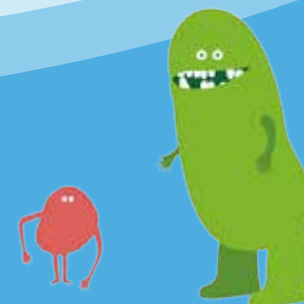


# Towards the New Midterm Plan

President & CEO Kazuaki KOTANI

**Nabtesco Corporation**

December 1<sup>st</sup>, 2016




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 FY2016/12 Q1-Q3

Maintain dividend amount although revised down the full-year plan due to downturn of marine vessel business environment.

(JPY million)	2016/12 Q1-Q3 Result	2016/12 Full-year Plan As of Feb.	2016/12 Full-year Plan As of Oct.	2015/12 Q1-Q3 Result(Reference**)
Sales	176,246	250,000	245,000	170,668
Operating profit	16,804	25,500	22,300	16,405
(O.P. Margin)	9.5%	10.2%	9.1%	9.6%
Non-operating profit and loss	-580	-	-	-
Ordinary profit	16,224	27,000	21,900	17,066
Extraordinary profit and loss	1,821	-	-	-
Net profit*	12,453	18,900	16,000	11,684
Net profit per share (Yen)	100.82	153.04	129.54	-

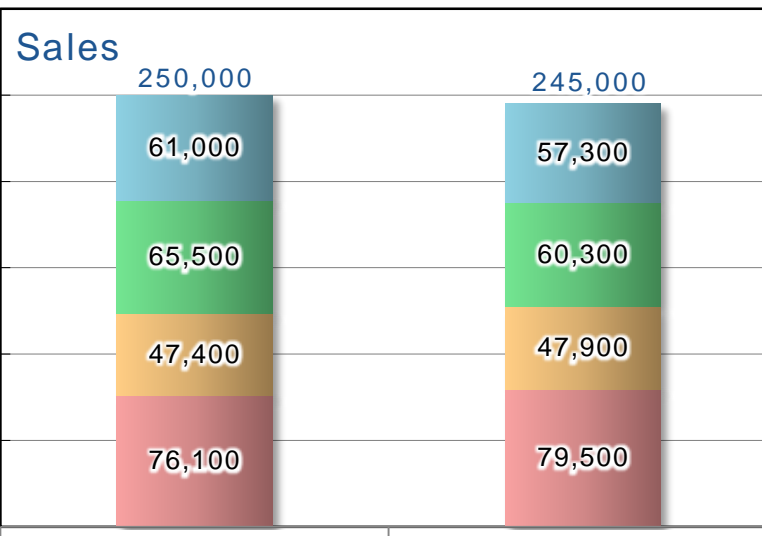
DPS	50 JPY (Plan)	50 JPY (Plan)
Payout ratio	32.7% (Plan)	38.6% (Plan)

\*Net profit = Net profit attributable to owners of the parent

\*\* 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. The number is only available for reference.

# Revision of Forecast by Business Segment

(JPY million) Precision Transport Aircraft & Hydraulic Industrial

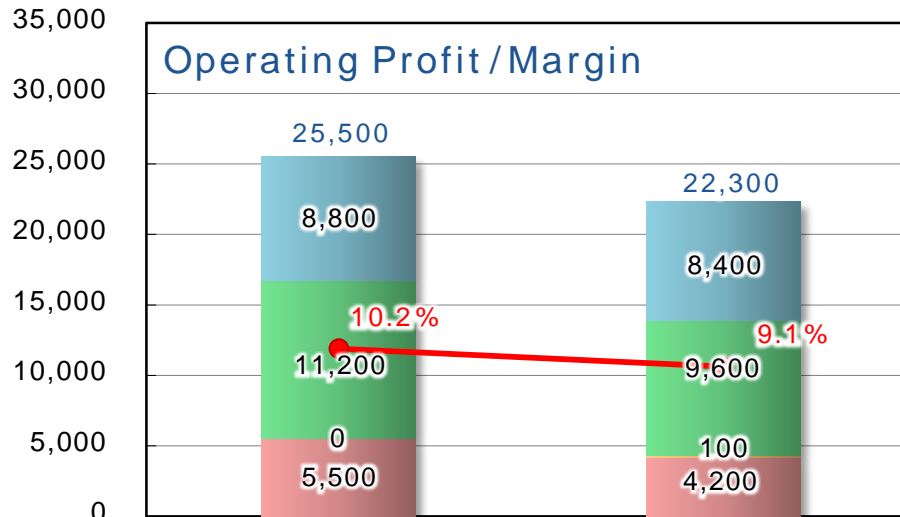


**Precision reduction gears :**  
Steady demand from Robot market  
Delay of new product sales expansion

**Railroad vehicle equipment :**  
Delay of railroad projects in China

**Marine vessel equipment :**  
Deterioration of shipbuilding and shipping demand

(JPY million)



