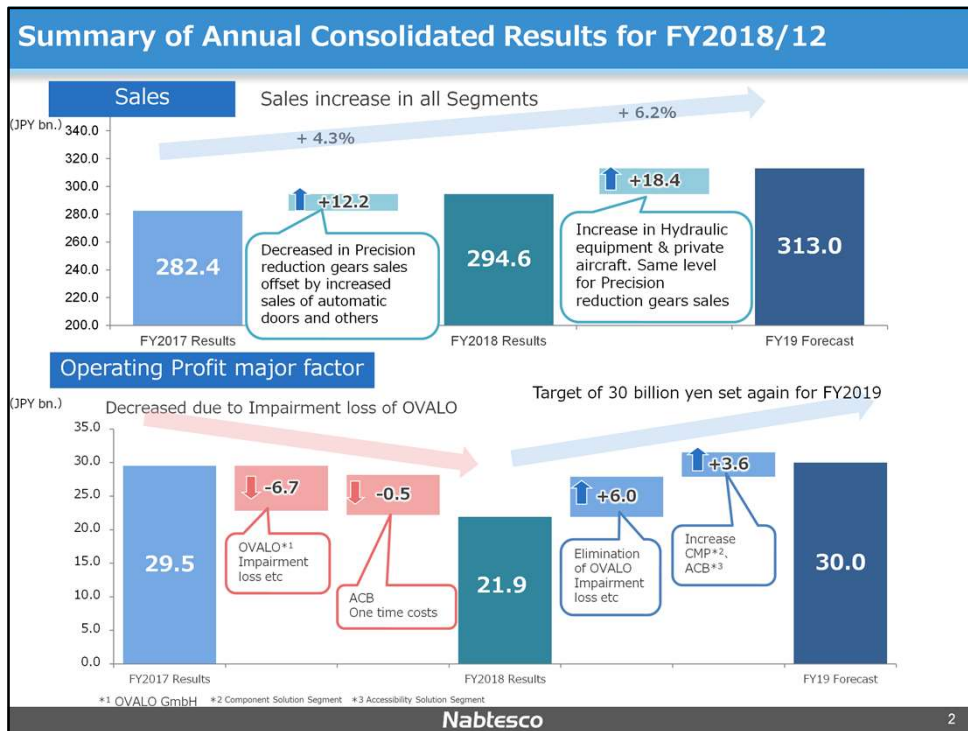


FY2018/12 Results Briefing (IFRS)

February 18, 2019

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.



For FY2018 sales, even though net sales for Precision Reduction Gear business was decreased but Hydraulic Equipment business and Automatic door business were increased. As a result, total net sales was increased compared to FY2017 sales result. For FY2018 O.P. was decreased compared to FY2017 due to the impairment loss of OVALO GmbH and occurred one time cost of Automatic door business. The full-year O.P. plan for FY2019 is anticipated to be increased in sales increase and elimination of OVALO GmbH impairment loss.

Agenda

1. Annual Consolidated Results for FY2018/12

2. Forecast for FY2019/12

3. Progress in Mid-Term Management Plan

Agenda

1. Annual Consolidated Results for FY2018/12

2. Forecast for FY2018/12

3. Progress in Mid-Term Management Plan

Result for FY2018/12

- Sales increased for 5 terms continuously
Sales, O.P and Net profit exceeded the Revised Plan.

(JPY million)	2017/12 Result (A)	2018/12 Revised Plan (As of Oct. 31, 2018) (B)	2018/12 Result (C)	Ratio of Variation ((C-A)/A)	Ratio of Variation ((C-B)/B)
Sales	282,422	293,900	294,626	4.3%	0.3%
Core O.P. *1	29,155	24,700	26,399	-9.5%	6.9%
(Core OPM)	10.3%	8.4%	9.0%	-1.3pt	0.6Pt
O.P.	29,468	20,000	21,889	-25.7%	9.4%
(OPM)	10.4%	6.8%	7.4%	-3.0pt	+0.6pt
Finance Income and Cost	523	-244	-1,107		
Equity in earnings of affiliates	4,915	8,744	9,181	86.8%	5.0%
Income before tax	34,907	28,500	29,962	-14.2%	5.1%
Net profit *2	25,146	19,800	21,029	-16.4%	6.2%

Earnings per share (JPY Yen)	203.85円	159.74	169.65
DPS (JPY Yen)	72 yen	73 yen	73 yen(plan)
Payout ratio	35.3%	45.7%	43.0%

Remarks :

- Forex impact:-600M
- Harmonic Drive Systems share acquisition right valuation loss -260M

