to increasing profit by 1.5 billion yen.

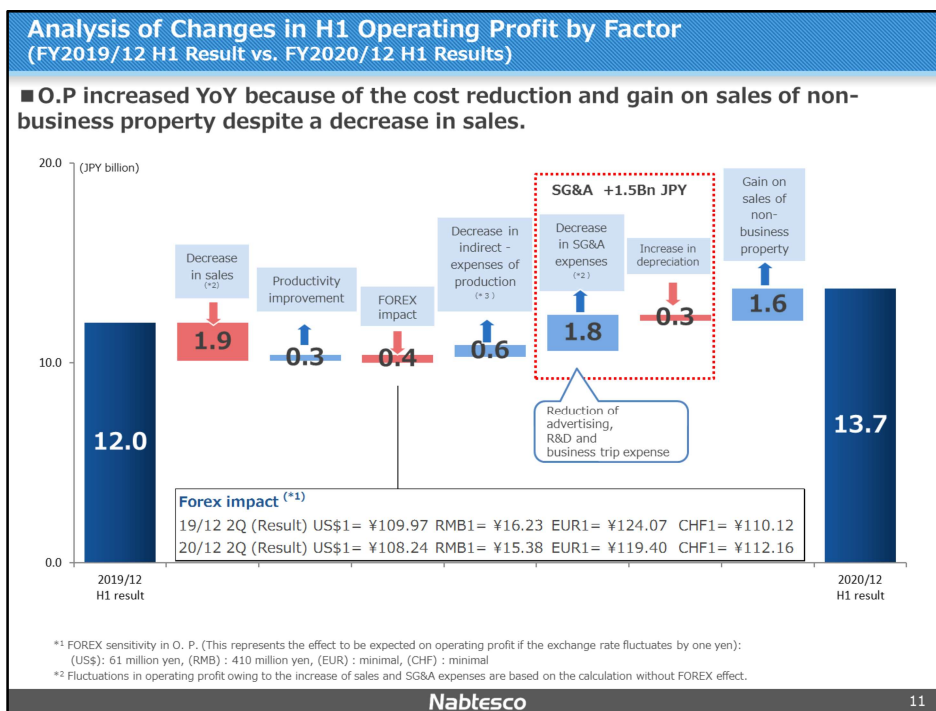
O.P. increased by 1.6 billion yen year on year due to gain on non-business property.

As for DPS, it was decided at the board members meeting to pay 41 yen per share as an interim dividend.



Sales decreased year on year in the CMP, TRS and ACB segments but not in the MFR segment, as detailed in the comments shown on the right.

O.P. increased due to SG&A reduction and gain on non-business property despite a decrease in sales, as already mentioned.



O.P. increased year on year due to a decrease in indirect production expenses, SG&A reduction and gain on non-business property.

## Balance Sheet for FY2020/12 H1 (Relative to Dec. 31, 2019)

- Equity ratio maintained at over 55% for a healthy balance sheet
- In order to ensure stable business operations, cash position equivalent to 2.8-month sales was secured.

(JPY million)	2019/12 Q4 (As of December 31, 2019)	2020/12 H1 (As of June 30, 2020)	Variation
<b>Assets</b>	344,558	342,315	-2,242
(Cash and cash equivalents)	58,686	61,655	2,970
(Trade receivable)	70,175	65,120	-5,055
(Inventories)	41,257	42,140	882
(Tangible fixed assets)	87,083	90,988	3,905
Right of use assets	9,004	8,626	-378
<b>Liabilities</b>	145,424	140,168	-5,256
(Bonds and borrowings)	43,936	42,629	-1,306
<b>Total equities</b>	199,133	202,147	3,014
(Non-controlling interests)	11,735	11,330	-405
<b>Equity attributable to owners of parent</b>	187,398	190,817	3,419
Ratio of equity attributable to owners of parent	54.4%	55.7%	

Nabtesco

12

Liabilities decreased mainly due to a decrease in accounts receivable.

