



Securities code: 6268

# ***Advance to The Next Stage***

***-To Achieve the Long-term Vision -***

President & CEO Kazuaki KOTANI

**Nabtesco Corporation**

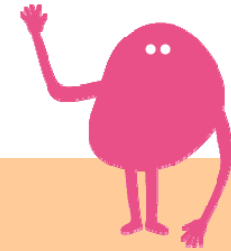
The forecast data presented herein reflects assumed results based on conditions that are subject to change.

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.

December, 2013

# Agenda

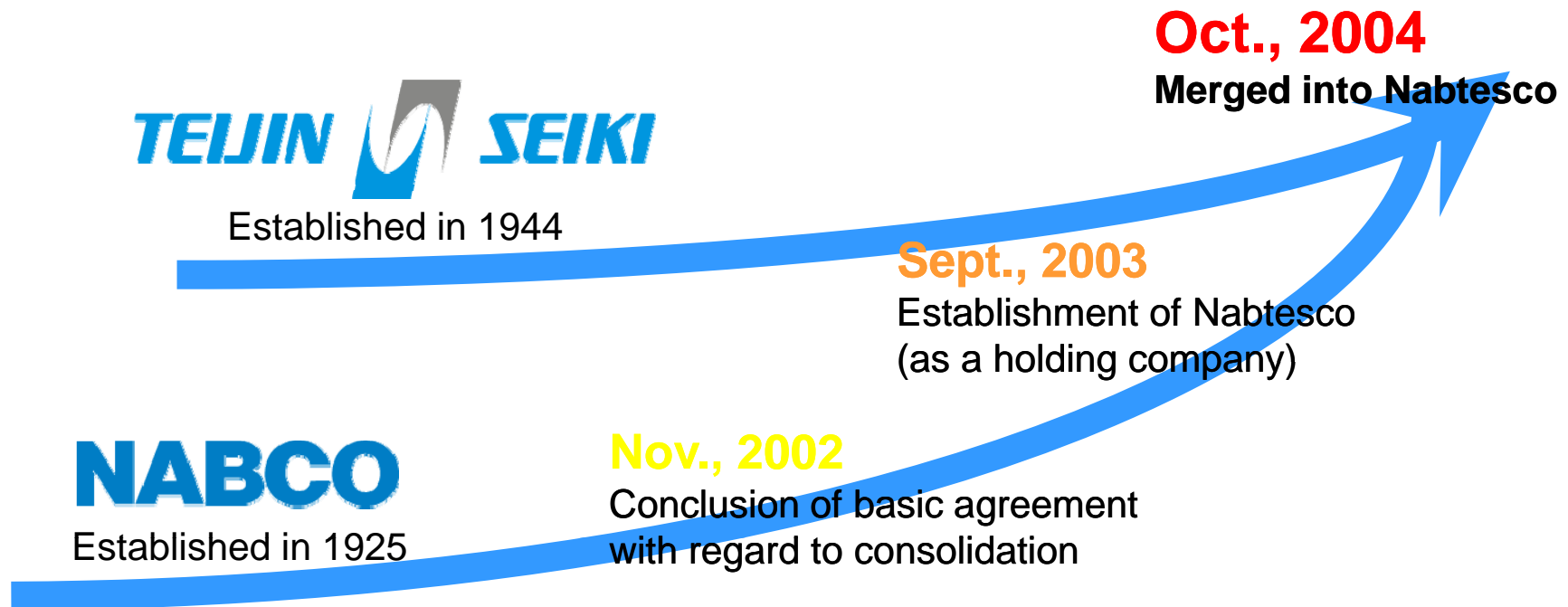
**Nabtesco**



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# Steps in the Consolidation

# Nabtesco



# Company Overview



*Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications*

- Company Name Nabtesco Corporation
- Established September 29, 2003
- Address 7-9, Hirakawacho 2-chome, Chiyoda-ku,  
Tokyo 102-0093, Japan
- Capital 10 billion yen
- Representatives President & CEO: Kazuaki KOTANI
- Employees\* Non-consolidated 2,080, Consolidated 5,257
- Consolidated subsidiaries\*  
Japan: 11 (other 6 equity-method affiliates)  
International: 35 (other 4 equity-method affiliates)

(\*as of September 2013)

# Main Products: Precision Equipment



*Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications*

## Precision Reduction Gears

Joints of Industrial Robots



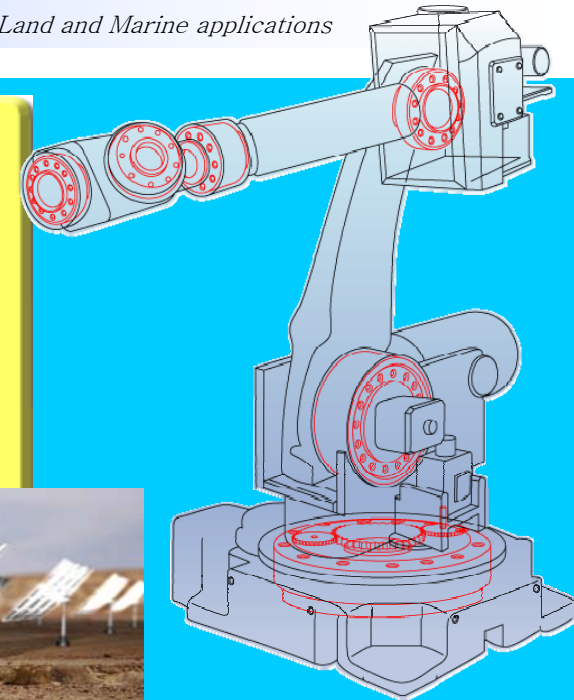
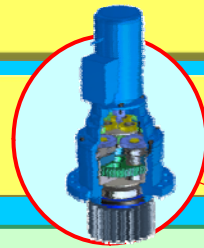
Machine Tool ATCs

(ATC = Automatic Tool Changer)



Solar Tracking Equipment

Drive Units for Wind Turbines



## Main Customers

### Precision Reduction Gears

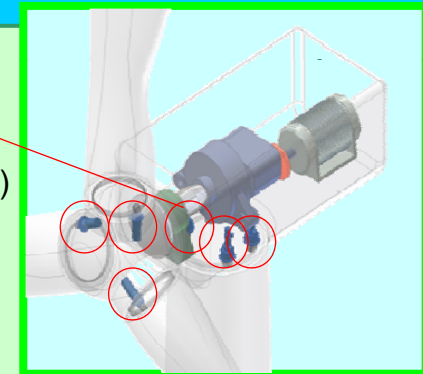
Industrial Robots: Fanuc, Yaskawa Electric, KUKA Roboter (Germany), ABB Robotics (Sweden)

