

Briefing on Q2 Results for FY2016/12

August 8, 2016

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.

Presentation as Reference Data due to the Fiscal Year End Change

FY2015/12

FY2015/12 (Reference*)	CY2015											
	Jan.	Feb.	Mar.	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Nabtesco and domestic subsidiaries	Q1			Q2			Q3			Q4		
Overseas subsidiaries	Q1			Q2			Q3			Q4		

H1 result (Reference) : 6-month period for both domestic and overseas companies (adjusted by adding "Q1")
Full-year result (Reference) : 12-month period for both domestic and overseas (- ditto -)

FY2016/12

FY2016/12	CY2016											
	Jan.	Feb.	Mar.	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Nabtesco and domestic subsidiaries	Q1			Q2			Q3			Q4		
Overseas subsidiaries	Q1			Q2			Q3			Q4		

H1 result (Reference) : 6-month period for both domestic and overseas companies
Full-year plan (Reference) : 12-month period for both domestic and overseas companies

*Please note that the H1 results and full-year results for FY2015/12 were calculated based on various assumptions to make comparisons with the H1 results for FY2016/12. They hadn't been audited and are for reference only.

FY2016/12 H1 Consolidated Result

- The marine vessel business environment got worse but sales increased as a result of making a company into a consolidated subsidiary in the automatic door business.
- O.P. Margin was improved by structural reform in the hydraulic equipment business though O.P. itself was lowered due to cost increase caused by factors such as the establishment of a precision reduction gear plant in China.

(JPY million)	2015/12 H1 Result (Reference ^{Note2}) (A)	2016/12 H1 Result (B)	Variation (B-A)
Sales	112,578	116,270	3,692
O.P.	11,319	10,731	-588
(O.P. Margin)	10.1%	9.2%	-
Non-operating profit and loss	-294	-679	-385
Ordinary profit	11,613	10,052	-1,561
Extraordinary profit and loss	916	1,124	208
Net profit*	7,240	7,211	-29
Net profit per share	57.94 yen	58.38 yen	-
Dividend per share	22 yen	24 yen	2

■ O. P. Margin
Business mixture etc.

■ Non-operating profit
and loss
-Profit decline in an equity
method company
-Foreign exchange loss

■ Extraordinary profit
and loss
-Extraordinary profit gained
by making a consolidated
subsidiary in the automatic
door business

■ Interim dividend
2 yen increase

*Net profit = Net profit attributable to owners of the parent
Note2. Please refer to "Notes" page for details.

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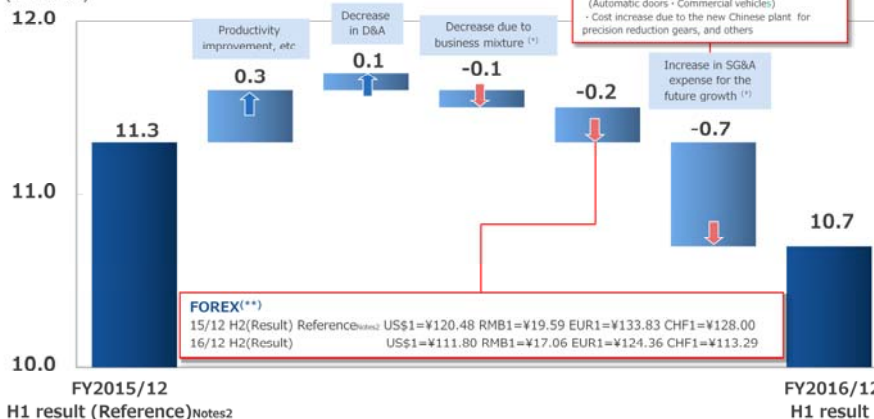
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Foreign exchange losses: Revaluation of foreign, deposits due to the appreciation of yen

Consolidated Profit (Analysis of Changes in Operating Profit)

- Made an affiliate a consolidated subsidiary in the automatic door business, but this was not enough to cover the decline of profit in the marine vessel and other business.
- Increased investment for future growth, including establishing a new precision reduction gear plant in China.