Equity attributable to owners of parent increased due to an increase in net profit.

For cash and cash equivalents, we secure the amount equivalent to 2.8-month sales.

Ratio of equity attributable to owners of parent came to 55.7%, being slightly increased from the level at the end of December 2019.



## Agenda

1. Summary

2. Results for FY2020/H1

**3. Forecasts for FY2020/12**

## Consolidated Forecasts for FY2020/12

■ Aims to maintain O.P. at the same level as FY2019/12 despite a decrease in sales.  
The DPS plan has been revised downward from the initial plan (from 82 yen to 75 yen per share).  
(Increased by 2 yen relative to FY2019/12)

(JPY million)	2019/12 Full year result (A)	2020/12 Full year plan As of Feb.7 (B)	2020/12 Revised plan As of July 31(C)	YOY Variation (C-A)	Plan Variation (C-B)
Sales	289,808	303,000	277,000	-12,808	-26,000
O.P.	25,320	32,000	25,300	-20	-6,700
(OPM)	8.7%	10.6%	9.1%	0.4pt	-1.4pt
Income before tax	27,979	34,000	27,000	-979	-7,000
Net profit* <sup>1</sup>	17,931	23,100	17,300	-631	-5,800
ROA	5.3%	6.5%	5.0%	-0.3pt	-1.5pt
ROE	9.8%	12.0%	9.1%	-0.7pt	-2.9pt
DPS (JPY)	73.00	82.00 (plan)	75.00 (plan)	2.00	-7.00
Payout ratio	50.5%	44.1% (plan)	53.8% (plan)	3.3pt	9.7pt

