

**Results Briefing for the First Six-
month of the Fiscal Year Ending
December 31, 2021
(FY2021/12 H1)**

August 10, 2021

Nabtesco Corporation

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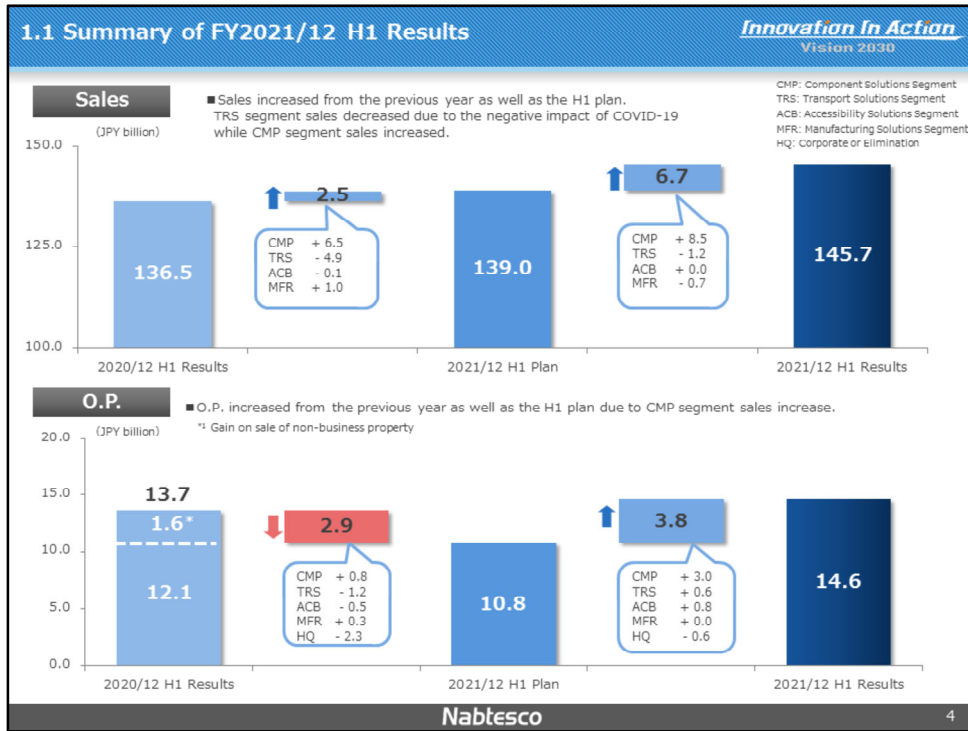
1. Summary

