

FY2017/12 Q2 Results Briefing (IFRS)

August 7, 2017

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.

Consolidated Results for the FY2017/12 H1 (IFRS)

- Led by the precision reduction gears and hydraulic equipment businesses demonstrating strong performance, both sales and profits increased on a year-on-year basis and compared with the plan at the beginning of the term on a half-year basis, achieving the highest sales and profits in history.

(JPY million)	2016/12 H1 Result (A)	2017/12 H1 Plan (As of Apr. 28, 2017) (B)	2017/12 H1 Result (C)	Variation (C-A)	Variation (C-B)
Sales	116,637	124,000	133,359	16,722	9,359
Core O.P. *	11,297	10,600	13,866	2,568	3,266
O.P.	12,500	10,600	13,761	1,260	3,161
(OPM)	10.7%	8.5%	10.3%	-	-
Finance Income and cost	-1,252	-	-172	1,079	-
Equity in earnings of affiliates	480	-	3,405	2,925	-
Income before tax	11,728	14,000	16,993	5,265	2,993
Net profit **	7,998	10,900	12,497	4,499	1,597
Earnings per share (Yen)	64.75	88.24	101.23	36.48	12.99
DPS (Yen)	24	28	34	10	6

* Core operating profit is net sales less cost of sales and selling, general and administrative expenses.

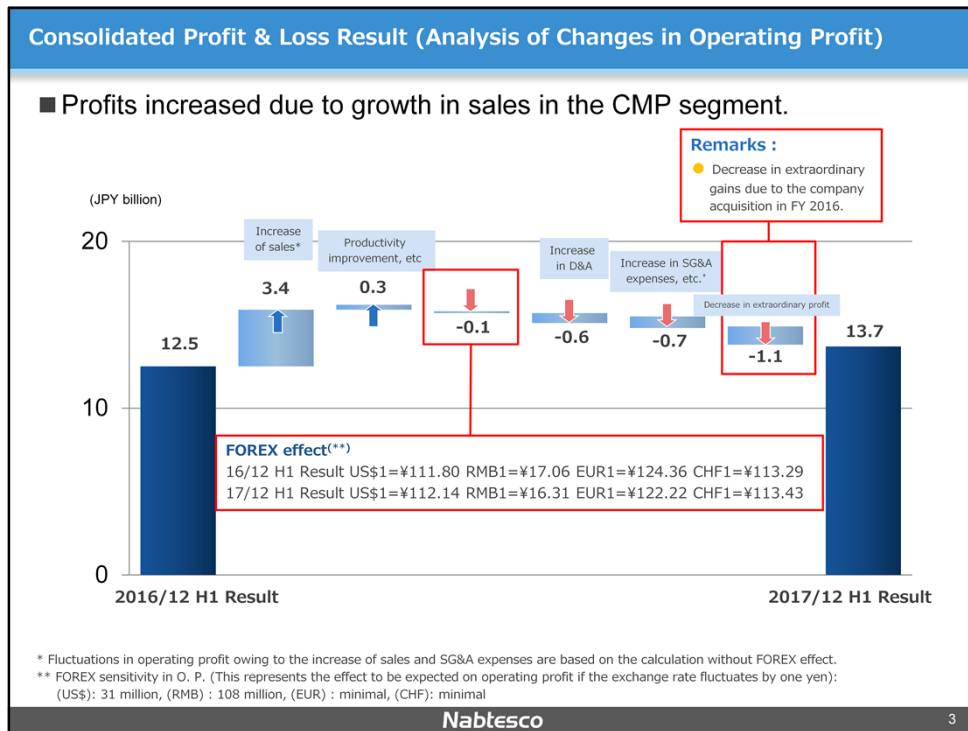
** Net profit attributable to owners of the parent

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OPM declined year-on-year because extraordinary profit from an acquisition (of automatic doors subsidiary) increased O.P. in FY2016.

OPM improved by 0.7% year on year in core O. P. .



Profit raised thanks to increase of sales (including M&A) and productivity improvement. Sales increased due to steady demand in precision reduction gears and favorable construction machinery demand in China for hydraulic equipment.

In the profit decline side, forex effect was limited, depreciation increase due to CAPEX increase for future growth, SG&A expense increase due to establishment of the European holding company and R&D increase.

Extraordinary profit decreased due to the peeling off of last year's effect (automatic door subsidiary).

Balance Sheet Summary (IFRS)

■ Balance sheets maintained soundness despite steady growth investments.

