

# FY2022/12 Q3 Results Briefing

October 31, 2022  
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. Numerical figures presented herein are rounded down to the nearest whole unit for monetary value and rounded off to one decimal place for percentage. Unauthorized copying and replication of this material including text and image are prohibited.

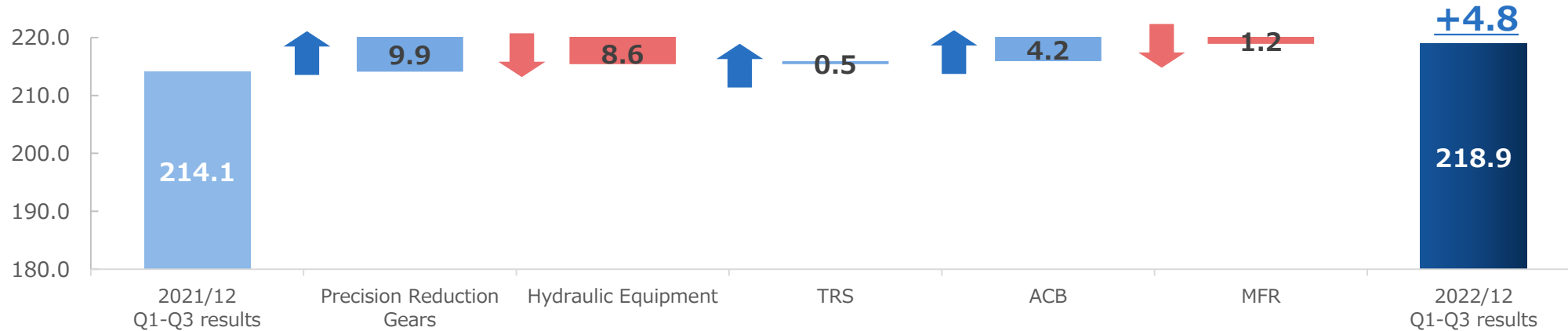
# 1. Results for FY2022/12 Q1-Q3

# 1.1 Summary for the FY2022/12 Q1-Q3 results (YoY)

## Sales

(JPY billion)

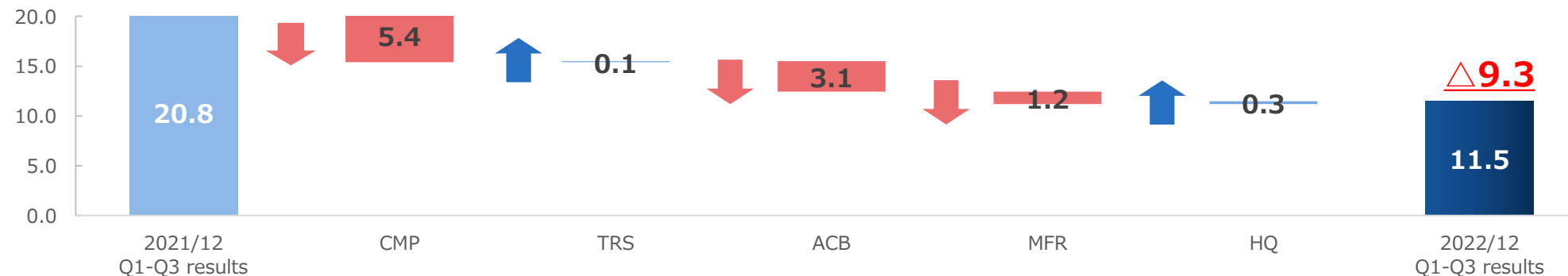
■ Demand of hydraulic equipment for construction machinery was sluggish in Chinese market, but strong demand for precision reduction gears for industrial robots has continued. In addition, FOREX rate contributed to an increase in sales.



## O.P.

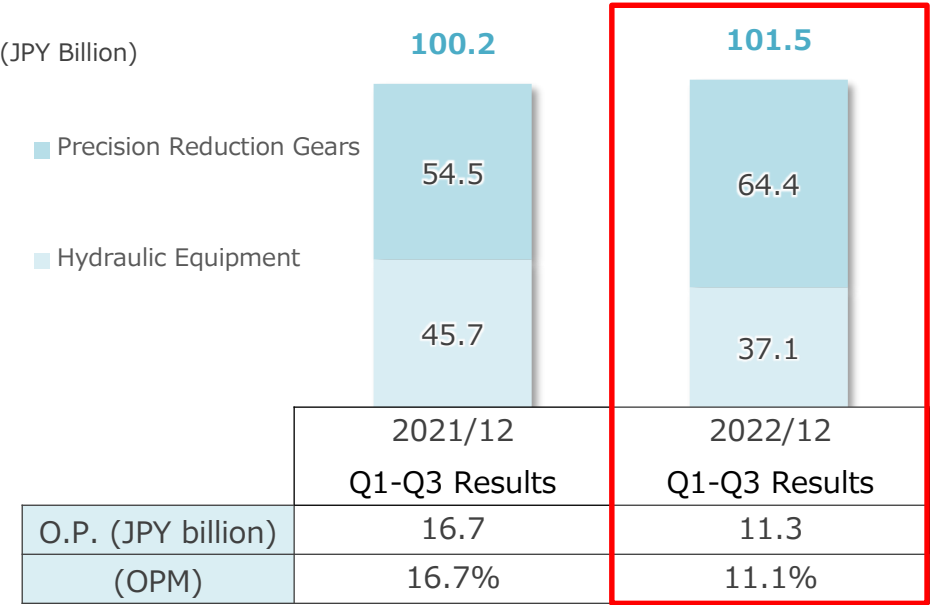
(JPY billion)

■ O.P. decreased due to the weak demand for hydraulic equipment and the impact of higher raw material, outsourcing, and logistics costs in CMP and ACB.



CMP: Component Solution Segment TRS: Transport Solution Segment ACB: Accessibility Solution Segment MFR: Manufacturing Solution Segment HQ: Corporate or Elimination

### Component Solutions Segment (CMP)



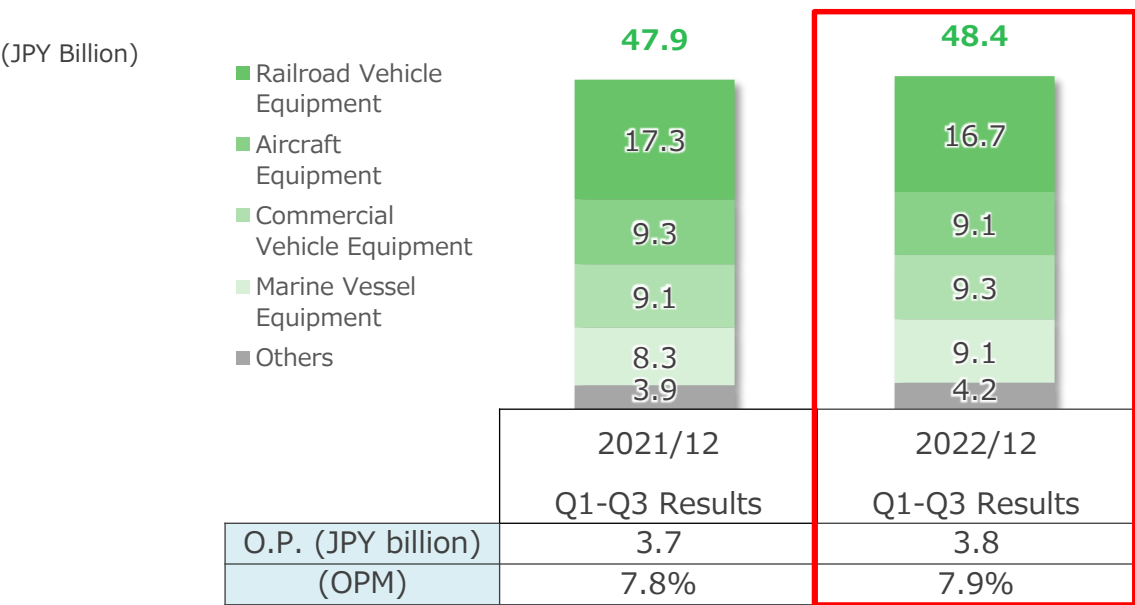
[Sales]

- Precision Reduction Gears:**  
Sales increased YoY due to the strong demand for industrial robots, semiconductor manufacturing equipment and manufacturing equipment for EVs.
- Hydraulic equipment:**  
Sales decreased YoY due to lower-than-expected demand in China and suspension of Shanghai Plant operation by Shanghai lockdown.