(JPY billion)



* Fluctuations in operating profit owing to the increase of sales and SG&A expenses are calculated without considering FOREX effect.

** : FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen):
(US\$): 19 million yen (RMB) minimal (EUR) minimal (CHF) Minimal

Note2. Please refer to "Notes" page for details

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BS

■ BS reflects the result of making an automatic door affiliate a consolidated subsidiary. The strong Balance Sheet has been maintained though the net asset was decreased due to a decrease in the assets of overseas subsidiaries caused by FOREX effect.

(JPY million)	2015/12 As of Dec. 31, 2015	2016/12 As of July 30, 2016	Variation
Assets	233,381	241,772	8,390
(Cash and time deposits)	35,068	38,274	3,206
(Accounts receivable)	59,750	58,784	-966
(Inventory)	28,421	31,572	3,150
(Tangible fixed assets)	55,916	63,692	7,776
Liabilities	84,456	95,113	10,656
(Interest-bearing debt)	15,333	16,808	1,474
Net assets	148,924	146,658	-2,265
(Stock acquisition right)	379	460	81
(Minority interests)	6,476	7,174	697
Equity capital	142,068	139,024	-3,044

※ Equity ratio : 60.9% 57.5% -

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Forecast for FY2016/12

■ No change in FY2016/12 plan which announced on Feb. 12, 2016

(JPY million)	2015/12 Result (Reference Note2) (A)	2016/12 Plan (B)	Variation (B-A)	Ratio ((B-A)/A)
Sales	228,949	250,000	21,051	9.2%
O.P.	21,308	25,500	4,192	19.7%
(O.P. Margin)	9.3%	10.2%	0.9pt	-
Ordinary profit	22,388	27,000	4,612	20.6%
Net Profit*	14,796	18,900	4,104	27.7%
ROA	6.2%	7.6%	-	-
ROE	10.1%	12.5%	-	-

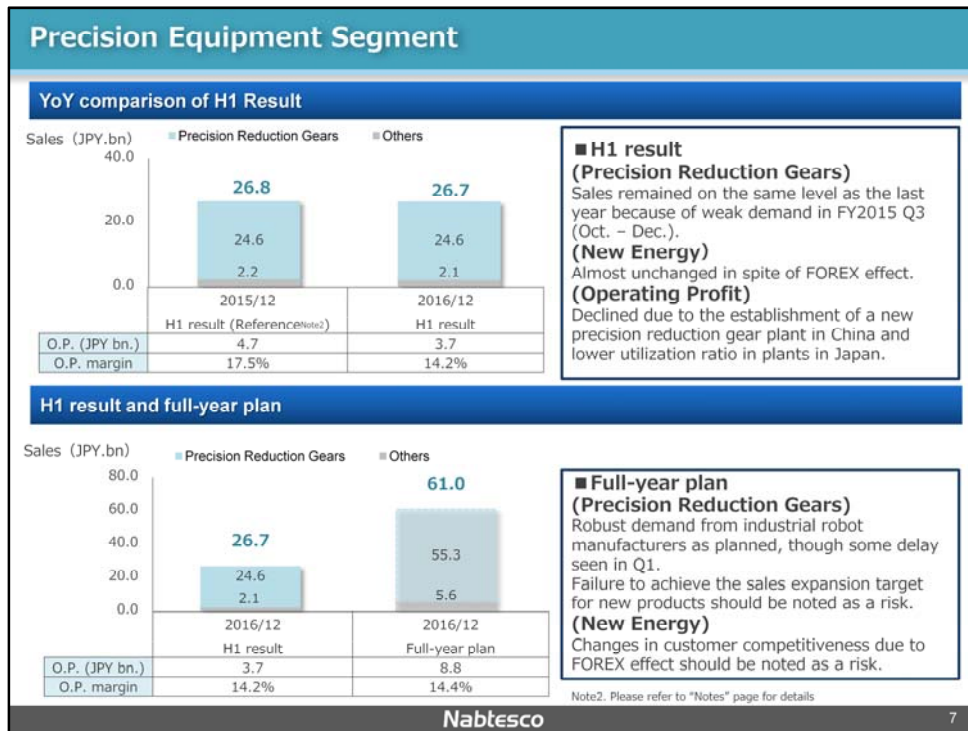
Dividend per share (Yen)	50 JPY(plan)	*Net profit =Net profit attributable to owners of the parent Note2. Please refer to "Notes" page for details
Payout Ratio	32.7%(plan)	