\*<sup>1</sup>Net profit attributable to owners of the parent

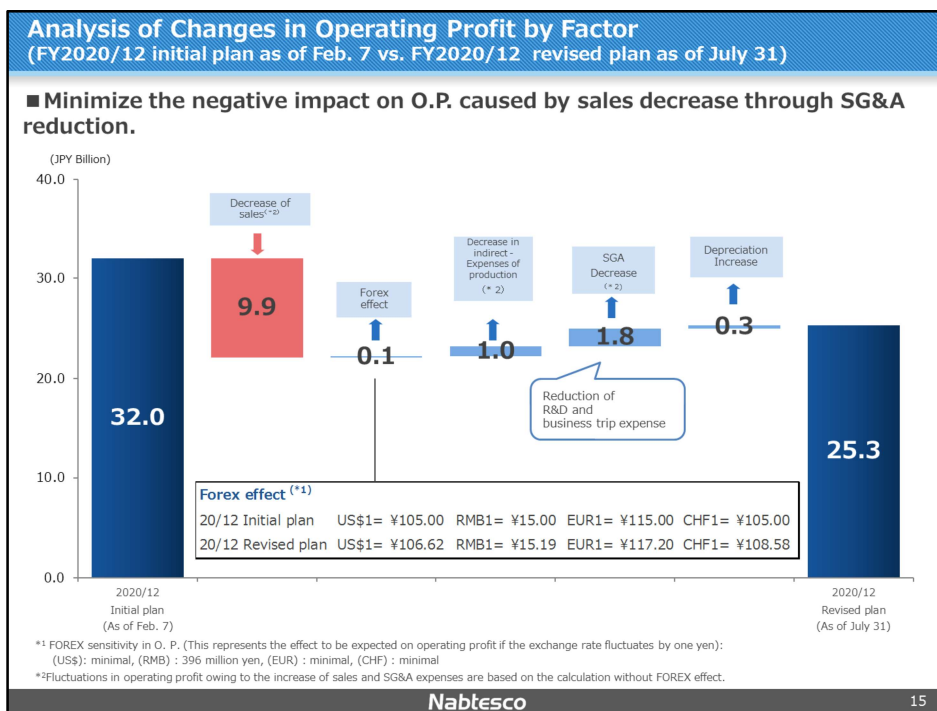
Nabtesco

14

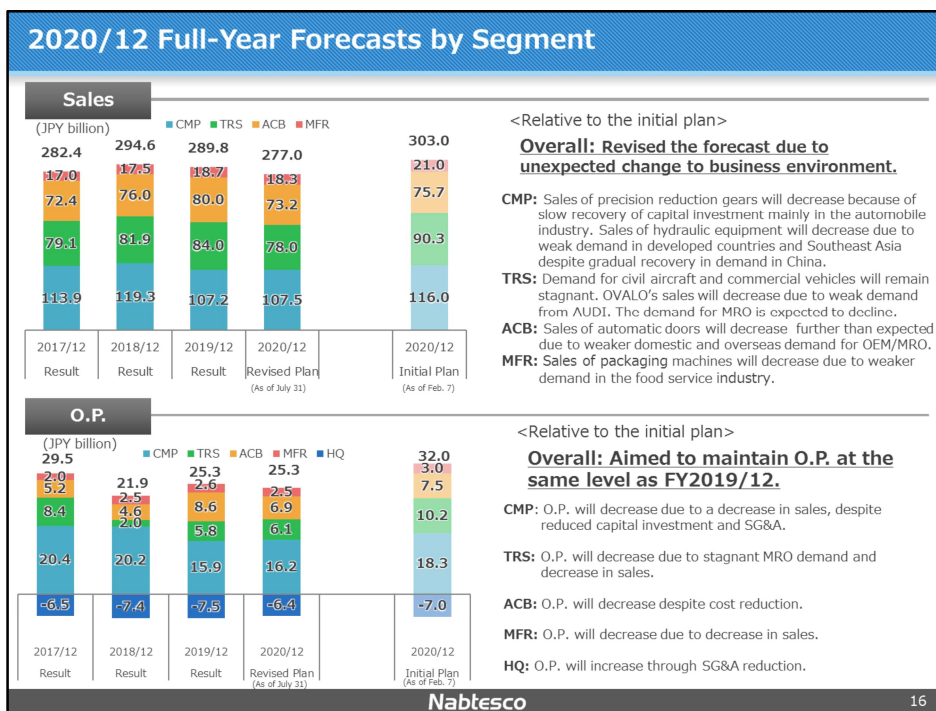
Sales and O.P. will decrease compared to the initial plan, as stated in the revised plan.

ROE will be 9.1% due to a decrease in O.P, down from the initially planned level.

As for DPS, we revised it downward from 82 yen to 75 yen, but have decided to increase it by 2 yen year on year, in line with our stable DPS policy and the commitment to the consolidated payout ratio of 35% or over.



Despite the achievement of cost reduction, O.P. will decrease compared to the initial plan due to a decrease in sales, but it will remain at the same level as that in the previous year.



Sales will decrease in each of the segments compared to the initial plan, as detailed in the comments shown on the right. O.P. will remain at the same level as that in the previous year due to SG&A reduction, despite a decrease in sales.

## CAPEX, R&D and Depreciation

- Acquired land for a new plant in Hamamatsu (5.6 billion yen, in 1Q), expecting mid- to long-term growth for precision reduction gears. Will continue to selectively make automation and labor-saving investments for sustainable growth.
- For R&D expenses, investments were not made as initially planned due to COVID-19. However, we will continue to invest in R&D for future growth.

(JPY billion)	2019/12	2020/12	YoY	2019/12	2020/12	2020/12	Variation
	H1 Result (A)	H1 Result (B)	Variation (B-A)	Full Year Result	Full Year Plan (C) (As of Feb. 7)	Revised Plan (D) (As of July 31)	
CAPEX	7.6	10.3	2.7	16.4	19.3	24.1	-4.8
R&D	4.8	4.4	-0.4	9.9	10.5	11.5	-1.0
Depreciation	6.4	6.7	0.3	13.1	13.2	13.5	-0.3

Nabtesco

17

CAPEX increased year on year mainly due to the acquisition of land in Hamamatsu for the future growth of the precision reduction gear business.