30.0%

25.0%

20.0%

15.0%

10.0%

5.0%

0.0%

**Aircraft equipment :**

Currency impact

**Hydraulic equipment :**

Improvement of excavator production in China

**Automatic doors :**

New consolidation of a sales affiliate in Japan

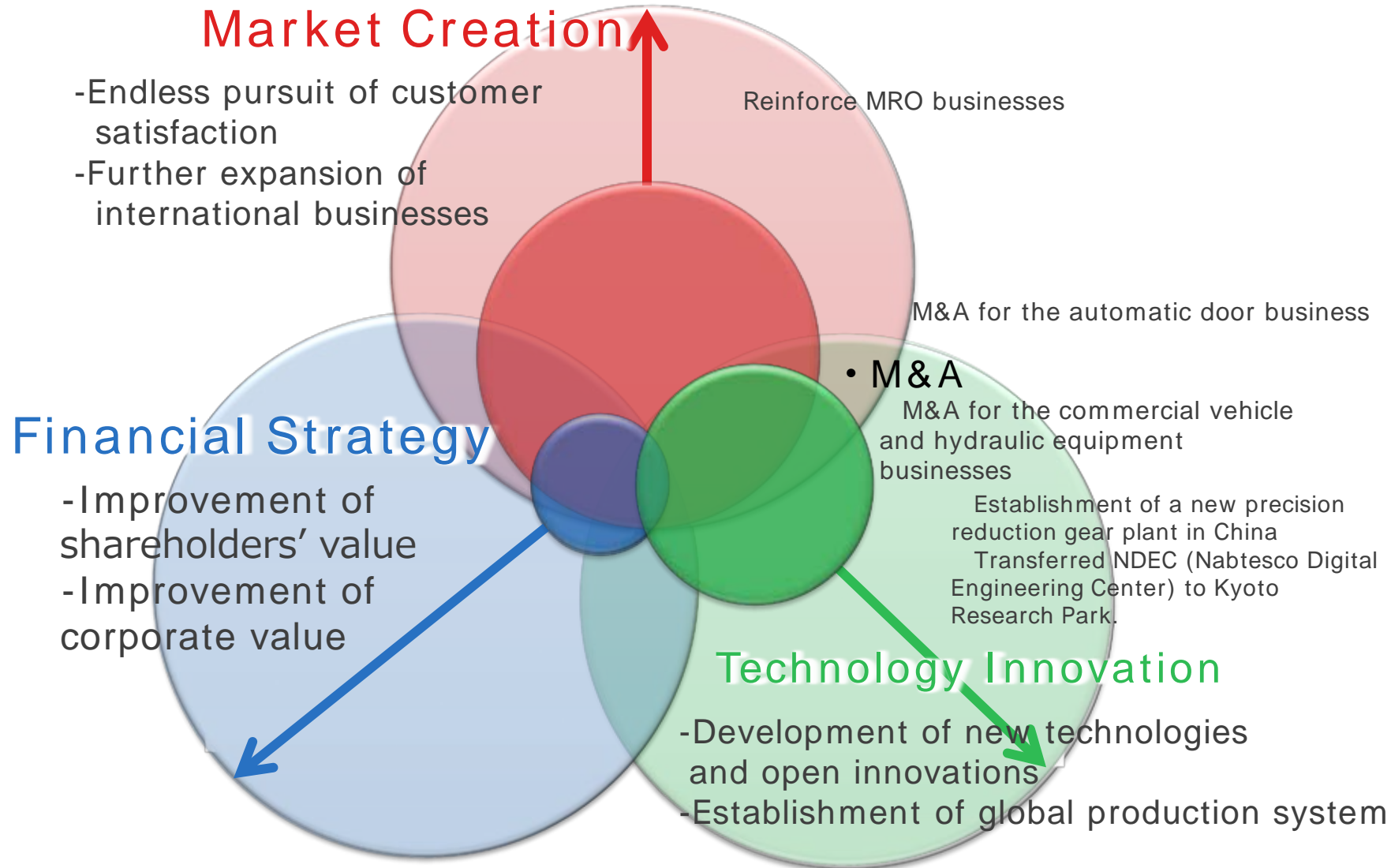
Delay of PMI in north America

Plan  
As of February

Plan  
As of October

# 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 year FY2020, with no drastic changes in the management strategy.



# Growth Strategy

## Three directions of growth by segment

Organic growth through market growth

Precision reduction gears, Aircraft equipment

Organic growth through sales expansion

New markets :

Railroad vehicle equipment, packaging machines

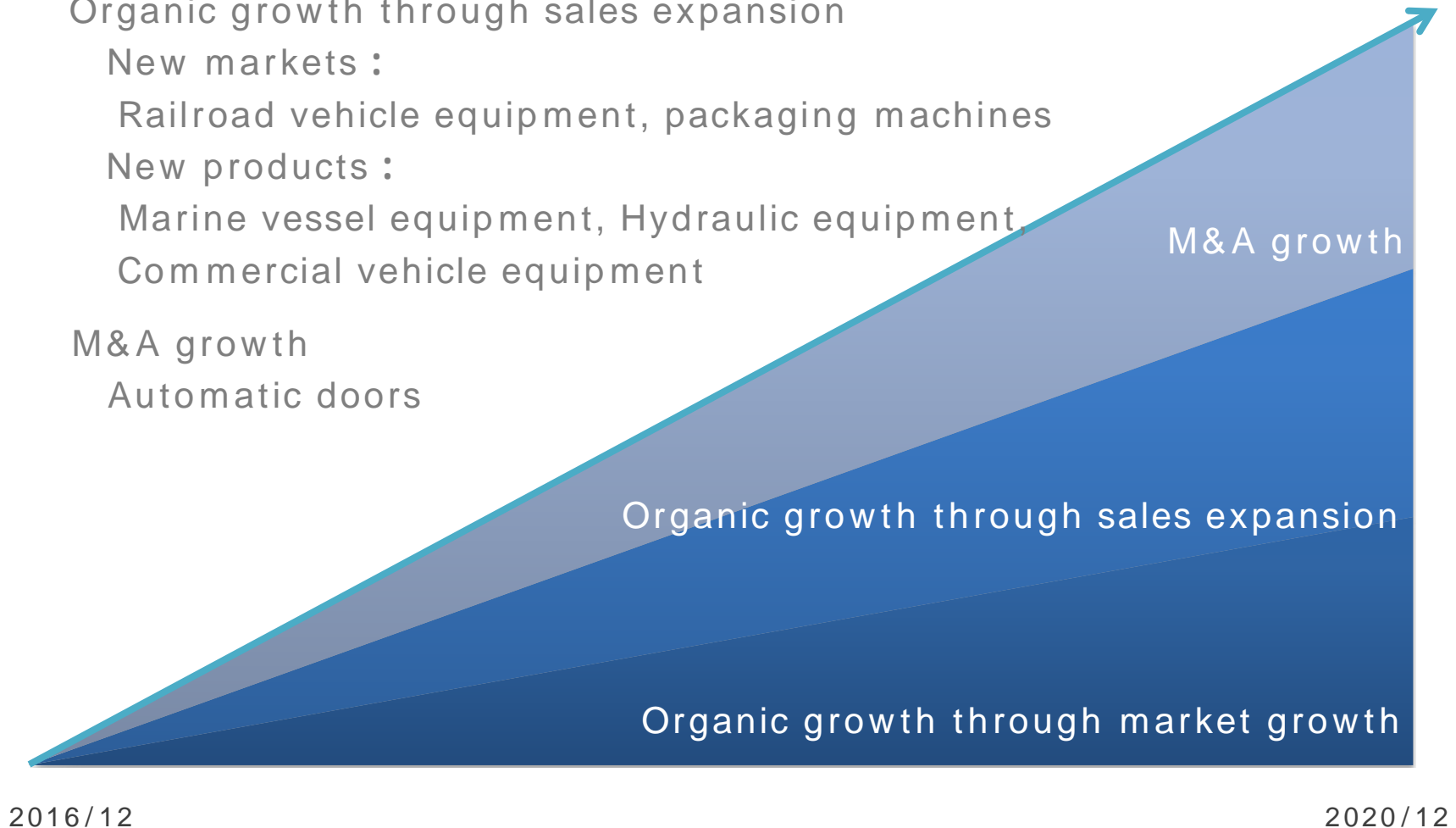
New products :

Marine vessel equipment, Hydraulic equipment,

Commercial vehicle equipment

M&A growth

Automatic doors



## Voluntary adoption of International Financial Reporting Standards (IFRS) from FY2017/12

- Improve the international comparability of its financial information
- Enhance communication with its shareholders, investors and other stakeholders

