

FY2020/12 Results Briefing (IFRS) and the New Long-term Vision

**February 18, 2021
CEO Katsuhiko 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.

Thank you for joining our online presentation.

Agenda

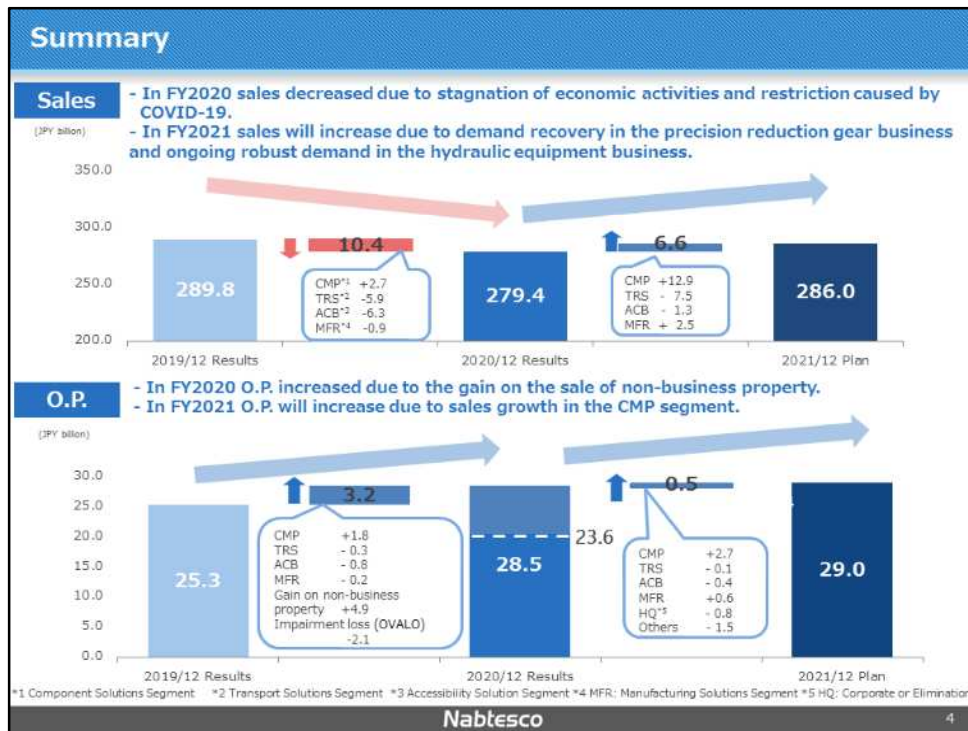
- 1. Summary**
- 2. Consolidated Results for FY2020/12**
- 3. Forecast for FY2021/12**
- 4. Review of the Mid-term Management Plan**
- 5. The New Long-term Vision**

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Let me explain the contents in order.

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1. Summary



Sales:

FY2020 Results:

TRs segment: Sales decreased year-on-year due to a decline in demand related to the Commercial Vehicle Equipment business (approx. JPY 2.0 billion) and the Aircraft Equipment business (approx. JPY 4.0 billion)

ACB segment: Sales decreased by approx. JPY 6.0 billion year-on-year. FY2020 sales decreased by JPY 4.0 billion reflecting a decline in demand for automatic doors and platform doors, which had been anticipated to be strong at the beginning of the fiscal year due to the Tokyo Olympics. In addition, sales decreased by approx. JPY 2.0 billion due to a delay in construction work in the European and U.S. markets as a result of restrictions caused by COVID-19.

While the decline in sales of the ACB segment was almost in line with the initial plan, sales of the CMP segment did not grow as planned. Due to the impact of COVID-19, sales of the TRS and MFR segments did not increase as initially planned. Therefore, sales decreased by JPY 10.4 billion year-on-year on a consolidated basis.

FY2021 Forecast:

CMP segment: Sales are expected to increase by JPY 12.9 billion.

TRs segment: Sales will likely continue to decline due to the impact of COVID-19.

ACB segment: Sales are anticipated to drop temporarily as the number of platform door projects decreases.

O.P.:

FY2020 Results: O.P. increased year-on-year due to gain on non-business property. O.P. remained virtually unchanged excluding gain on non-business property and impairment

loss of OVALO GmbH.

FY2021 Forecast: O.P. will increase by approx. JPY 2.0 billion year-on-year excluding the impact of gain on non-business property and impairment loss of OVALO GmbH incurred in FY2020.

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2. Consolidated Results for FY2020/12

FY2020 External Factors

Market Conditions: COVID-19 had a significant impact on most of the industries.

Industry	YoY	Refer to	Industry	YoY	Refer to
Robotics (Japan, Export)	↓ -7.5%	Japan Robot Association (Shipping units of welding, Painting Robot)	Railroad (Japan)	↓ -33.7%	JAPAN RAILROAD INDUSTRY ASSOCIATION (Apr. 2nd Oct. Number of passengers)
Machine tool (Japan, Export)	↓ -26.8%	Japan Machine Tool Builders' Association (Order Volume)	Civil Aviation (Global)	↓ -65.9%	The International Air Transport Association (Revenue Passenger-Kilometers)
Automotive (Global)	↓ -26.1%	Organization Internationale des Constructeurs d'Automobiles (Stock Production units: 1-20)	Marine Vessel (Japan, Export)	↓ -10.8%	The Shipbuilders' Association of Japan (Completion Vessels, Comparison 2M)
Construction Machinery (Japan, Export)	↓ -20.7%	Japan Construction Equipment Manufacturers Association	Commercial Truck (Japan)	↓ -7.3%	Japan Automobile Dealers Association (Japanese 4 Manufacturers, Registered)
Construction Machinery (China)	↑ +39%	China Construction Machinery Association (Shipping Units)	Construction (Japan)	↓ -11.2%	Ministry of Land, Infrastructure, Transport and Tourism (Producing Total Foot area)

Countermeasures against COVID-19: Established a task force team to prevent infection, foster telecommuting, and restrict business trips and movements between the plants



External Environment:

While a decline in demand was witnessed in various businesses due to the impact of COVID-19 in FY2020, there were positive effects such as an increase in demand for construction machinery for China.