FOREX 16/12 Full-year (plan) US\$1=¥115.00 RMB1=¥18.00 EUR1=¥130.00 CHF1=¥120.00
FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen)
(US\$) 330 million yen (RMB) 944 million yen (EUR) Minimal (CHF) Minimal
FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen)
(US\$) 91 million yen (RMB) 55 million yen (EUR) Minimal (CHF) Minimal

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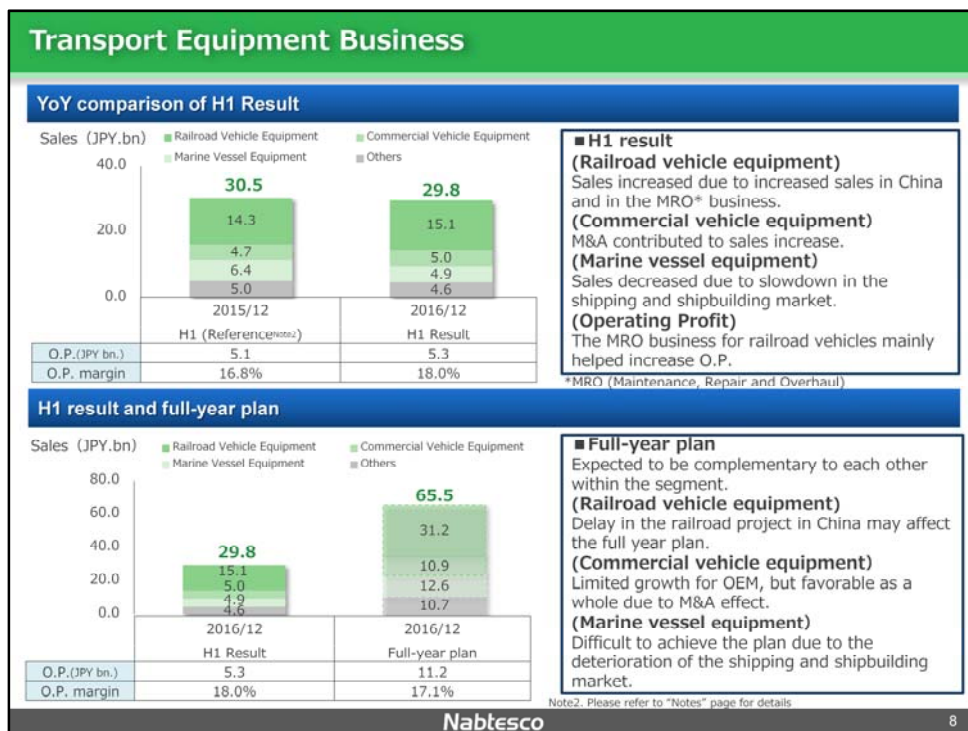
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The foreign currencies which may impact our business result are US\$, RMB, CHF and EUR.
 FOREX effect in first six months are limited, because there is only 2~5% gap between actual average rate and plan. Therefore, the set currency rates were not changed from the initial plan.



Precision equipment segment didn't meet the initial sales target due to the weaker order mainly caused by VW issues in last third quarter (Oct. to Dec. 2015).