(JPY million)	2016/12 (as of December 31, 2016)	2017/12 Q2 (as of June 30, 2017)	Variation
Assets	256,973	281,098	24,125
(Cash and cash equivalents)	41,780	43,985	2,205
(Trade receivable)	65,569	66,089	520
(Inventories)	32,704	37,653	4,949
(Tangible fixed assets)	63,155	66,669	3,514
Liabilities	101,070	115,268	14,198
(Bonds and borrowings)	16,949	26,701	9,752
Total equities	155,904	165,830	9,926
(Non-controlling interests)	7,974	8,227	253
Equity attributable to owners of parent	147,929	157,603	9,674

*Ratio of equity attributable to owners of parent:

57.7%

56.1%

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Tangible fixed assets increased due to acquisition of European company in March and CAPEX increase for future growth.

Bonds and borrowings increased due to bank loan increase for the European company acquisition in March.

FY2017/12 Full-year Forecast (IFRS)

- Historically high sales and profits are anticipated on the back of a strong performance in the CMP segment.

(JPY million)	2017/12 Full-year Plan (As of Apr. 28, 2017) (A)	2017/12 Full-year Plan (As of Jul. 31, 2017) (B)	Variation (B-A)
Sales	260,000	273,000	13,000
O.P.	26,000	28,400	2,400
(OPM)	10.0%	10.4%	-
Income before tax	30,000	32,100	2,100
Net profit *	22,500	23,900	1,400
ROA	8.3%	8.8%	-
ROE	14.4%	15.4%	-
DPS (Yen)	56 (Plan)	68 (Plan)	
Payout ratio	30.7% (Plan)	35.1% (Plan)	

*Net profit attributable to owners of the parent

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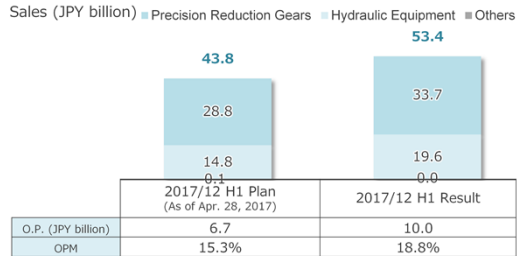
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Revised up full-year forecast based on favorable results in H12017 and the business prediction.

DPS increase by 12 yen to meet the mid-term plan commitment.

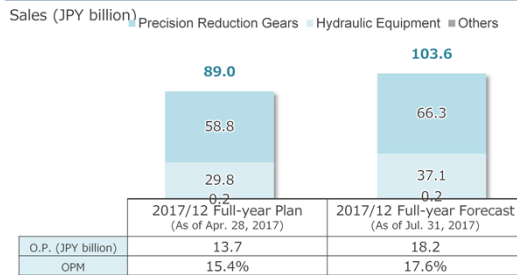
Component Solutions Segment (CMP) : IFRS

2017/12 H1 Result Comparisons with Plan (As of Apr. 28, 2017)



■ Sales
(Precision Reduction Gears)
Significant growth in sales was recorded due to the increase in strong demand for industrial robots and the increase in demand for automatization in the general industry.
(Hydraulic Equipment)
Net sales increased due to continued strong demand for construction machinery in the Chinese market.
■ O.P.
Profits increased due to a rise in the operation rate in addition to growth in sales.

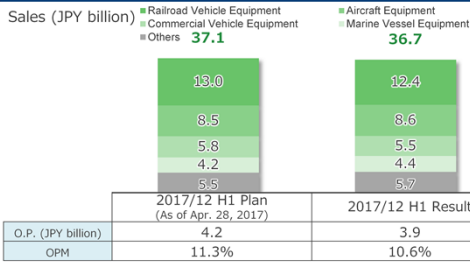
2017/12 Full-year Forecast Comparisons with Plan (As of Apr. 28, 2017)



(Precision Reduction Gears)
Forecasts were revised upward in expectations of the strong trend continuing from the first half of the fiscal year.
(Hydraulic Equipment)
Forecasts were revised upward based on continued strong demand despite seasonal factors.

Transport Solutions Segment (TRS) : IFRS

2017/12 H1 Result Comparisons with Plan (As of Apr. 28, 2017)



■ Sales

(Railroad Vehicle Equipment)
Sales shrank due to decreased numbers of new orders received for Chinese high-speed railroad vehicles.

(Aircraft Equipment)
Results were almost in line with the plan.