Countermeasures by Nabtesco:

The attendance ratio was controlled through efforts such as work from home and shift work. The attendance ratio dropped below 20% during the period of state of emergency, in particular.

We could continue plant operations by thoroughly implementing countermeasures such as restricting interactions with personnel from other departments and sites at each plant.

Consolidated Results for FY2020

■ Although sales decreased year-on-year due to negative impact of COVID-19, O.P. increased year-on-year due to productivity improvement and cost reduction in each business and to the gain on the sale of non-business property.

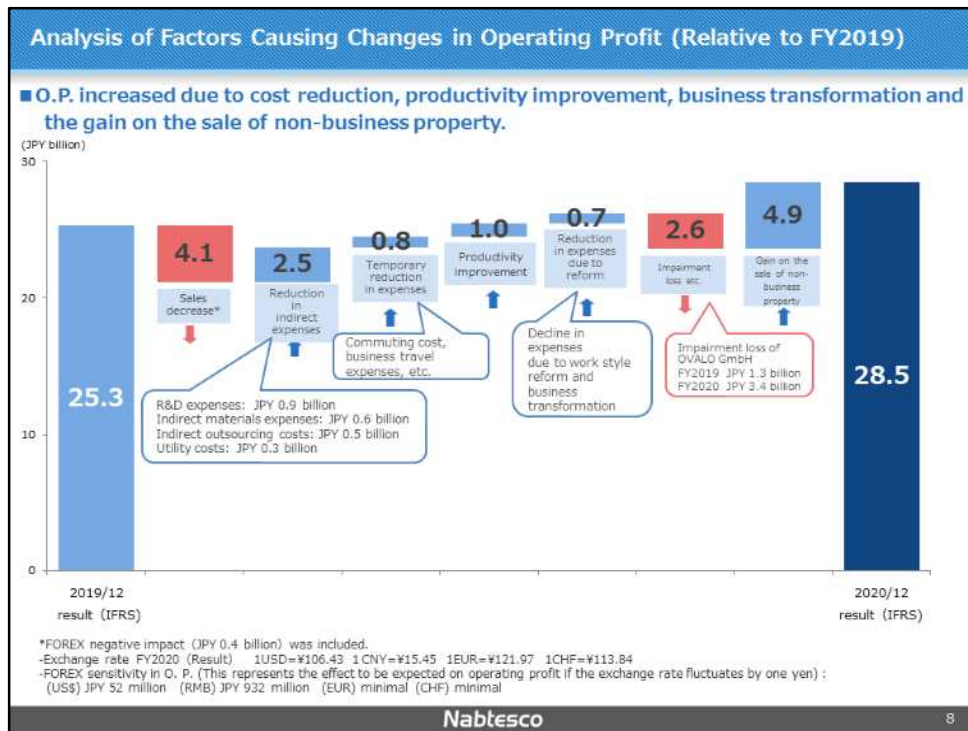
(JPY million)	2019/12	2020 / 12	2020/12	YOY	Revised Plan
	Full year result (A)	Full year revised plan As of July. 31 (B)	Full year result (C)	Variation (C-A)	Variation (C-B)
Sales	289,808	277,000	279,358	-10,450	2,358
O.P.	25,320	25,300	28,533	3,213	3,233
(OPM)	8.7%	9.1%	10.2%	1.5pt	1.1pt
Financial Income and Cost	-205	-624	1,718	1,923	2,342
Equity in earnings of affiliates	2,864	2,324	3,467	603	1,143
Income before tax	27,979	27,000	33,718	5,739	6,718
Net profit*1	17,931	17,300	20,505	2,574	3,205
*1:Net profit attributable to owners of the parent.					
ROA	5.3%	5.0%	5.9%	0.6pt	0.9pt
ROE	9.8%	9.1%	10.6%	0.8pt	1.5pt
DPS (JPY Yen)	73	75(Plan)	75(Plan)		
Payout ratio	50.5%	53.8%(Plan)	45.4%(Plan)		
Average payout ratio over 4years (2017-2020) : 42.9% (Plan)					

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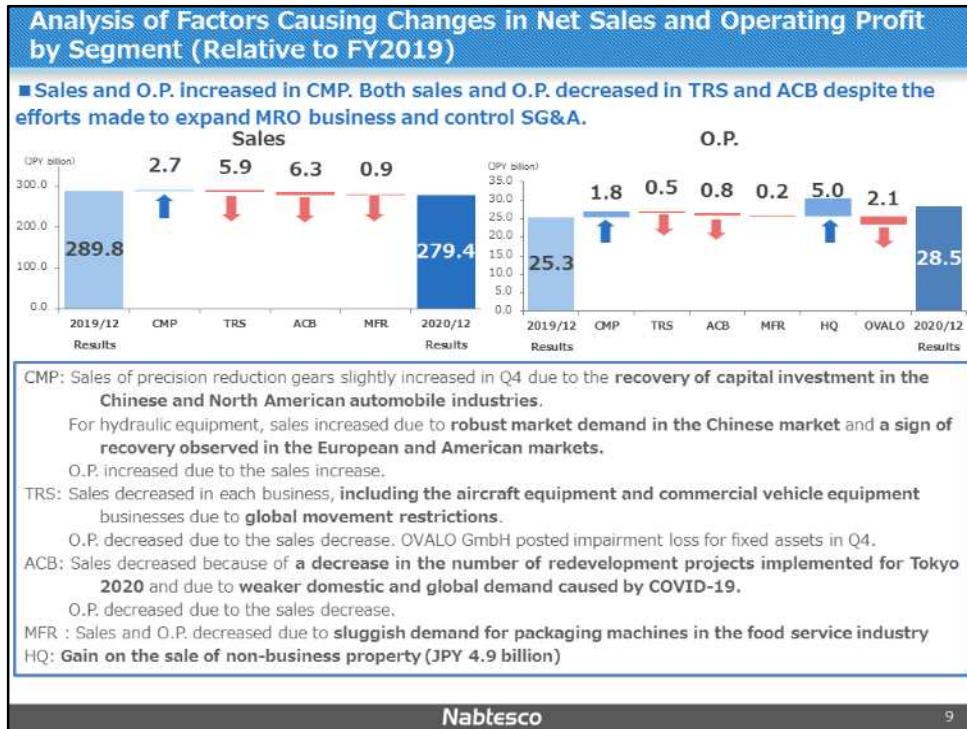
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Financial income increased due mainly to valuation gain on share options of Harmonic Drive Systems Inc. (HDS)

