

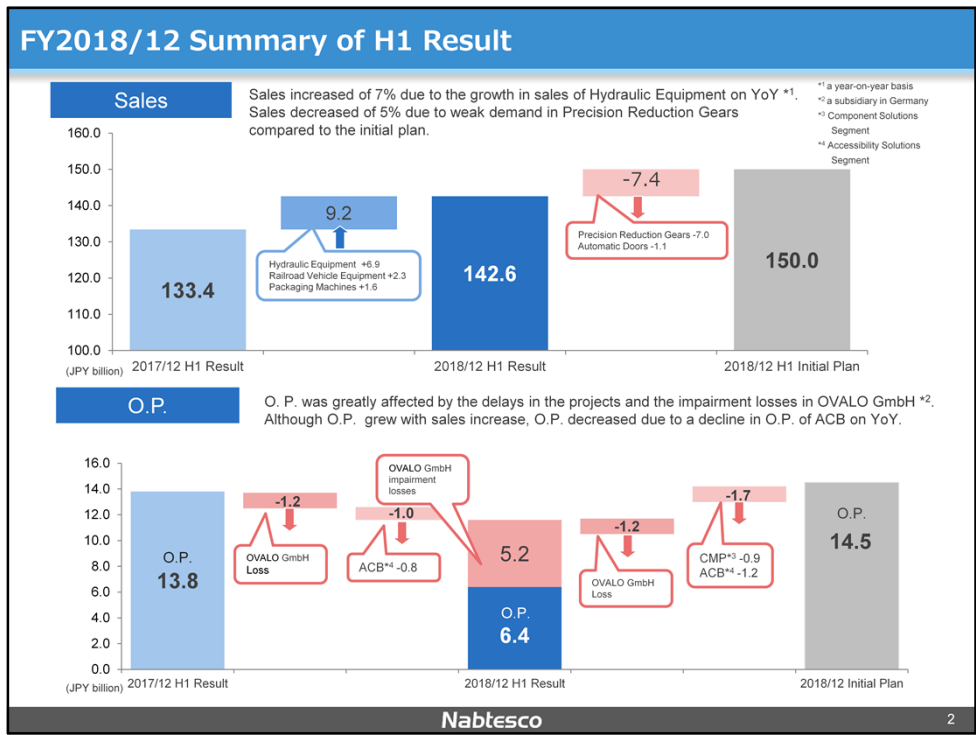
FY2018/12 Q2 Results Briefing (IFRS)

August 7, 2018

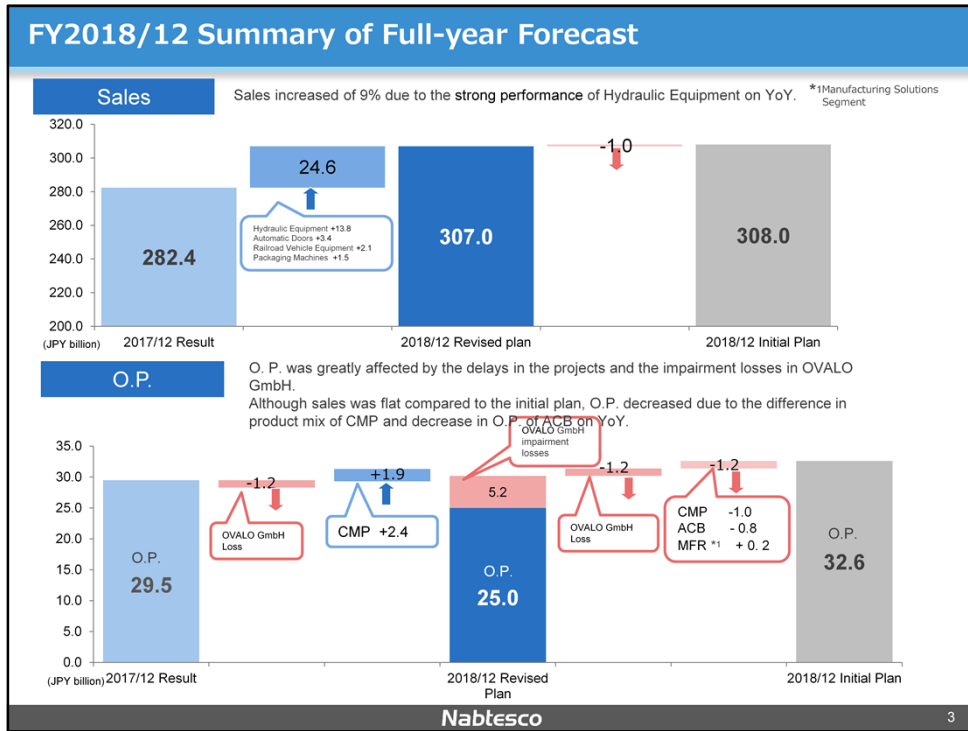
Nabtesco Corporation



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.



In this presentation, I will explain the factors contributing to the decreased operating income in the first half and the revisions to the full-year forecast, in addition to the usual information.