However, CAPEX showed a downward tendency year on year, except for the aforementioned investment.

R&D cost decreased year on year partially due to COVID-19.

CAPEX will amount to 24.1 billion yen, down 4.8 billion yen from the initially planned level and will continue to show a downward tendency year on year and compared to the initial plan.

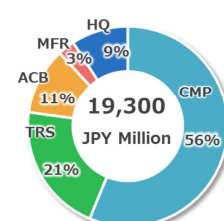
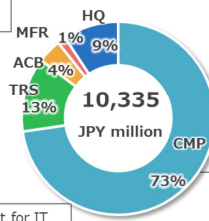
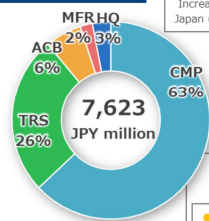
However, we will continue to make investments in equipment and R&D for our future growth. We will also continuously make investments (mainly in environment-related equipment), in order to contribute to society, as clearly stated in The Nabtesco Way.

Moreover, for measures against COVID-19, we will proactively make investments and input our financial resources.

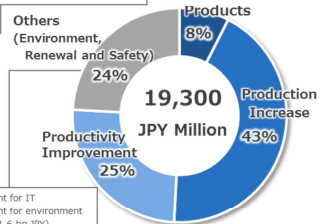
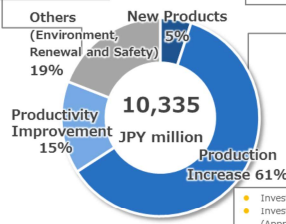
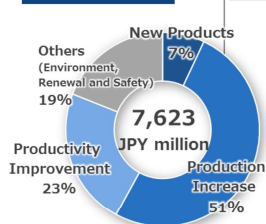
# Appendix