Equity in earnings of affiliates increased reflecting an increase in profit of TMT Machinery, Inc., an equity-method textile machinery company.



Expenses for commuting and business trips were reduced temporarily (by approx. JPY 0.8 billion) due to restrictions related to COVID-19
 O.P. increased by approx. JPY 0.7 billion as a result of business transformation and work style reforms we have been implementing since 2017.



O.P. improved compared with the plan, despite a JPY 0.5 billion decrease in actual profit of TRS and a year-on-year decline in profit of ACB.

Balance Sheet (Year-on-Year Comparison)

- Ratio of equity attributable to owners of parent: Over 55%
Thus has a sound balance sheet

(JPY million)	2019/12 Q4 (As of December 31, 2019)	2020/12 Q4 (As of December 31, 2020)	Variation
Assets	344,558	351,723	7,166
(Cash and cash equivalents)	58,686	64,665	5,980
(Trade receivable)	70,175	75,862	5,687
(Inventories)	41,257	36,505	-4,752
(Tangible fixed assets)	87,083	89,522	2,439
Liabilities	145,424	140,083	-5,342
(Bonds and borrowings)	43,936	39,866	-4,070
Total equities	199,133	211,641	12,507
(Non-controlling interests)	11,735	13,610	1,875
Equity attributable to owners of parent	187,398	198,031	10,632
Ratio of equity attributable to owners of parent	54.4%	56.3%	

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Trade receivables increased year-on-year due to an increase in sales.

Reference: Consolidated sales for 4Q (Oct.-Dec.) of FY2020 increased by JPY 6.0 billion year-on-year to approx. JPY 30.0 billion from consolidated sales for 4Q (Oct.-Dec.) of FY2019 of approx. JPY 23.3 billion. We believe that the increase in trade receivables is appropriate.

The inventory turnover period was reduced by approx. four days year-on-year.

While bonds did not decrease, borrowings decreased year-on-year.

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3. Forecast for FY2021/12

Forecast for FY2021

- Despite the negative impacts of COVID-19, overall sales and O.P. will increase due to sales growth in CMP and MFR. Plans for share buyback in addition to the stable dividend increase.

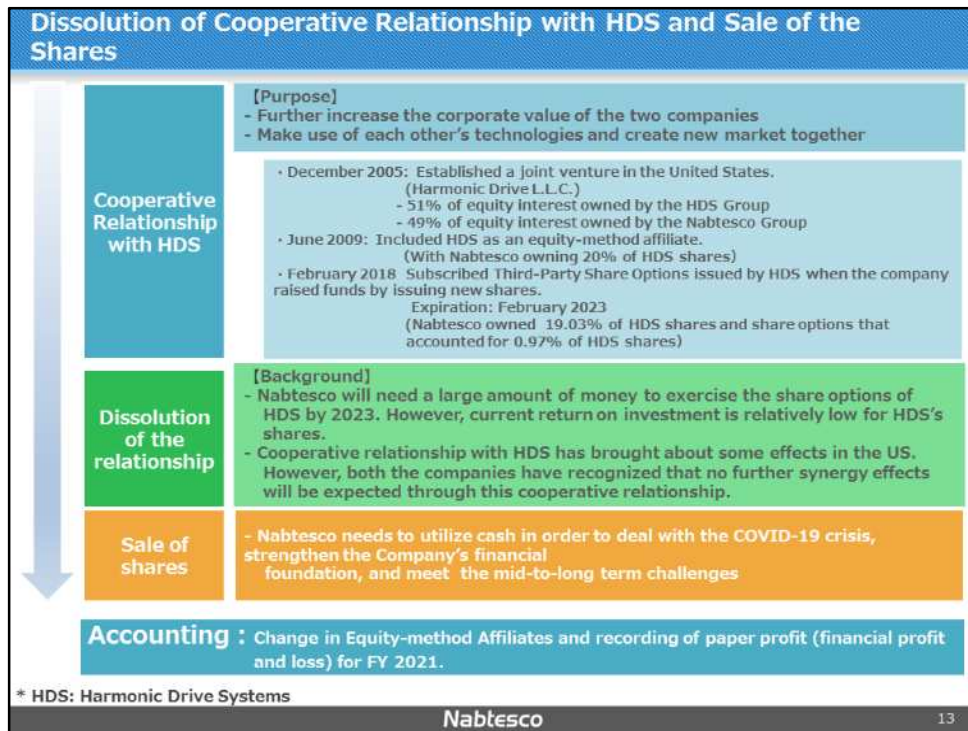
(JPY million)	2020 /12	2021 /12		Variation	Variation ratio
	Full year result	Full year plan			
		(A)	(B) Excluding valuation gain for HDS		
Sales	279,358	286,000		6,642	2.4%
O.P.	28,533	29,000		467	1.6%
(OPM)	10.2%	10.1%		-0.1pt	-
Financial profit and loss	1,718	-100	132,900		
Income before tax	33,718	30,000	163,000		
Net profit*1	20,505	19,300	112,200		
*1 Net profit attributable to owners of the parent					
ROA	5.9%	5.6%	25.4%		
ROE	10.6%	10.0%	46.9%		
DPS(JPY Yen)	75(Plan)	77(Plan)	77(Plan)		
Payout ratio	45.4%(Plan)	49.5%(Plan)	8.2%(Plan)		
Buyback	—	—	20,000(Plan)		
Total return ratio	45.4%(Plan)	49.5%(Plan)	26.2%(Plan)		