Machine Tools: Yamazaki Mazak, Okuma, DMG Mori Seiki

### New Energy Business

Solar Tracking Equipment: Cobra Thermosolar Plant (Spain)

Drive Units for Wind Turbines: MHI, Others

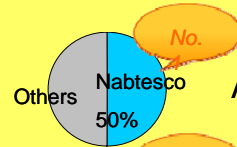


# Main Products: Transport Equipment **Nabtesco**

*Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications*

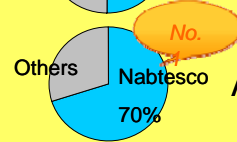
## Railroad vehicles

Brake Systems



Approx. 50% domestic market share

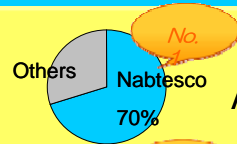
Door Operating Systems



Approx. 70% domestic market share

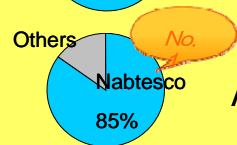
## Commercial vehicles

Wedge Chambers



Approx. 70% domestic market share

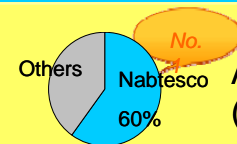
Air Dryers



Approx. 85% domestic market share

## Marine vessels

2-stroke Main Engine Control Systems



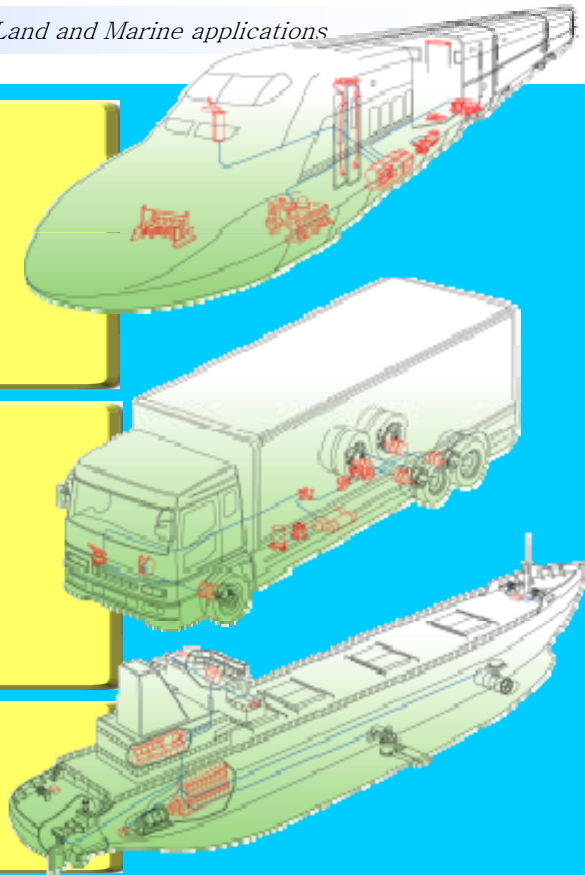
Approx. 60% domestic market share  
(Approx. 40% world market share)

## Main Customers

**Railroad Vehicle Equipment :** JR companies, Private railway companies, KHI, Bullet train and subway projects in China, etc.

**Commercial Vehicle Equipment:** Hino, Mitsubishi Fuso Truck & Bus, Isuzu, UD Trucks

**Marine Vessels Equipment :** KHI, Mitsui Engineering & Shipbuilding, Hitachi Zosen, MHI, Diesel United, Hyundai Heavy Industries (Korea), MAN Diesel (Denmark)



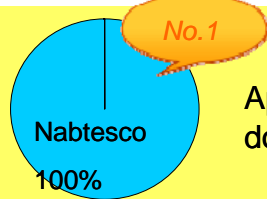
# Main Products: Aircraft & Hydraulic Equipment

# Nabtesco

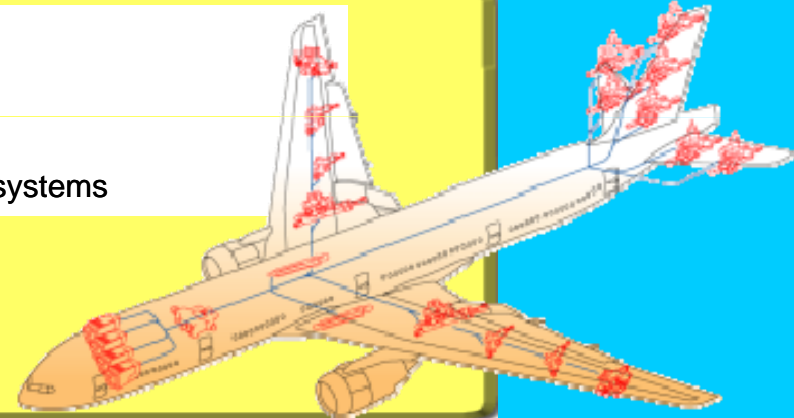
*Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications*

## Flight Control Actuation Systems (FCA)

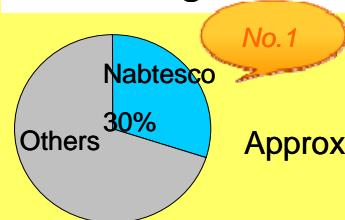
- One of the four major world players of FCA manufacturing (major FCA supplier to Boeing Company)
- Expanding business into engine accessories and power supply systems



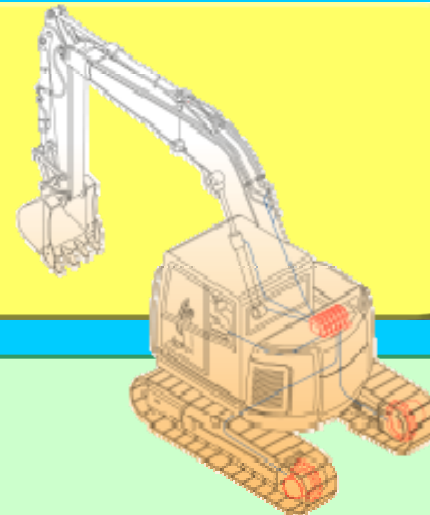
Approx. 100% market share for domestically-produced aircrafts