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

*2 Net profit attributable to owners of the parent

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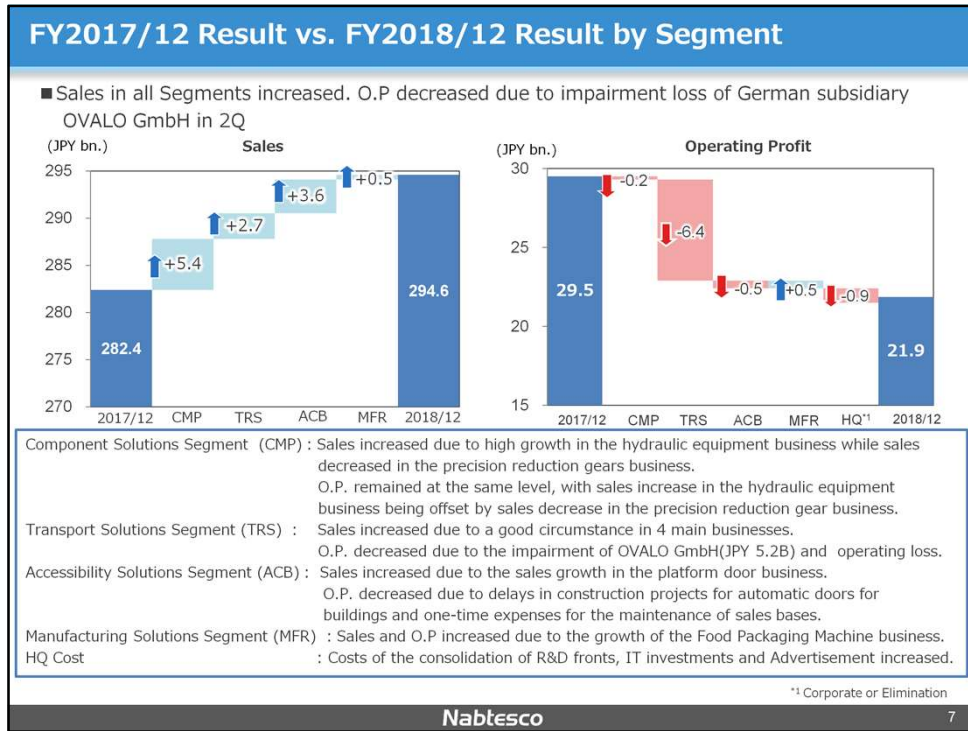
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Total sales for FY2018 was increased compared to FY2017.

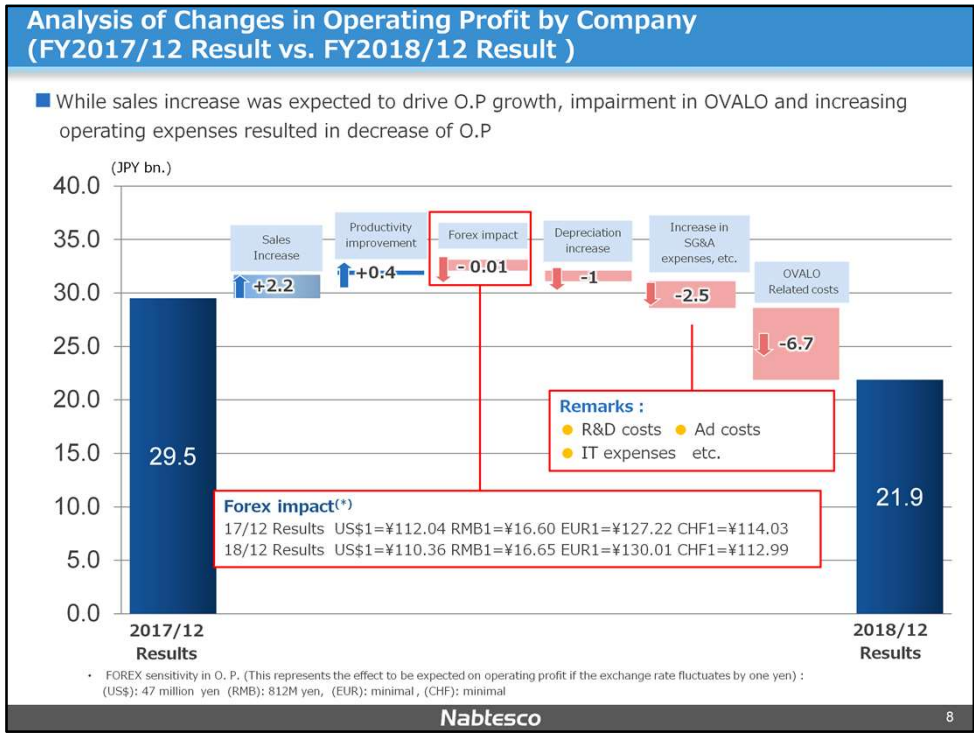
FY2018 O.P. was decreased due to the impairment loss of OVALO GmbH compared to FY2017.

Equity in earnings of affiliates was increased compared to FY2017.

Both sale and O.P. exceeded the revised plan which was announced on Oct 31, 2018..



Even though sales was decreased in Precision Reduction Gear business, but Hydraulic Equipment business and Automatic door business were increased compared to FY 2017. Total sales was increased compared to FY2017. FY2018 O.P. was decreased compared to FY2017 due to the impairment loss of OVALO GmbH.



O.P. was decreased due to impairment loss of OVALO GmbH ,increase for depreciation and SG&A.

Balance sheet (2017/12 Result vs. 2018/12 Result)

- Balance sheet keeps healthy conditions, while investments were made flexibly for growth in the precision reduction gear and aircraft equipment businesses.

(JPY million)

	2017/12 (A) (as of December 31, 2017)	2018/12 (B) (as of December 31, 2018)	(B-A) Variation
Assets	301,557	328,824	27,011
(Cash and cash equivalents)	44,121	54,039	9,918
(Trade receivables)	76,874	74,952	-1,922
(Inventories)	40,298	43,592	3,294
(Tangible fixed assets)	70,700	80,573	9,873
Liabilities	124,556	139,313	14,757
(Bonds and borrowings)	27,720	45,310	17,590
Total equities	177,002	189,255	12,253
(Non-controlling interests)	9,465	10,553	1,088
Equity attributable to owners of parent	167,537	178,702	11,165
*Ratio of equity attributable to owners of parent:	55.6%	54.4%	

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Balance sheet remained sound during implementation of flexible investments for growth in Precision Reduction Gear and Aircraft Equipment business

Agenda

1. Annual Consolidated Results for FY2017/12

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Forecast for FY2019/12 (IFRS)

- Sales will increase due to strong demand for hydraulic equipment and private aircraft equipment businesses while sales will remain at the same level in the precision reduction gears business.
- O.P. is anticipated to increase due to the elimination of OVALO's impairment loss.