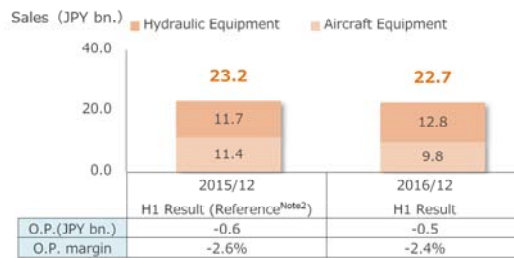
YoY OP decrease due to the depreciation cost increase by CAPEX done in both Japanese and Chinese plant. No significant issues on future profitability on the premise of the market growth because rationality of OP decrease is explainable.



Marine vessel equipment sales will be 20% lower than initial plan level reflecting the deteriorating marine transport and shipping market.

Aircraft & Hydraulic Segment

YoY comparison of H1 Result



■ H1 Result (Hydraulic Equipment)

Sales increased due to the acquisition.

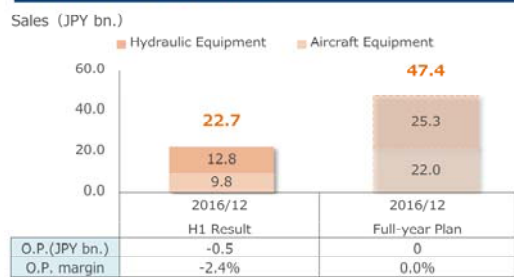
(Aircraft Equipment)

Sales decreased due to FOREX fluctuation.

(Operating Profit)

O.P. increased through structural reform in the Hydraulic Equipment business, though affected by FOREX fluctuation.

H1 result and full-year plan



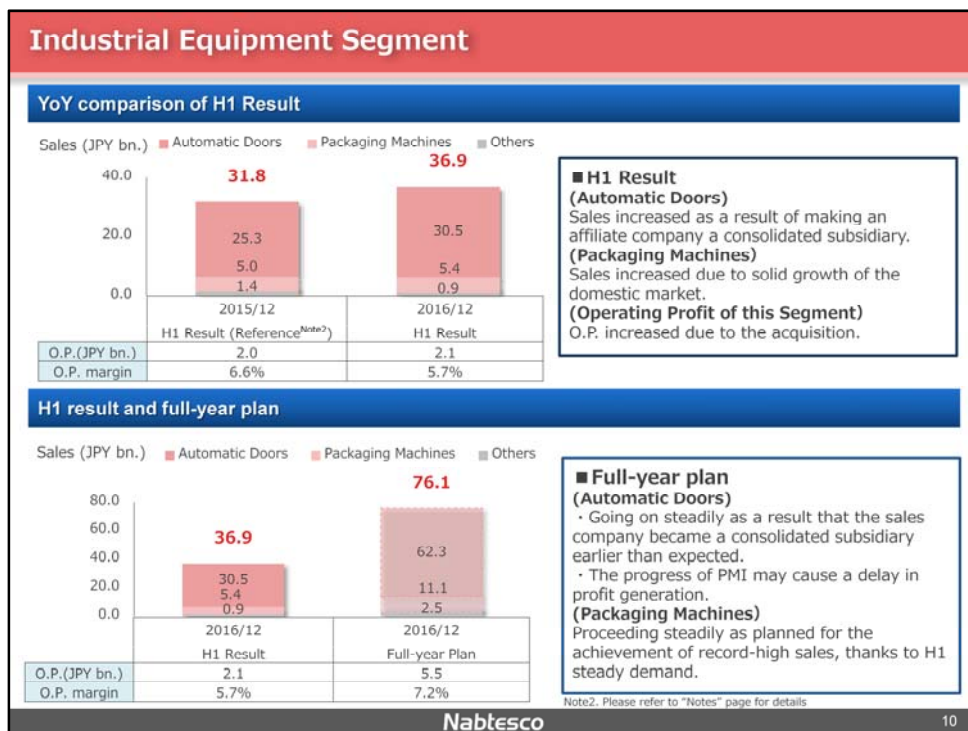
■ Full-year plan (Hydraulic Equipment)

Proceeding as planned according to H1 result.