## Traveling Motors for hydraulic excavators



Approx. 30% world market share



## Main Customers

### Aircraft Equipment

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

### Hydraulic Equipment

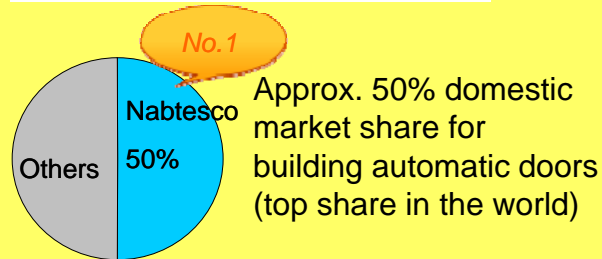
Traveling Motors: (Japan) Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery Manufacturing, (China) Xugong Excavator, Sany, Liu Gong, Zoomlion

# Main Products: Industrial Equipment



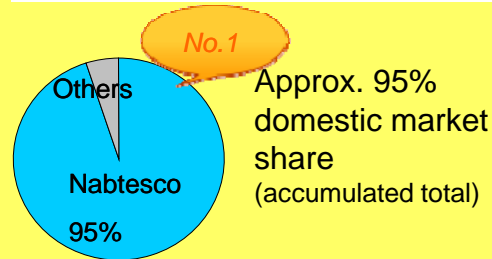
*Aiming to be the world's leading manufacturer of Motion Control Systems and related components for Air, Land and Marine applications*

## Automatic doors



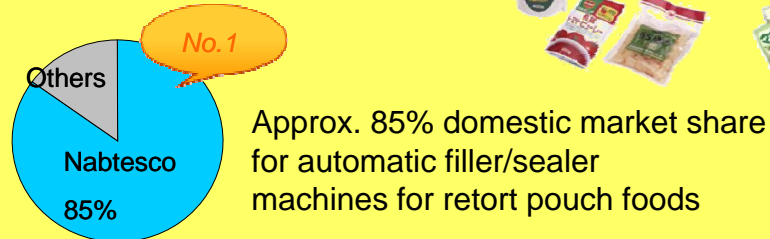
Approx. 50% domestic market share for building automatic doors (top share in the world)

## Platform Screen Doors



Approx. 95% domestic market share (accumulated total)

## Packaging Machines



Approx. 85% domestic market share for automatic filler/sealer machines for retort pouch foods



## Main Customers

### Automatic Doors

Automatic Doors for Buildings: Major general contractors, sash manufactures, hospitals, banks, public institutions, etc.

Platform Doors: Subway projects in France, subway projects in China

### Packaging Machines

Mitsui Sugar, Ajinomoto, Marudai Food, ARIAKE JAPAN, KENKO Mayonnaise, P&G, Kao, Lion, Mars (France), food companies in China, beverage companies in US



# Forecast for FY2014/3 Consolidated Results



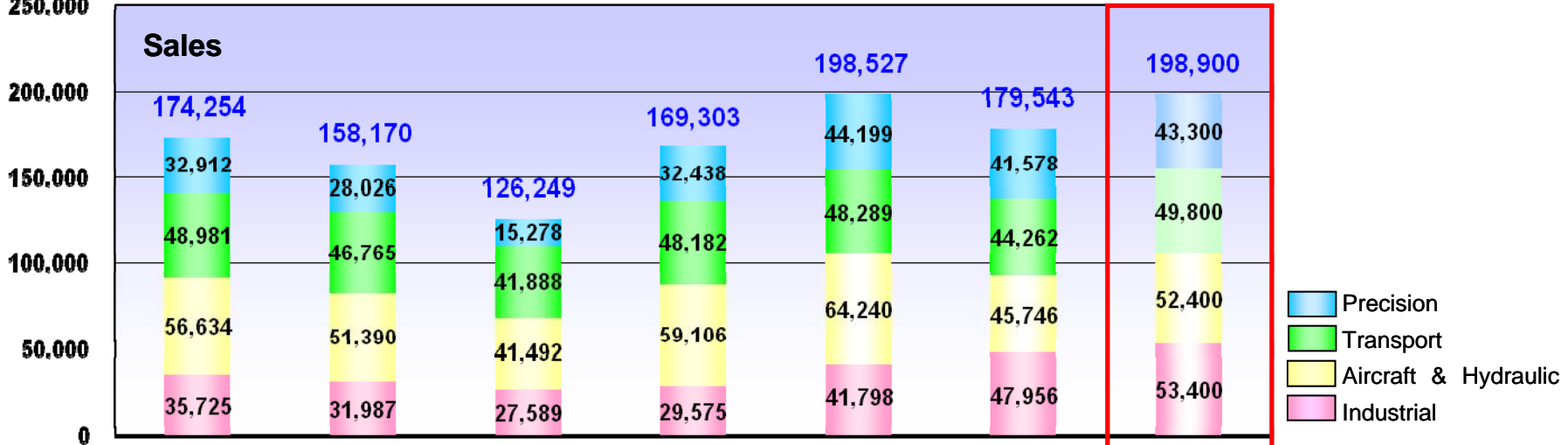
| (JPY million)                   | 2013/3                                                                                   |                    |                    | 2014/3                        |                                                                                |                     |                     |
|---------------------------------|------------------------------------------------------------------------------------------|--------------------|--------------------|-------------------------------|--------------------------------------------------------------------------------|---------------------|---------------------|
|                                 | H1 result                                                                                | H2 result          | Full-year result   | Full-year (previous forecast) | H1 result                                                                      | H2 forecast         | Full-year forecast  |
| Sales (year-on-year)            | 90,666<br>(-7.2%)                                                                        | 88,876<br>(-11.9%) | 179,543<br>(-9.6%) | 201,000<br>(+12.0%)           | 93,458<br>(+3.1%)                                                              | 105,442<br>(+18.6%) | 198,900<br>(+10.8%) |
| Operating profit (year-on-year) | 7,595<br>(-37.9%)                                                                        | 7,418<br>(-30.2%)  | 15,013<br>(-34.3%) | 22,000<br>(+46.5%)            | 7,938<br>(+4.5%)                                                               | 10,562<br>(+42.4%)  | 18,500<br>(+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<br>(-35.8%)                                                                        | 9,419<br>(-17.8%)  | 17,890<br>(-27.4%) | 25,100<br>(+40.3%)            | 9,673<br>(+14.2%)                                                              | 12,427<br>(+31.9%)  | 22,100<br>(+23.5%)  |
| Net profit (year-on-year)       | 6,513<br>(-22.0%)                                                                        | 6,756<br>(+5.5%)   | 13,269<br>(-10.1%) | 15,900<br>(+19.8%)            | 5,037<br>(-22.7%)                                                              | 8,863<br>(+31.3%)   | 13,900<br>(+4.7%)   |
| ROA                             | FOREX effect 13/3 full year (result)<br>US\$1=¥80.1 RMB1=¥12.7<br>EUR1=¥103.5 CHF1=¥85.9 |                    |                    | 6.5%                          | FOREX effect 14/3 H2 (premise)<br>US\$1=¥97 RMB1=¥15.60<br>EUR1=¥127 CHF1=¥104 |                     | 6.4%                |
| ROE                             |                                                                                          |                    |                    | 12.5%                         |                                                                                |                     | 12.3%               |
| Dividend per share(yen)         | 18                                                                                       | 16                 | 34                 | 38<br>(forecast)              | 18                                                                             | 20(forecast)        | 38(forecast)        |
| Dividend payout ratio           |                                                                                          |                    |                    | 32.5%                         |                                                                                |                     | 34.9%<br>(forecast) |