### [Disclosure schedule]

February, 2017

Announcement of Consolidated financial result for the fiscal year ending December 2016

March, 2017

Securities report for the fiscal year ending December 2016

Japanese GAAP

April, 2017

First quarter consolidated financial results for the fiscal year ending December 2017

May, 2017

Financial report for the first quarter for the fiscal year ending December 2017

IFRS

# Topic2-Segmentation Change

Segmentation change from FY2017/12

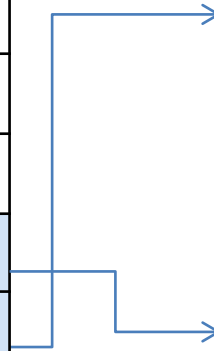
Technology similarity to Business model similarity

[Current Segmentation]

Segment	Main business
Precision Equipment	Precision Reduction Gears
	New Energy Equipment
Transport Equipment	Railroad Vehicle Equipment
	Commercial Vehicle Equipment
	Marine Vessel Equipment
Aircraft & Hydraulic Equipment	Aircraft Equipment
	Hydraulic Equipment
Industrial Equipment	Automatic Doors
	Packaging Machines

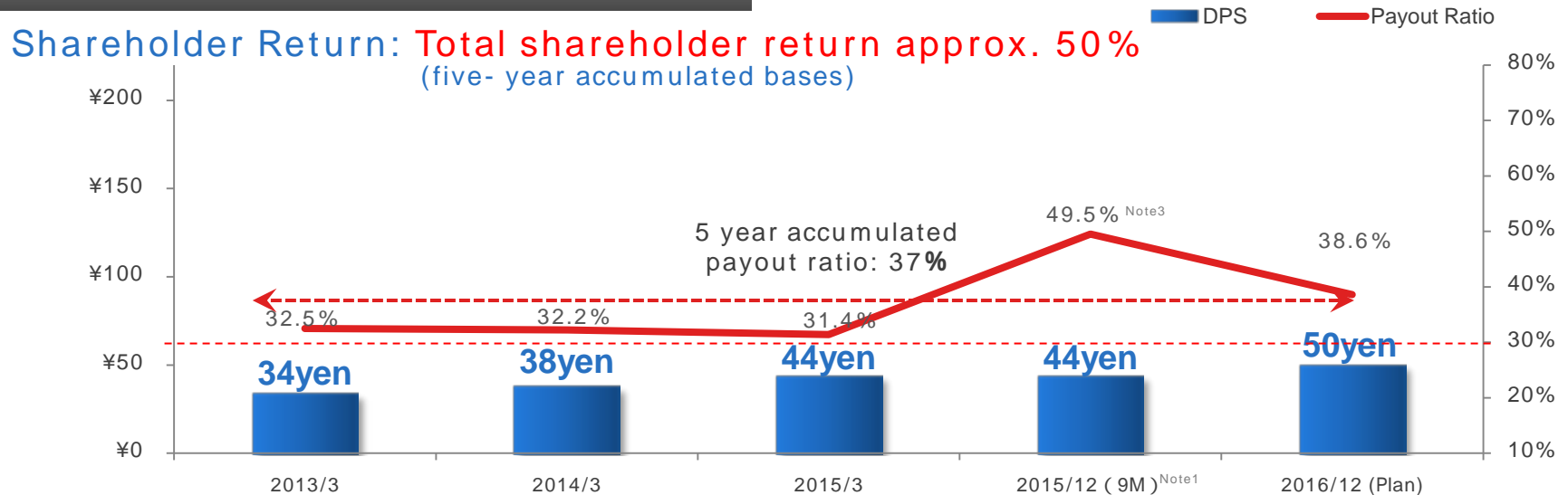
[New Segmentation]

Segment	Main business
Component Solutions	Precision Reduction Gears
	New Energy Equipment
	Hydraulic Equipment
Transport Solutions	Railroad Vehicle Equipment
	Commercial Vehicle Equipment
	Marine Vessel Equipment
	Aircraft Equipment
Accessibility Solutions	Automatic Doors
Manufacturing Solutions (Others)	Packaging Machines



# Shareholder Return Policy/Financial Strategy

## Continuous and Stable Shareholder Return



- Dividend policy : more than 30% payout ratio and stable dividend
- First-time ¥10bn-scale-share buyback for shareholder return purpose (FY15/12)

## 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.

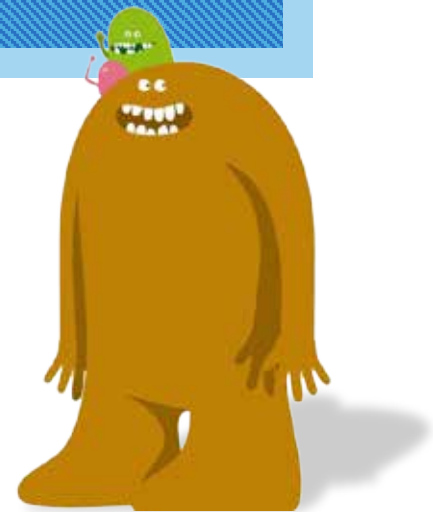
Accordingly, the consolidated fiscal year ended December 2015 is a transitional period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, in contrast to 12 months (January 1, 2015 to December 31, 2015) 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%).



(JPY million)	2015/12 (as of December 31, 2015)	2016/12 Q3 (as of September 30, 2016)	Variation
Assets	233,381	241,712	8,331
(Cash and time deposits)	35,068	39,677	4,609
(Accounts receivable)	59,750	55,739	-4,011
(Inventory)	28,421	32,839	4,417
(Tangible fixed assets)	55,916	64,243	8,327
Liabilities	84,456	93,434	8,977
(Interest-bearing debt)	15,333	17,461	2,128
Net assets	148,924	148,278	-645
(Stock acquisition right)	379	466	-86
(Minority interests)	6,476	7,097	620
Equity capital	142,068	140,715	-1,353

\*Equity ratio: 60.9% 58.2% -2.7pt

# Appendix



# Definition of the Reference

## FY2015/12 Q1-Q3 (Reference)

FY2015/12	CY2015								
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
Nabtesco and domestic subsidiaries	Q1			Q2			Q3		
Overseas subsidiaries	Q1			Q2			Q3		

## FY2015/12 Full-year(Reference)

FY2015/12	CY2015											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Nabtesco and domestic subsidiaries	Q1			Q2			Q3			Q4		
Overseas subsidiaries	Q1			Q2			Q3			Q4		

# Progress of the Mid-term Management Plan

(JPY billion)	2015/12 Result (Reference <sup>Note</sup> )	2016/12 Initial Plan As of Feb. 12, 2016	2016/12 Revised Plan As of Oct. 31, 2016	2017/3 Final Year of the Current Mid-term Plan (As of May 2014)
Sales	228.9	250.0	245.0	280.0±5%
Operating Profit	21.3	25.5	22.3	34.0
O.P. Margin	9.3%	10.2%	9.1%	12.0%
Net Profit *	14.7	18.9	16.0	24.0
EPS	118.41 JPY	153.04 JPY	129.54 JPY	190 JPY
ROA	6.2%	7.6%	6.3%	7.5%
ROE	10.1%	12.5%	10.8%	15.0%
Dividend	44 JPY	50 JPY(Plan)	50 JPY(Plan)	-
Payout Ratio	-	32.7%(Plan)	38.6%(Plan)	30% or higher

\*Net profit = Net profit attributable to owners of the parent

\*\* 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. The number is only available for reference.