The product mix in the CMP segment means that the sales of precision reduction gears decreased from those forecast at the beginning of the term. The reasons for the decreased operating income in the ACB segment is mentioned in slide 9.

Consolidated Results for the FY2018/12 H1 (IFRS)

■ Although sales increased on YoY, O.P. decreased due to the delays in projects, impairment losses in OVALO GmbH and a decline in Automatic Door. Income before tax increased due to the increase in equity method investments in H1 by Harmonic Drive Systems (6 billion yen).

(JPY million)	2017/12 H1 Result (A)	2018/12 H1 Plan (As of Feb. 9, 2018) (B)	2018/12 H1 Result (C)	Variation (C-A)	Variation (C-B)
Sales	133,359	150,000	142,555	9,196	-7,445
Core O.P. *1	13,866	14,300	11,092	-2,774	-3,208
O.P.	13,761	14,500	6,387	-7,374	-8,113
(OPM)	10.3%	9.7%	4.5%	-5.8%	-5.2%
Income before tax	16,993	15,700	13,038	-3,955	-2,662
Net profit *2	12,497	10,500	7,886	-4,611	-2,614
Earnings per share (JPY Yen)	101.23	85.12	63.62	37.61	21.50
DPS (JPY Yen)	34	36	36	2	-
Payout ratio	33.6	42.3	56.6	23.0	14.3

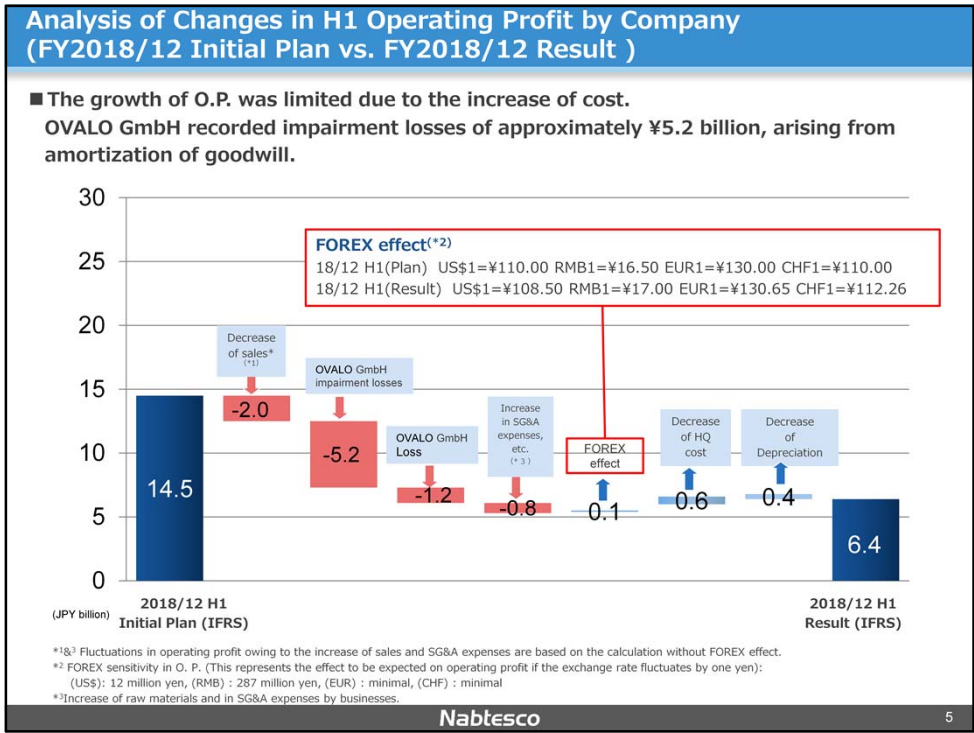
*1Core operating profit is net sales less cost of sales and selling, general and administrative expenses.

*2Net profit attributable to owners of the parent

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The dividend for the first half has been resolved by the Board of Directors at 36 yen per share.