[O.P.]

O.P. decreased YoY due to lower sales in hydraulic equipment and higher raw material costs, outsourcing costs, and distribution costs in precision reduction gears.

### Transport Solutions Segment (TRS)



[Sales]

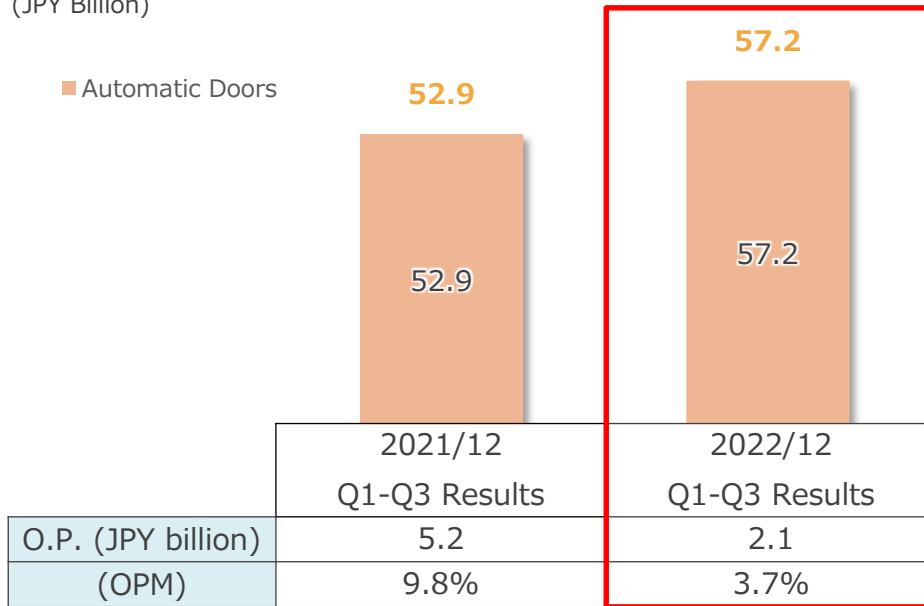
- Railroad Vehicle Equipment Business:**  
Sales slightly decreased YoY due to lower demand for new vehicles in the domestic and overseas markets, despite of the strong sales of MRO.
- Aircraft Equipment Business:**  
Sales was flat YoY due to the delay in procuring components for Ministry of Defense, despite of moderate recovery in demand for commercial aircraft.
- Commercial Vehicle Equipment Business:**  
Despite the impact of low production rate by customers' production adjustment, sales was flat YoY because of demand recovery in the Southeast Asian market.
- Marine Vessel Equipment Business:**  
Sales increased YoY due to higher demand of shipbuilding and marine transportation.

[O.P.]

O.P. was generally flat YoY.

## Accessibility Solutions Segment (ACB)

(JPY Billion)



### [Sales]

#### • Automatic Doors:

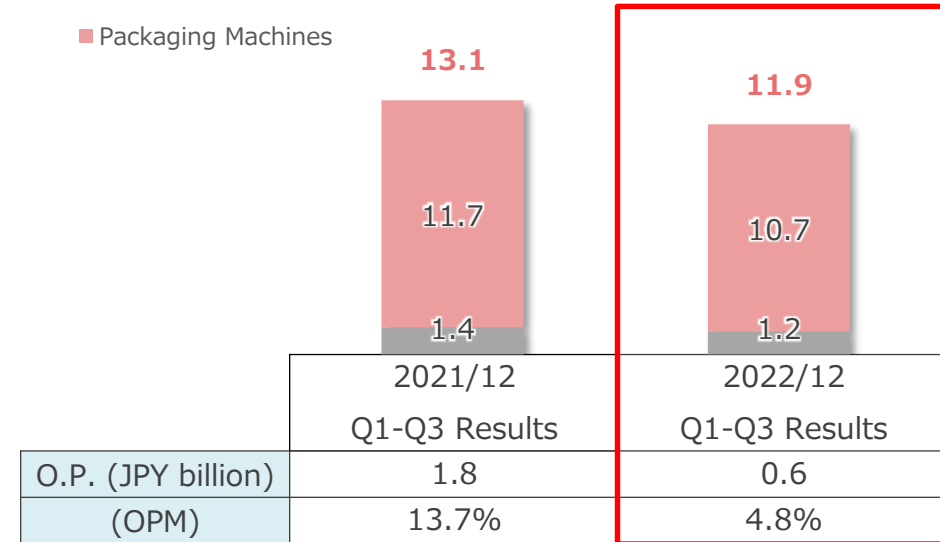
Sales increased YoY due to the steady demands in both domestic and overseas markets. Also, the effect of weaker yen contributed to the sales increase.

### [O.P.]

Japan: O.P. decreased YoY due to delay in MRO progress caused by shortage of electronic components.  
Overseas: O.P. decreased YoY due to the higher outsourcing costs caused by travel restrictions in Europe by COVID19 as well as labor shortages. Additionally unexpected cost increased due to construction delays on platform door projects.

## Manufacturing Solutions Segment (MFR)

(JPY Billion)



### [Sales]

#### • Packaging Machines:

Both product sales and MRO sales were declined YoY due to the shortage of electronic components and other parts.

### [O.P.]

O.P. decreased YoY due to lower sales because of production delay caused by shortage of electronic components.

# 1.3 Consolidated results for FY2022/12 Q1-Q3 - P/L - *Innovation In Action* Vision 2030

- Decrease in “financial Income and cost” was due to the revaluation of HDS\*<sup>1</sup> shares.  
(21/4Q: ¥4,860/share→22/3Q: ¥4,485/share)

(JPY billion)

	2021/12 Q1-Q3 results (A)	2022/12 Q1-Q3 results (B)	Variation (B-A)
<b>Sales</b>	214.1	218.9	4.8
<b>O.P.</b>	20.8	11.5	-9.3
<b>(OPM)</b>	9.7%	5.2%	-4.5pt
<b>Financial Income and cost</b>	79.4	3.2	-76.2
<b>(Revaluation of HDS*<sup>1</sup> shares)</b>	-80.6	-1.4	79.2
<b>Equity in earnings of affiliates</b>	1.5	2.2	0.7
<b>Income before tax</b>	101.7	16.9	-84.9
<b>Net profit*<sup>2</sup></b>	63.1	10.6	-52.5
<b>Earnings per share (JPY yen)</b>	518.7	88.5	-430.2
<b>HDS share price used for the result (JPY yen)</b>	5,400/share	4,485/share	-

\* 1 HDS: Harmonic Drive Systems Inc.

\*2 Net profit attributable to owners of the parent

# 1.4 Summary for Balance sheet for the FY2022/12 Q3 *Innovation In Action* Vision 2030

■ Decrease in “Cash and cash equivalents,” “Other financial assets,” “Assets held for sale,” “Other financial liabilities,” and “Income taxes payable” is due to the completion of sale of half of HDS\* shares.