Average payout ratio over 5 years (2017-2021) : 33.5%

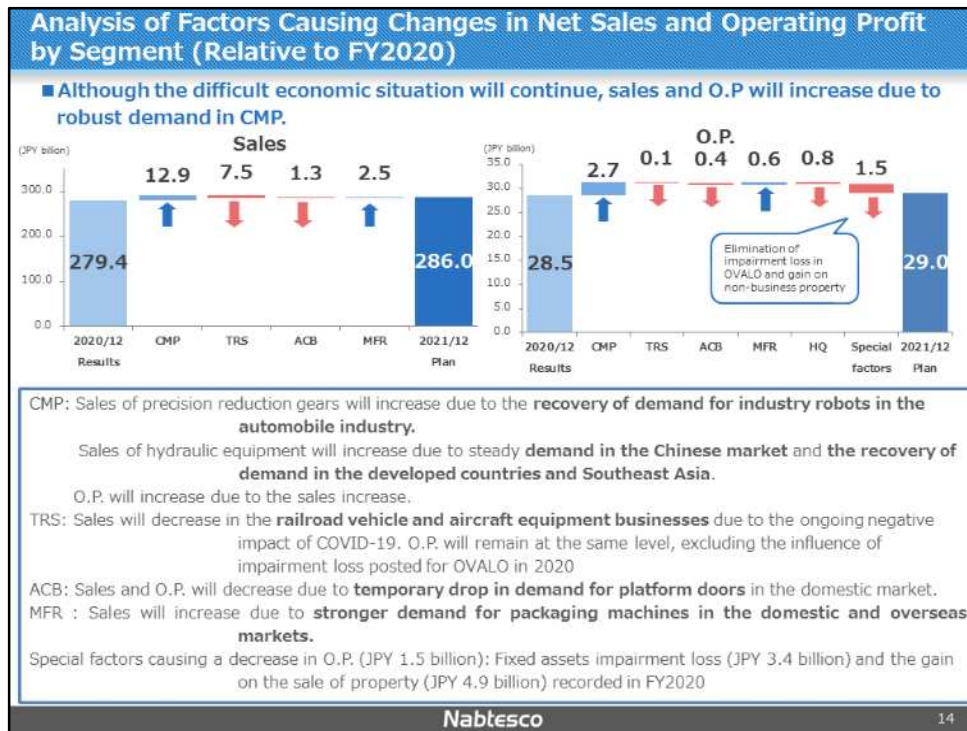
*2 2021/12: Plan (C) includes valuation gain for the shares of Harmonic Drive Systems (HDS), which causes increases in the "Income before tax," "Net profit" and other KPIs as compared to Plan (B).

FY2021 Forecast (B): Excluding valuation gain on HDS shares

FY2021 Forecast (C): Valuation gain on HDS shares are included in financial profit and loss.



We dissolved the cooperative relationship and exercised the right to request HDS to purchase the share options expiring 2023. Subsequently, we plan to sell our HDS shares.



Sales:

CMP segment: Sales of the Precision Reduction Gears business are expected to recover almost to the 2018 level.

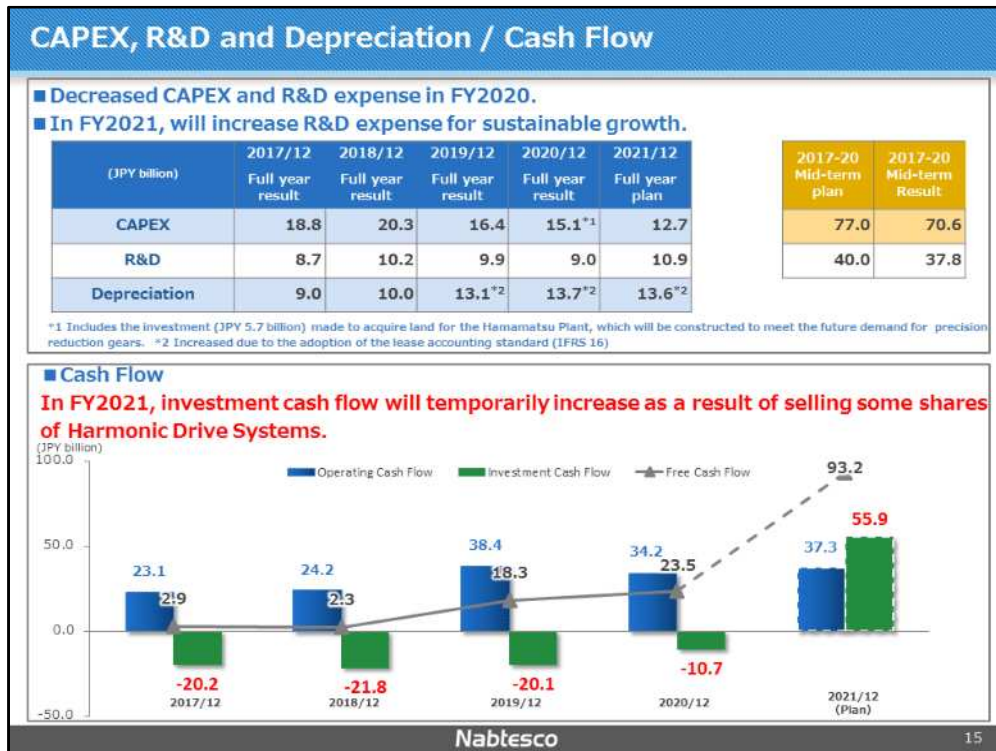
TRS segment: Demand related to the Aircraft Equipment business will likely remain stagnant.