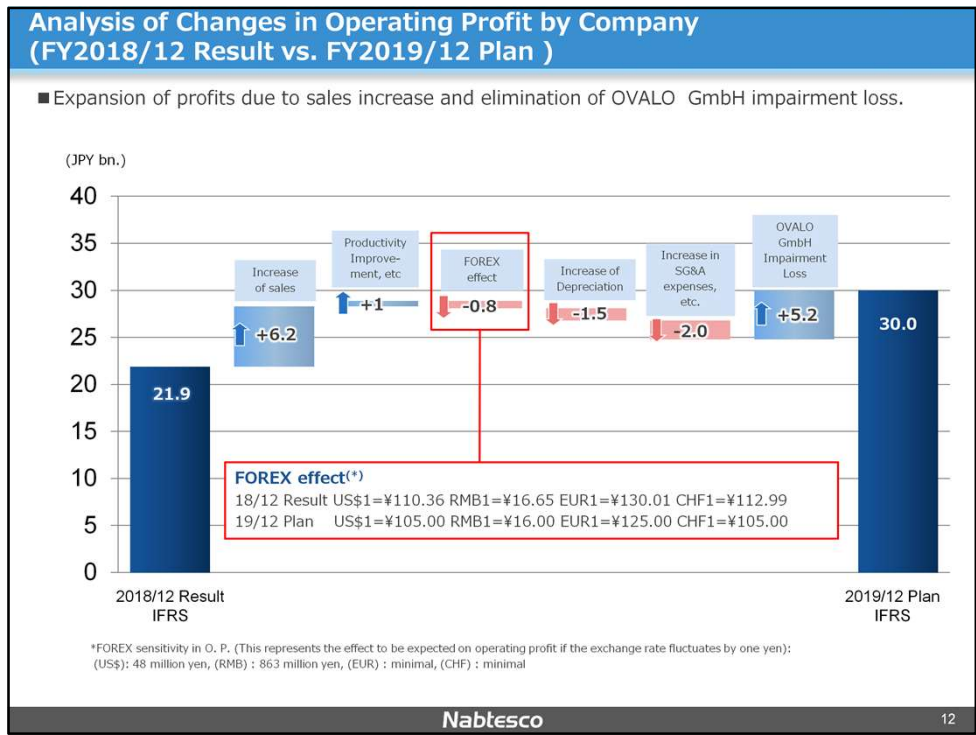
(JPY million)	2018/12 Result (A)	2019/12 Plan (B)	Variation (B-A)	Ratio of Variation ((B-A)/A)
Sales	294,626	313,000	18,374	6.2%
O.P.	21,889	30,000	8,111	37.1%
(OPM)	7.4%	9.6%	+2.2pt	-
Income before tax	29,962	33,600	3,638	12.1%
Net profit *	21,029	22,900	+1,871	+8.9%
DPS (JPY Yen)	73	73(plan)		
Payout ratio	43.0%	39.5%(plan)		

* Net profit attributable to owners of the parent

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While Precision Reduction Gear remains at the same level, total Net sales increase due to Hydraulic Equipment and Aircraft Equipment.
O.P. increase due to lack of impairment loss of OVALO

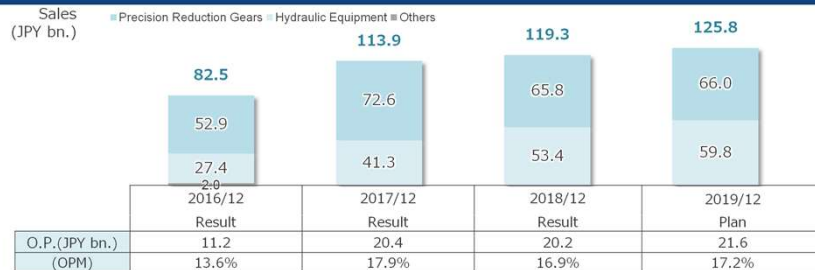


O.P. increase due to sales increase and elimination of Impairment Loss for OVALO GmbH.
 Depreciation and SG&A are anticipated to be increased.

Component Solutions Segment (CMP)

■ As for the CMP segment, sales growth is anticipated due to increase in global strong demand for construction machinery. Sales for precision reduction gears are anticipated to remain the same level as in 2018 and demand for industrial robots is anticipated to recover in the second half, while demand will slow down in the first half.

Result and Plan



FY2018/12 Result vs. FY2019/12 Plan

Precision Reduction Gears : Sales will remain the same level as in 2018.