(JPY billion)	2021/12 Q4 (As of December 31, 2021)	2022/12 Q3 (As of September 30, 2022)	Variation
<b>Assets</b>	481.7	414.5	-67.2
(Cash and cash equivalents)	112.8	78.4	-34.3
(Trade receivable)	75.0	65.8	-9.1
(Inventories)	41.9	54.8	12.9
(Other current financial assets)	7.8	1.8	-6.0
(Assets held for sale)	44.5	0.0	-44.5
(Property, plant and equipment)	89.0	96.7	7.7
(Other non-current financial assets)	53.9	50.3	-3.6
<b>Liabilities</b>	226.7	147.9	-78.9
(Other non-current financial liabilities)	77.9	0.1	-77.8
(Income taxes payable)	19.8	1.4	-18.4
<b>Total equities</b>	255.0	266.7	11.7
<b>Equity attributable to owners of parent</b>	239.9	252.0	12.0

Ratio of equity attributable to owners of parent

49.8%

60.8%

\* HDS: Harmonic Drive Systems Inc.

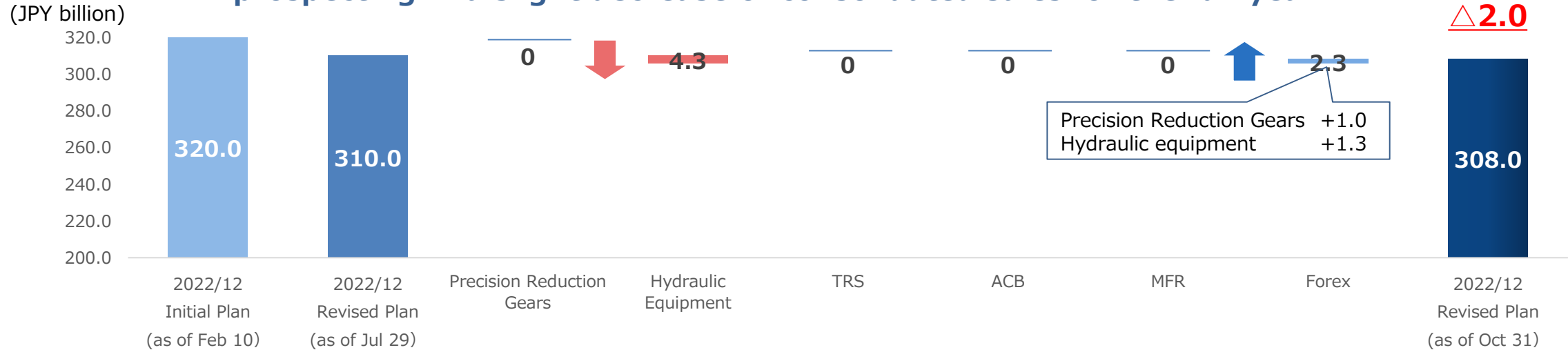
## 2. Forecasts for FY2022/12



## 2.1 Forecasts by segment for FY2022/12

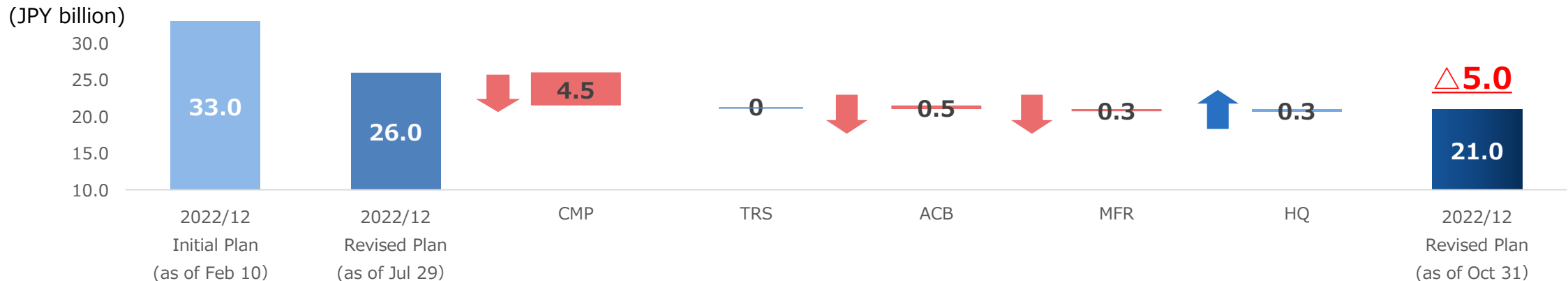
### Sales

■ The effect of weaker yen will be offset the sales decline of hydraulic equipment, prospecting in a slight decrease of consolidated sales for the full year.



### O.P.

■ Revised full-year O.P. plan due to lower income from weak demand for hydraulic equipment and the impact of higher costs.

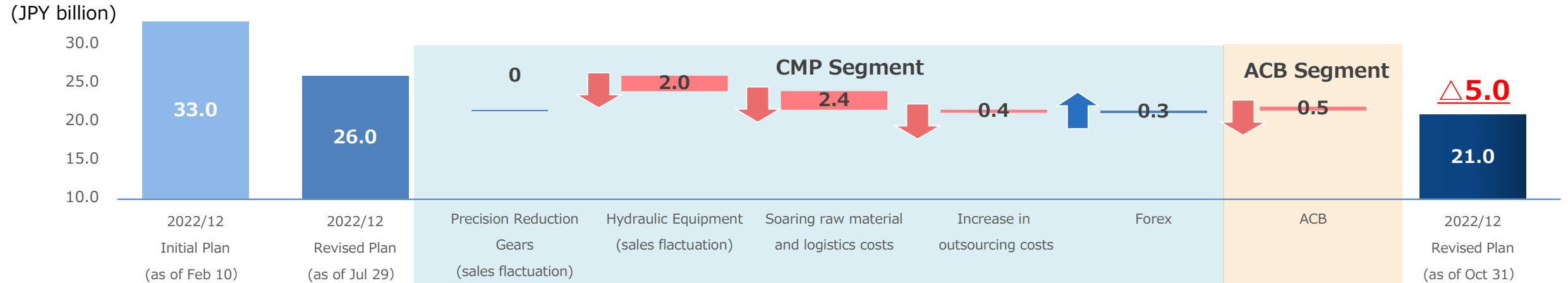


CMP: Component Solution Segment TRS: Transport Solution Segment ACB: Accessibility Solution Segment MFR: Manufacturing Solution Segment HQ: Corporate or Elimination

## 2.2 Forecast breakdowns for FY2022/12 (CMP/ACB) *Innovation In Action* Vision 2030

O.P.