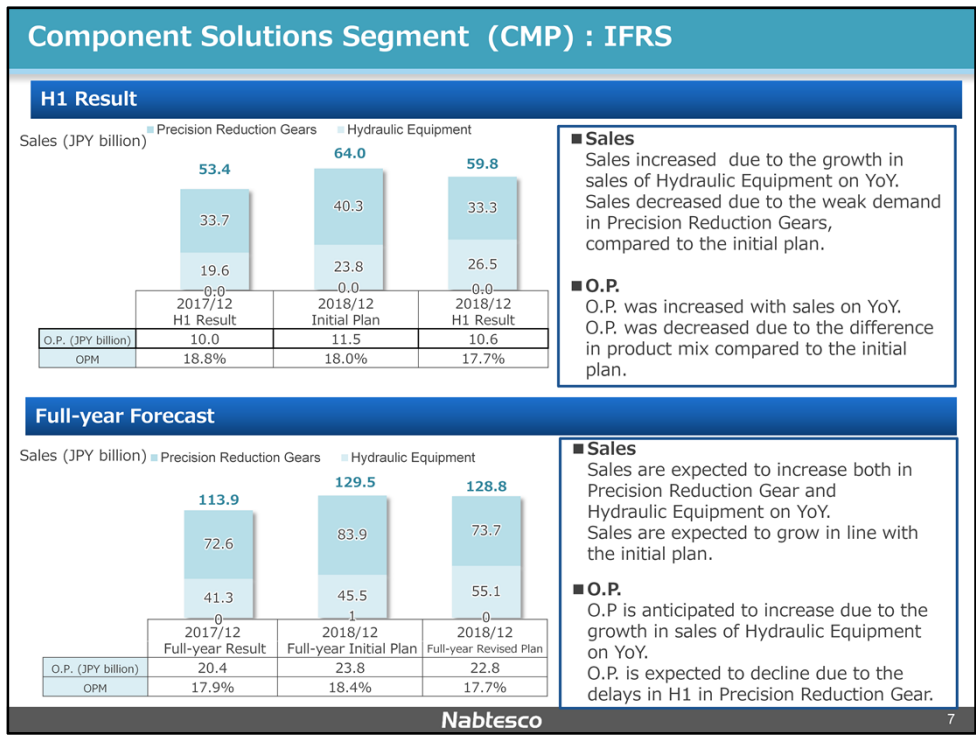
The extent of the contraction in operating income narrowed from the forecast figure for the first half due to a decrease in expenses for the head office and depreciation.

Forecast for FY2018/12 (IFRS)					
■ Although the sales and O.P. are expected to increase on YoY, O.P. is forecast to decrease due to the impairment losses in OVALO GmbH.					
(JPY million)	2017/12 Result (A)	2018/12 Initial Plan (As of Feb. 9, 2018) (B)	2018/12 Revised Plan (As of Jul. 31, 2018) (C)	Variation (C-A)	Variation (B-A)
Sales	282,422	308,000	307,000	24,578	-1,000
Core O.P. *1	29,155	32,100	29,800	645	-2,300
O.P.	29,468	32,600	25,000	-4,468	-7,600
(OPM)	10.4%	10.6%	8.1%	-2.3pt	-2.5pt
Income before tax	34,907	35,900	33,600	-1,307	-2,300
Net profit *2	25,146	25,700	23,600	-1,546	-2,100
ROA	9.0%	8.3%	7.7%	-1.3pt	-0.6pt
ROE	15.9%	14.6%	13.5%	-2.4pt	-1.1pt
DPS (Yen)	72	73 (Plan)	73(Plan)		
Payout ratio	35.3%	35.0%(Plan)	38.3%(Plan)		