FOREX sensitivity in O. P. of 2014/3 (full-year forecast);  
 (US\$):JPY 111 million, (RMB): JPY 36 million, (EUR): minimal, (CHF): minimal

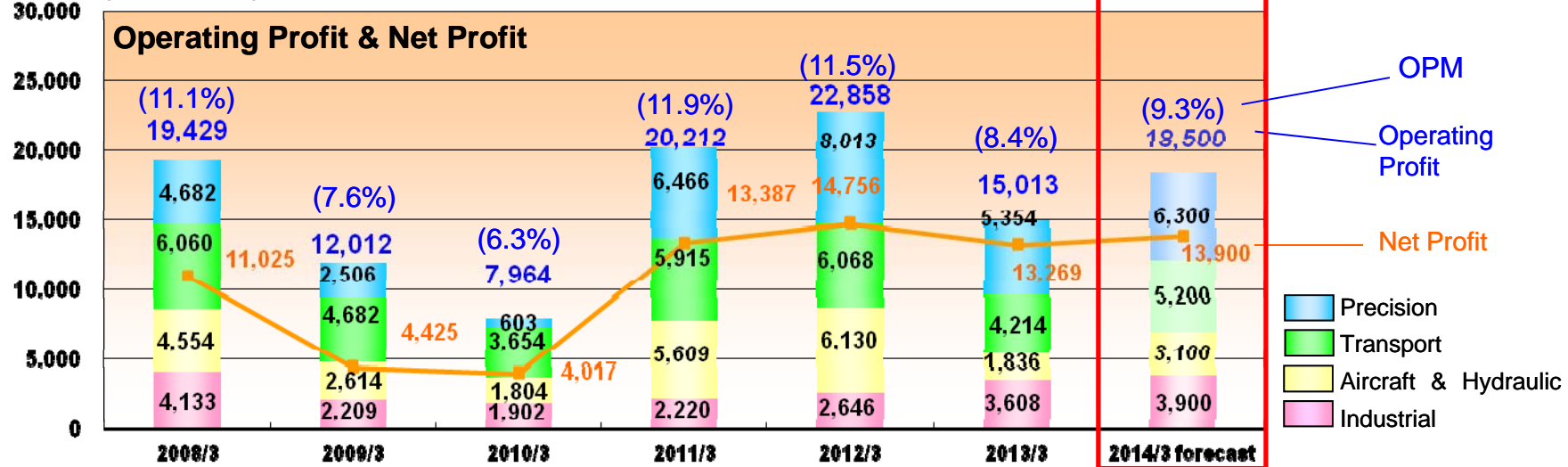
# Transition of Consolidated Annual Results and Forecasts by Business Segment



(JPY million)



(JPY million)



※Due to 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.

# Mid- to Long-term Forecast: Business with Greater Potential for Growth



**Precision reduction gears: 6% CAGR of existing robotics market in the mid-term (IFR's forecast) and 50% CAGR of Chinese local robot manufacturers (CRIA's forecast)**

- Cooperating with the local joint venture in response to the demands from Chinese local robot manufacturers
- Expansion of new energy business(solar thermal and wind turbine) associated with the increasing demand for renewable energy

**Marine vessels: engine demand at the bottom this fiscal year in the world marine vessel industry and growth being expected from next fiscal year. Increase in the demand for electrical engine being anticipated due to the application of Tier3 NOx emissions limits from 2016**

- Based on 'local production for local consumption', winning more orders and enhancing after-sales service with the operation of the new plant in China

**Aircraft equipment: the number of aircrafts in flight being expected to double in the following 20 years in private sector. Stable orders from the Ministry of Defense**

- New orders and expansion of after-sales service business in private sector
- Working on the improvement of productivity

 Precision    Transport    Aircraft and Hydraulic    Industrial

# Mid- to Long-term Forecast: Business in Relatively Uncertain Environment



**Railroad vehicles: stable domestic market. Chinese subway demands being expected to increase while price competition becoming intense**

- Expansion of sales with utilization of Chinese and European hubs
- Expansion of after-sales service business

**Commercial vehicles: ASEAN and Indian market being expected to continuously grow while competition becoming intense**

- Expansion of sales with the ability to make product proposals and utilization of Thai and Indian hubs
- Cost reduction through overseas procurement and local procurement

**Hydraulic equipment: deceleration of growth in the Chinese market with competition getting severer. GDP-level growth rate being forecasted in other markets**

- Expansion of market by strengthening the lineup of hydraulic equipments and sales of hydraulic systems
- Improvement of profitability through evolution of the global production system and promotion of local procurement in overseas hubs

**Packaging machines: stable domestic market. Market growth in China and North America being forecasted**

- Expansion of overseas sales through enhancement of the U.S. service base and utilization of the Chinese manufacturing base

# Mid- to Long-term Forecast: Business in Mature Market


# Nabtesco

**Automatic Doors: stable condition both in domestic and overseas markets**

- Expansion of the sales network across four regions worldwide
- Enhancement of profitability through value chain management both domestically and overseas
- Sales channel expansion through M&A
- Exploration of emerging markets