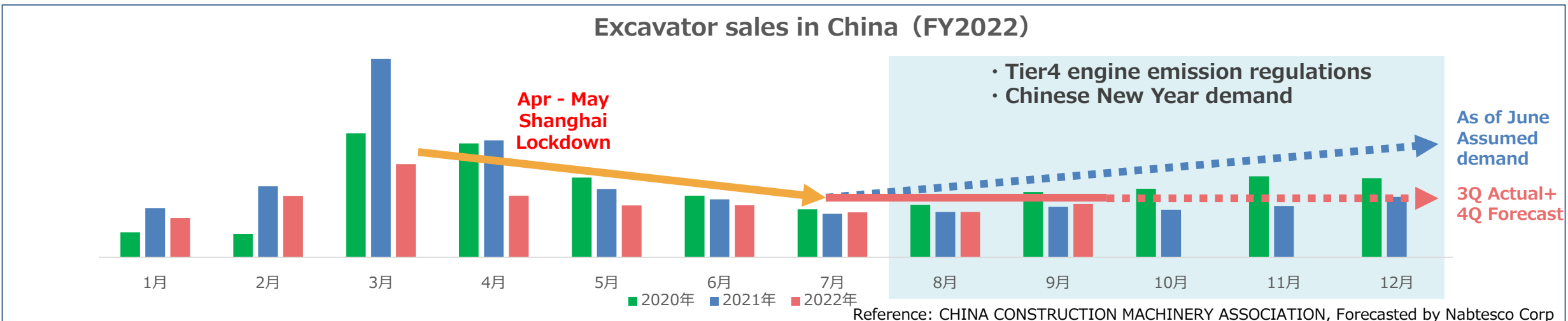
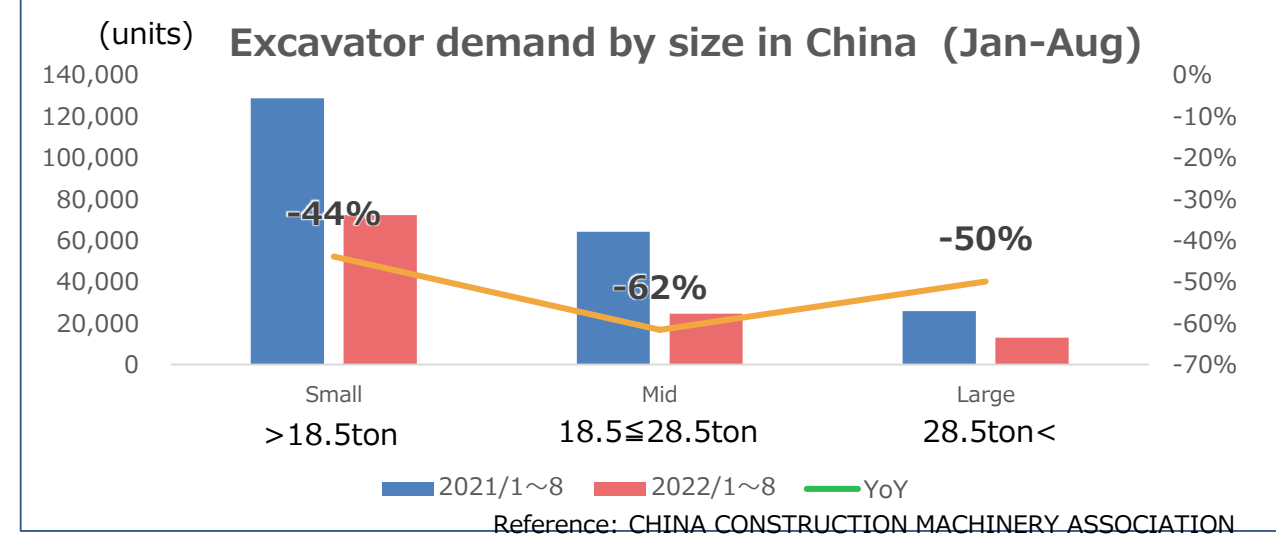
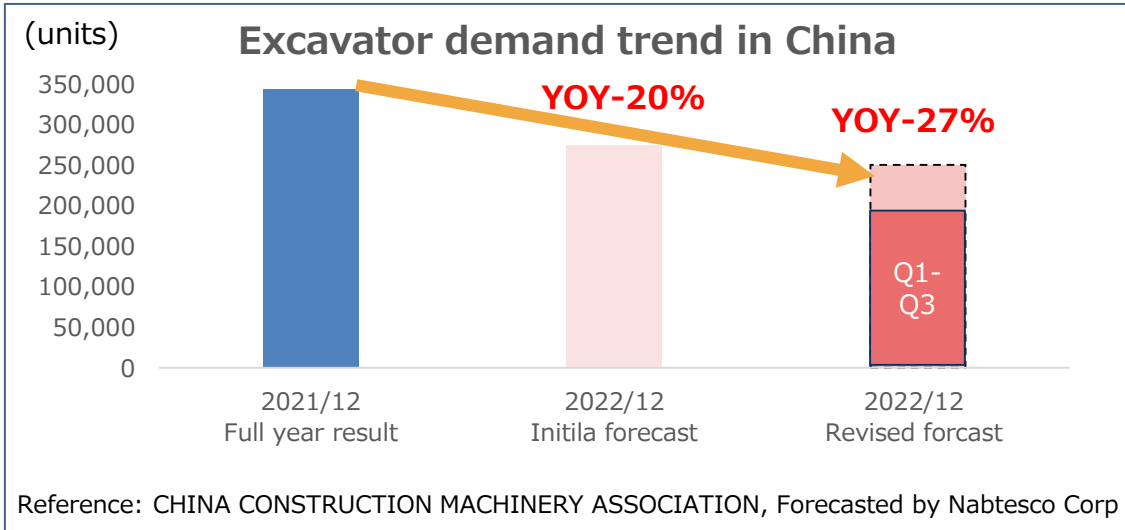
■ Revised full-year O.P. plan due to lower income from weak demand for hydraulic equipment and the impact of higher raw material, logistics costs and outsourcing costs.



		Factors of the Decline in Earnings	Order backlog 21/3Q vs. 22/3Q	Initiatives
CMP	Precision Reduction Gears	<ul style="list-style-type: none"> <li>- <b>Outsourcing costs increased with hiring temporary worker</b> to recover from slow production caused by re-spreads of COVID19 (Jul-Aug) at Japan plant, <b>to meet customers' demand for production expansion.</b></li> <li>- Allowed further increases in raw material costs and subcontractors costs to <b>protect our supply chain.</b></li> </ul>	+47%	<ul style="list-style-type: none"> <li>- <b>Raw material costs and outsourcing costs increases will be passed on to selling prices.</b> (Main effects are expected to be actualized in the next fiscal year)</li> <li>- Ensure cost reduction activities effect</li> </ul>
	Hydraulic equipment	<ul style="list-style-type: none"> <li>- <b>Lower-than-expected demand</b> and slower recovery in the Chinese market.</li> </ul>	-17%	<ul style="list-style-type: none"> <li>- <b>Strengthen sales expansion activities in Europe, North America and Asia</b></li> </ul>
ACB	Automatic Door	<ul style="list-style-type: none"> <li>- Delay in MRO progress due to <b>shortage of electronic components</b> such as controllers and others.</li> <li>- <b>Unexpected cost increase</b> due to postponement of construction period of platform door project.</li> </ul>	+19%	<ul style="list-style-type: none"> <li>- <b>Expand MRO</b> by securing electronic components by developing alternative suppliers</li> <li>- <b>Expected to recover increased costs</b></li> </ul>

## 2.3 Hydraulic equipment -Construction Machinery Demand- *Innovation In Action* Vision 2030

- The Chinese construction machinery market experienced lower-than-expected demand decline. The last-time demand before Tier4 engine emission regulations implementation which will take effect in December and the Chinese New Year demand has not yet being actualized.