(Aircraft Equipment)

Risk of FOREX fluctuation.

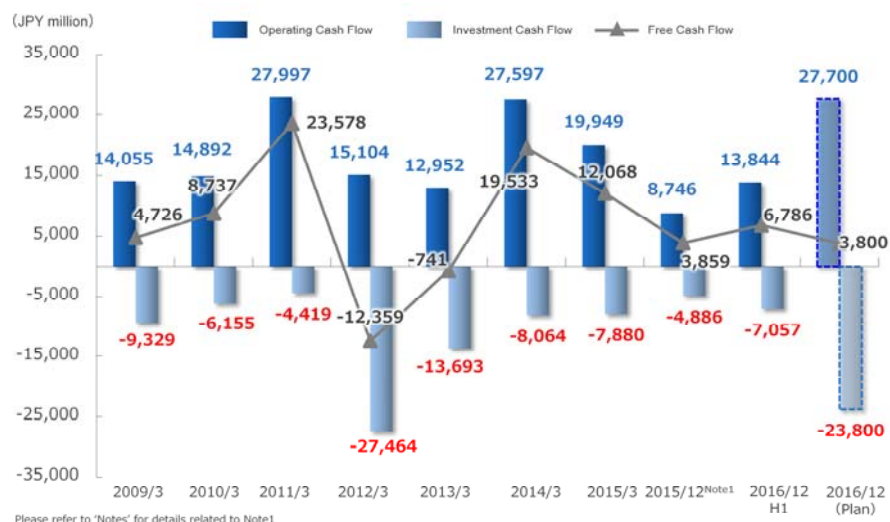
Note2. Please refer to "Notes" page for details



Full-year plan in sales is upsides because the consolidation of the affiliate was completed one quarter earlier.

Consolidated Cash Flow

- FCF will remain positive due to continuous generation of operating cash flow although large-scale capex projects are planned to be implemented.



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CAPEX, R&D and Depreciation				
■ Making large-scale capital investments mainly for Precision Reduction Gears & Aircraft Equipment for future growth Precision Reduction Gears : Enhance production capacity of the new plant in China Aircraft Equipment : Capacity expansion for new programs				
(JPY million)	2016/12 H1 Result(A)	2016/12 Full-year Plan(B)	Progress (B/A)	2015/12 Full-year Result (Reference ^{Note2})
CAPEX	7,813	20,000	39%	10,291
R&D	3,709	8,200	45%	7,265
Depreciation	3,338	8,600	38%	7,399

Note2. Please refer to "Notes" page for details

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After the completion of capacity expansion of China plant, total capacity of Japan and China will be 760K that is exceeding 10% of expected precision reduction gear demand from industrial robot in 2017

Notes

Note 1: 9 months for Nabtesco and domestic subsidiaries and 12 months for overseas subsidiaries

Note 2: Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions.