ACB segment: Demand for platform doors in Japan is anticipated to decrease temporarily.

O.P.:

TRS segment: Despite the effect of a decrease in sales, O.P. is expected to remain virtually unchanged from the previous year, excluding the impairment loss of OVALO GmbH incurred in FY2020.

HQ cost: R&D expenses are expected to increase as R&D projects which could not be implemented in FY2020 will be carried over to FY2021.



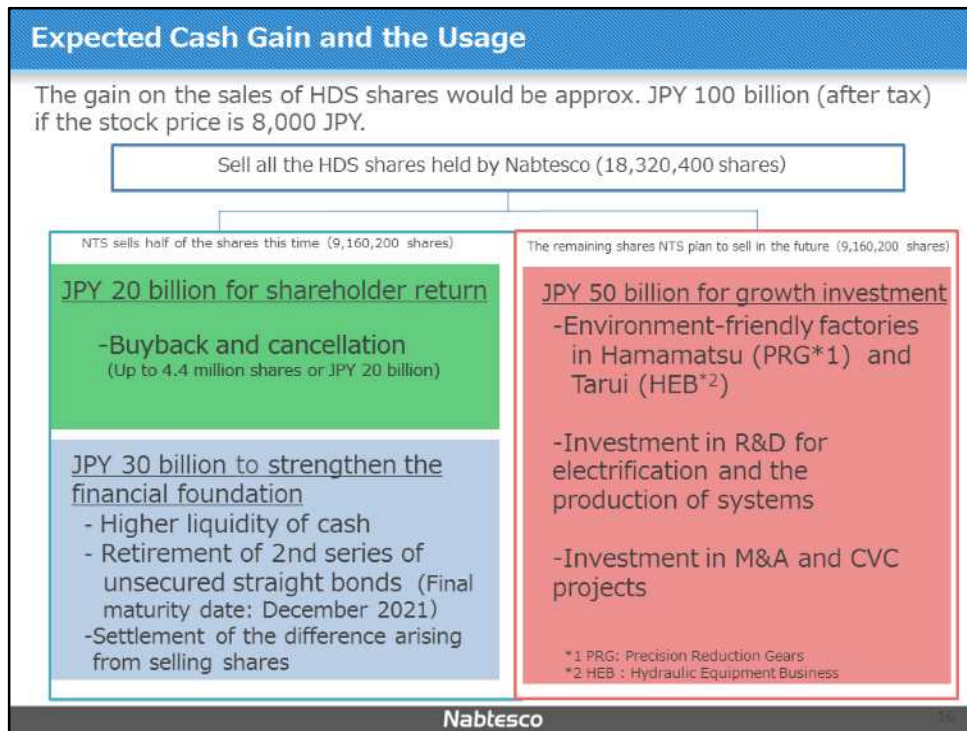
CAPEX:

CAPEX for FY 2020 was approx. JPY 10.0 billion, excluding the acquisition of land (JPY 5.7 billion) for the new Hamamatsu plant (precision reduction gears). Actual CAPEX decreased year-on-year.

CAPEX for FY2021 will be JPY 12.7 billion. CAPEX related primarily to environmental measures.

Investment Cash Flow:

Increase in deposits due to sale of HDS shares.



Strengthen the financial foundation (ensure high liquidity by keeping sufficient cash on hand)

Amid the severe external environment due to COVID-19, we will prepare for any eventualities for Nabtesco, its Group companies and suppliers by ensuring high liquidity by keeping sufficient cash on hand. If it is not used, it may be returned to shareholders.

(Settlement of the difference arising from selling shares)

The stock price may decline as the shares will be sold over the next 1.5 years. Therefore, we will prepare for the adjustment of the difference.

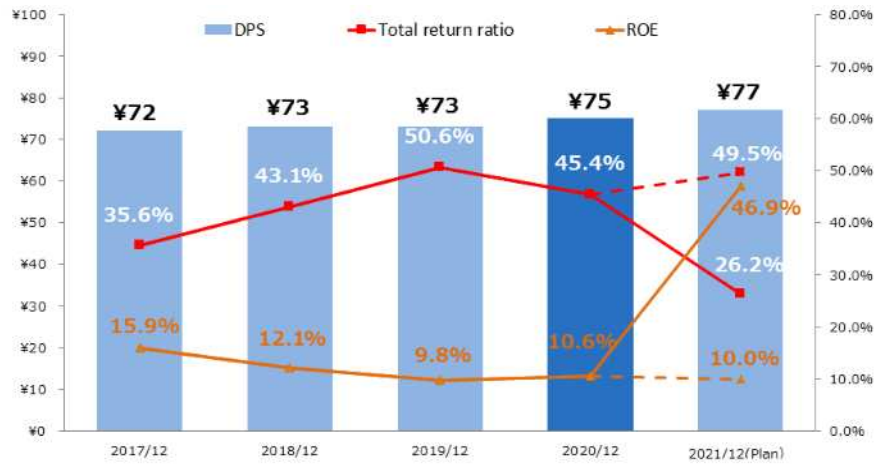
The gains from selling the remaining HDS shares in the future will be used for growth investment

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4. Review of the Mid-term management plan

Progress with the Medium-term Management Plan: ROE/Payout Ratio

- ROE → FY2021: 10.0% (Except for valuation gains for HDS shares).
- Total shareholders return (During the period from 2017 to 2021, except for valuation gains on for HDS shares) → 44.1%.
(33.5% → Including valuation gains for HDS shares) .