# Main Products: Precision Equipment Segment

## Precision Reduction Gears

### n Joints of Industrial Robots

### n Machine Tool ATCs

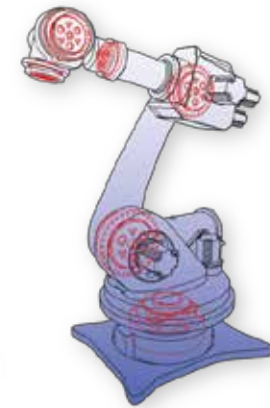
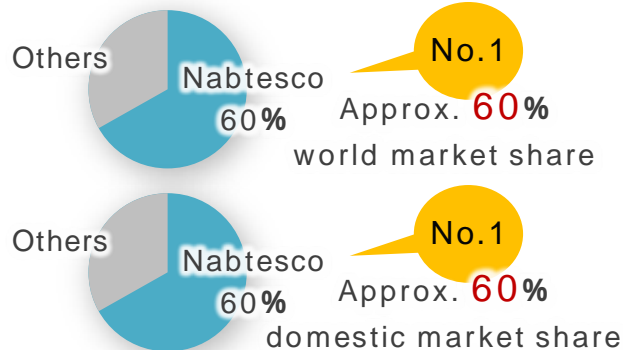
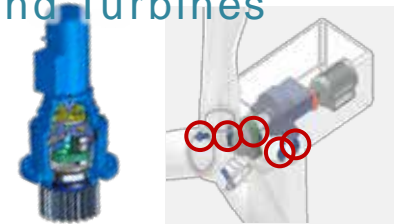
(ATC = Automatic Tool Changer)

## New Energy Equipment

### n Solar Tracking Equipment



### ■ Drive Units for Wind Turbines



## Main Customers

### n Precision Reduction Gears

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

Machine Tools: Yamazaki Mazak, Okuma, DMG Mori Seiki

### n New Energy Equipment

Solar Tracking Equipment: Cobra Thermosolar Plant (Spain)

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

# Main Products: Transport Equipment Segment

## Railroad Vehicle Equipment

### n Brake Systems



### n Door Operating Systems



## Commercial Vehicle Equipment

### n Wedge Chambers

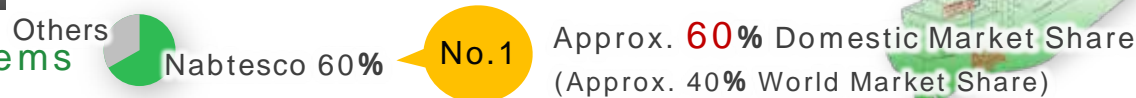


### n Air Dryers



## Marine Vessel Equipment

### n 2ST Main Engine Control Systems



## Main Customers

### n Railroad Vehicle Equipment

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

### n Commercial Vehicle Equipment

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

### n Marine Vessel Equipment

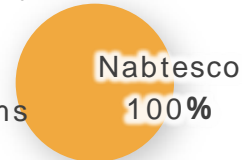
KHI, Mitsui Engineering & Shipbuilding, Hitachi Zosen, MHI, Hyundai Heavy Industries (Korea), Hudong Heavy Machinery (China), Samsung Heavy Industries (Korea), Doosan Engine (Korea), MAN Diesel (Denmark)

# Main Products: Aircraft & Hydraulic Segment

## Aircraft Equipment

### n 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



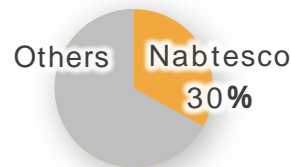
No.1

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



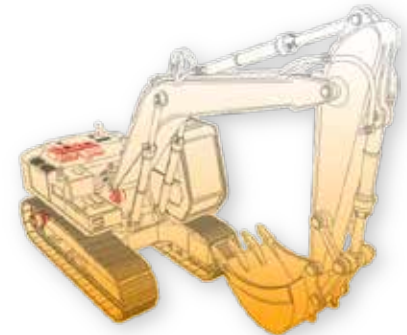
## Hydraulic Equipment

### n 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

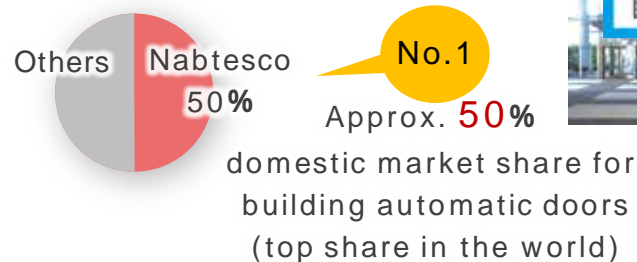
### n Hydraulic Equipment

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

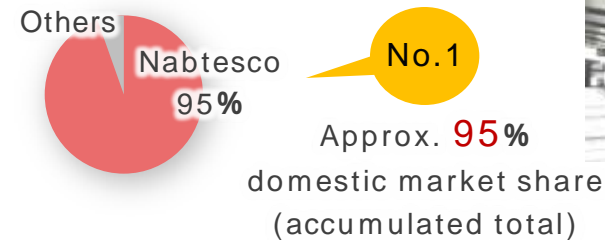
# Main Products: Industrial Equipment Segment