Appendix



Progress of the Mid-term Management Plan

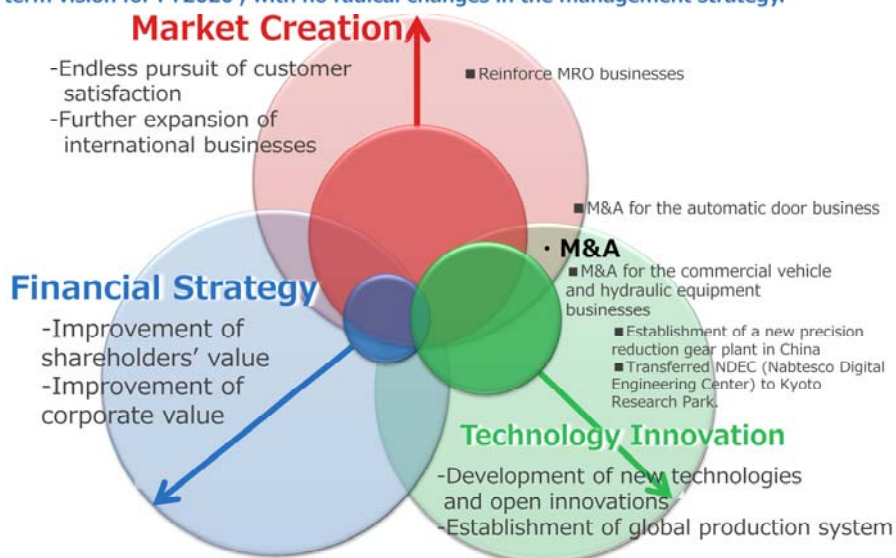
(JPY bn.)	2015/12 Full-year Result (Reference ^{Note2})	2016/12 Full-year Plan	2017/3 Final Year of the Current Mid-term Plan
Sales	228.9	250.0	280.0±5%
Operating Profit	21.3	25.5	34.0
O.P. Margin	9.3%	10.2%	12.0%
Net Profit*	14.7	18.9	24.0
EPS	118.87 JPY	153.04 JPY	190 JPY
ROA	6.2%	7.6%	7.5%
ROE	10.1%	12.5%	15.0%
Dividend	44 JPY	50 JPY(Plan)	-
Payout Ratio	-	32.7%(Plan)	30% or higher

*Net profit = Net income attributable to parent company shareholders

Note2. Please refer to "Notes" page for details

Mid-Long Term Management Strategy (For Next Mid-term Plan)

■ We are planning to announce the new mid-term (4-year) management plan towards the long-term vision for FY2020 , with no radical changes in the management strategy.



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Shareholder Return Policy/Financial Strategy

Continuous and Stable Shareholder Return

■ Shareholder Return



- Dividend policy : more than 30% payout ratio and stable dividend
- First-time ¥10bn-scale-share buyback for shareholder return purpose
⇒ Five-year accumulated total shareholder return : approx. 48%

■ Debt Capacity

- B/S(as of 15/12)
- Liquidity on hand: approx. ¥35.0 billion
 - Shareholders' equity: approx. ¥140.0 billion
 - Equity Ratio*: 60.9%
 - Without equity finance in principle

Please refer to "Notes" for details related to Note1

Note 3: The Company has changed the closing date from March 31 to December 31 effective from the fiscal year 2015/12.

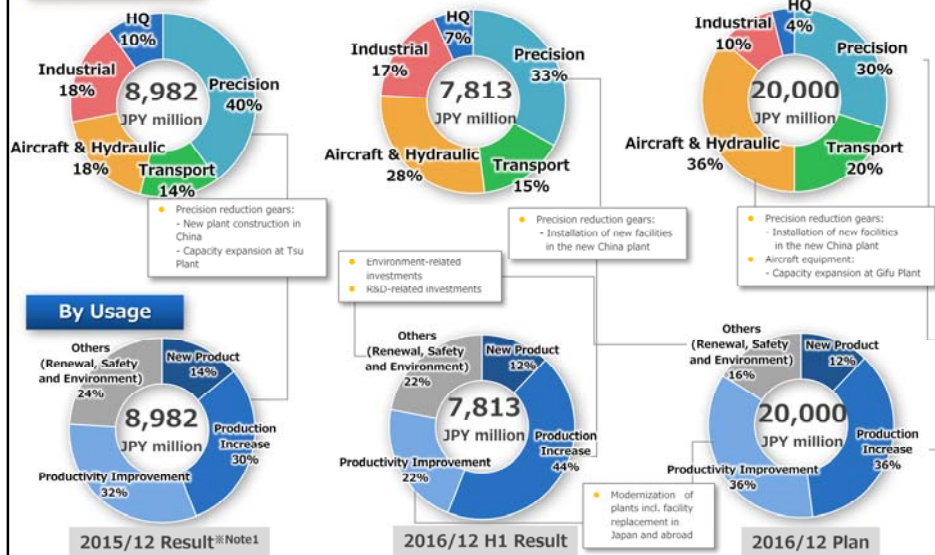
Accordingly, the consolidated fiscal year ended December 2015 is a transitional period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, in contrast to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December. Payout ratio on a consolidated basis is higher than the payout ratio set in the current dividend policy (30%-40%).