* HDS : Harmonic Drive Systems

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Progress with the Medium-term Management Plan: Focus on Solving ESG Issues

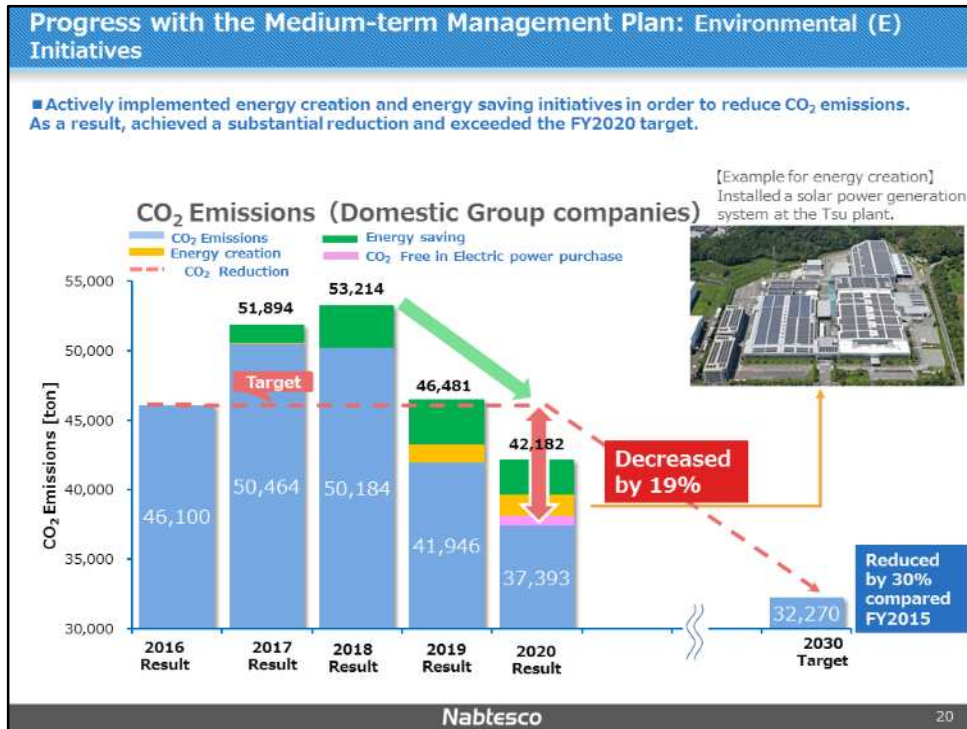
■ Steady implementation of measures for sustainability and governance

-E: "Combat climate change," "Reduce environmental impact," "Disclose more non-financial information"

-S: "Further revitalize the organization," "Enhance human resource development," "Enhance CSR-oriented procurement"

-G: "Ensure management transparency," "Globalize Risk management/Compliance"

ESG Theme	Materiality	FY 2017/12	FY 2018/12	FY 2019/12	FY 2020/12
Environment (E)	Countermeasures against climate change	<ul style="list-style-type: none"> Set long-term CO2 reduction target 	<ul style="list-style-type: none"> Promoted environment-related investment (solar power generation) 	<ul style="list-style-type: none"> Endorsed recommendations of TCFD Promoted the introduction of renewable energy 	<ul style="list-style-type: none"> Achieved 2020 CO2 reduction target Started examining the 1.5 degrees Celsius scenario
	Environmentally friendly manufacturing	<ul style="list-style-type: none"> Offered environment-related incentives 		<ul style="list-style-type: none"> Accelerated measures to comply with the Act on Rational Use and Appropriate Management of Fluorocarbons 	<ul style="list-style-type: none"> Managed hazardous substances contained in products through LCA
Social (S)	Transparent procurement activities				<ul style="list-style-type: none"> Revised the CSR-oriented procurement policy
	Provide safe and comfortable workplaces	<ul style="list-style-type: none"> Launch of the Business Transformation Division Implemented due diligence (DD) for human rights 	<ul style="list-style-type: none"> Promoted teleworking Returned the benefits of higher productivity to employees 	<ul style="list-style-type: none"> Installed systems (for RPA, AI utilization) Enhanced health and productivity management 	<ul style="list-style-type: none"> Transition to a selective career program Implemented due diligence (DD) for human rights
Governance (G)	Strengthen CG	<ul style="list-style-type: none"> Adopted Board Benefit Trust (BBT) as a compensation plan 	<ul style="list-style-type: none"> Revised CG basic policy 	<ul style="list-style-type: none"> Abolished the advisor system 	<ul style="list-style-type: none"> Increased the ratio of outside directors
	Promote risk management and compliance	<ul style="list-style-type: none"> Risk management on a company-wide basis Strengthened corruption and bid rigging prevention measures 	<ul style="list-style-type: none"> Enhanced risk assessment Set local rules to prevent corruption and bid rigging 	<ul style="list-style-type: none"> Globalized the internal reporting system 	<ul style="list-style-type: none"> Provided compliance training at Group companies in and outside Japan Established an integrated risk management system
	Ensure proactive dialogue with stakeholders	<ul style="list-style-type: none"> Enhanced integrated reporting 	<ul style="list-style-type: none"> Established the Nabtesco Group Community Investment Policy 	<ul style="list-style-type: none"> Held an ESG briefing session Disclosed ESG data 	<ul style="list-style-type: none"> Held the first IR Day Set a new materiality list



In terms of the Environmental Initiatives, we have been actively implementing energy creation and energy saving in order to reduce CO₂ emissions since 2017. Solar power generation systems were introduced between 2017 and 2018, and the effects of energy creation started to appear in 2019. As a result, the five-year targets for the period through 2020 were exceeded by 19%.