2. Results for FY2021/12 H1

3. Forecasts for FY2021/12 Full Year

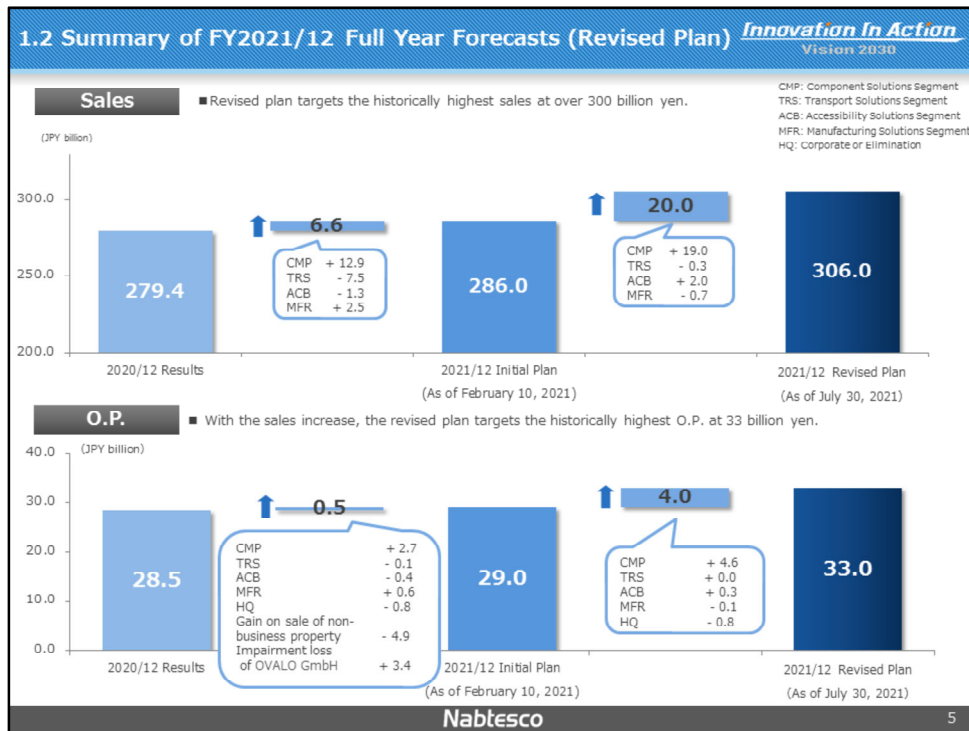
4. Topics of FY2021/12 H1

1. Summary



O.P. :

O.P. increased compared to the H1 plan because CMP segment O.P. increased due to sales increase. TRS segments O.P. increased because of the cost reduction and business mixtures change although TRS segment sales decreased compared to the H1 plan.



Sales and O.P. for full year forecasts were revised up due to CMP segment's stronger demand.

The revised plan targets the historical high sales at 300 billion yen and O.P. at 33 billion yen.

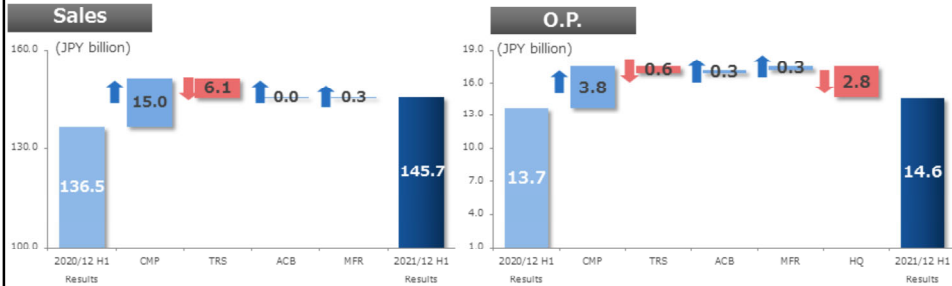
Sales and O.P. figures of FY2021/12 revised plan were similar figures as we initially planned on FY2020/12. The plan was one year behind from initial expectation due to COVID-19.

2. Results for FY2021/12 H1

2.1 Results of Sales and O.P. for Each Segment in FY2021/12 H1

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■ Both sales and operating profit increased due to CMP demand increase.



<YoY comparison of H1>

CMP: Precision Reduction Gears: Industrial robot demand has been strong due to the CAPEX increase in automobile industry globally. Moreover, general industry demand is increasing.

Hydraulic Equipment: Chinese market demand in Q1 was strong, in addition, the demand in Europe, US and the Southeast Asian markets recovered.

TRS: Railroad Vehicle Equipment: Because of the impact of COVID-19, overseas projects were delayed in bidding, and domestic new vehicle demand as well as MRO^{*1} demand stagnated.

Aircraft Equipment: Demand stagnated due to the significant decrease of production in private aircraft sector and decrease due to the off-season period procurement plans in defense sector.

Commercial Vehicle Equipment: Demand recovered in the domestic market.

Marine Vessel Equipment: Robust MRO demand in overseas and domestic market.

ACB: Automatic Doors: Although platform door investment plans in domestic railway companies were postponed, automatic doors for building demand was robust in overseas and domestic markets.