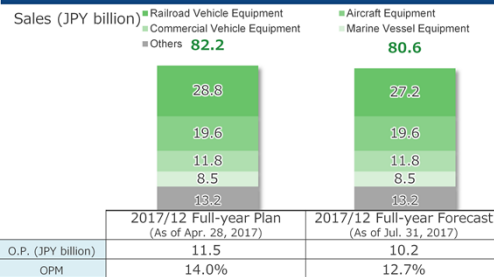
(Commercial Vehicle Equipment)
Results were almost in line with the plan.

(Marine Vessel Equipment)
As expected, the shipbuilding and shipping markets were sluggish.

■ O.P.

Profits shrank due to the decrease in sales for Chinese high-speed railroad vehicles.

2017/12 Full-year Forecast Comparisons with Plan (As of Apr. 28, 2017)



(Railroad Vehicle Equipment)

The plan was revised due to the stagnant risk in Chinese high-speed railroad vehicles.

(Aircraft Equipment)

Expected to achieve the plan in general.

(Commercial Vehicle Equipment)

Expected to achieve the plan in general.

(Marine Vessel Equipment)

Expected to achieve the plan in general.

-Others :O.P.

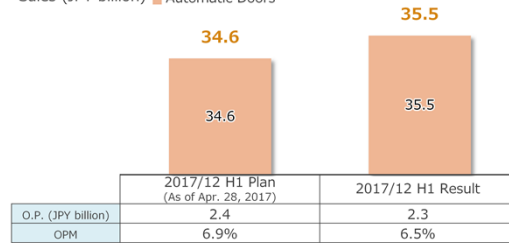
The burden of depreciation of assets in OVALO through PPA* increased.

*PPA (Purchase Price Allocation)

Accessibility Solutions Segment (ACB) : IFRS

2017/12 H1 Result Comparisons with Plan (As of Apr. 28, 2017)

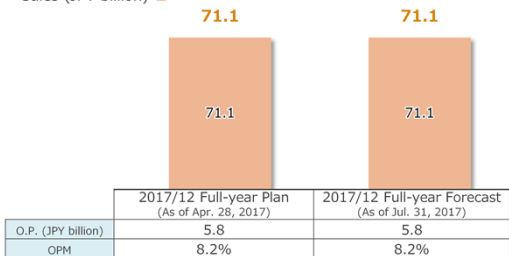
Sales (JPY billion) ■ Automatic Doors



■ Sales
(Automatic Doors)
Increased due to robust domestic market conditions and the effects of foreign exchange.
■ O.P.
PMI cost emerged in North America, but remained limited.

2017/12 Full-year Forecast Comparisons with Plan (As of Apr. 28, 2017)

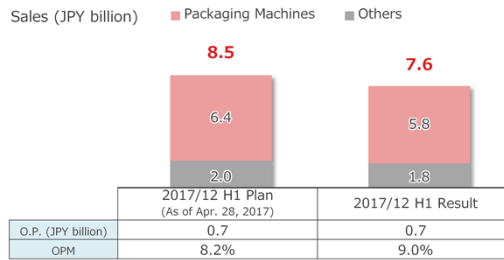
Sales (JPY billion) ■ Automatic Doors



(Automatic Doors)
Market conditions in the first half continued, steadily advancing in line with our plan.

Manufacturing Solutions Segment (MFR) : IFRS

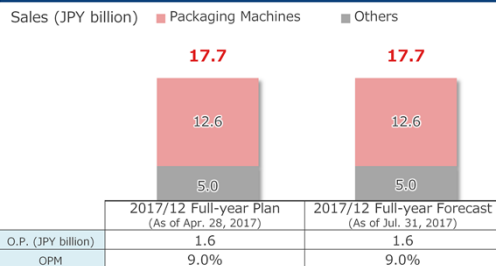
2017/12 H1 Result Comparisons with Plan (As of Apr. 28, 2017)



■ Sales
(Packaging Machines)
Decreased due to a delay in the acceptance inspection for domestic projects for the first half.

■ O.P.
Results were in line with the plan due to improved profitability caused by the difference in product composition.

2017/12 Full-year Forecast Comparisons with Plan (As of Apr. 28, 2017)



(Packaging Machines)
Sales will be nearly on track as planned by absorbing the deferred amount in the first half.

CAPEX, R&D and Depreciation

■ Capital expenditure was implemented centering on precision reduction gears and aircraft equipment for future growth.

Precision reduction gears : Enhancing the production capacity of plants in Japan and China.

Aircraft equipment : Capacity expansion systems built for new programs.