## Automatic Doors

### n Automatic Doors

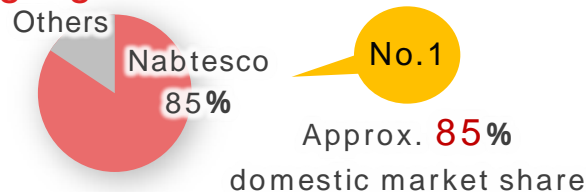


### n Platform Screen Doors



## Packaging Machines

### n Packaging Machines for Retort Pouch Foods



## Main Customers

### n 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

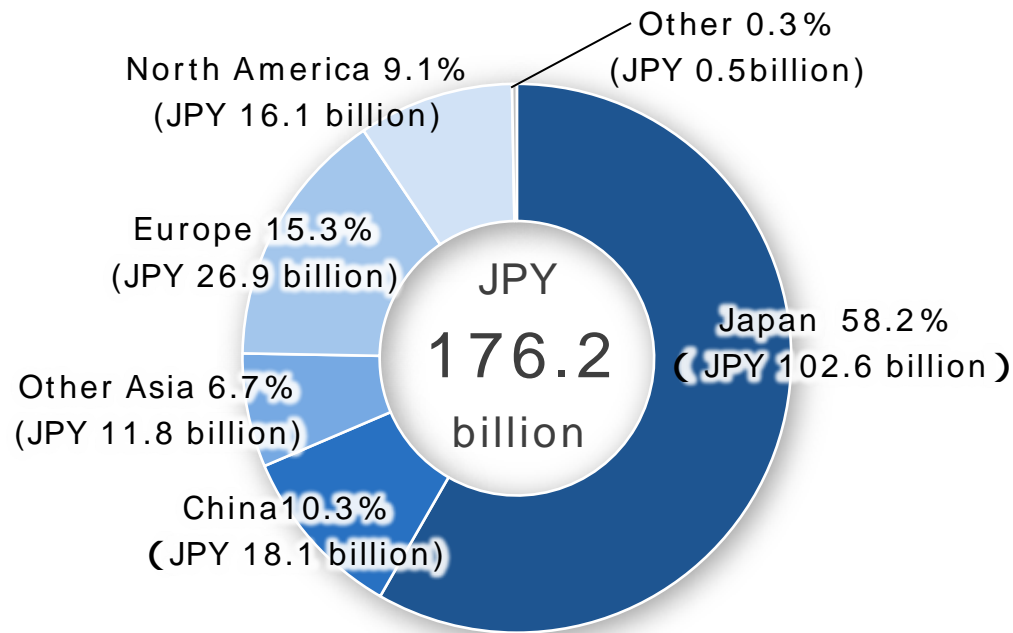
### n Packaging Machines

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



# Sales by Geographic Segment

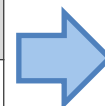
2016/12 Q1-Q3 result



Overseas Sales	JPY 73.5 billion
Ratio	41.8%

# CAPEX, R&D and Depreciation

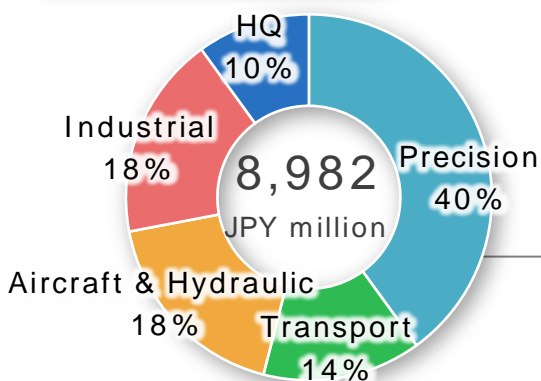
(JPY million)	2016/12 Q1-Q3 result	2016/12 Full-year Plan As of Feb.	2016/12 Full-year Plan As of Oct.	2015/12 Full-year Result (Reference) *
CAPEX	10,482	20,000	17,500	10,291
R&D	5,483	8,200	8,200	7,265
Depreciation	5,508	8,600	6,700	7,399



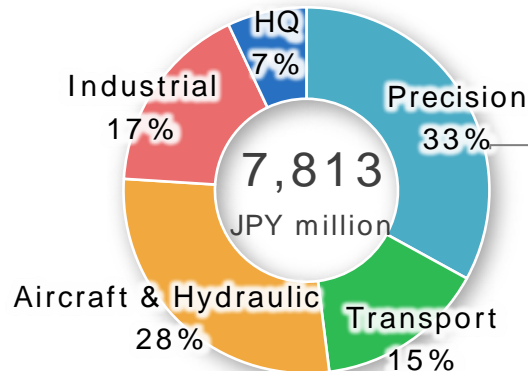
\* Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions. The number is only available for reference.

# Breakdown in CAPEX

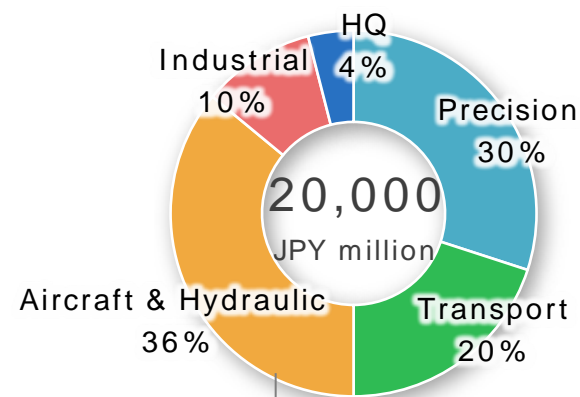
## By Segment



Precision reduction gears:  
 - New plant construction in China  
 - Capacity expansion at Tsu Plant

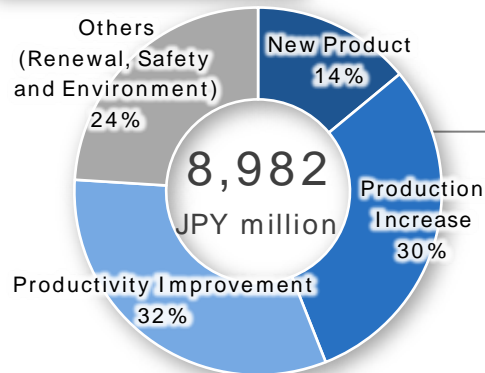


Environment-related investments  
 R&D-related investments

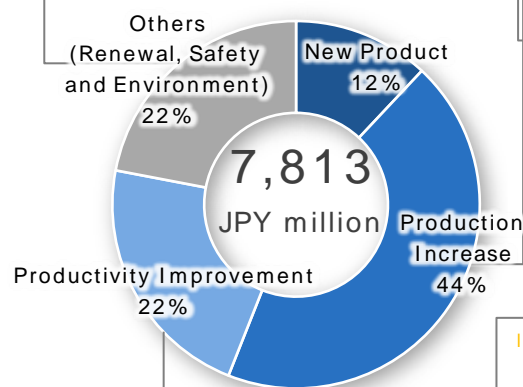


Precision reduction gears:  
 - Installation of new facilities in the new China plant  
 Aircraft equipment:  
 - Capacity expansion at Gifu Plant