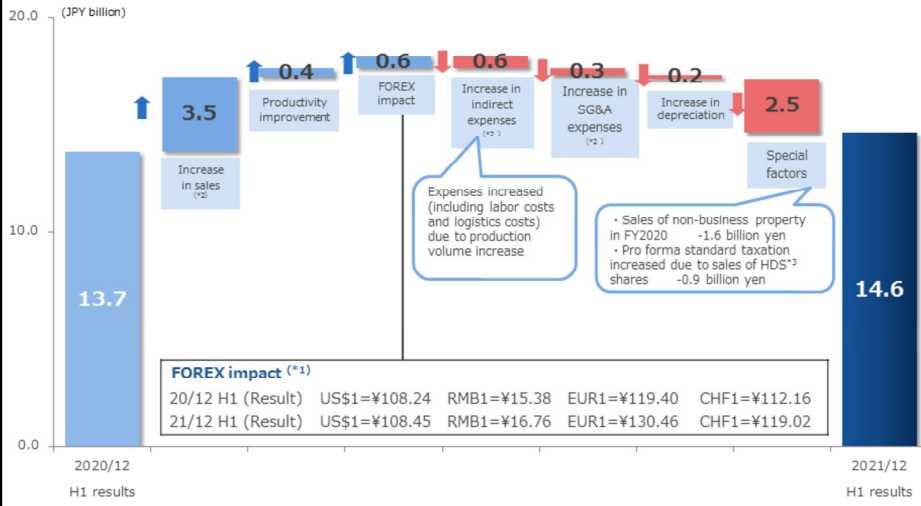
MFR: Packaging Machines: Food service industry demand in Japan was sluggish while demand in China increased.

HQ: Gain on sales of non-business property (1.6 billion yen) counted in FY2020 and Pro forma standard taxation increased in FY2021 (0.9 billion yen)

*1 MRO: Maintenance, repair and overhaul

2.2 Analysis of Factors Causing Changes in Operating Profit *Innovation In Action*
 (FY2020/12 H1 Result vs. FY2021/12 H1 Results) *Vision 2030*

■ O.P. increased year-on-year because special factors were covered by the sales increase and productivity improvement.



FOREX impact ^{(*)1}

20/12 H1 (Result)	US\$1=¥108.24	RMB1=¥15.38	EUR1=¥119.40	CHF1=¥112.16
21/12 H1 (Result)	US\$1=¥108.45	RMB1=¥16.76	EUR1=¥130.46	CHF1=¥119.02

^{(*)1} FOREX sensitivity in O.P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen): (US\$): minimal, (RMB): 511 million yen, (EUR): minimal, (CHF): minimal
^{(*)2} Fluctuations in operating profit owing to the increase of sales and SG&A expenses are based on the calculation without FOREX effect.
^{(*)3} HDS: Harmonic Drive Systems Inc.

2.3 Balance Sheet for FY2021/12 H1 (compared to December 31, 2020)		Innovation In Action Vision 2030	
<p>■ Assets increased due to revaluation of HDS*¹ shares. ■ Buyback (20 billion yen) have been executed by using the gain on sales of HDS*¹ shares.</p>			
(JPY billion)	2020/12 Q4 (As of December 31, 2020)	2021/12 H1 (As of June 30, 2021)	Variation
Assets	351.7	498.6	146.9
(Cash and cash equivalents) * ²	64.7	114.8	50.2
(Trade receivable)	75.9	65.5	-10.4
(Investments accounted for using the equity method)	34.9	14.7	-20.2
(Other non-current financial assets)* ³	12.6	132.9	120.3
Liabilities	140.1	241.3	101.2
(Bonds and borrowings)	39.9	26.0	-13.9
(Other non-current financial liabilities)* ²	0.1	77.9	77.8
(Income taxes payable and Deferred tax liabilities)* ³	11.6	41.7	30.0
Total equities	211.6	257.3	45.7
(Treasury shares)	-2.5	-23.2	-20.7
(Non-controlling interests)	13.6	13.3	-0.3
Equity attributable to owners of the parent*³	198.0	244.0	46.0
Ratio of equity attributable to owners of the parent	56.3%	48.9%	
Ratio of equity attributable to owners of the parent exclude the impact of HDS* ¹ exclusion from equity-method	-	56.5%	
<p>*¹ HDS: Harmonic Drive Systems Inc. *² Increase due to partial sales of HDS shares *³ Increase due to valuation gain of HDS shares and so on. *⁴ Treasury shares (4,069,700 shares) were acquired for buyback. Cancellation of these treasury shares were completed on 15th July.</p>			

Assets, Liabilities and Total equity increased due to revaluation of HDS shares.
 Has maintained ratio of equity attributable to owners of the parent as previous year if we did not reflect the impact of HDS exclusion from equity-method.