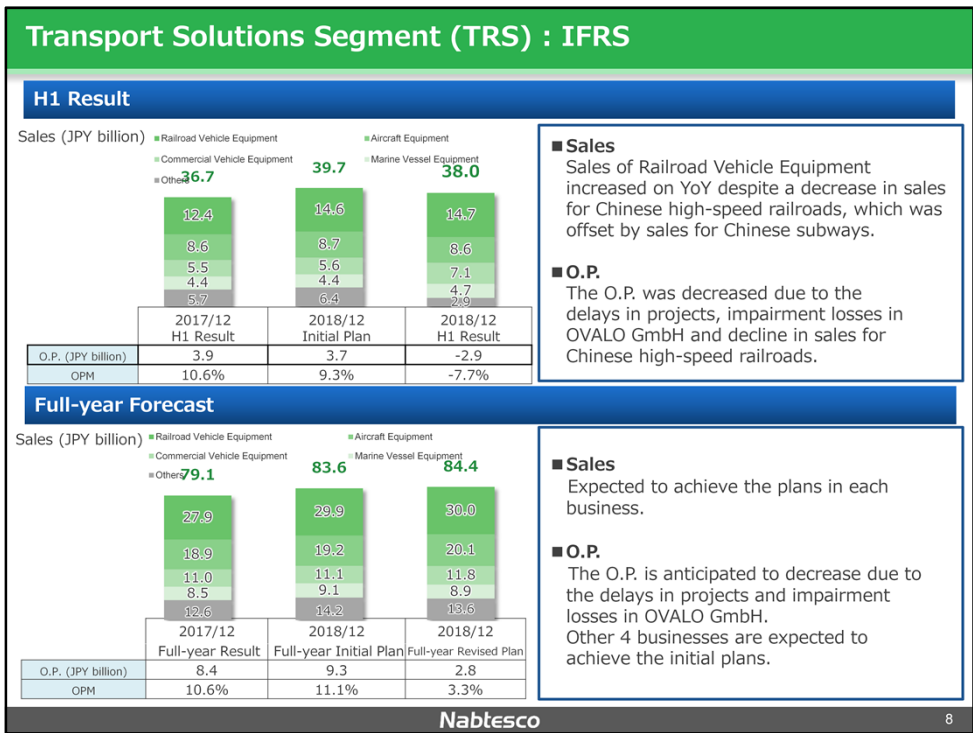
*1 Core operating profit is net sales less cost of sales and selling, general and administrative expenses.
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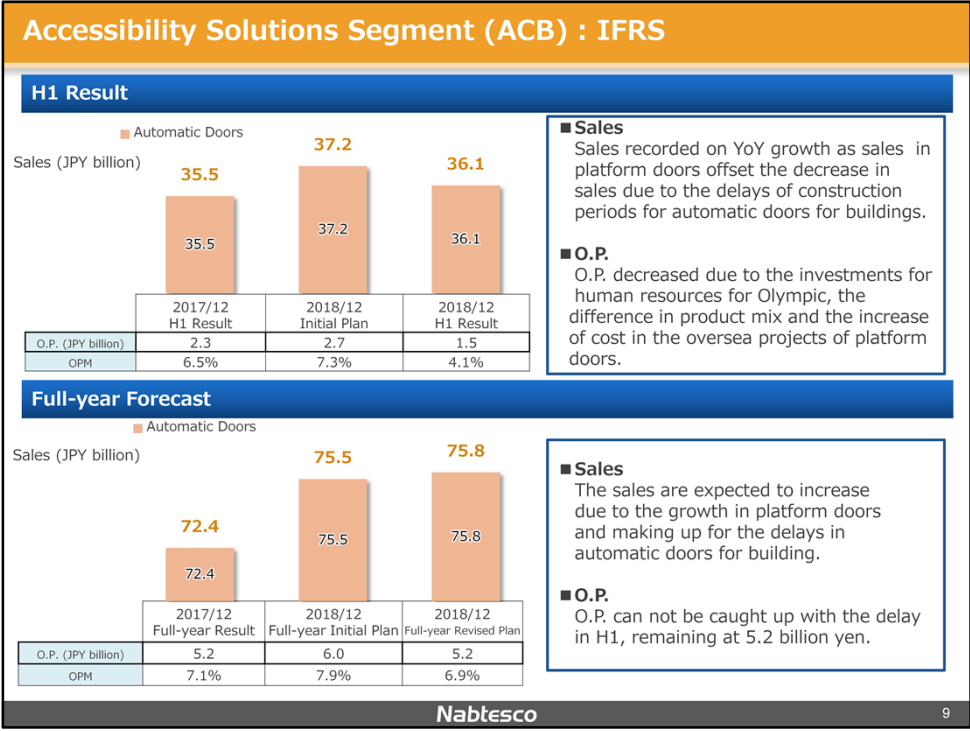
Net sales were 307.0 billion yen, a decrease of 1.0 billion yen from the forecast at the beginning of the term. We expect net income will total 23.6 billion yen including extraordinary income arising from the capital increase implemented in the first quarter of FY 2018 by Harmonic Drive Systems, a holding company. For the dividend, from the viewpoint of stable dividend payment, we will pay 73 yen per share or an amount which is equivalent to 35% or more in payout ratio.



The drop in the demand for reduction gears is attributable mainly to the decreased order receipts of reduction gears for industrial robots used principally by automobile manufacturers in North America.



The decrease in operating income in the first half and on the full-year basis is attributable to the impairment loss and other losses in OVALO.

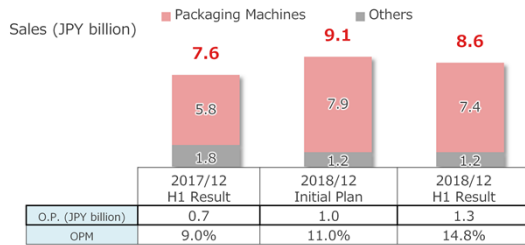


Mostly in the eastern area of Japan, except for Tokyo, we had delays in the construction periods for automatic door operating systems for buildings.

Causes of decreased operating income in the first half included 1) labor costs for personnel we additionally hired in 2017 in expectation of the increase in construction demand for the Olympic Games in Tokyo; and 2) the increase in cost for the introduction of the employment management system required in the process of the post-merger Integration of Nabco Systems, which we acquired in 2016.

Manufacturing Solutions Segment (MFR) : IFRS

H1 Result



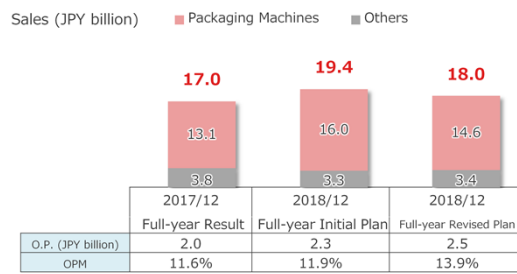
■ Sales

Sales recorded on YoY increase due to growth of food packaging machine business.

■ O.P.

Operating profit exceeded the plan due to the improvement of profitability by the enlargement of machinery.

Full-year Forecast



■ Sales

Sales are expected to increase, reflecting the development of packaging machines for the domestic food industry and overseas markets.

■ O.P.