 Precision

 Transport

 Aircraft and Hydraulic

 Industrial



# Targeted Financial Figures for 2021/3

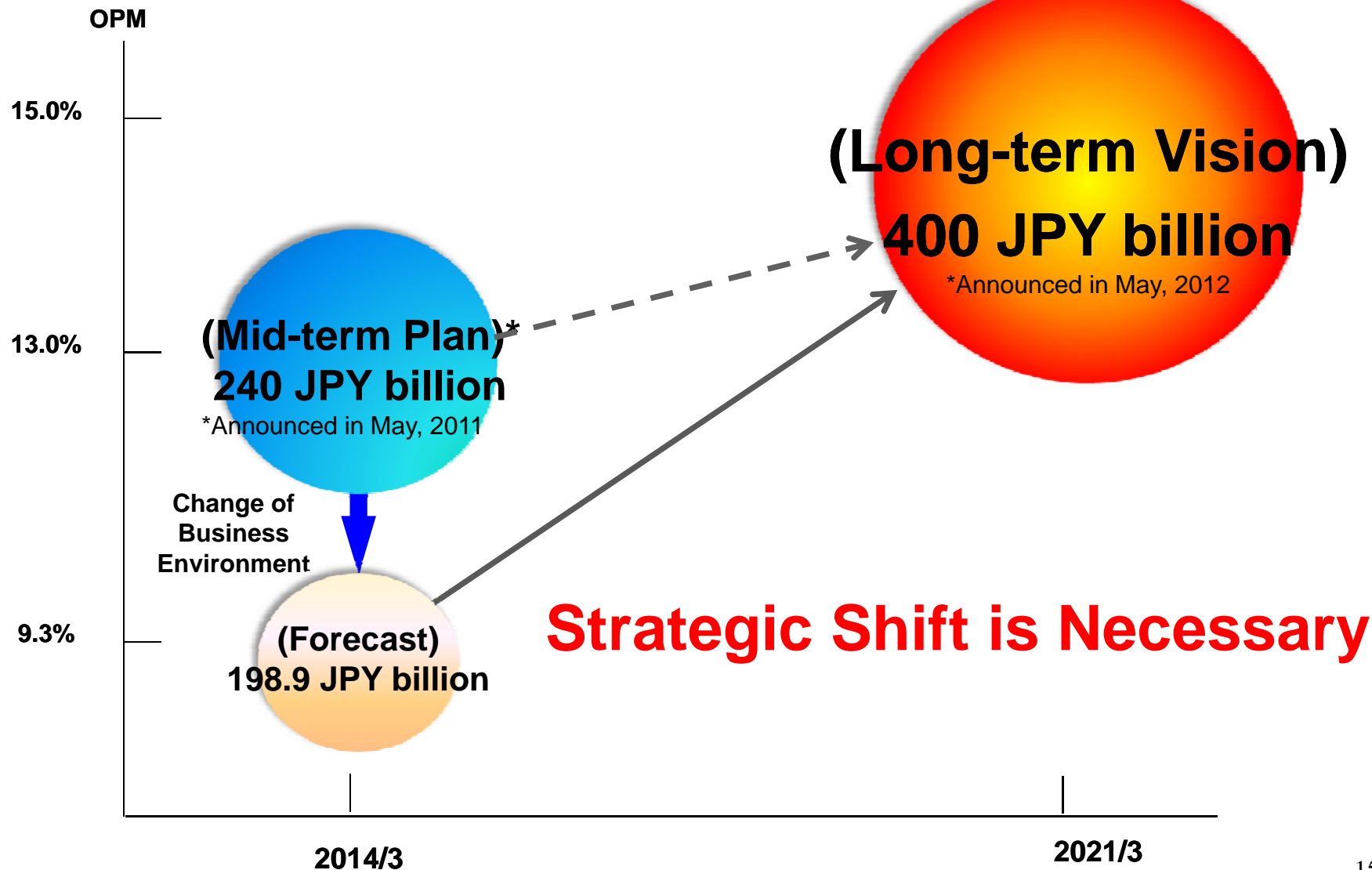


| (JPY billion)       | 2013/3<br><result> | 2014/3<br><mid-term plan>*<br><small>*Announced in May, 2011</small> | 2014/3<br><forecast> | 2021/3<br><long-term vision>*<br><small>*Announced in May, 2012</small> |
|---------------------|--------------------|----------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------|
| <b>Sales</b>        | 179.5              | 240.0                                                                | 198.9                | 400.0                                                                   |
| <b>O.P.</b>         | 15.0               | 31.3                                                                 | 18.5                 | 60.0                                                                    |
| <b>O.P. margin</b>  | 8.4%               | 13.0%                                                                | 9.3%                 | 15.0%                                                                   |
| <b>Net profit</b>   | 13.2               | 20.3                                                                 | 13.9                 | -                                                                       |
| <b>Payout ratio</b> | 32.5%              | -                                                                    | 34.9%                | -                                                                       |
| <b>ROA</b>          | 6.5%               | 9.5%                                                                 | 6.4%                 | 11.0%                                                                   |
| <b>ROE</b>          | 12.5%              | 17.0%                                                                | 12.3%                | 18.0%                                                                   |

- The targets set in the mid-term plan for sales and O.P. will not be achieved since the actual demands for railroad vehicles and hydraulic equipments in China and for precision reduction gears are not as robust as we expected when announcing the mid-term plan.
- Targeting 300 billion yen in sales and more than 13% in O.P. margin as an interim goal in 2017/3.
- Risk factors: change in competitive climate with the appearance of third-party suppliers in emerging countries.