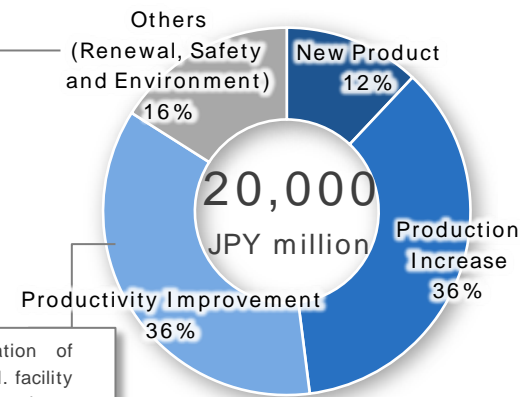
## By Usage



2015/12 Result Note1



2016/12 H1 Result



2016/12 Plan  
 As of February

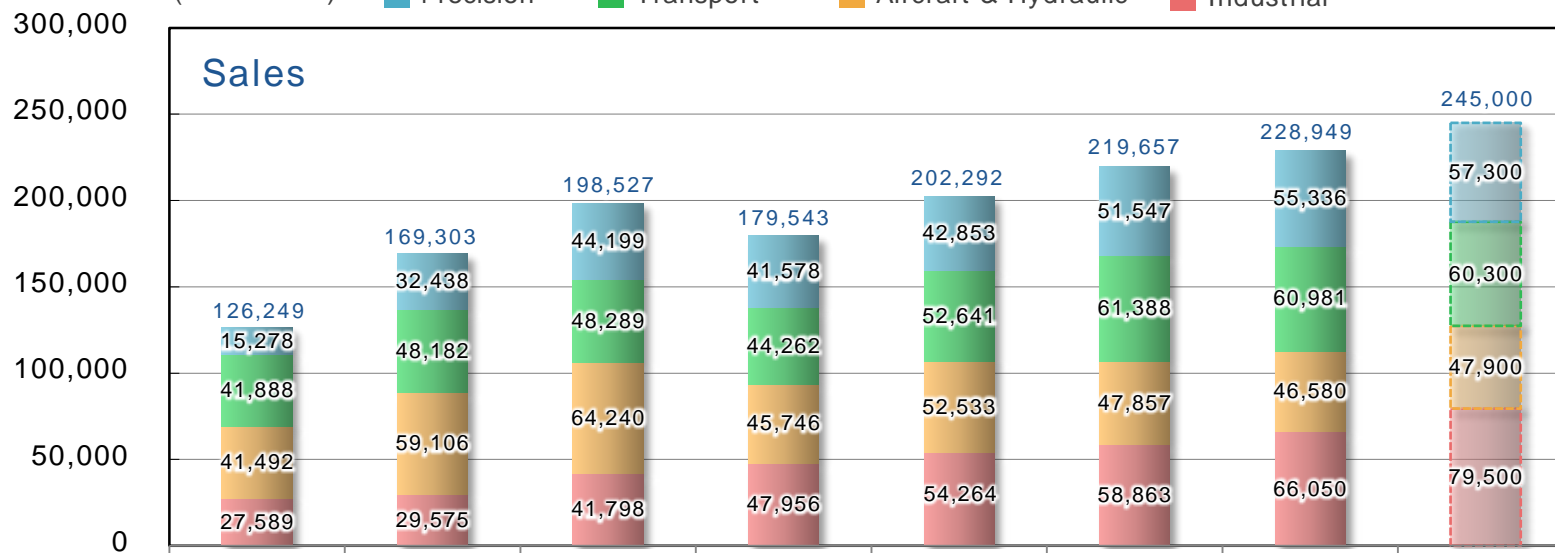
Modernization of plants incl. facility replacement in Japan and abroad

Please refer to "Notes" for Note1.

# Result and Forecast for Sales and Operating Profit by Business Segment

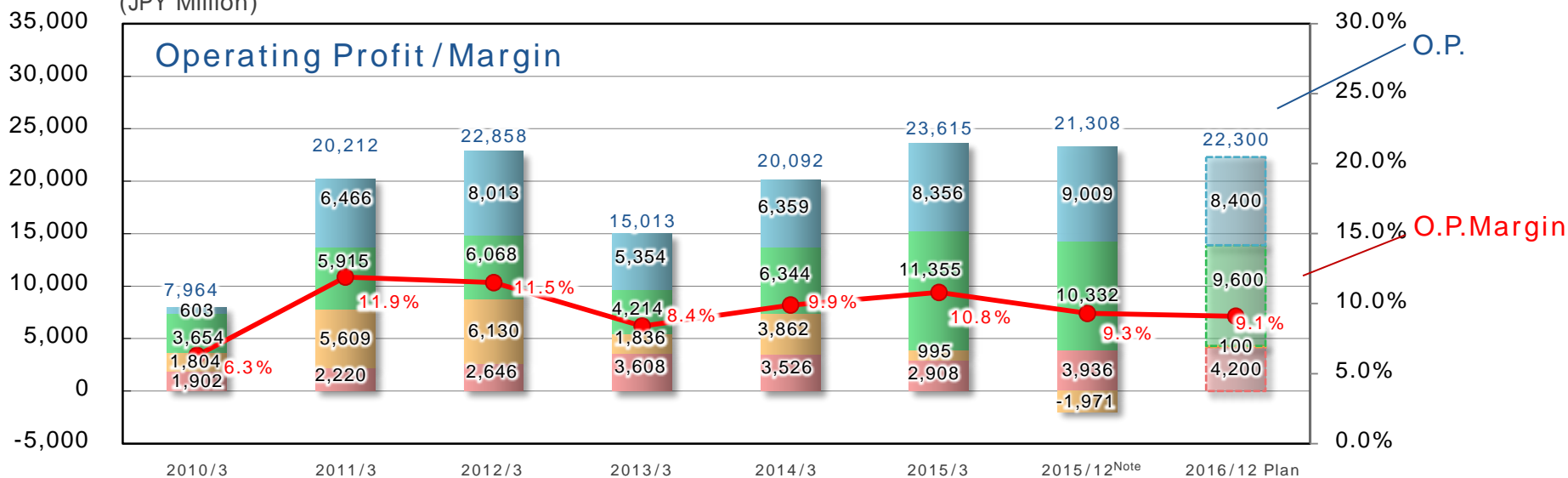
(JPY Million) Precision Transport Aircraft & Hydraulic Industrial

## Sales



(JPY Million)