(JPY million)	2017/12 H1 Result (A)	2017/12 Full-year Plan (B)	Rate of progress (A/B)	2016/12 Result
CAPEX	5,759	21,800	26%	14,530
R&D	4,073	8,700	47%	7,362
Depreciation	3,944	9,300	42%	7,406

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Full- year CAPEX will be 21.8 billion while H1 result was 5.8 billion yen due to the acceptance inspections concentrate in 2H.

Topics

Efforts for ESG initiatives and evaluation

- March, 2017 Received the 2016 Boeing Supplier of the Year Award in the environmental category.



- July, 2017 Appointed as a component of the ESG Index newly adopted by GPIF.



FTSE Blossom
Japan

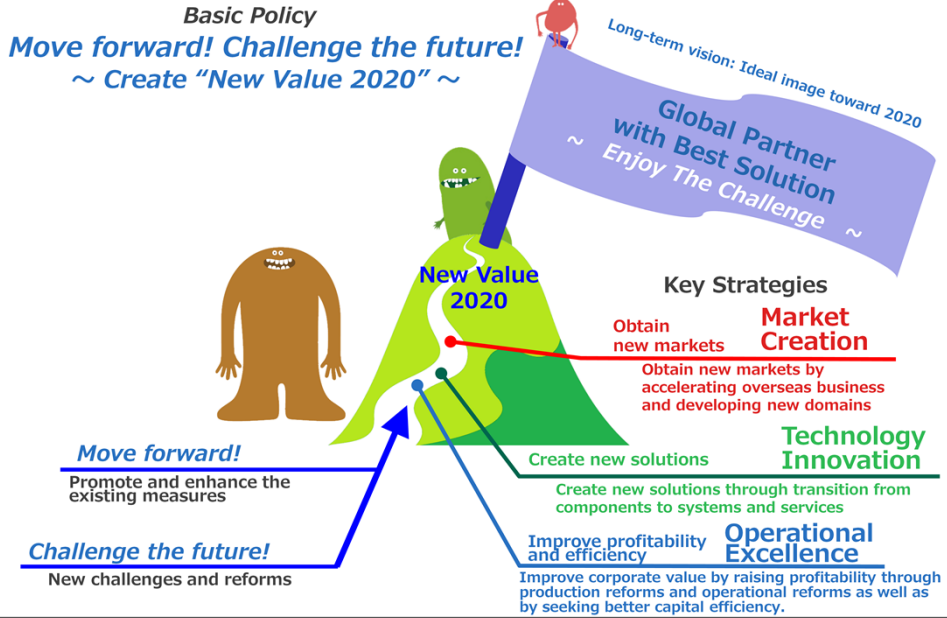
- July, 2017 The Company's carbon dioxide reduction target was approved by the Science Based Targets (SBT) Initiative.

- Aug., 2017 An "Operational Reform Office" was established.

Appendix



Basic Policy of the New Medium-term Management Plan



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Our commitments in the New Medium-term Management Plan

ROE : 15%

**Consolidated payout ratio:
35% or over**

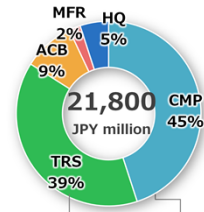
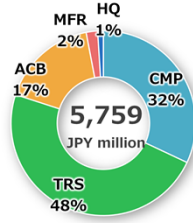
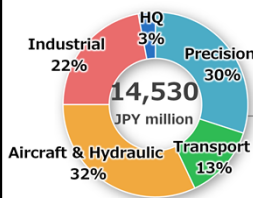
**Focus on solving
ESG issues**

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Breakdown in CAPEX

By Segment

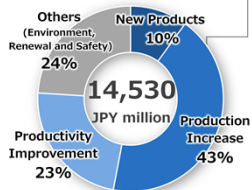


- Precision reduction gears:
 - Installation of new facilities in the new China plant

- Environment-related investments
- R&D-related investments

- Precision reduction gears:
 - Increase production capacity in Japan and China
- Aircraft equipment:
 - Capacity expansion at Gifu Plant

By Usage



2016/12 Result (Full-year)

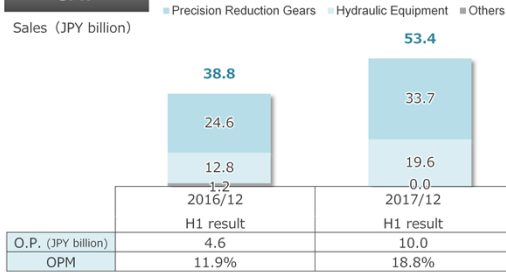
2017/12 H1 Result

2017/12 Result (Full-year)

H1 result by segment

CMP

Sales (JPY billion)



O.P. (JPY billion)	4.6	10.0
OPM	11.9%	18.8%

■ Sales

(Precision Reduction Gears)
Increased significantly, reflecting robust demand for industrial robots and growth in demand for automatization in the general industry.