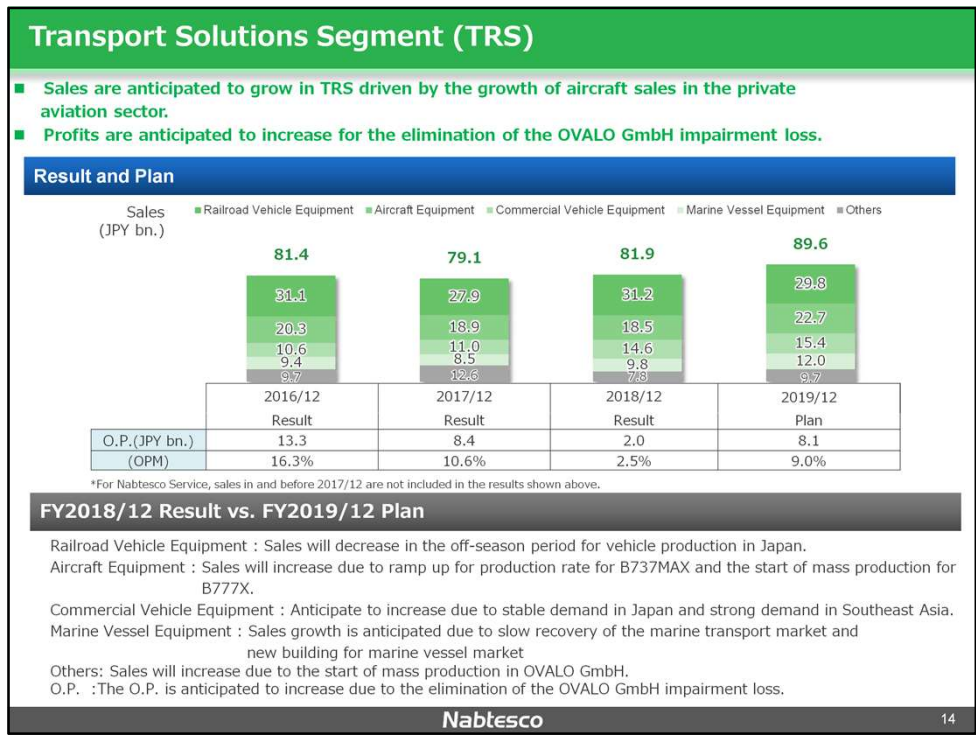
Hydraulic Equipment : Demand in China is stable due to infrastructure investment. Sales are anticipated to increase due to a robust demand in South-east Asia and North America.

O.P. : Expansion of profits by increasing sales.

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For precision reduction gear sales, demand is expected to recover from second half and sales for precision reduction gear remains is anticipated to be same level with FY2018. Sales of Hydraulic Equipment is anticipated to increase due to the robust demand in China market and stronger demand in South-east Asia and North America . For segment O.P., while depreciation cost will be increased due to strong CAPEX plan, but O.P for FY2019 is anticipated to increase due to sales increase.



Sales for Railroad Vehicle Equipment is anticipated to decrease due to off-season of railroad vehicle production in Japan and further decrease for high speed railroad train in China.

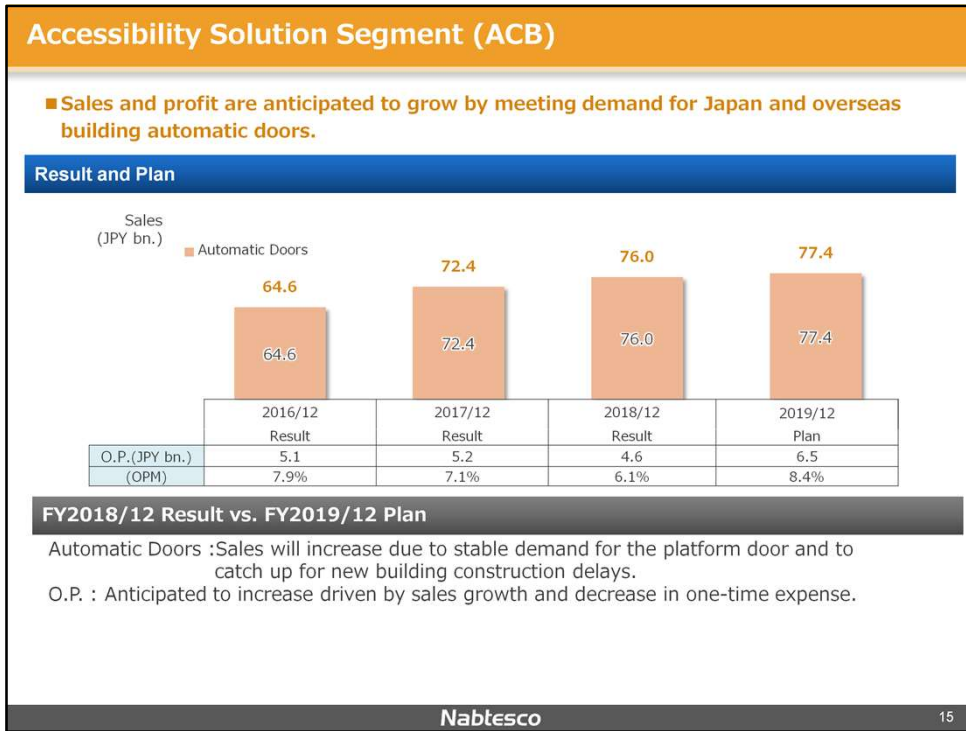
Sales for Aircraft Equipment is anticipated to increase due to increase of 737MAX and start of mass production of B777X

Sales for Commercial Vehicle Equipment is anticipated to increase due to stable demand in Japan market and demand recovery of Southeast-Asia market.

Sales for Marine Vessel Equipment is anticipated to increase due to the recovery of shipbuilding and marine transport market.

Sales for Others is anticipated to increase due to start of mass production for OVALO from second half.

O.P. is anticipated to increase due to sales increase and elimination of impairment loss.



Sales increase for platform door and improvement for delayed automatic doors for building is anticipated to increase in FY2019 sales .
 O.P. is anticipated to increase due to sales increase and elimination of one time cost.

Manufacturing Solutions Segment (MFR)

■ Sales and profit are anticipated to increase due to robust demand for packaging machines in the food industry in Japan and overseas.

Result and Plan



FY2018/12 Result vs. FY2019/12 Plan

Packaging Machines :Sales to Japanese food manufacturers will increase, driven by labor-saving requirements. Sales will increase steadily also outside of Japan.
O.P. :Expansion of profits by increasing sales.