## Operating Profit / Margin



Note : 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. As of Oct. 2016

Item	Currency	2016/12 Q1-Q3 実績	2016/12 Full-year Plan As of Feb.	2016/12 Full-year Plan As of Oct.	2015/12 Result Nabtesco and domestic subsidiaries (9M) Overseas subsidiaries (12M)	2015/3 Result
Currency	USD	108.83	115.00	100.00	121.03	106.46
	RMB	16.52	18.00	15.00	19.37	17.30
	EUR	121.12	130.00	110.00	133.69	140.35
	CHF	110.65	120.00	100.00	125.75	115.70
FOREX sensitivity in O.P.* (JPY million)	USD	39	91	66	57	91
	RMB	Minimal	55	Minimal	-32	-4
	EUR	Minimal	Minimal	Minimal	Minimal	Minimal
	CHF	Minimal	Minimal	Minimal	Minimal	Minimal

\*This represents the effect to be given to operating profit if the exchange rate fluctuates by one yen

# Consolidated Results for the FY2016/12 Q1-Q3 by Business Segment

(JPY million)

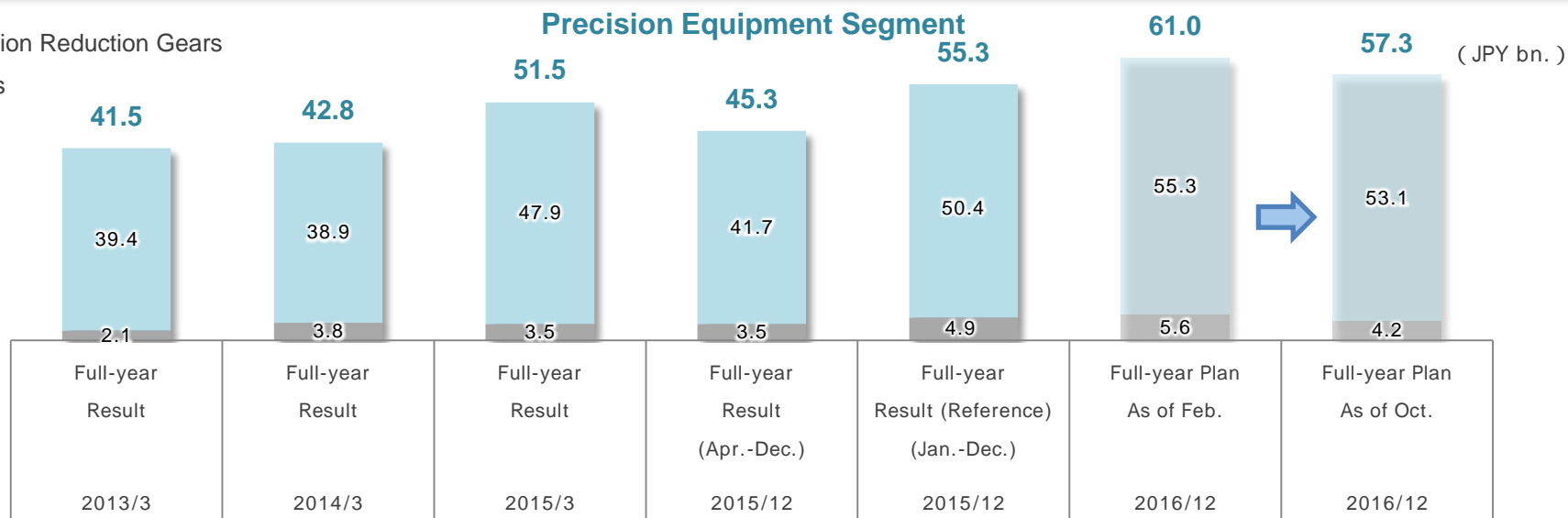
Segment	Term	2016/12 Q1-Q3 Result	2016/12 Full-year Plan As of Feb.	2016/12 Full-year Plan As of Oct. (Revised)	2015/12 Q1-Q3 Result (Reference**)
Precision	Sales	40,979	61,000	57,300	41,584
	OP (OPM)	6,196 (15.1%)	8,800 (14.4%)	8,400 (14.7%)	6,996 (16.8%)
Transport	Sales	43,790	65,500	60,300	45,970
	OP (OPM)	7,392 (16.9%)	11,200 (17.1%)	9,600 (15.9%)	7,771 (16.9%)
Aircraft & Hydraulic	Sales	34,808	47,400	47,900	35,195
	OP (OPM)	-330 (-0.9%)	0 (0.0%)	100 (0.2%)	-1,234 (-3.5%)
Industrial	Sales	56,668	76,100	79,500	47,916
	OP (OPM)	3,546 (6.3%)	5,500 (7.2%)	4,200 (5.3%)	2,869 (6.0%)



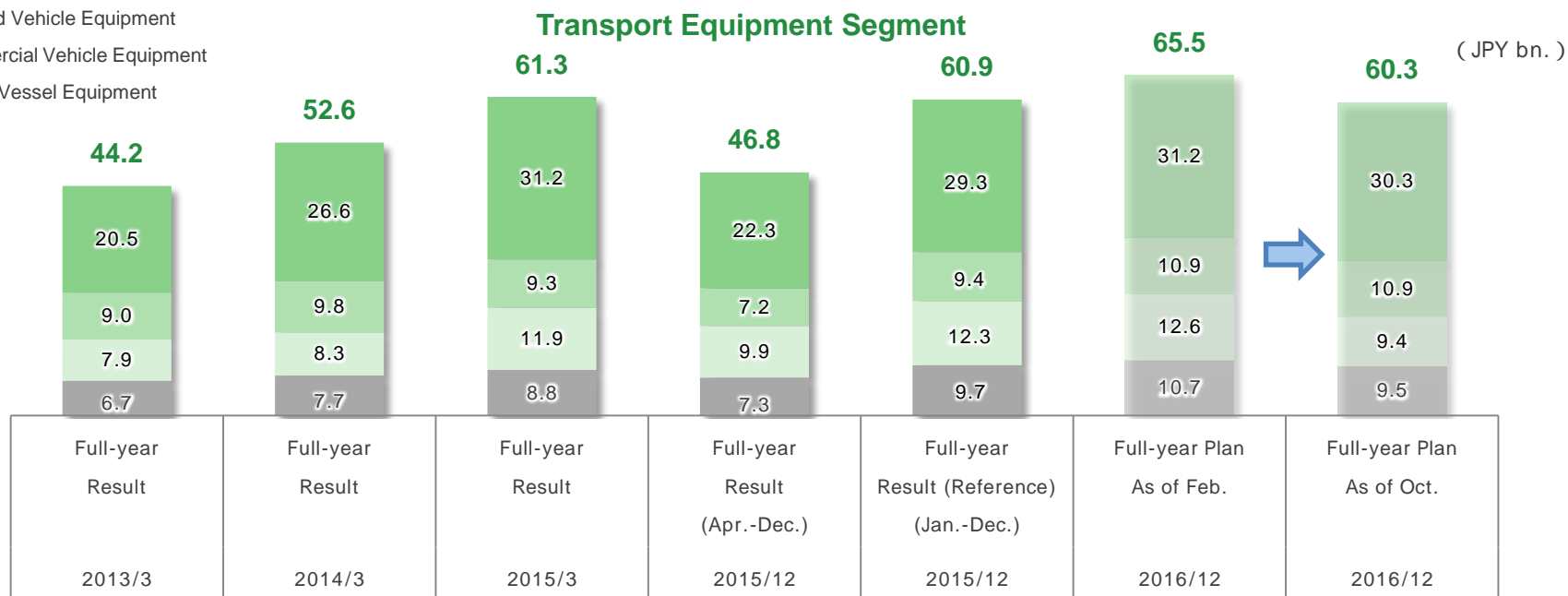
\*\* Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions. The number is only available for reference.