## CAPEX

### By segment



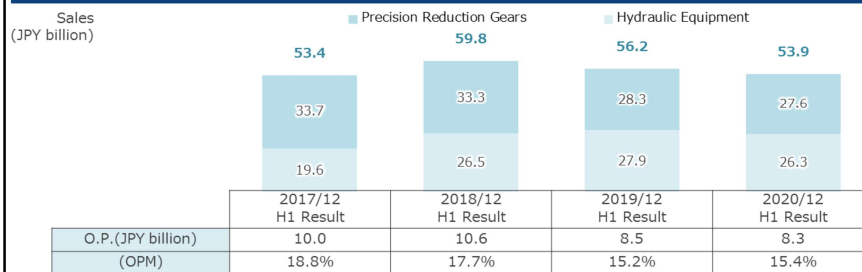
### By Usage



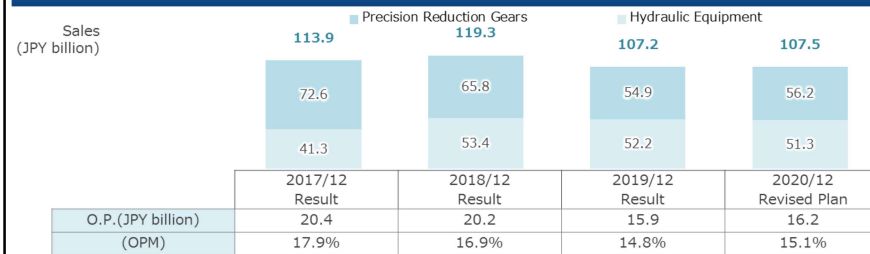
Nabtesco

## Component Solutions Segment (CMP)

### FY2020/12 H1 Result



### FY2020/12 Revised Plan (As of July 31, 2020)



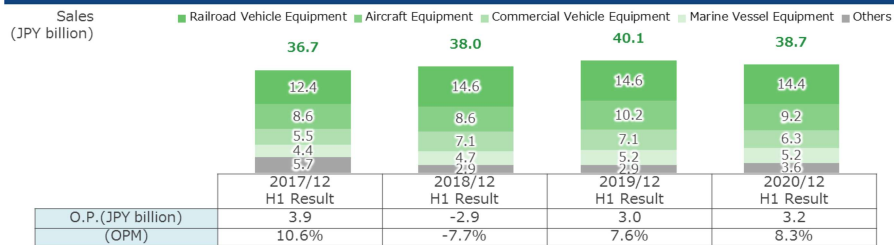
Nabtesco

20

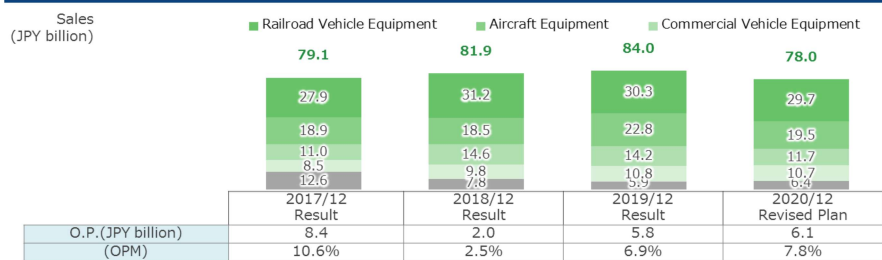


## Transport Solutions Segment (TRS)

### FY2020/12 H1 Result



### FY2020/12 Revised Plan (As of July 31, 2020)



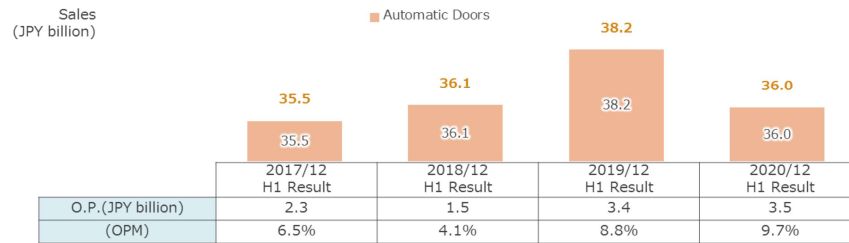
\*For Nabtesco Service, sales in and before 2017/12 are not comparable due to the method of calculation differences.