Sales for Packaging machines is anticipated to increase due to robust automation and labor-saving demand in Japan and overseas market.
O.P. is anticipated to increase due to sales increase.

CAPEX, R&D and Depreciation

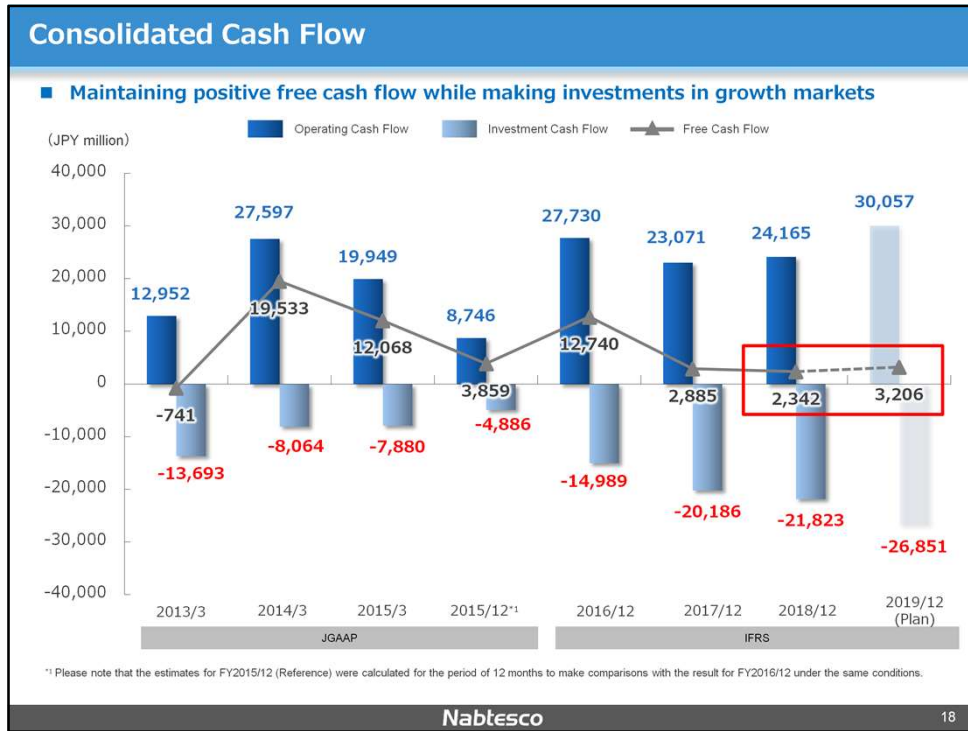
■ Capital expenditure for future growth with a focus on the precision reduction gears and aircraft equipment businesses as well as environment-related investments

(JPY bn.)	2017/12 Result	2018/12 Result	2019/12 Plan	2017-20 Mid-term Plan
CAPEX	15.2	20.3	30.6	77
R&D	8.7	10.2	10.6	40
Depreciation	9.0	10.0	11.5	

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CAPEX is anticipated to increase in Precision Reduction Gears and Aircraft Equipment business mainly for factory automatization.



While CAPEX is increased but FCF is anticipated to be positive .

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Our commitments in the New Medium-term Management Plan

ROE : 15%

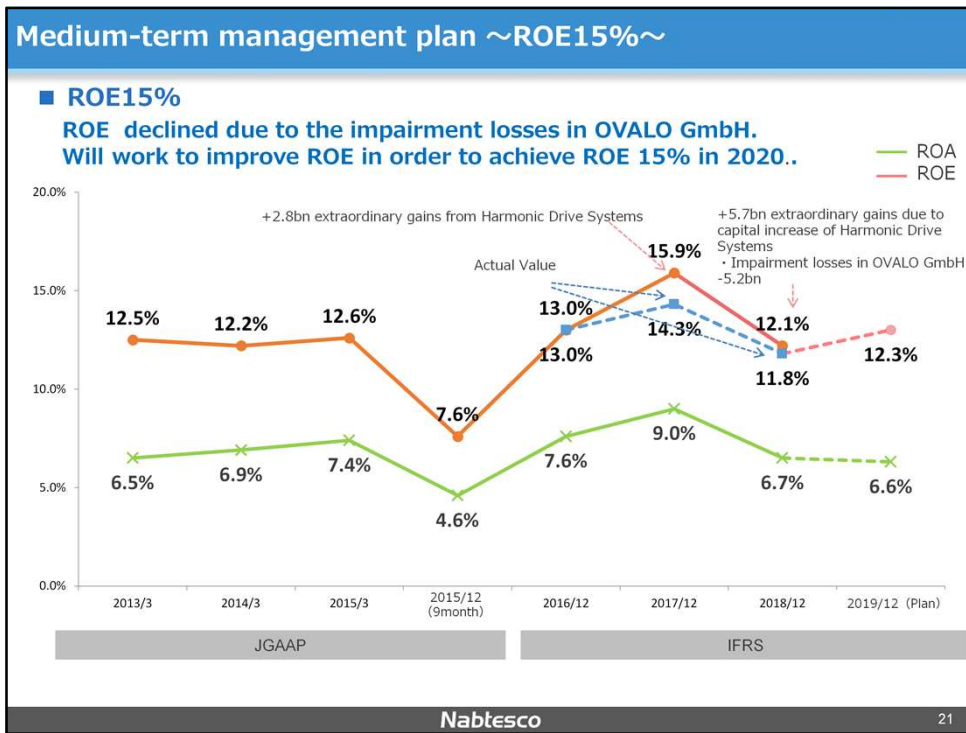
**Consolidated payout ratio:
35% or over**