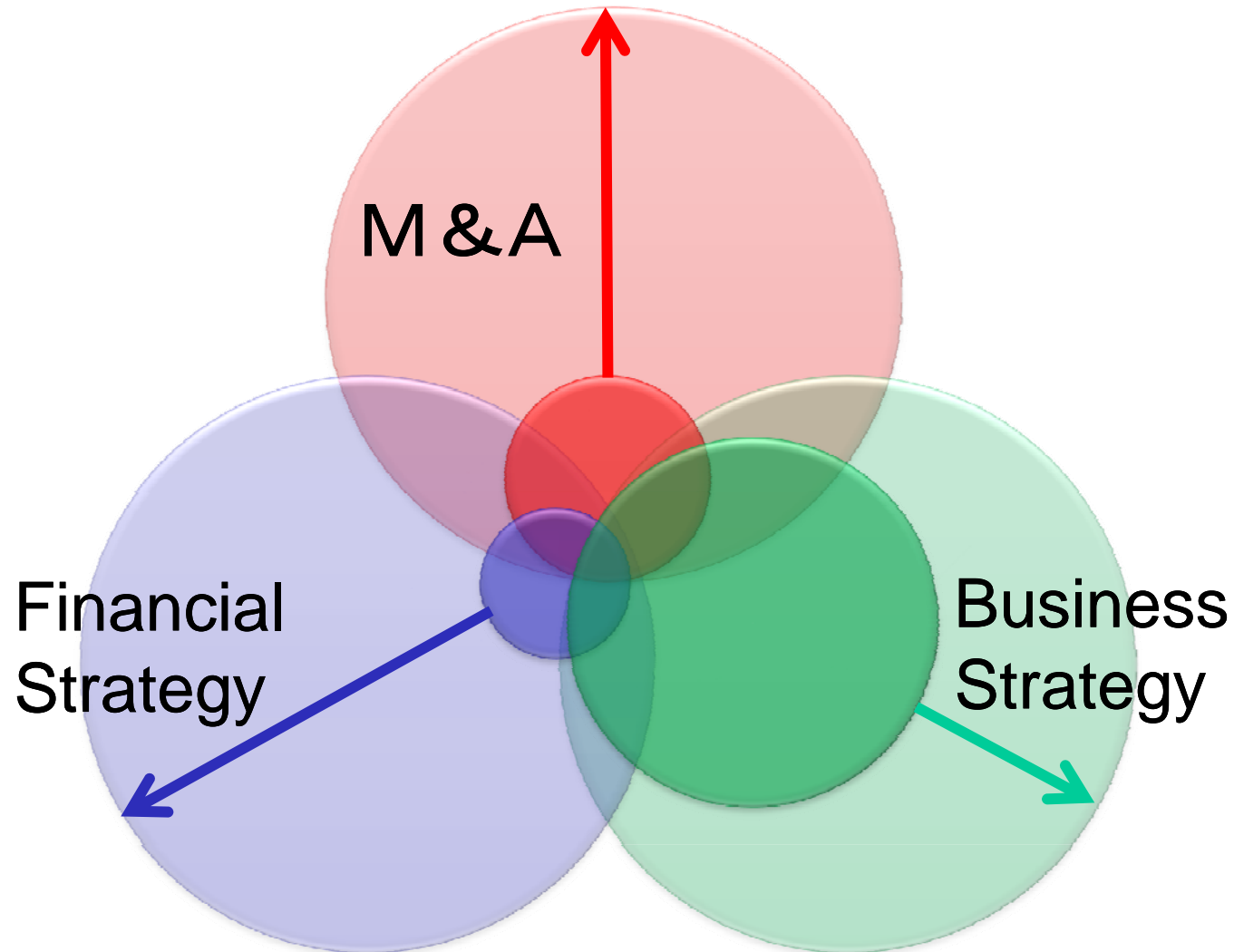
# Recognition of Current Situation for the Mid-term Plan

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# Three Key Points to Achieve the Long-term Vision

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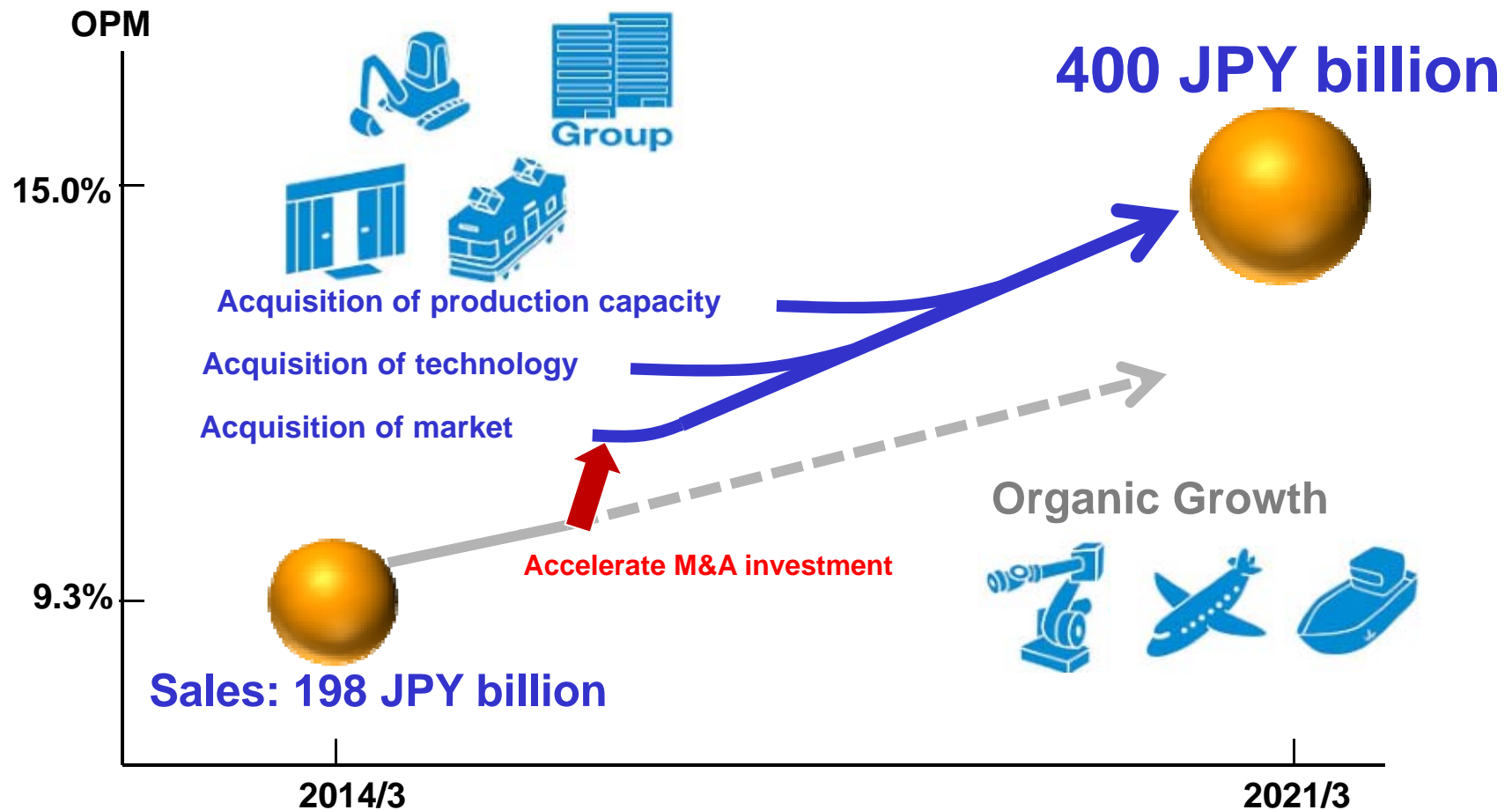