Profitability is expected to improve, remaining good performance of H1.

CAPEX, R&D and Depreciation

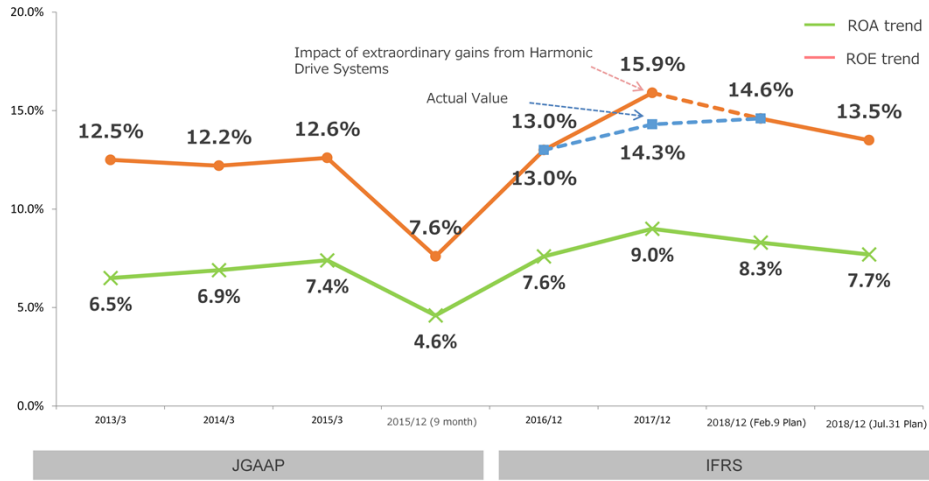
- Capital expenditure was implemented centering on precision reduction gears and aircraft equipment for future growth.
Precision reduction gears : Enhancing the production capacity of plants in Japan and China.
Aircraft equipment : Capacity expansion systems built for new programs.

(JPY billion)	2017/12 H1 Result (A)	2018/12 H1 Result (B)	2018/12 Plan (C)	Ratio of Variation (B/A)	Rate of progress (B/C)	2017/12 Result
CAPEX	5.8	11.5	30.4	198%	38%	15.5
R&D	4.1	5.2	10.2	127%	51%	8.7
Depreciation	3.9	4.9	11.2	126%	44%	9.0

Progress in Mid-Term Management Plan ~ROE15%~

■ ROE15%

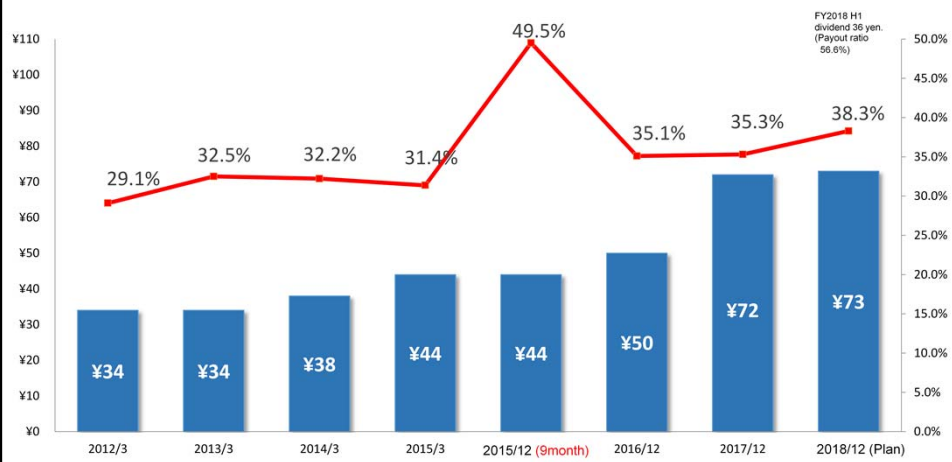
■ Although there was a decline in ROE due to the impairment of OVALO, we aim to achieve ROE 15% in 2020.



Progress in Mid-Term Management Plan
 ~Consolidated payout ratio 35% or higher~

■ Consolidated payout ratio 35% or higher

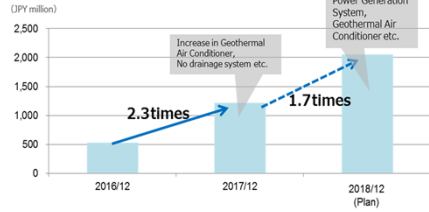
■ Although net profit of FY2018 will be decreased against the initial plan, the dividend will remain unchanged.