Our long-term target for 2030 corresponds to the “2 -degree scenario,” with a commitment to reduce CO₂ emissions by 30% from the 2015 level.

We have started to consider the 1.5-degree scenario, and we expect to set a target within 2021. We will continue to upgrade aging facilities and introduce solar power generation systems.

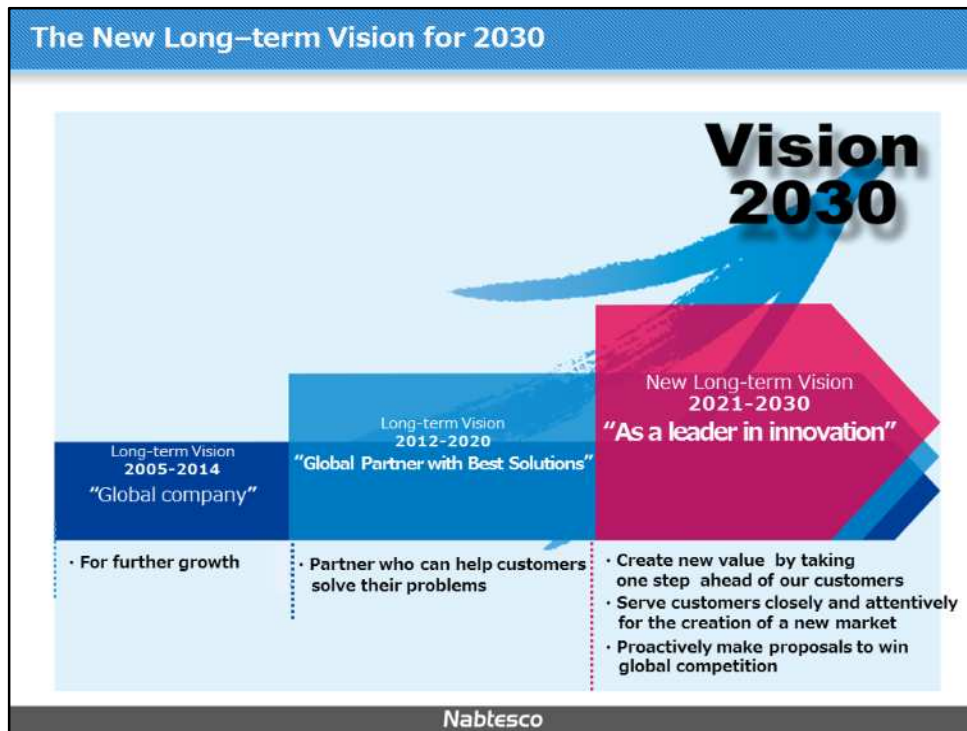
ESG Evaluation

- We have been continuously selected for inclusion in major ESG indices, such as DJSI World and FTSE.
- Evaluated as the "A List" company in all three major CDP categories.

			2017	2018	2019	2020
ESG indices	DJSI Asia Pacific	Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	★ (2013~)	★	★	★
	DJSI World		★ (2016~)	★	★	★
	FTSE4Good		★	★	★	★
	FTSE Blossom Japan		★	★	★	★
	MSCI ESG Leaders Indexes		★ (2015~)	★	★	★
	MSCI Japan ESG Select Leaders	2020 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数	★	★	★	★
	S	MSCI Japan Empowering Women	2020 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)		★	
E	S&P/JPX Carbon Efficient				★	★
	CDP CLIMATE CHANGE		★	★	★	★
	CDP WATER SECURITY			★		★
	CDP SUPPLIER ENGAGEMENT LEADER					★

Agenda

5. The New Long-term Vision



It has been nearly 20 years since Nabtesco Corporation was established following the integration of Teijin Seiki Co., Ltd. and NABCO Ltd.

Our long-term vision for 2005-2014 "Global Company" was achieved ahead of schedule.

With regard to our long-term vision for 2012-2020 "Global Partner with Best Solutions," we believe that our company is responding steadily to the needs and requests of our customers and they feel that we are their partner.

We went one step further for our long-term vision for 2021-2030 with the slogan "As a leader in innovation." We want to enhance the meaning of the company's existence by actively developing and proposing products that even our customers have not thought of themselves.



We will pursue the following three pillars toward our 2030 vision "Leaders in Innovation for the Future."

- Further developing and evolving core technologies.
- Globalization: Overseas sales currently account for 50% of consolidated sales. There is still room to develop overseas markets.
- The new vision focuses on social contribution (SDGs & ESG) as a theme that was not taken up in the previous vision but we have been working on under the current medium-term management plan. We also want to focus on solving social issues through innovation.

The New Long-term Vision for 2030

Our Aim for 2030

- Creating new value with our unique technology and intelligence
- Enriching lifestyles and the environment worldwide
- “Moving your heart” by providing safety and security

Formulation of a new mid-term plan (3 years) based on the new long-term vision

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The slide features a blue header with the title. Below it, a dark blue arrow points to the text 'Our Aim for 2030'. Three white boxes with black text list the goals. A dark blue bar at the bottom contains the text 'Formulation of a new mid-term plan (3 years) based on the new long-term vision'. The Nabtesco logo is at the very bottom. The background is a collage of a city, a highway, and a family, with a rainbow in the sky.

The new medium-term management plan for 2022-2024 will be formulated in 2021 and various KPIs will be set.