# 3. Topics

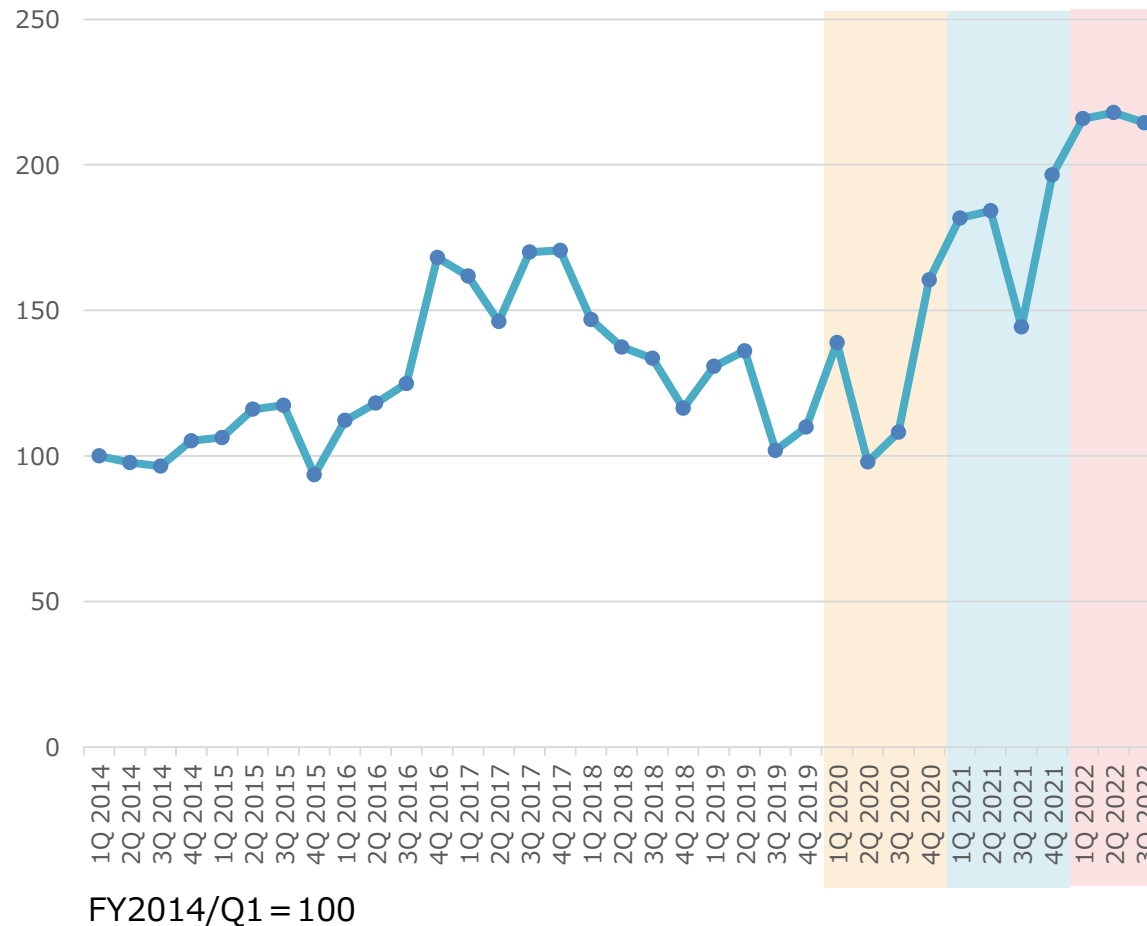
# 3.1 Precision Reduction Gears

## -Consolidated Orders and Production Capacity-

### Index for FY2022/Q3 consolidated orders taking

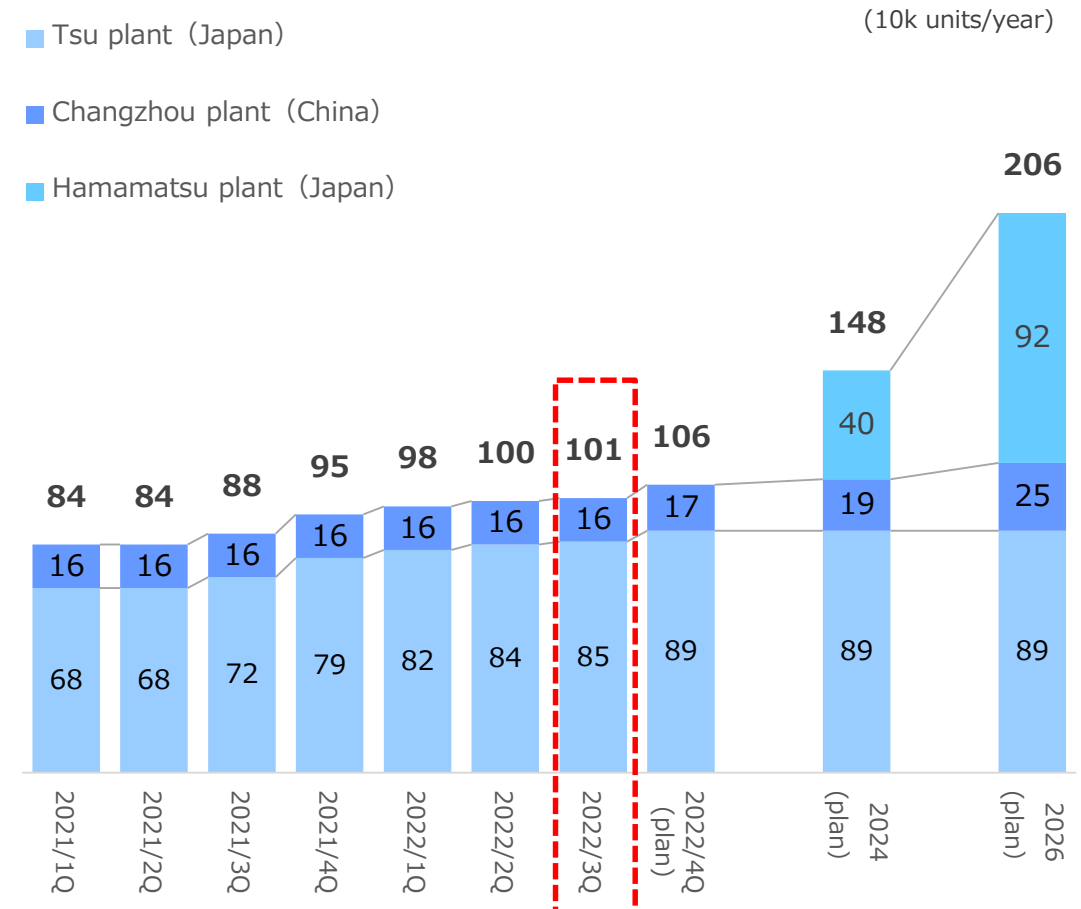
-YoY +49%



-Robot manufacturers continue to be unable to keep their production up with orders due to demand exceeding capacity and shortages in procurements.



### Production capacity expansion




-2022/Q3 Annual production capacity reached to 1.01 million units at.  
-2022/4Q Increased annual production capacity to 1.06 million units to secure production volume.



BU	Topics	Outline
Precision Reduction Gears	<p><b>Holding a Groundbreaking Ceremony for the Hamamatsu Plant, the New Production Base for Precision Reduction Gears (Sep 23)</b></p> <div> <p>Our challenges in mid-term management plan</p> <p>Realization of smart manufacturing through minimization of environmental burden and digital technology</p> </div>	<p>Establishing the new plant in Hamamatsu, which will be the third production base for precision reduction gears, based on the concept of “the world’s No.1 smart plant with manufacturing innovation and high evaluation for SDGs.” <b>Aiming for an automation ratio of 90% or higher, with highly efficient manufacturing small mix and high volume models.</b></p> <p>[Outline of the Hamamatsu Plant]</p> <ul style="list-style-type: none"> <li>◆ Annual production capacity: 1.2 million units per year (by 2030)</li> <li>◆ Start of construction: September 2022</li> <li>◆ Start of operation: October 2023</li> <li>◆ Investment amount: About 47 billion yen (2022-2026)</li> </ul>  <p>Illustrative rendering of the Hamamatsu Plant</p>
Hydraulic equipment	<p><b>Establishment of a European Sales Company in the Hydraulic Equipment Business (Aug 18)</b></p> <div> <p>Our challenges in mid-term management plan</p> <p>Build a resilient global value net-work</p> </div>	<p>The newly established a sales company for its hydraulic equipment in Germany. The main purpose of this establishment is <b>to expand sales of the equipment by new customer development in Europe</b>, and to enhance measures for existing customers in the region.</p> <p>[Outline of the new company]</p> <ul style="list-style-type: none"> <li>◆ Name: Nabtesco Power Control Europe GmbH</li> <li>◆ Location: Duesseldorf, Germany</li> <li>◆ Establishment: August 18, 2022</li> <li>◆ Start of business: November 1, 2022</li> </ul> 