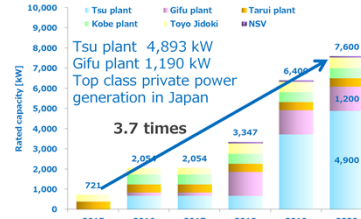
ESG Progress (Investment for Environment)

Proactive investment for Environment-related investments

Trend of Environment-related investments

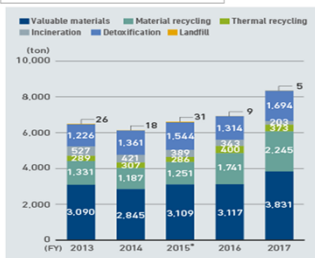


Solar Power Generation System

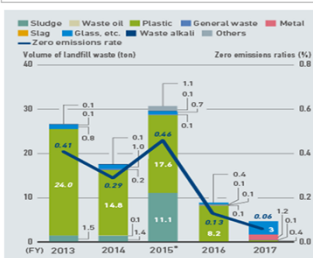


Activities to Reduce Landfill Waste

Volume of Waste Generated



Volume of Landfill Waste and Zero Emissions Ratios



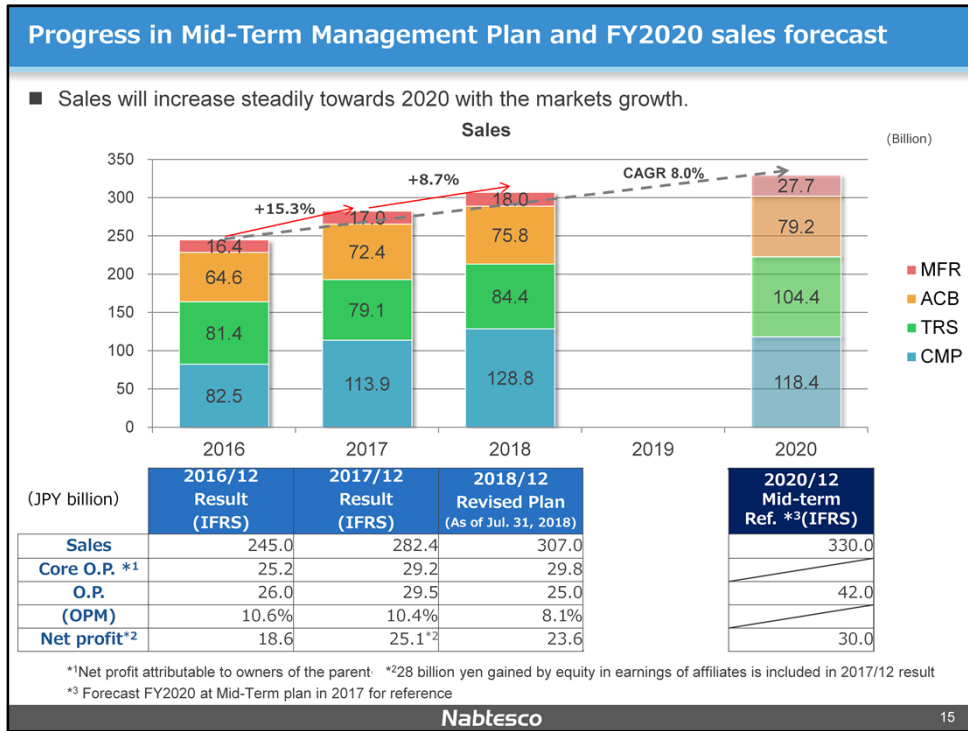
Zero emissions rate
FY2017 Plan 0.1%
Result 0.06%
(Achieved)

FY2020 Target 0.0%

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We plan to increase electric power generation to 3.7 times in 2020 compared with 2015 by introducing solar power generation.



The planned value for CMP in 2018 has already surpassed the reference value for sales in 2020, and we will review the reference value by the end of 2018.

FY2018 H1 Topics



Start a joint project with Audi AG

OVALO GmbH/adcos GmbH

	OVALO GmbH	adcos GmbH
Location	Limburg an der Lahn (Germany)	Köln (Germany)
Line of merchandise	Chassis system, and engine system products	ECU* for development, and software
Consolidated net sales (Result for FY2017/12)	Approx. 3 billion yen	
Acquisition value	Approx. 10 billion yen	



*ECU (Electric Control Unit) for development; Computers dedicated to development used in RCP (Rapid Control Prototyping) before designing and manufacturing computers loaded on actual equipment.
 *RCP: A development technique for checking and improving software, etc. reproduced in the model-based design by downloading to a computer dedicated to development, and by actually operating it.



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Sales from the joint project with Audi have made progress, despite some delays.

Corporate Venture Capital was established.

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Nabtesco Technology Ventures AG

- June 13th, 2018

Nabtesco Technology Ventures AG was established.

(Switzerland, Zurich, CEO Mr. Hiroshi Nerima)

- Fund set-up €75 million (approx. 10 billion yen)
- Investment in the startup of motion control technology

emerald



Technologiefonds

Nabtesco



- June 20th, 2018

A strategic partnership was jointly established with Emerald Technology Ventures.



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We have established a CVC with the aim of expanding Nabtesco's peripheral businesses by investing in startups.

Precision Reduction Gears – Capacity Expansion and New Release of “RV-Z Series” –

◆ Capacity Expansion ◆

As part of our efforts to increase capacity, the Company is now constructing the Hokusei Plant which will be completed in 2019 within the current location of Tsu Plant.
In 2020, the production capacity will almost double from the end of 2016, to 1.2 million units (a total of regular capacity in Japan and China plants).