# Long-term Vision



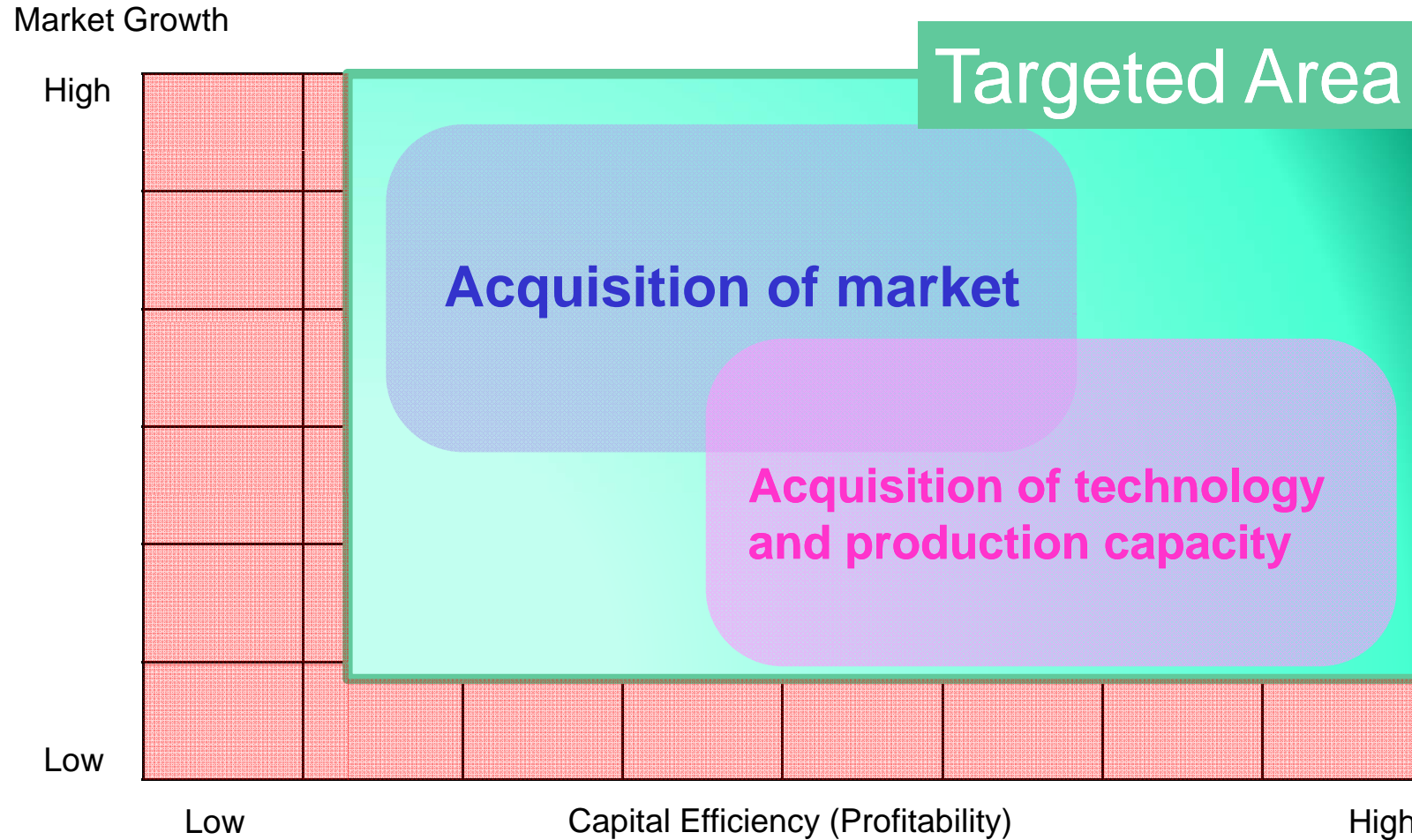
Organic growth + M&A ⇒ M&A + Organic growth in the coming mid-term plan (from 2015/3 to 2017/3)

“Market acquisition” is kept in mind.