Appendix

Component Solutions Segment (CMP)



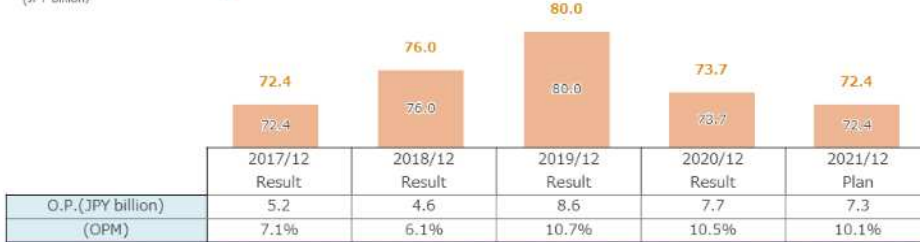
Transport Solutions Segment (TRS)



*Sales of Nabtesco Service is calculated until as of the result for 2017/12

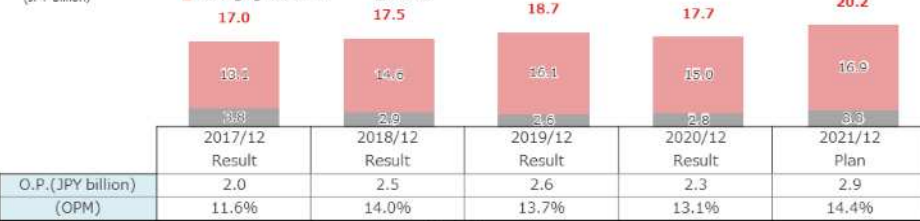
Accessibility Solution Segment (ACB)

Sales (JPY billion) ■ Automatic Doors



Manufacturing Solutions Segment (MFR)

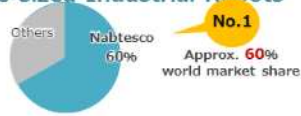
Sales (JPY billion) ■ Packaging Machines ■ Others



Main Products: Component Solutions Segment (CMP)

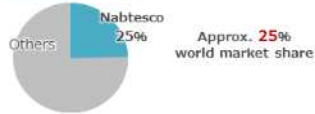
Precision Reduction Gears

■ Joints of Medium- and Large-sized Industrial Robots



Hydraulic Equipment

■ Traveling Units for Hydraulic Excavators



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, Kobelco Construction Machinery, Sumitomo 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



■ Air Dryers



Marine Vessel Equipment

■ 2ST Main Engine Control Systems



Main Customers

■ Commercial Vehicle Equipment

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

■ Marine Vessel Equipment

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

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 and others

Main Products: Manufacturing Solutions Segment (MFR)

Packaging Machines

Packaging Machines for Retort Pouch Foods



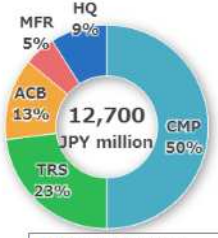
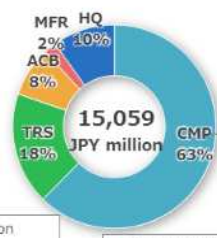
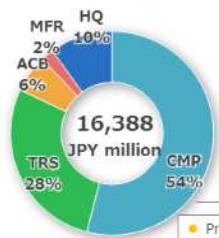
Main Customers

Packaging Machines

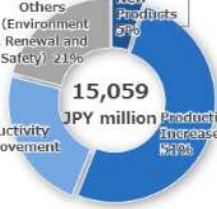
Mitsui Sugar, Ajinomoto, Marudai Food Co., Ltd., ARIAKE Japan, KENKO Mayonnaise, P&G, Kao, Lion, beverage companies in North America, food companies in China

Breakdown of CAPEX

By segment



By usage



● Precision Reduction Gears: Increase production capacity at the Tsu Plant

● Precision Reduction Gears: Purchase land in Shizuoka pref.

● Core system update
● PLM*system construction

2019/12 Result

2020/12 Result

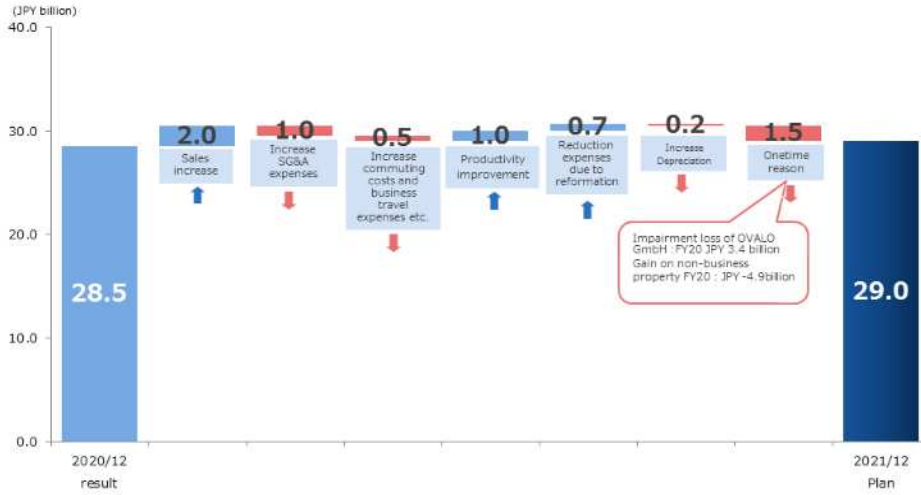
2021/12 Plan

*Product Lifecycle Management

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Analysis of Factors Causing Changes in Operating Profit (Relative to FY2020)

■ O.P. will increase due to sales growth, productivity improvement and business transformation.



Accounting FOREX impact (JPY -0.6 billion)

-Exchange rate FY2021 (Plan) 1USD=¥100.00 1CNY=¥15.00 1EUR=¥120.00 1CHF=¥110.00

-FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen): (US\$) JPY 27 million (RMB) JPY868 million (EUR) minimal (CHF) minimal

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moving it. stopping it.