3. Forecasts for FY2021/12 Full Year

3.1 Consolidated Forecasts for FY2021/12 Full Year

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■ Revised up sales and O.P. full-year plan due to the steady demand in CMP segment.

(JPY billion)	2020/12 Full year result	2021/12 Initial Plan (As of February 10, 2021) Including valuation gain for HDS ^{**}	2021/12 Revised Plan (As of July 30, 2021)	
			Excluding valuation gain for HDS ^{**}	Including valuation gain for HDS ^{**}
Sales	279.4	286.0	306.0	
O.P.	28.5	29.0	33.9	33.0
(OPM)	10.2%	10.1%	11.1%	10.8%
Financial income and cost (Revaluation gain for of HDS ^{**} shares)	1.7	132.9	1.6	134.6
	-	135.5	-	135.5
Equity in earnings of affiliates	3.5	1.1	1.4	1.4
Income before tax	33.7	163.0	36.9	169.0
Net profit ^{**1}	20.5	112.2	24.0	110.8
ROF	10.6%	46.9%	12.3%	46.5%
DPS (JPY Yen)	75.0	77 (Plan)	77 (Plan)	77 (Plan)
Payout ratio	45.4%	8.2% (Plan)	38.9% (Plan)	8.4% (Plan)
Buyback	-	20.0 (Done)	-	20.0 (Done)
Total return ratio	45.4%	26.2% (Plan)	-	26.4% (Plan)
HDS ^{**} share price used for the plan (JPY yen)	-	8,400/share	-	8,400/share

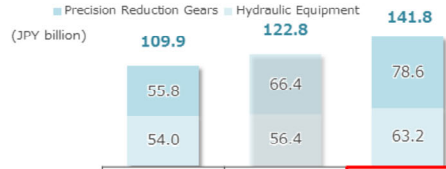
^{**1} Net profit attributable to owners of the parent

^{**} HDS: Harmonic Drive Systems Inc.

^{**3} The Company does not change the valuation gain of HDS shares because share price forecast as of December 31, 2021 is currently unforeseen

3.2 2021/12 Full Year Forecasts by Segment

Component Solutions Segment (CMP)



O.P. (JPY billion)	17.7	20.4	25.0
(OPM)	16.1%	16.6%	17.6%

“CMP Segment”: Upward revision of the initial plan

[Sales]

-Precision Reduction Gears Business:

For precision reduction gears used in industrial robots, sales expected to increase from the initial plan with a further rise in automation needs in the automobile and other industries. In addition, demand for precision reduction gears used in machine tools and other applications is steady.

-Hydraulic Equipment Business:

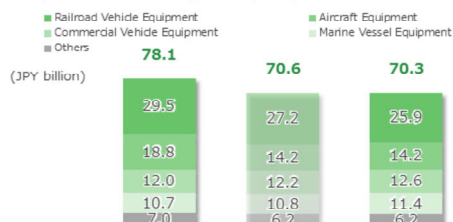
Sales expected to increase compared to the initial plan due to strong demand in the Chinese market in H1 and demand recovery in Europe, US and Southeast Asian markets.

[O.P.]

Operating profit expected to increase compared to the initial plan due to sales increase.

“TRS Segment”: As initially planned

Transport Solutions Segment (TRS)



O.P. (JPY billion)	3.3	6.6	6.6
(OPM)	4.3%	9.3%	9.4%

[Sales]

-Railroad Vehicle Equipment:

Sales expected to decrease compared to the initial plan due to the delay in bidding for overseas projects, and the decline of MRO demand in the domestic market.