# Result and Forecast for Sales by Business

- Precision Reduction Gears
- Others



- Railroad Vehicle Equipment
- Commercial Vehicle Equipment
- Marine Vessel Equipment
- Others



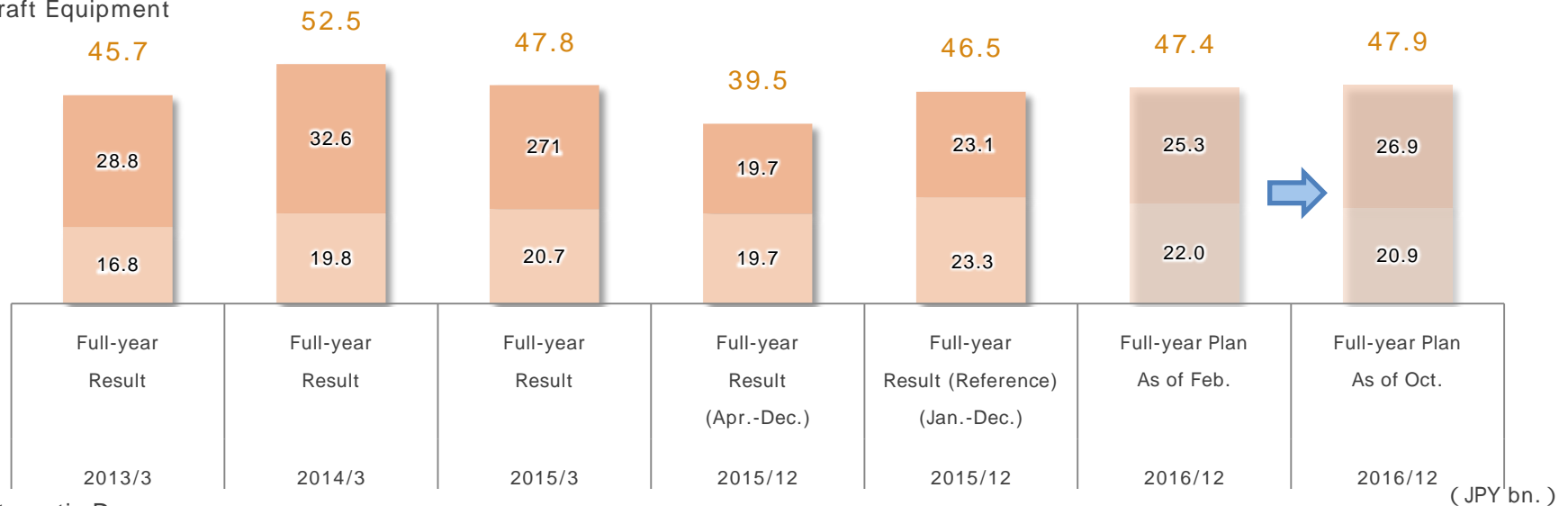
# Result and Forecast for Sales by Business

Hydraulic Equipment

Aircraft Equipment

## Aircraft and Hydraulic Equipment Segment

( JPY bn. )

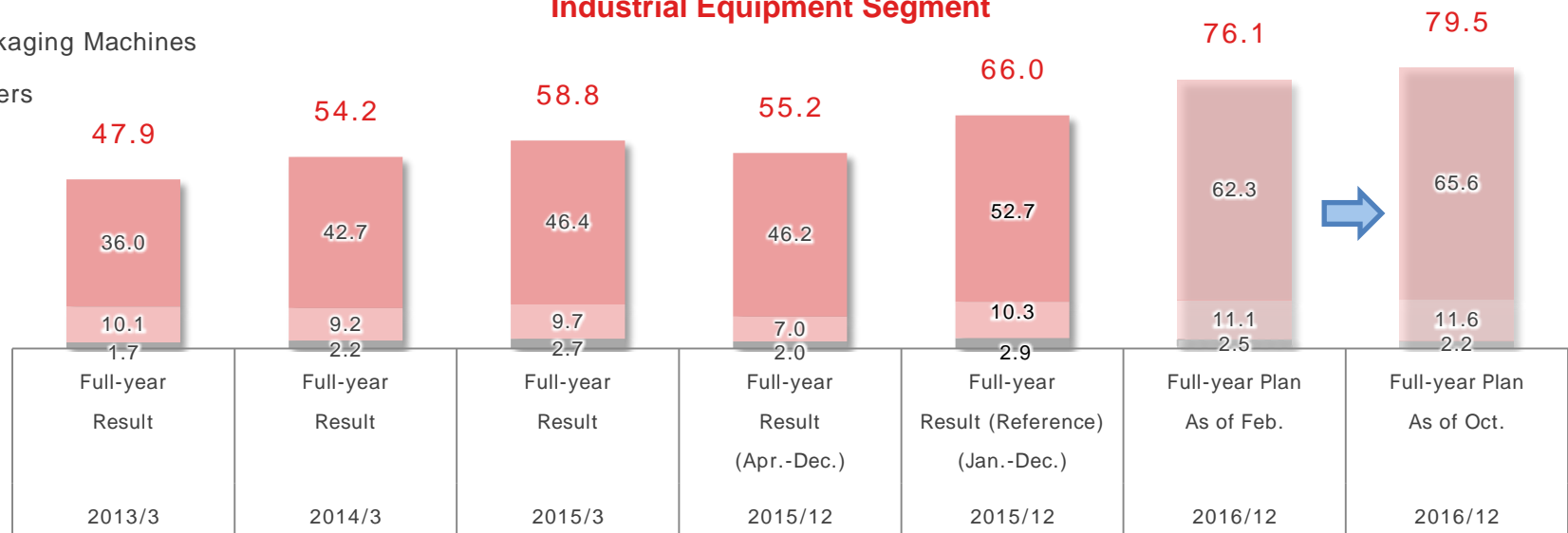


Automatic Doors

Packaging Machines

Others

## Industrial Equipment Segment





# Nabtesco

*moving it. stopping it.*