**Focus on solving
ESG issues**

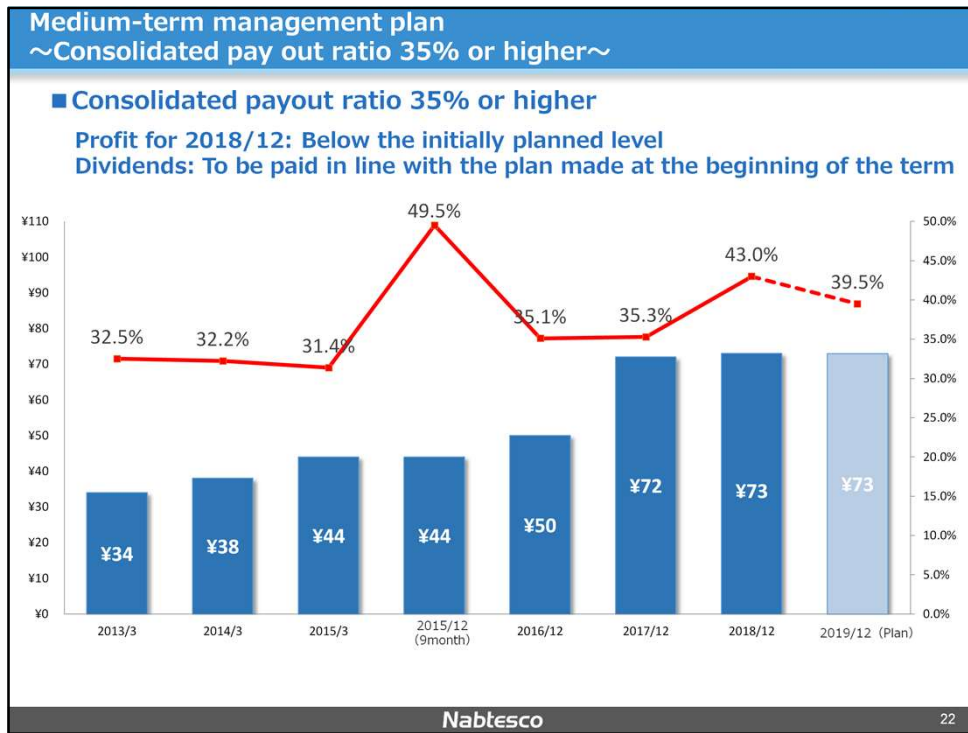
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Our commitments in the Medium-term Management Plan is shown 3 items.



ROE is anticipated to be 12.3% in FY2019.



Payout Ratio was 43.0% and ¥73 of dividends in FY 2018.
 39.5% of payout ratio and ¥73 of dividends is anticipated in FY2019.

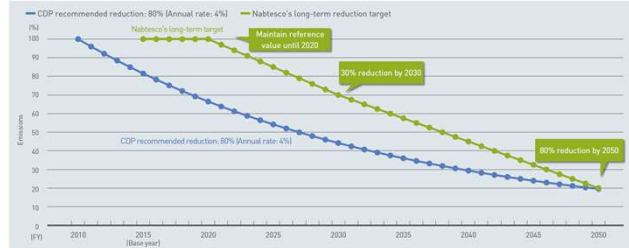
Measures to Solve ESG Issues in 2018

E : Measures to Climate Change Issues

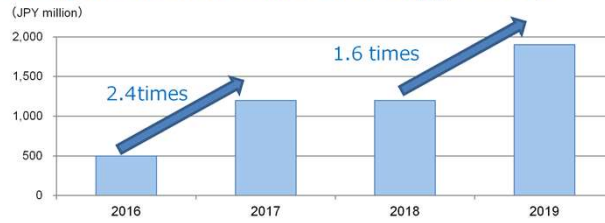
*1 The FSB Task Force on Climate-related Financial Disclosures

- Speeded up the Execution of the PDCA Cycle to achieve the long term CO₂ emission reduction target
- Established TCFD *1 sectional committee and implemented cross-functional measures

Nabtesco's SBT



• Making environmental investments aggressively



■ Major investment targets

- Solar power generation equipment
- Highly efficient Machineries
- Advanced measures to comply with regulations on fluorocarbons

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Execution of PDCA toward our long-term goal is reducing CO₂.
Established a new team to implement TCFD.

Measures to Solve ESG Issues in 2018

■ S : Measures for Society

• Work Style Reforms

→Diversity in employment and workplaces (Open recruitment, Work-from-home system, Smart work benefit)

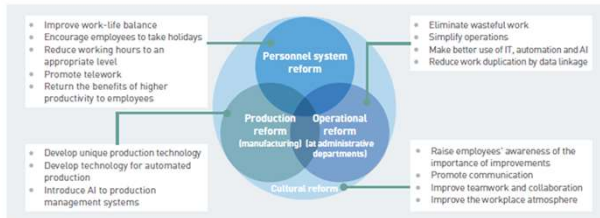
Improve productivity by IT application (RPA, Paperless, Operational review for improvement)

• Human Rights Management

→Implemented a human right risk investigation based on the Nabtesco Group Human Rights Policy in domestic and oversea fronts and confirmed that no significant risk existed.

• Established Nabtesco Group Community Investment Policy

→Clarified purposes of the activities and domains in order to promote proactive Community investment



Major Targets	FY2020 Target (vs FY16)
Per hour labor productivity (Value added/working hour)	+20%
Overtime hours	△18%
Paid annual leave	+5 days
Promote Telework	More than 150 persons

Introducing various work style and RPA tools to promote work style improvement .