# Approach to M&A

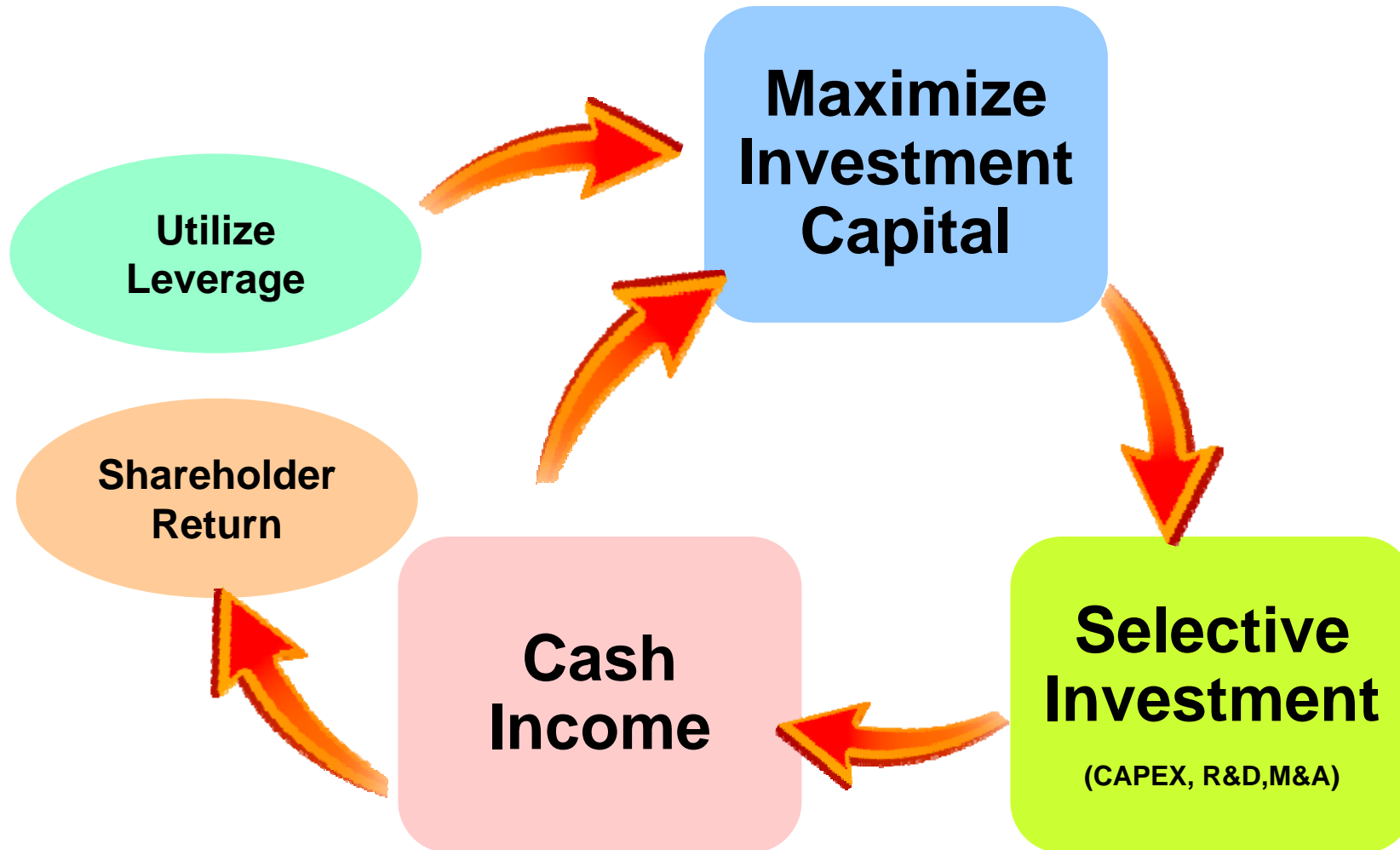
**Nabtesco**



# Financial Strategy



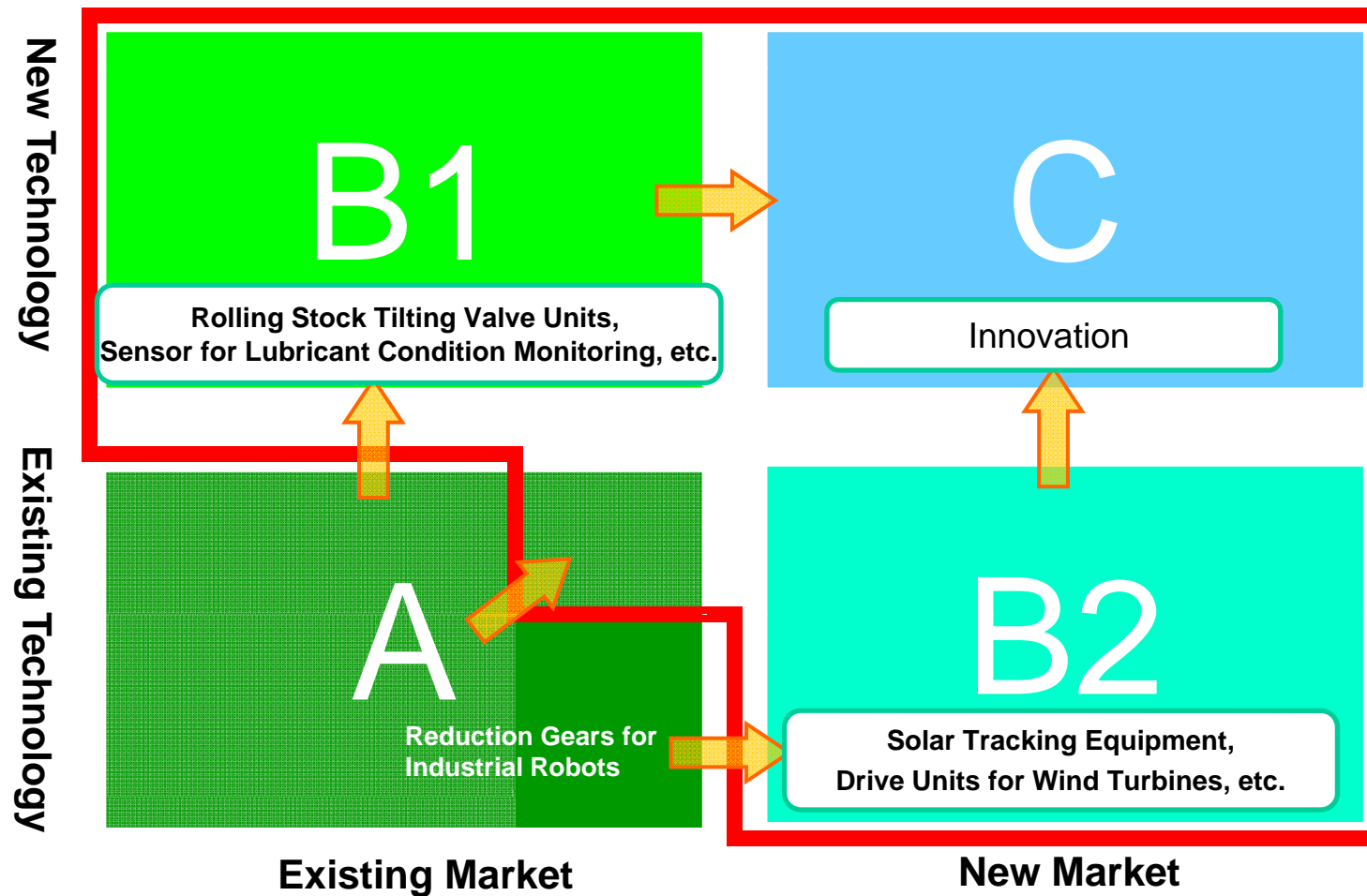
Improve investment efficiency to maximize corporate value



# Business Strategy



Enhance business in B1, B2 and C areas through marketing, business development and R&D



**Nabtesco**  
*moving it. stopping it.*