◆ The most updated model of RV “RV-Z Series” ◆

We will launch a new “RV-Z Series,” the most updated model of RV, the reduction gears which have a track record of sales of more than eight million units. The new product series is characterized by significantly improved torsional rigidity, moment rigidity and torque density (torque/weight) compared with the conventional products. This was achieved by new designs that apply the latest research results into our high precision and high rigidity RV precision reduction gears. The launch of the new product series will satisfy our customers' needs for more precise and lighter and more compact industrial robots than conventional ones, and contribute to the further evolution of industrial robots. The target sales of the new product series will be ¥17.0 billion in 2020.

The increase in production capacity of precision reduction gears has been steadily advancing.

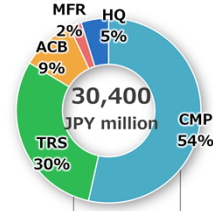
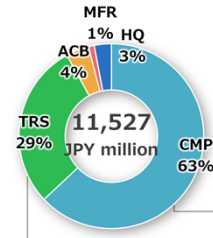
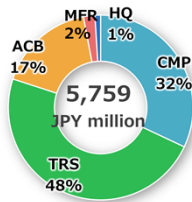
The new-type reduction gear series features enhanced torsional rigidity, moment rigidity and torque density.

Appendix



Breakdown in CAPEX

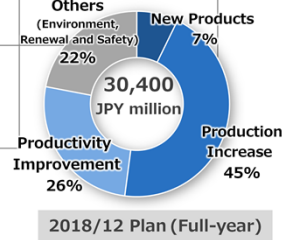
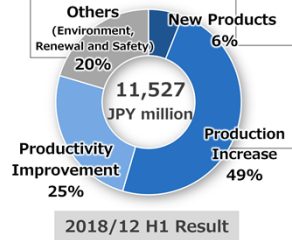
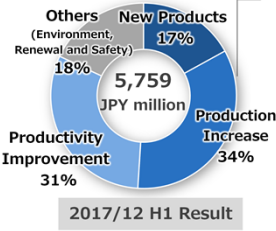
By Segment



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

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

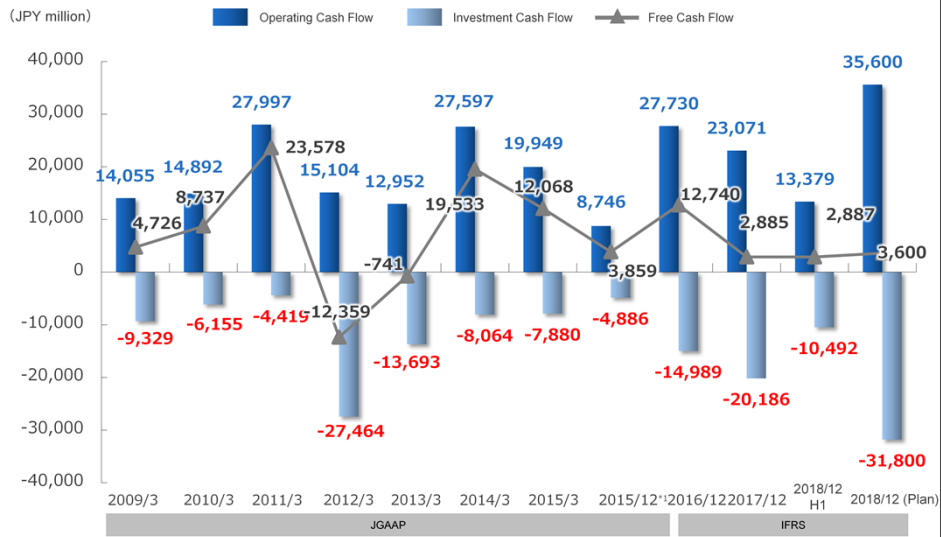
By Usage



BS

(JPY million)	2017/12 (as of December 31, 2017)	2018/12 Q2 (As of June 30, 2018)	Variation
Assets	301,557	306,872	5,315
(Cash and cash equivalents)	44,121	42,859	-1,262
(Trade receivable)	76,874	70,474	-6,400
(Inventories)	40,298	44,181	3,883
(Tangible fixed assets)	70,700	76,591	5,891
Liabilities	124,556	126,531	1,975
(Bonds and borrowings)	27,720	28,924	1,204
Total equities	177,002	180,340	3,338
(Non-controlling interests)	9,465	9,751	286
Equity attributable to owners of parent	167,537	170,590	3,053
*Ratio of equity attributable to owners of parent:	55.6%	55.6%	-