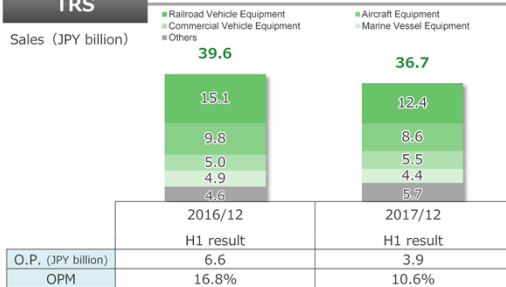
(Hydraulic Equipment)
Net sales increased due to continued strong demand for construction machinery in the Chinese market.

■ O.P.

Profits increased due to a rise in the operation rate in addition to growth in sales.

TRS

Sales (JPY billion)



O.P. (JPY billion)	6.6	3.9
OPM	16.8%	10.6%

■ Sales

(Railroad Vehicle Equipment)
Sales shrank due to decreased numbers of new orders received for Chinese high-speed railroad vehicles.

(Aircraft Equipment)
Decreased due to the off-season for private-sector aircraft.

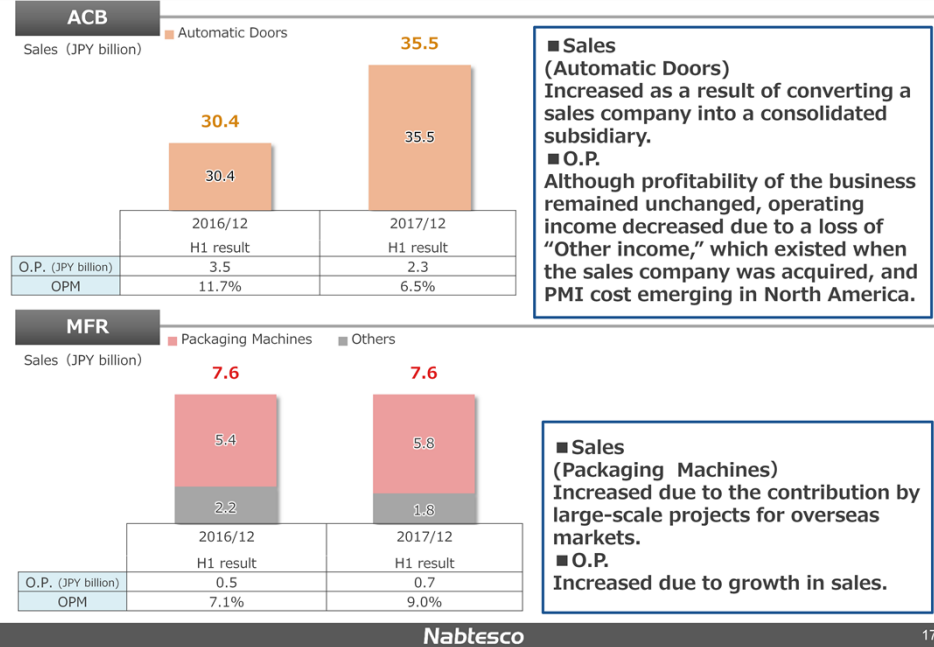
(Commercial Vehicle Equipment)
Increased due to the effect of the company acquisition (ITG)

(Marine Vessel Equipment)
Decreased due to the sluggishness in shipbuilding and shipping markets.