## 3.2 Topics

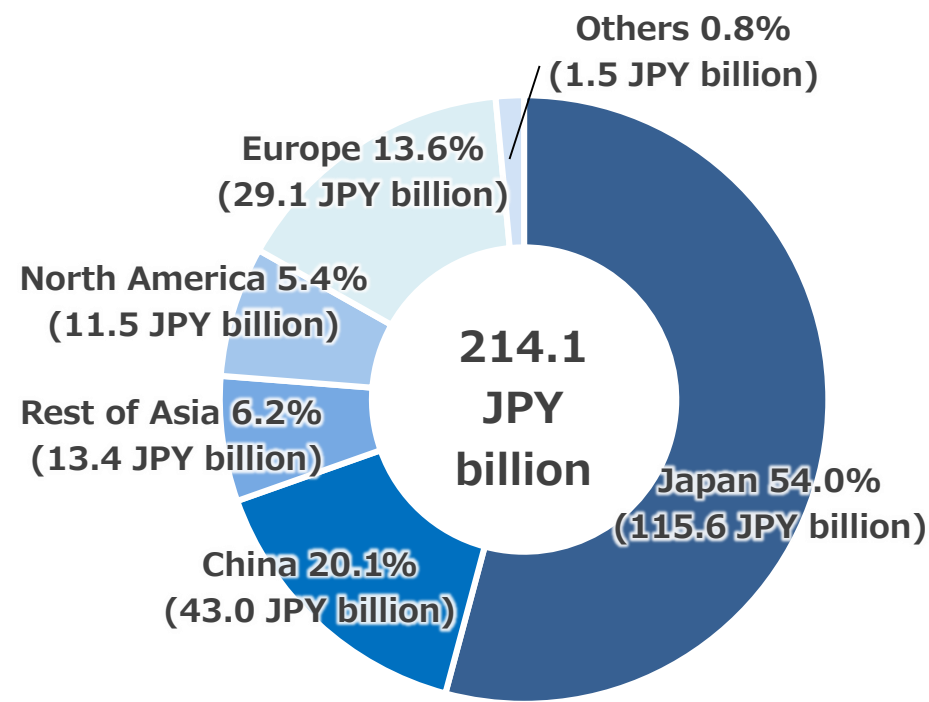
BU	Topics	Outline
Welfare Equipment	<p><b>Provides Support for Artist Mari Katayama's High Heel Project (Sep 5)</b></p> <p>Our challenges in mid-term management plan</p> <p>Create new value with innovative products and services</p>	<p>Concluded an agreement to support the High Heel Project implemented by Artist Mari Katayama who is an internationally renowned artist. Nabtesco will provide her with its leading-edge electronically controlled prosthetic knee joints, "ALLUX2," and she will provide feedback on the joints from a user viewpoint. The two parties will collaborate to develop public relations activities. As one of <b>its initiatives to solve social challenges through our business</b>, Nabtesco supports the realization of normalization, which enables people participate in society in their own way.</p> <p>Daisuke Hakoda, President of the Accessibility Innovations Company(left) and Ms. Mari Katayama (right), who signed the collaborative agreement</p>   <p>prosthetic knee joints "ALLUX2"</p>
Corporate	<p><b>Intrapreneurship program "Light" (Oct 1)</b></p> <p>Our challenges in mid-term management plan</p> <p>Create new value with innovative products and services</p> <p>Raise motivation of all employees for "Change ourselves" and enjoy challenges</p>	<p>To realize the long-term vision of "Leaders in Innovation for the Future," established <b>Intrapreneurship program "Light" to create new businesses</b>. With open solicitation of ideas from employees and after selections and workshops, venture units will be launched and commercialized. Employees who take on challenges this program will be given evaluation and incentives, as well as accompanied support .</p> 

# Appendix



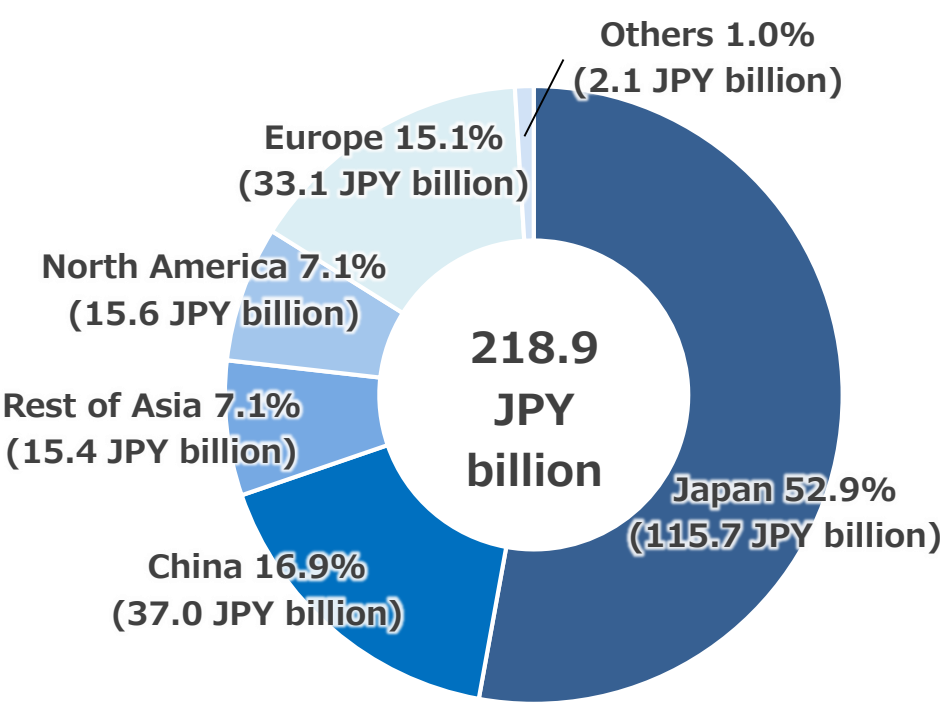
(JPY billion)	2021/12 Q1-Q3 result (A)	2022/12 Q1-Q3 result (B)	2022/12 Revised plan (As of Oct 31) (C)	Variation (B-A)	Rate of progress (B/C)	2021/12 Full-year result
CAPEX	6.7	15.2	29.3	8.6	52%	9.6
R&D	7.1	8.2	12.3	1.0	67%	9.6
Depreciation	9.8	10.7	14.5	0.9	----	13.3

2021/12 Q3 Results



Overseas Sales	98.5 JPY billion
Ratio	46.0%

2022/12 Q3 Results



Overseas Sales	103.2 JPY billion
Ratio	47.1%

## ■ FOREX rate

	2021/12 Q3 results	2021/12 Full year results	2022/12 Q3 results	2022/12 Revised plan (Oct 31)
USD	¥109.11	¥110.37	¥129.46	¥125.03
RMB	¥16.86	¥17.12	¥19.45	¥19.06
EUR	¥130.27	¥130.34	¥136.62	¥133.94
CHF	¥119.41	¥120.71	¥135.89	¥131.20