Consolidated Cash Flow

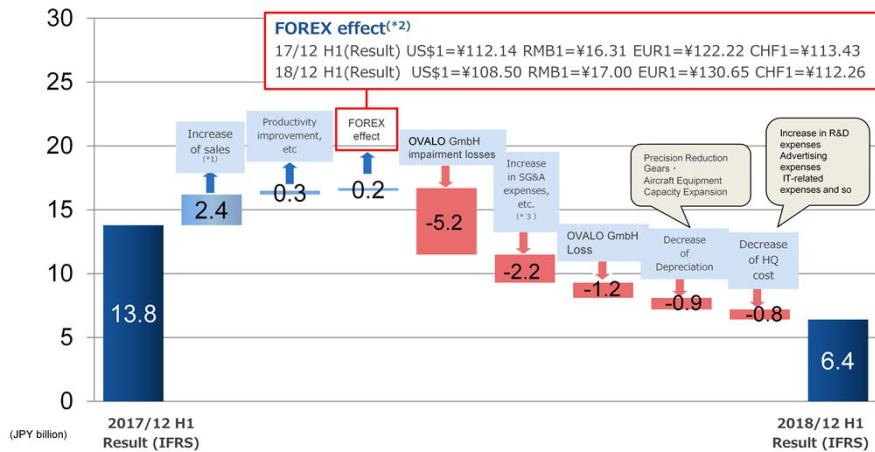


*1 Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the result for FY2016/12 under the same conditions.

*2 This figure are based on the plan as of February 9, 2016.

Analysis of Changes in H1 Operating Profit by Company (FY2017/12 Result vs. FY2018/12 Result)

■ O.P. decreased due to the increase in SG&A expenses as growth investment, depreciation and impairment losses in in OVALO GmbH.



*1&3 Fluctuations in operating profit owing to the increase of sales and SG&A expenses are based on the calculation without FOREX effect.

*2 FOREX sensitivity in O.P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen):
 (US\$): 12 million yen, (RMB) : 287 million yen, (EUR) : minimal, (CHF) : minimal

*3 Increase of raw materials and in SG&A expenses by businesses.

H1 Segment Sales and O.P.

(JPY million) Segment	Term	2017/12 H1 Result	2018/12 H1 Result	2018/12 Full-year Plan (As of Jul. 31, 2018)
Component Solutions (CMP)	Sales	53,412	59,814	128,800
	O.P. (OPM)	10,030 (18.8%)	10,587 (17.7%)	22,800 (17.7%)
Transport Solutions (TRS)	Sales	36,722	38,045	84,400
	O.P. (OPM)	3,900 (10.6%)	-2,938 (-7.7%)	2,800 (3.3%)
Accessibility Solutions (ACB)	Sales	35,540	36,076	75,800
	O.P. (OPM)	2,304 (6.5%)	1,463 (4.1%)	5,200 (6.9%)
Manufacturing Solutions (MFR)	Sales	7,684	8,620	18,000
	O.P. (OPM)	695 (9.0%)	1,278 (14.8%)	2,500 (13.9%)
Other Profit or Loss		-3,168	-4,003	-8,300
Total	Sales	133,359	142,555	307,000
	O.P. (OPM)	13,761 (10.3%)	6,387 (4.5%)	25,000 (8.1%)

Full-year Segment Sales and O.P.

(JPY million) Segment	Term	2017/12 Result	2018/12 Initial Plan	2018/12 Revised Plan	2020/12 Mid-term reference
Component Solutions (CMP)	Sales	113,885	129,500	128,800	118,400
	O.P. (OPM)	20,432 (17.9%)	23,800 (18.4%)	22,800 (17.7%)	22,200 (18.8%)
Transport Solutions (TRS)	Sales	79,134	83,600	84,400	104,400
	O.P. (OPM)	8,383 (10.6%)	9,300 (11.1%)	2,800 (3.3%)	17,200 (16.5%)
Accessibility Solutions (ACB)	Sales	72,374	75,500	75,800	79,200
	O.P. (OPM)	5,168 (7.1%)	6,000 (7.9%)	5,200 (6.9%)	7,900 (10.0%)
Manufacturing Solutions (MFR)	Sales	17,029	19,400	18,000	27,700
	O.P. (OPM)	1,983 (11.6%)	2,300 (11.9%)	2,500 (13.9%)	3,200 (11.6%)
Other Profit or Loss		-6,498	-8,800	-8,300	-8,500
Total	Sales	282,422	308,000	307,000	330,000
	O.P. (OPM)	29,468 (10.4%)	32,600 (10.6%)	25,000 (8.1%)	42,000

Our commitments in the Medium-term Management Plan

ROE : 15%

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

**Focus on solving
ESG issues**

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Main Products: Component Solutions Segment (CMP)

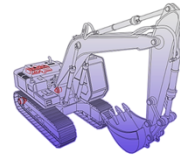
Precision Reduction Gears

■ Joints of Industrial Robots



Hydraulic Equipment

■ Traveling Unit for Hydraulic Excavators



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

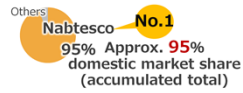
Main Products: Accessibility Solution Segment (ACB)

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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moving it. stopping it.