Nabtesco

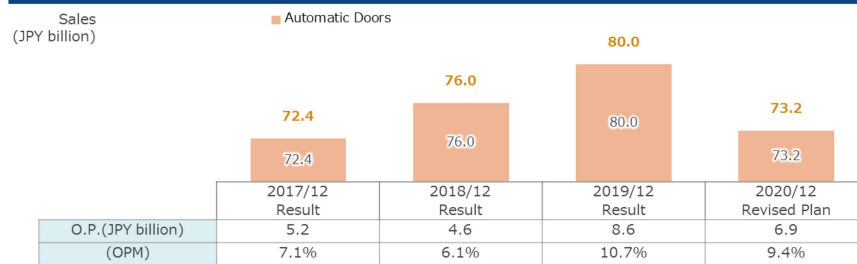
21

## Accessibility Solution Segment (ACB)

### FY2020/12 H1 Result



### FY2020/12 Revised Plan (As of July 31, 2020)

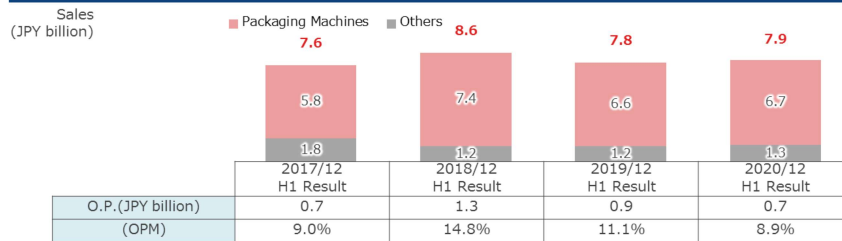


Nabtesco

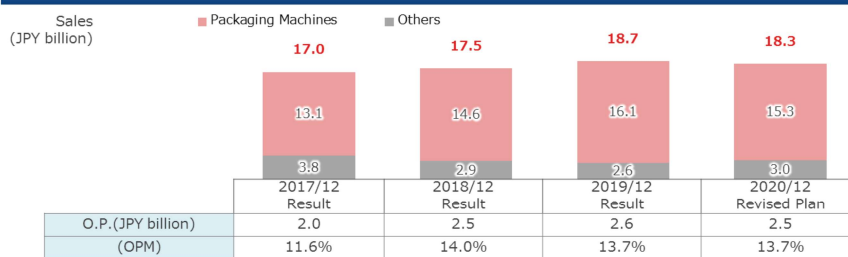
22

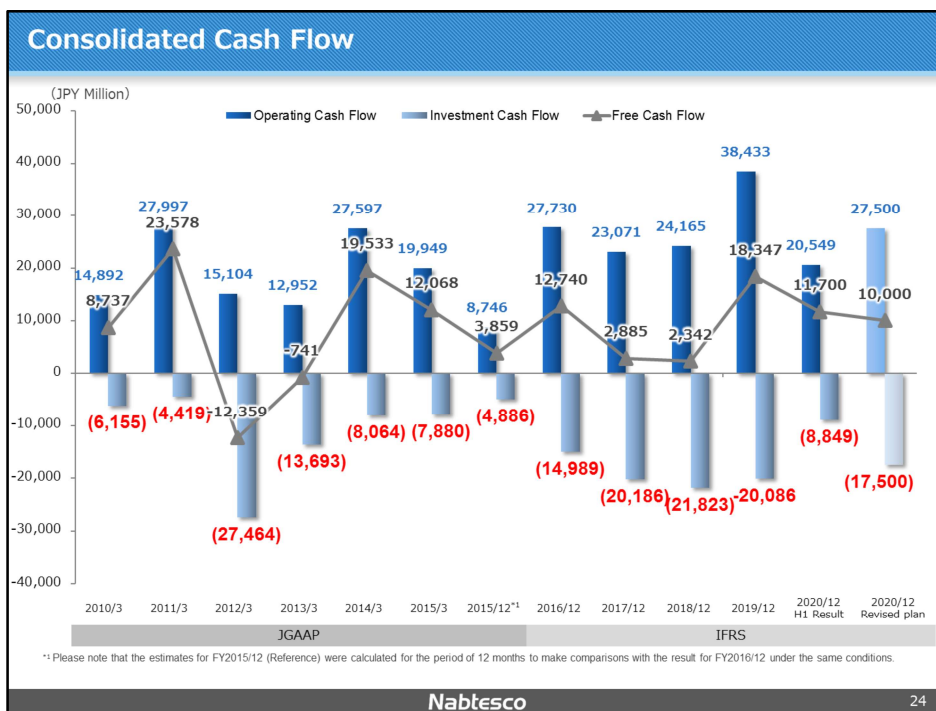
## Manufacturing Solutions Segment (MFR)

### FY2020/12 H1 Result



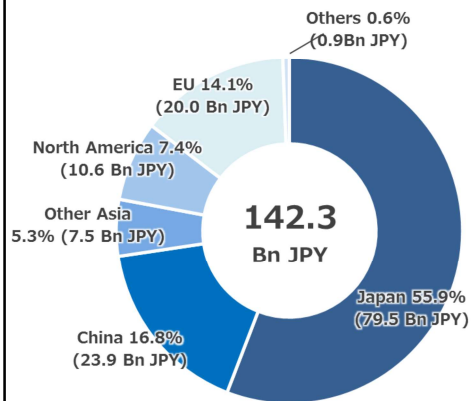
### FY2020/12 Revised Plan (As of July 31, 2020)