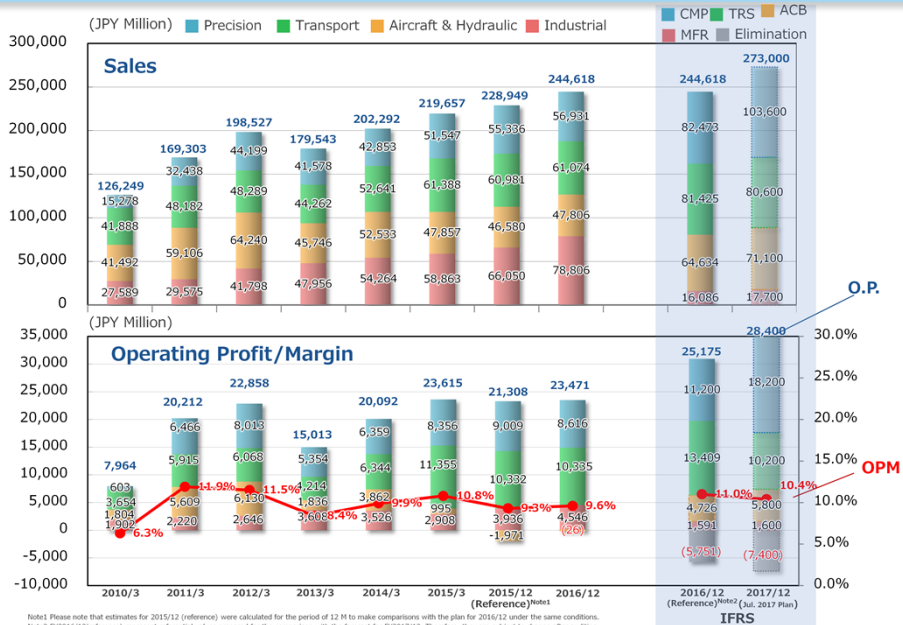
■ O.P.

Decreased due to a fall in sales for Chinese high-speed railroad vehicles.

H1 result by segment



Result and Forecast for Sales and Operating Profit by Business Segment



Note1 Please note that estimates for 2015/12 (reference) were calculated for the period of 12 M to make comparisons with the plan for 2016/12 under the same conditions.

Note2 FY2016/12(reference) represent referential values prepared for the comparison with the forecast for FY2017/12. Therefore, they are subject to change after auditing.

Full-year Segment Sales and O.P. (New Segmentation : IFRS)

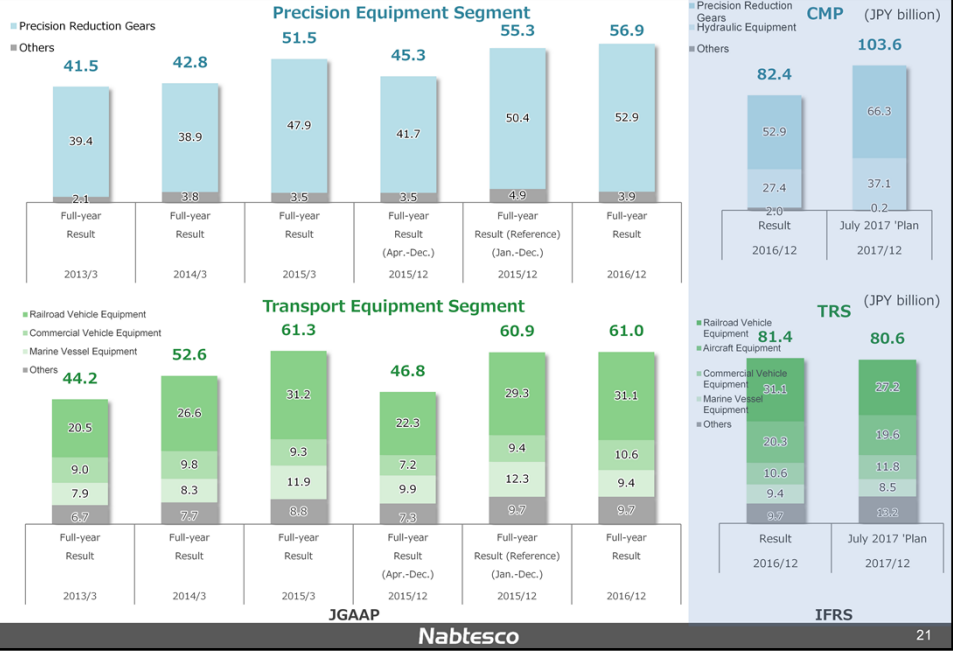
(JPY million) Segment	Term	2016/12 result ^{note1}	2017/12 Feb.2017 plan	2017/12 July 2017 plan	2020/12 Mid-term reference
Component Solutions (CMP)	Sales	82,473	89,000	103,600	118,400
	Core O.P. (Core OPM)	11,200 (13.6%)	13,700 (15.4%)	18,200 (17.6%)	22,200 (18.8%)
Transport Solutions (TRS)	Sales	81,425	82,200	80,600	104,400
	Core O.P. (Core OPM)	13,409 (16.5%)	11,500 (14.0%)	10,200 (12.7%)	17,200 (16.5%)
Accessibility Solutions (ACB)	Sales	64,634	71,100	71,100	79,200
	Core O.P. (Core OPM)	4,726 (7.3%)	5,800 (8.2%)	5,800 (8.2%)	7,900 (10.0%)
Manufacturing Solutions (MFR)	Sales	16,086	17,700	17,700	27,700
	Core O.P. (Core OPM)	1,591 (9.9%)	1,600 (9.0%)	1,600 (9.0%)	3,200 (11.6%)
Corporate	Sales	-	-	-	300
	Corporate or Elimination	- 5,751	-6,600	-7,400	-8,500
Other Profit or Loss		1,763	-	-	-
Total	Sales	244,618	260,000	273,000	330,000
	O.P.	25,175	26,000	28,400	42,000