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

	2021/12 Q3 results		2021/12 Full year results		2022/12 Q3 results		2022/12 Revised plan (Oct 31)	
	Sales	O.P.	Sales	O.P.	Sales	O.P.	Sales	O.P.
(Million yen)								
USD	74	31	100	45	103	26	178	30
RMB	1,571	646	2,056	790	1,579	384	2,726	686
EUR	40	Minimal	62	Minimal	47	Minimal	72	Minimal
CHF	133	Minimal	196	Minimal	146	Minimal	216	Minimal

(JPY billion)	2021/12 Full year results (A)	2022/12 Revised plan (As of Oct 31) (B)	Variation (B-A)
<b>Sales</b>	299.8	308.0	8.2
<b>O.P.</b>	30.0	21.0	-9.0
<b>(OPM)</b>	10.0%	6.8%	-3.2pt
<b>Financial Income and cost</b>	69.9	6.8	-63.1
<b>(Revaluation of HDS<sup>*1</sup> shares)</b>	70.7	4.9	-65.8
<b>Equity in earnings of affiliates</b>	2.1	2.8	0.7
<b>Income before tax</b>	102.0	30.6	-71.4
<b>Net profit<sup>*2</sup></b>	64.8	20.5	-44.3
<b>Earnings per share (JPY yen)</b>	534.7	170.8	-363.9
<b>HDS share price used for the result and plan (JPY yen)</b>	4,860/share	4,860/share	-
<b>ROIC</b>	8.1%	5.4%	-2.7pt

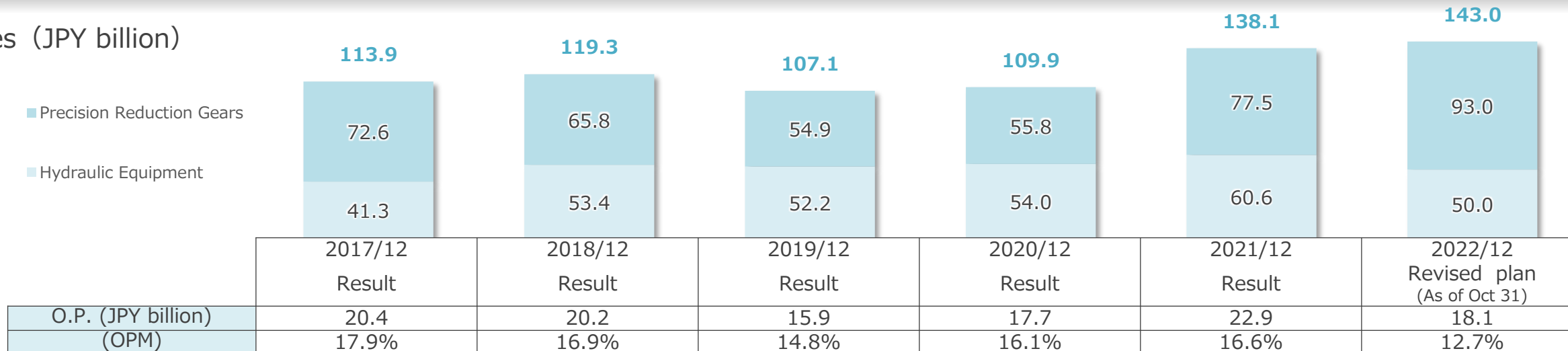
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\*2 Net profit attributable to owners of the parent

# Sales by Segment and Business Outline

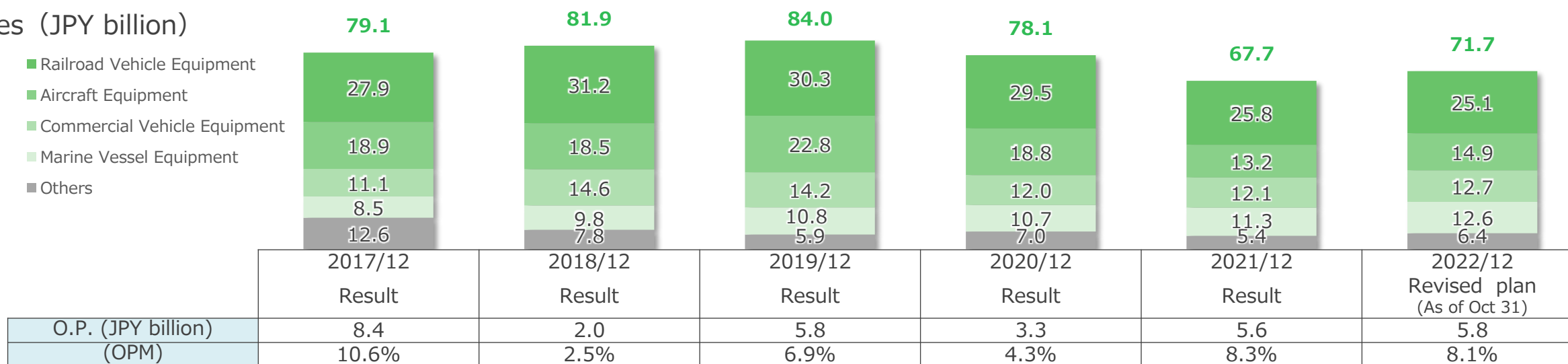
# Component Solutions Segment (CMP)

Sales (JPY billion)



# Transport Solutions Segment (TRS)

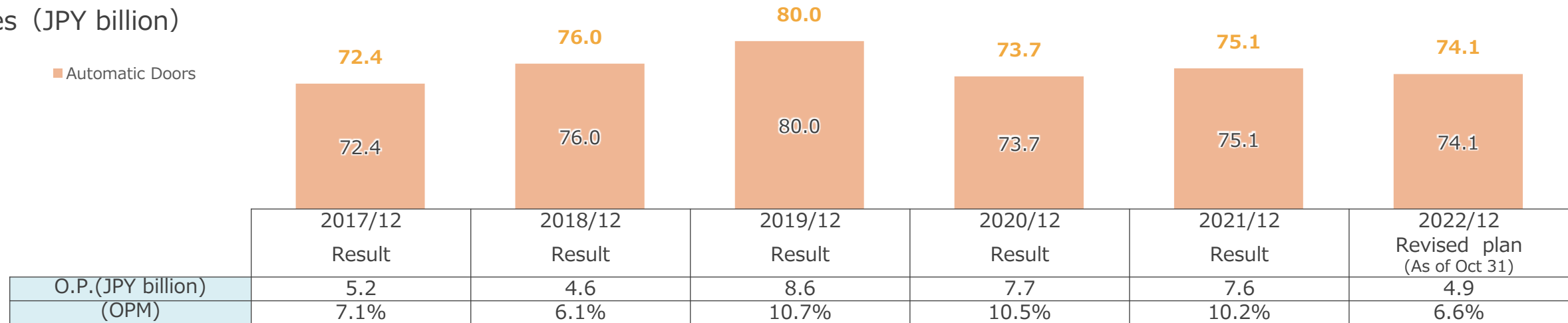
Sales (JPY billion)