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Breakdown in CAPEX

By Segment



Please refer to "Notes" for Note1.

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Main Products: Precision Equipment Segment

Precision Reduction Gears

■ Joints of Industrial Robots



■ Machine Tool ATCs

(ATC = Automatic Tool Changer)



New Energy Equipment

■ Solar Tracking Equipment



■ 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

■ New Energy Equipment

Solar Tracking Equipment: Cobra Thermosolar Plant (Spain)

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

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Main Products: Transport Equipment Segment

Railroad Vehicle Equipment

■ Brake Systems



■ Door Operating Systems



Commercial Vehicle Equipment

■ Wedge Chambers



■ Air Dryers



Marine Vessel Equipment

■ 2ST Main Engine Control Systems



Main Customers

■ Railroad Vehicle Equipment

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

■ Commercial Vehicle Equipment

Hino, Mitsubishi Fuso Truck & Bus, Isuzu, UD Trucks, Nissan Motor, FHI

■ Marine Vessel Equipment

KHI, Mitsui Engineering & Shipbuilding, Hitachi Zosen, MHI, Hyundai Heavy Industries (Korea), Hudong Heavy Machinery (China), Samsung Heavy Industries (Korea), Doosan Engine (Korea), MAN Diesel (Denmark)

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Main Products: Aircraft & Hydraulic Segment

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



No.1

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



Hydraulic Equipment

■ Traveling Units for Hydraulic Excavators



No.1

Approx. **30%** world market share



Main Customers

■ Aircraft Equipment

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

■ Hydraulic Equipment

Komatsu, Sumitomo Construction Machinery, Kobelco Construction Machinery, Kubota, Hitachi Construction Machinery, Sany, Zoomlion, XCMG, Liu Gong

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Main Products: Industrial Equipment Segment

Automatic Doors

■ Automatic Doors



■ Platform Screen Doors



Packaging Machines

■ Packaging Machines for Retort Pouch Foods



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

■ 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

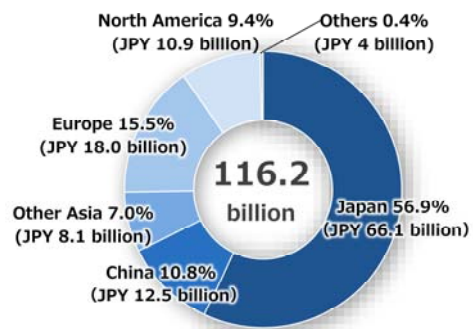
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Sales by Geographic Segment