Note1: Actual figures for FY2016 (IFRS) represent referential values prepared for the purpose of comparison with the forecast for FY2017. Therefore, they are subject to change after auditing.
*Core operating profit: Calculated the sum of operating income year ended December 2016 (JGAAP), goodwill amortization and others.

H1 Segment Sales and O.P. (New Segmentation : IFRS)

(JPY million) Segment	Term	2016/12 H1 result	2017/12 H1 result	2017/12 Full-year plan (July 2017)
Component Solutions (CMP)	Sales	38,817	53,412	103,600
	O.P. (OPM)	4,628 (11.9%)	10,030 (18.8%)	18,200 (17.6%)
Transport Solutions (TRS)	Sales	39,670	36,722	80,600
	O.P. (OPM)	6,676 (16.8%)	3,900 (10.6%)	10,200 (12.7%)
Accessibility Solutions (ACB)	Sales	30,455	35,540	71,100
	O.P. (OPM)	3,550 (11.7%)	2,304 (6.5%)	5,800 (8.2%)
Manufacturing Solutions (MFR)	Sales	7,696	7,684	17,700
	O.P. (OPM)	550 (7.2%)	695 (9.0%)	1,600 (9.0%)
Other Profit or Loss	Sales	-	-	0
	Corporate or Elimination	- 2,904	-3,168	-7,400
Total	Sales	116,637	133,359	273,000
	O.P.	12,500	13,761	28,400

Sales by Business

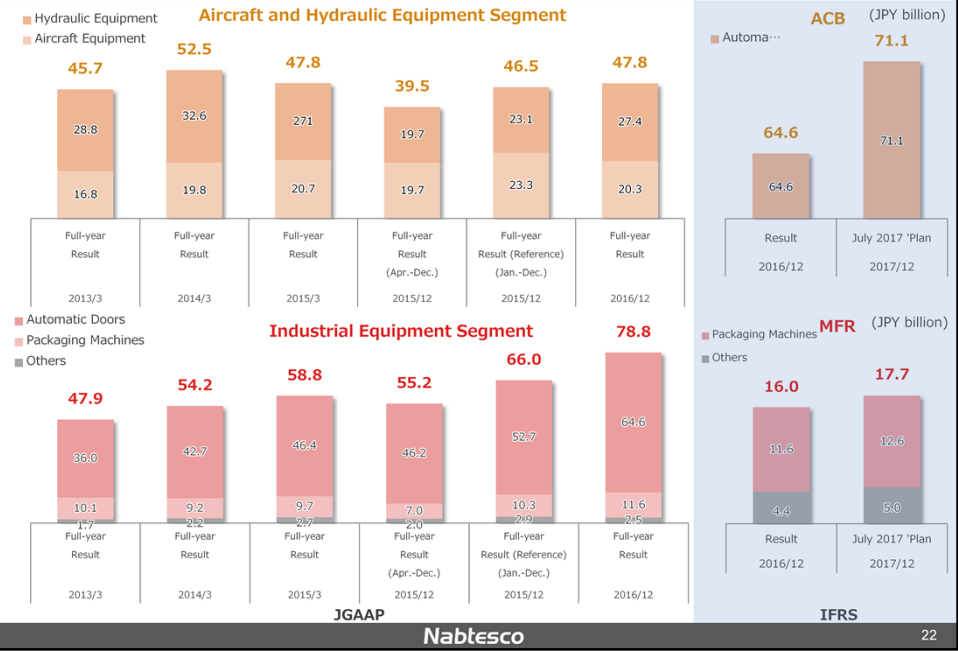


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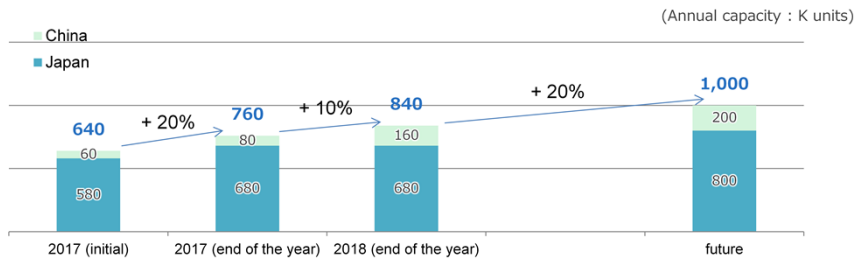
IFRS