-Commercial Vehicle Equipment and Marine Vessel Equipment Business:

Sales expected to increase compared to the initial plan due to solid demand.

-Aircraft Equipment Business and Other Business :

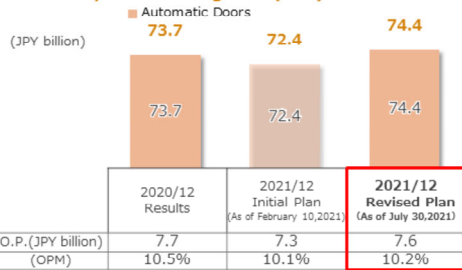
As initially planned

[O.P.]

As initially planned

3.3 2021/12 Full Year Forecasts by Segment

Accessibility Solutions Segment (ACB)



“ACB Segment”: Upward revision of the initial plan

[Sales]

-Automatic Doors:

Sales expected to increase compared to the initial plan due to FOREX impact in overseas subsidiaries and steady MRO demand in domestic and overseas markets.

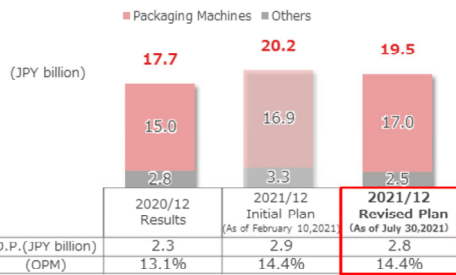
-Platform Doors:

As initially planned

[O.P.]

Operating profit expected to increase compared to the initial plan due to sales increase.

Manufacturing Solutions Segment (MFR)



“MFR Segment”: O.P. as initially planned

[Sales]

-Packaging machines:

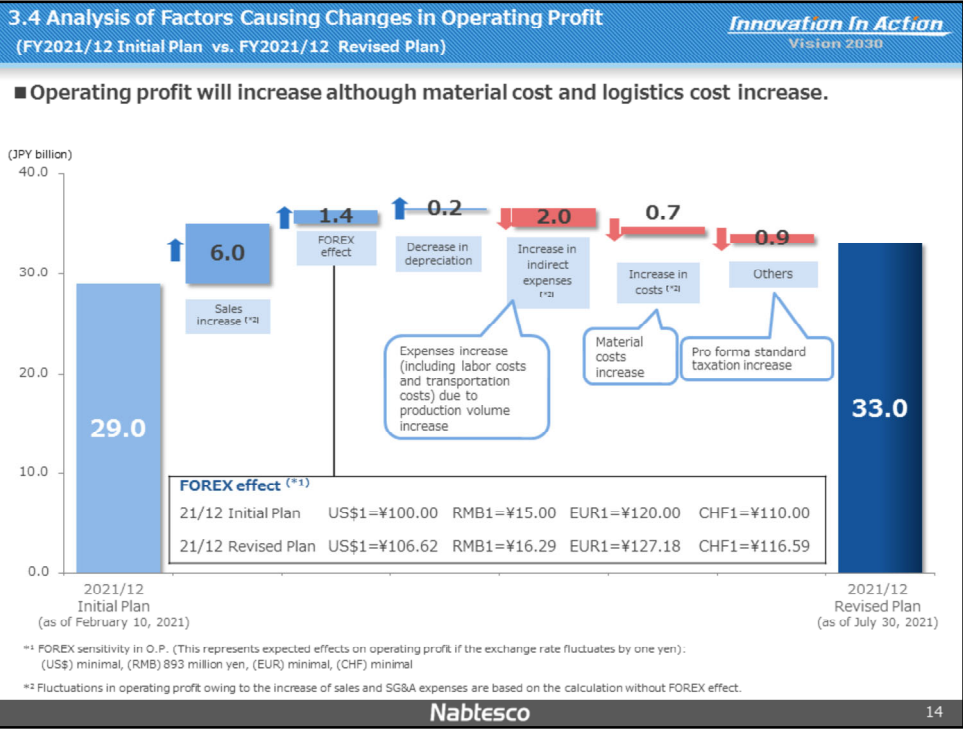
Sales expected to be as initially planned due to solid demand in overseas markets despite sluggish demand in the domestic food service industry.