Measures to Solve ESG Issues in 2018 ~Local Community Development~

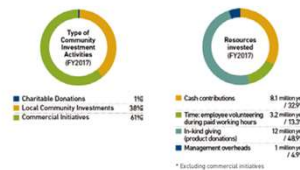
■ Formulation of Community Investment Policy

- Through our community investment activities, we will proactively engage in exchanges and cooperate with local communities in fields closely related to our business in each region where the Group conducts business as good practice of the Nabtesco Way.
- Aim to create value for stakeholders · value for the Nabtesco Group.
- Concentrate on the three key fields of the environment, the education, the welfare.

Nabtesco Group's Community Investment

Nabtesco Group Community Investment Policy			
Policy	The Nabtesco Group promises to protect the global environment and promotes harmony with local practices of the Nabtesco Way. In each region where it conducts business, the Nabtesco Group will cooperate with local communities in those fields closely related to its business.		Number of welfare devices donated (FY2008 to FY2017) 2017: 38 Accumulated total: 308
Targets	<ul style="list-style-type: none"> • To contribute to solving global social challenges • To contribute to solving social challenges faced by local communities in each region where we group conducts business • To encourage employees' spirit of challenge and their innovative way of thinking by contributing to solving social challenges in those fields related to the Group's business • To increase the Group's brand value by contributing to solving social challenges • By achieving these targets, to foster the growth of both the Nabtesco Group and local communities and to build long-term relationships of mutual trust 		
Priority Areas of activity	Relevance to the Group's business	Corresponding material CSR issues (materiality)	Corresponding SDGs
Environment	<ul style="list-style-type: none"> • Contribution to reducing environmental impact through manufacturing • Commitment to addressing global and local environmental issues in each region where the Group conducts business 	<ul style="list-style-type: none"> • Countermeasures for climate change • Environment-friendly manufacturing • Reduction of environmental impact through products and services • Recycling, reuse and remanufacture of products 	
Education	<ul style="list-style-type: none"> • Development of next-generation human resources by using the Group's expertise and resources gained through business • Enhancement of the value chain in collaboration with suppliers 	<ul style="list-style-type: none"> • Development of human capital and promotion of workplace diversity • Local community development • Fair, proper and transparent procurement activities 	
Welfare	<ul style="list-style-type: none"> • Revitalization of local communities through welfare equipment business • Support for diversity and social inclusion in each region where the Group conducts business 	<ul style="list-style-type: none"> • Local community development • Development of human capital and promotion of workplace diversity • Provision of safe and comfortable workplaces 	

Resources Invested



Environment



Education



Welfare



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Established the community investment policy

Measures to Solve ESG Issues in 2018

■ G : Strengthen Corporate Governance

- **Revised the Nabtesco Corporate Governance Basic Policy**
 - Made clear statements on the reduction of “strategically held shares,” capital costs, and the involvement of the Board of Directors in the plan for a successor to the CEO
- **Implemented a proactive Quality Audit**
 - Implemented a special audit for “Quality” in Group companies and Confirmed no significant issue was found.
- **Created a governance structure to generate synergies among in-house organizations and speed up the decision-making process**
 - Applied Segment system(CMP Segment) and pursued synergy
 - Empowerment based on the evaluation of the effectiveness of the Board made in the previous fiscal year
- **Sophisticated Risk Management**
 - Conducted structural risk assessment in group companies. Identified significant risks and implemented countermeasures across the company through the risk management committee.
- **Strengthened Compliance structure**
 - Raised employees’ awareness of the Nabtesco Group Code of Ethics and Global Anti-Bribery Policy

Revised the basic policy of the corporate governance code.
Expected synergies of Component solutions segment and has been established a segment manager.

ESG Rating Organizations/ESG Indexes

■ Awarded the highest rating from CDP in three fields
 Included in the major ESG indexes, including four selected by the GPIF

Environmental evaluation

(CDP)

- Climate Change A List 2018
- CDP Water Security A List 2018
- Supplier Engagement Leader 2019

(WWF Japan)

- Ranked No. 1 in the “Global warming countermeasure ranking: Machinery and precision equipment”

ESG Index


- DJSI World Index
- MSCI ESG Leader Indexes
- FTSE4Good Index Series
- STOXX Global ESG Leaders

(GPIF Index)


- MSCI Japan ESG Select Leaders Indices
- MSCI Japan stock women active score index

(WIN)


- FTSE Blossom Japan
- Global Environmental Stock Indices



CLIMATE CHANGE




WATER SECURITY




2019


First time named in CY2018




MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



Included in the World Index in CY2016



FTSE4Good



FTSE Blossom Japan

MSCI 2018 Constituent MSCI ESG Leaders Indexes

MSCI 2018 Constituent MSCI Japan ESG Select Leaders Index

MSCI 2018 Constituent MSCI Japan Empowering Women Index (WIN)

Included for the first time in CY2018

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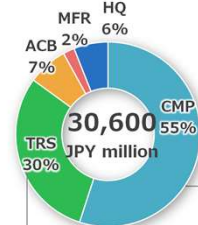
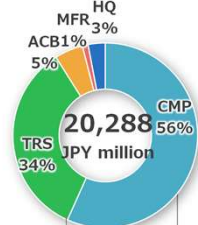
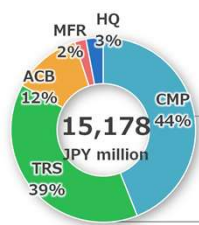
Awarded Three Highest Ratings from CDP.
 Selected as ESG index including GPIF using 4 Index.