# Accessibility Solutions Segment (ACB)

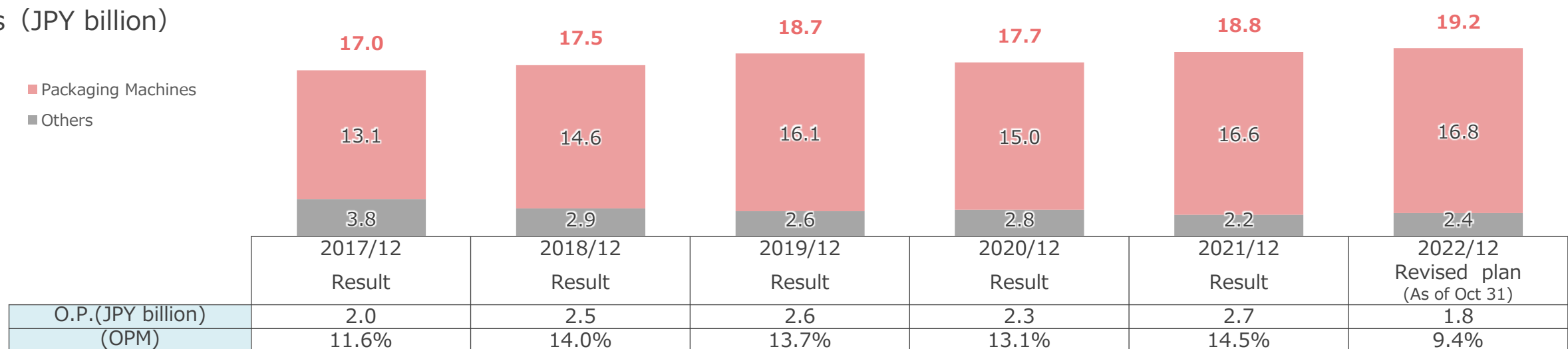
*Innovation In Action*  
Vision 2030

Sales (JPY billion)



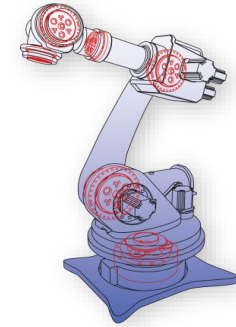
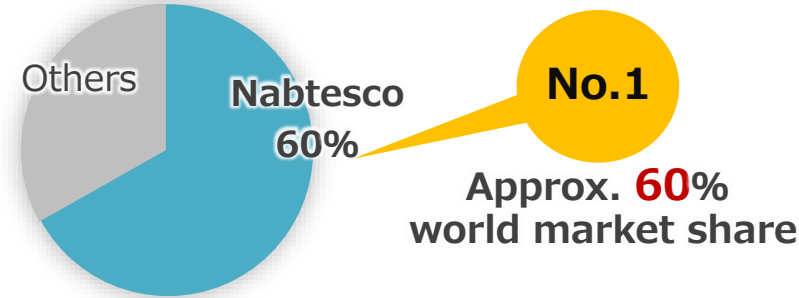
# Manufacturing Solutions Segment (MFR)

Sales (JPY billion)



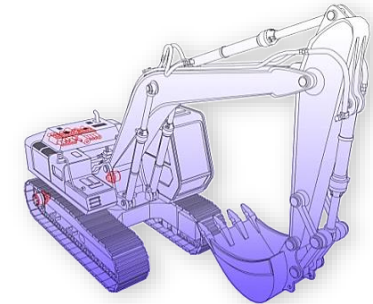
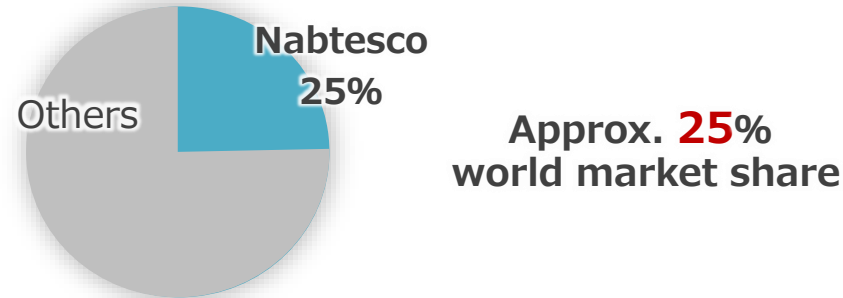
## Precision Reduction Gears

- Joints of Medium and Large Size Industrial Robots



## Hydraulic Equipment

- Traveling Units for Hydraulic Excavators



## Main Customers

### ■ Precision Reduction Gears

**Industrial Robots:** Fanuc, Yasukawa Electric, KHI, KUKA Roboter (Germany), ABB Robotics (Sweden)

**Machine Tools:** Yamazaki Mazak, Okuma, DMG Mori Seiki

### ■ Hydraulic Equipment

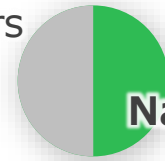
**Traveling Units:** Komatsu, Sumitomo Construction Machinery, Kobelco Construction Machinery, Sany (China), XCMG (China), Liu Gong (China)



## Railroad Vehicle Equipment

### ■ Brake Systems

Others



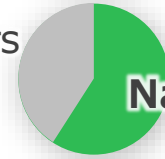
Nabtesco 50%

No.1

Approx. **50%** Domestic Market Share

### ■ Door Operating Systems

Others



Nabtesco 60%

No.1

Approx. **60%** Domestic Market Share



## Aircraft Equipment

### ■ Flight Control Actuation Systems (FCA)

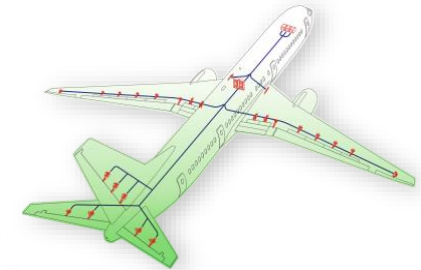
- One of the four major world players for FCA systems (major FCA supplier to Boeing Company)
- Expanding businesses including engine accessories and power supply systems in the product lineup



Nabtesco  
100%

No.1

Approx. **100%**  
market share for  
domestically-produced aircrafts



## 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

## Commercial Vehicle Equipment

### ■ Wedge Chambers

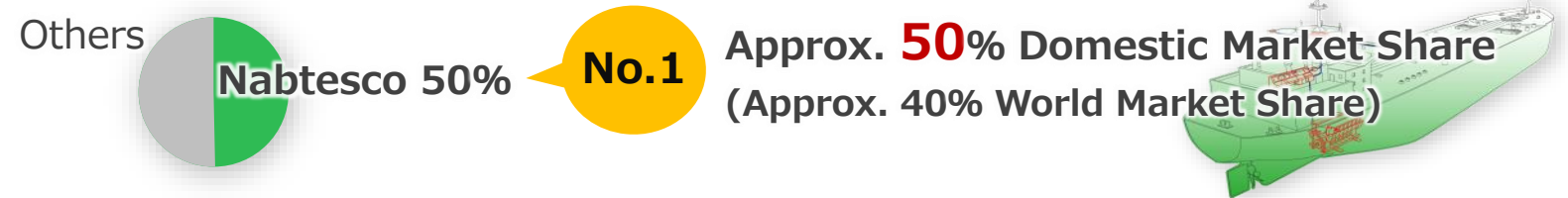


### ■ Air Dryers



## Marine Vessel Equipment

### ■ 2ST Main Engine Control Systems



## 主要顧客 (敬称略)

### ■ Commercial Vehicle Equipment

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

### ■ Marine Vessel Equipment

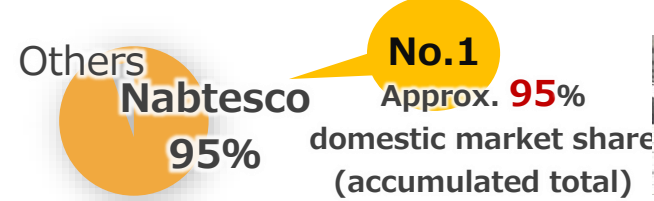
KHI, Hitachi Zosen, Makita Corporation, Japan Engine Corporation, Mitsui Engineering & Shipbuilding, Hyundai Heavy Industries (Korea), HSD Engine Co., Ltd. (Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)

## Automatic Doors

### ■ Automatic Doors



### ■ Platform Screen Doors



## Main Customers

**Automatic Doors for buildings:** Major general contractors, sash manufacturers, hospitals, banks, public institutions, etc.  
**Platform Doors :** Subway projects in France, 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

# Nabtesco

*moving it. stopping it.*