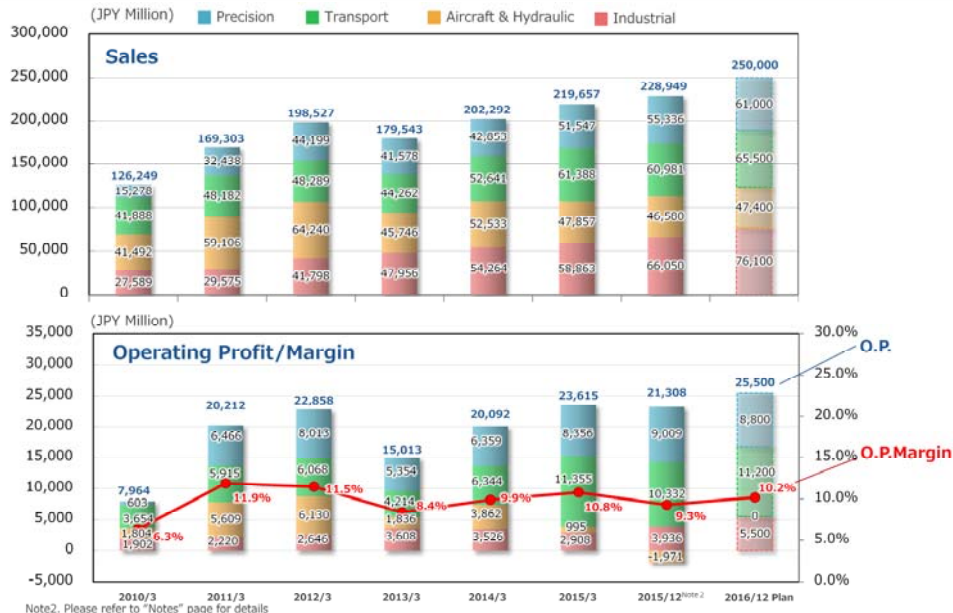
2016/12 H1 Result

(6-month period for both domestic and overseas companies)



Overseas Sales	JPY 50.1 billion
Ratio	43.1%

Result and Forecast for Sales and Operating Profit by Business Segment



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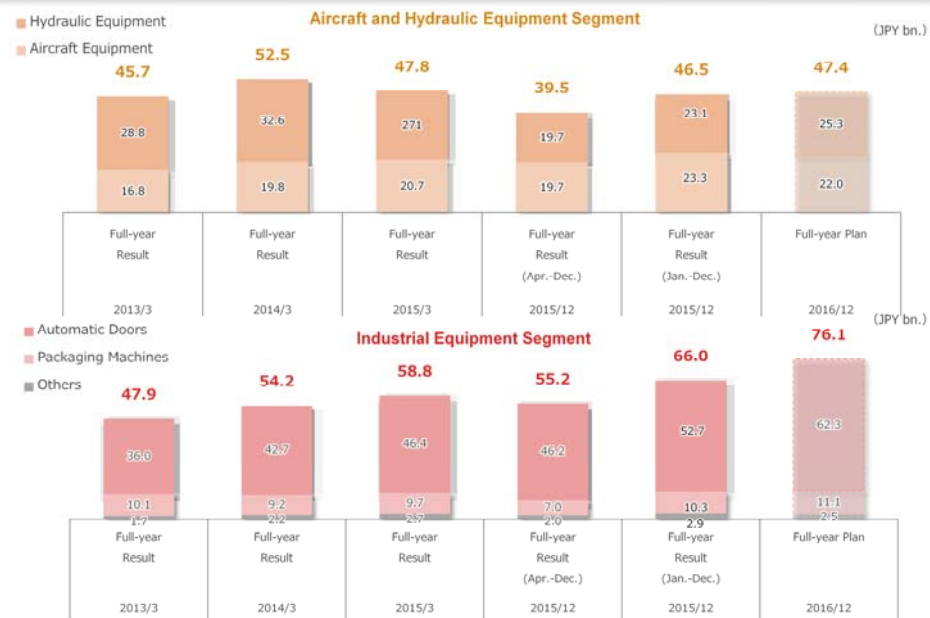
Result and Forecast for Sales by Business



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Result and Forecast for Sales by Business



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Result and Forecast for Sales and Operating Profit by Business Segment

(JPY Million)

Segment	Item	2016/12 H1 Plan	2016/12 H1 Result (A)	2016/12 Full-year Plan Tansin-Base(B)	Progress (A/B)
Precision	Sales	29,800	26,763	61,000	43.9%
	O.P. (O.P. margin)	4,000 (13.4%)	3,796 (14.2%)	8,800 (14.4%)	43.1%
Transport	Sales	31,500	29,816	65,500	45.5%
	O.P. (O.P. margin)	4,900 (15.6%)	5,376 (18.0%)	11,200 (17.1%)	48.0%
Aircraft & Hydraulic	Sales	22,600	22,722	47,400	47.9%
	O.P. (O.P. margin)	-700 (-3.1%)	-544 (-2.4%)	0 (0.0%)	-
Industrial	Sales	34,100	36,967	76,100	48.6%
	O.P. (O.P. margin)	1,800 (5.3%)	2,102 (5.7%)	5,500 (7.2%)	38.2%

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moving it. stopping it.