Progress of Medium-term management plan		
<p>Market Creation</p> <ul style="list-style-type: none"> ✓ Establishment of new bases and subsidiaries <ul style="list-style-type: none"> • Nabtesco Europe GmbH (2017) • TOYO JIDOKI EUROPE GmbH (2018) • OVALO/ adcos M&A (2017) ✓ Reconstruction and sale of subsidiaries <ul style="list-style-type: none"> • DIAVAC LIMITED: Sold in 2018 • Automatic door business in North America: Reconstructed in 2017 ✓ Capacity expanding in overseas <ul style="list-style-type: none"> • Hydraulic Equipment : Coping with demand increase in Chinese market • Precision Reduction Gears: Acquired land to expand capacity for further growth 	<p>Technology Innovation</p> <ul style="list-style-type: none"> ✓ Strengthen competitiveness of existing products · develop next-generation products <ul style="list-style-type: none"> • Next generation Precision Reduction Gears (Zeta) : Put on the market (2018) • Next generation standard automatic door (NATRUS) Put on the market (2018) <ul style="list-style-type: none"> • New model FCA : For 737MAX(2017)、777X(2019) ✓ Develop new products and technology to expand the lineup of value-added products <ul style="list-style-type: none"> • Hydraulic Equipment :Expansion of the lineup of systems and development of electrically controlled valves • Packaging machines : Preprocess automation equipment • Electronic design using adcos ✓ Create new technologies and businesses <ul style="list-style-type: none"> • Established Corporate Venture Capital (2018) 	
<p>Operational Excellence</p>		
<ul style="list-style-type: none"> ✓ Production reform across the company <ul style="list-style-type: none"> • Production management renewal (ICT) • Advanced automation · Optimum SCM (3P Logic) ✓ Measures for work style reforms <ul style="list-style-type: none"> • Active use of RPA Tools (2018) • Promotion of workplace communication • Quantification of results and management of targets 	<ul style="list-style-type: none"> ✓ Inventory operations <ul style="list-style-type: none"> • Under the leadership of the Production Innovation Div., improvements are made based on the business-specific targets reset in consideration of the present situation ✓ Organizational reform <ul style="list-style-type: none"> • Head office departments: Placed under the direct control of the CEO (2018) • Business departments: Appointment of segment leaders (2019) 	<ul style="list-style-type: none"> ✓ ESG <ul style="list-style-type: none"> • Enhancement of corporate governance • Continually investment in environment and safety
<p>Nabtesco 28</p>		

Moving forward with the Midterm management plan based on the three slogans of Market Creation, Technology Innovation, and Operational Excellence.

Appendix

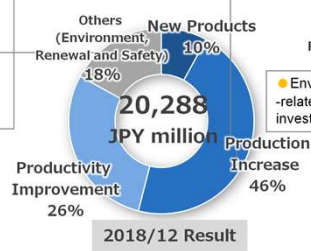
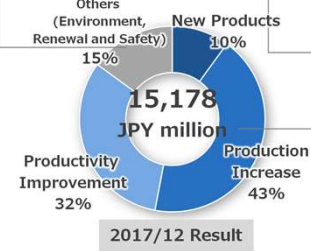
Breakdown of CAPEX



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

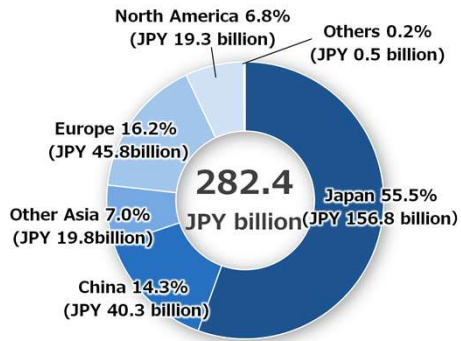
- Precision reduction gears: Increase production capacity in Japan and China
- Aircraft equipment: - Capacity expansion at Gifu Plant

- Precision reduction gears: Increase production capacity in Japan
- OVALO GmbH
- Mass production for new products



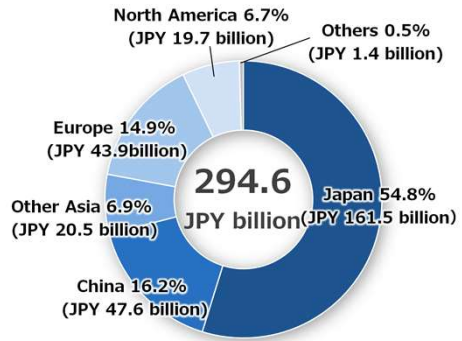
Sales by Geographic Segment

2017/12 Result



Overseas Sales	JPY 125.6 billion
Ratio	44.5%

2018/12 Result



Overseas Sales	JPY 133.2 billion
Ratio	45.2%

Main Products: Component Solutions Segment (CMP)

Precision Reduction Gears

■ Joints of Industrial Robots



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



Hydraulic Equipment

■ Traveling Unit for Hydraulic Excavators



Approx. **25%**
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: Okuma, Yamazaki Mazak, Makino Milling Machine Co.,Ltd., DMG Mori Seiki

■ Hydraulic Equipment

Traveling Units: Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery, Sany, 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 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, Airlines

Main Products: Transport Solutions Segment (TRS)

Commercial Vehicle Equipment

■ Wedge Chambers



Approx. **70%** Domestic Market Share



■ Air Dryers



Approx. **75%** Domestic Market Share

Marine Vessel Equipment

■ 2ST Main Engine Control Systems



Approx. **50%** 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, Makita Corporation, Hitachi Zosen, Mitsui Engineering & Shipbuilding, MHI, 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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moving it. stopping it.