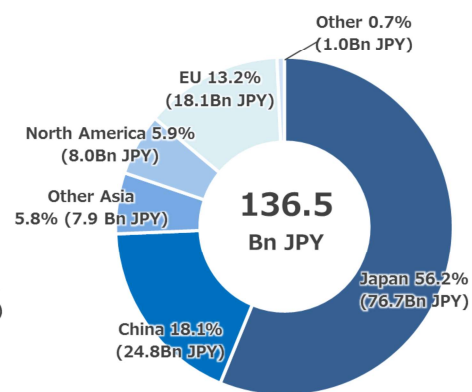
## Sales by regions

2019/12 H1 Result



Overseas Sales	62.8 JPY billion
Overseas Sales ratio	44.1%

2020/12 H1 Result

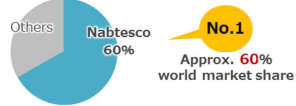


Overseas Sales	59.8 JPY billion
Overseas Sales ratio	43.8%

## Main Products: Component Solutions Segment (CMP)

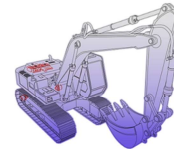
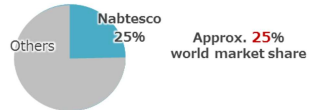
### Precision Reduction Gears

#### ■ Joints of Medium and Large size industrial Robot



### Hydraulic Equipment

#### ■ Traveling Units for Hydraulic Excavator



### Main Customers

#### ■ Precision Reduction Gears

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

#### ■ Hydraulic Equipment

**Traveling Units:** Komatsu, Sumitomo Construction Machinery, Kobelco Construction Machinery,  
 Sany (China), XCMG (China), Liu Gong (China)

## Main Products: Transport Solutions Segment (TRS)

### Railroad Vehicle Equipment

#### ■ Brake Systems



#### ■ Door Operating Systems



### Aircraft Equipment

#### ■ Flight Control Actuation Systems (FCA)

- One of the four major world players for FCA systems (major FCA supplier to Boeing Company)
- Expanding business to include engine accessories and power supply systems in the product lineup



### Main Customers

#### ■ Railroad Vehicle Equipment

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

#### ■ Aircraft Equipment

Boeing, KHI, MHI, IHI, Japanese Ministry of Defense, Airline operators

## Main Products: Transport Solutions Segment (TRS)

### Commercial Vehicle Equipment

#### ■ Wedge Chambers



Approx. **80%** Domestic Market Share

#### ■ Air Dryers



Approx. **70%** Domestic Market Share

### Marine Vessel Equipment

#### ■ 2ST Main Engine Control Systems



Approx. **50%** Domestic Market Share  
(Approx. 40% World Market Share)

### Main Customers

#### ■ Commercial Vehicle Equipment

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

#### ■ Marine Vessel Equipment

KHI, Makita Corporation, Hitachi Zosen, Mitsui Engineering & Shipbuilding, Japan Engine Corporation, Hyundai Heavy Industries (Korea), HSD Engine Co., Ltd. (Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)

Nabtesco

28



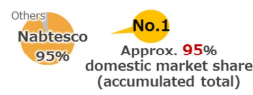
## Main Products: Accessibility Solution Segment (ACB)

### Automatic Doors

#### ■ Automatic Doors



#### ■ Platform Screen Doors



### Main Customers

#### ■ Automatic Doors

**Automatic Doors for buildings:** Major general contractors, sash manufacturers, hospitals, banks, public institutions, etc.

**Platform Doors :** Subway projects in France and China, others

## Main Products: Manufacturing Solutions Segment (MFR)

### Packaging Machines

#### ■ Packaging Machines for Retort Pouch Foods



### Main Customers

#### ■ Packaging Machines

Mitsui Sugar, Ajinomoto, Marudai Food Co., Ltd., ARIAKE Japan, KENKO Mayonnaise, P&G, Kao, Lion, beverage companies in North America, food companies in China

Nabtesco

29