-Others:

Sales expected to decrease compared to the initial plan due to the postponement of projects in overseas and domestic markets.

[O.P.]

As initially planned



The range of O.P. increase will be limited because the material costs and indirect expenses will affect although O.P. increase with sales increase and forex effects.

3.5 CAPEX, R&D and Depreciation/Cash Flow

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■ CAPEX, R&D and Depreciation

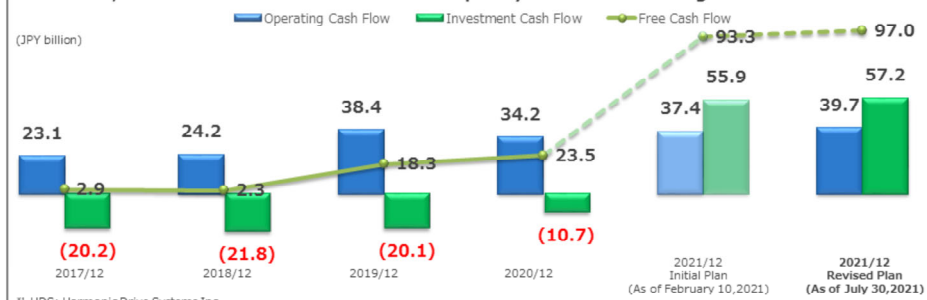
CAPEX will increase due to capacity expansion in precision reduction gears because demand increase will continue.

(JPY billion)	2017/12 Full year results	2018/12 Full year results	2019/12 Full year results	2020/12 Full year results	2021/12 Initial plan (As of February 10, 2021)	2021/12 Revised plan (As of July 30, 2021)	2020/12 H1 results	2021/12 H1 results
CAPEX	18.8	20.3	16.4	15.1 ^{*1}	12.7	13.3 ^{*3}	10.3 ^{*1}	4.7
R&D	8.7	10.2	9.9	9.0	10.9	10.9	4.4	4.8
Depreciation	9.0	10.0	13.1 ^{*2}	13.7 ^{*2}	13.6 ^{*2}	13.4 ^{*2}	6.7	6.6

^{*1} Includes the investment (JPY 5.7 billion) made to acquire land for the Hamamatsu Plant, which will be constructed to meet the future demand for precision reduction gears. ^{*2} Increased due to the adoption of the lease accounting standard (IFRS 16). ^{*3} TRS segment will decrease but CMP segment will increase in CAPEX.

■ Cash Flow

In FY2021, investment cash flow will increase temporary as a result of selling half of HDS* shares.



*1 HDS: Harmonic Drive Systems Inc.

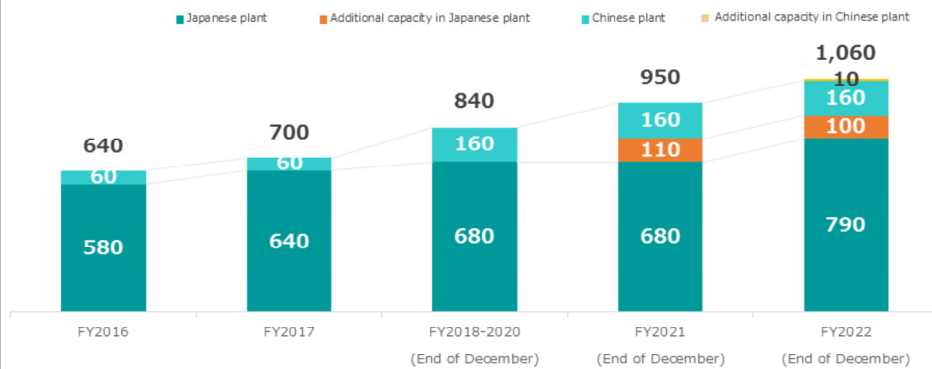
4. Topics of FY2021/12 H1

4.1 Topics of FY2021/12 H1

Precision reduction gears: capacity expansion plan (ordinary capacity*¹)