Sales by Business



Note

Precision reduction gears : Production capacity (ordinary)



Words

CMP : Component Solutions Segment
TRS : Transport Solutions Segment
ACB : Accessibility Solutions Segment
MFR : Manufacturing Solutions Segment

Core Operating Profit : Core operating income is net sales less cost of sales and selling, general and administrative expenses.

Main Products: Component Solutions Segment (CMP)

Precision Reduction Gears

■ Joints of Industrial Robots



No.1
Approx. **60%**
world market share



■ Machine Tool ATCs

(ATC = Automatic Tool Changer)



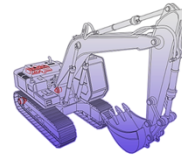
No.1
Approx. **60%**
domestic market share

Hydraulic Equipment

■ Traveling Unit for Hydraulic Excavators



No.1
Approx. **30%**
world market share



■ Drive Units for Wind Turbines



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

China: Sany, Zoomlion, XCMG, Liu Gong

Drive Units for Wind Turbines: MHI, Hitachi, Ltd., Others

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 into engine accessories and power supply systems



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, Airlines

Main Products: Transport Solutions Segment (TRS)

Commercial Vehicle Equipment

■ Wedge Chambers



Approx. **70%** Domestic Market Share



■ Air Dryers



Approx. **85%** Domestic Market Share

Marine Vessel Equipment

■ 2ST Main Engine Control Systems



Approx. **60%** 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, Mitsui Engineering & Shipbuilding, MHI, Hitachi Zosen, Hyundai Heavy Industries (Korea), Doosan Engine (Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)

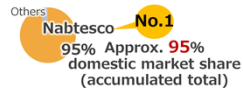
Main Products: Accessibility Solution Segment (ACB)

Automatic Doors

■ Automatic Doors



■ Platform Screen Doors



Main Customers

■ Automatic Doors

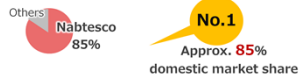
Automatic Doors for buildings: Major general contractors, sash manufacturers, hospitals, banks, public institutions, etc.

Platform Doors: Subway projects in France and China, others

Main Products: Manufacturing Solutions Segment (MFR)

Packaging Machines

■ Packaging Machines for Retort Pouch Foods



Main Customers

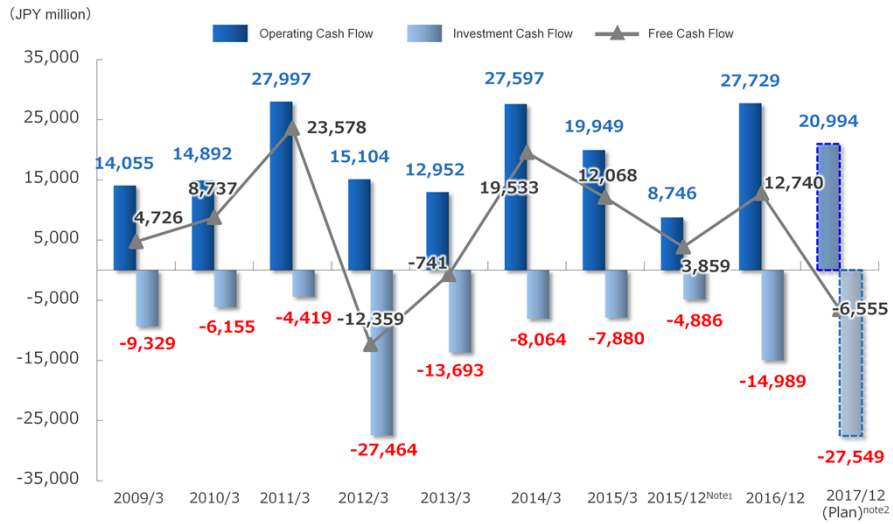
■ Packaging Machines

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

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Consolidated Cash Flow



Note1 :Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the result for FY2016/12 under the same conditions.

Note2 As of Feb. 2017 Plan

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moving it. stopping it.