- Resume capacity expansion because Japanese plant (Tsu City, Mie Prefecture) ran over 120% of utilization ratio in Q2 FY2021. Targeting capacity by the end of FY2021 will be 790,000 units/year.
- Demand increase will continue in and after FY2022, so an additional capacity expansion has been planned (100,000 units/year). The second plant in Japan (Hamamatsu City, Shizuoka Prefecture) will start operation after the completion of 1,060,000 units in overall capacity.

(Annual capacity: K units)



*¹ Ordinary capacity: calculated based on 3 shifts, 20 days/month for 12 months

In order to catch up the demand increase in precision reduction gears and maintain lead time, capacity expansion has started again.

Counter-measures for climate change	Formulated new long-term targets for carbon-free operation		
	Long-term targets	2030	2050
	Prevention of global warming: Reduce CO ₂ emissions volume (relative to 2015) Reduce emissions per unit of sales and total emissions globally	63%	100%
Counter-measures for climate change	Plan to replace ICE cars with EVs at domestic sales companies in the Automatic Doors business		
	In order to achieve the CO ₂ emission reduction goals, NABCO SYSTEM CO., LTD. and NABCO DOOR Ltd. plan to gradually replace ICE cars used for sales activities with EVs. (About 120 cars will be replaced with BEVs*1/PHEVs*2 by 2026.)		
New business creation	Establishment of CVC*3 Promotion Division		
	<ul style="list-style-type: none"> •In order to strengthen and accelerate the new business creation, CVC*3 Promotion Division was newly established on July 1, 2021. •The division reports directly to the CEO to realize the new long-term vision “Leaders in Innovation for the Future” and to promote faster decision-making. 		

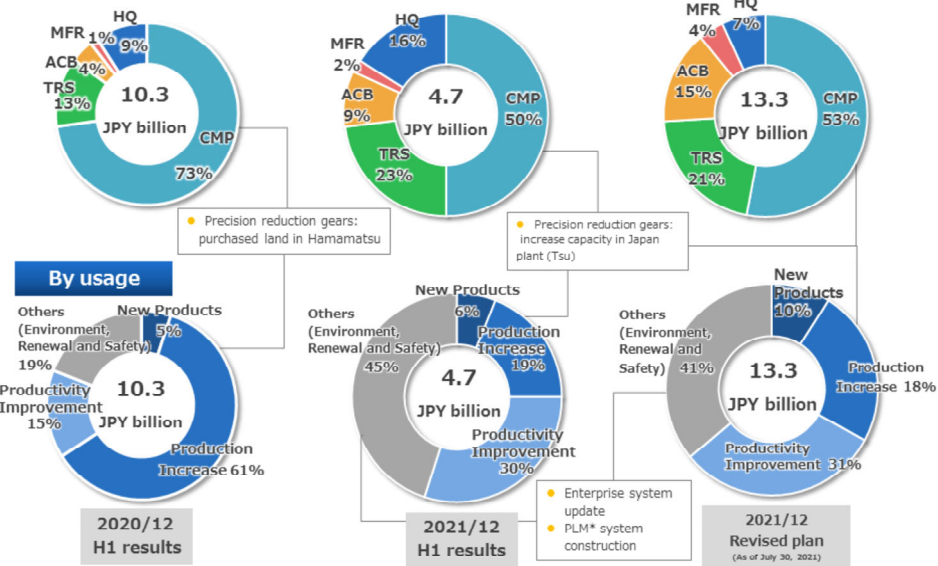
*1 BEV: Battery Electric Vehicle
*2 PHEV: Plug-in Hybrid Electric Vehicle
*3 CVC: Corporate Venture Capital

Appendix

CAPEX

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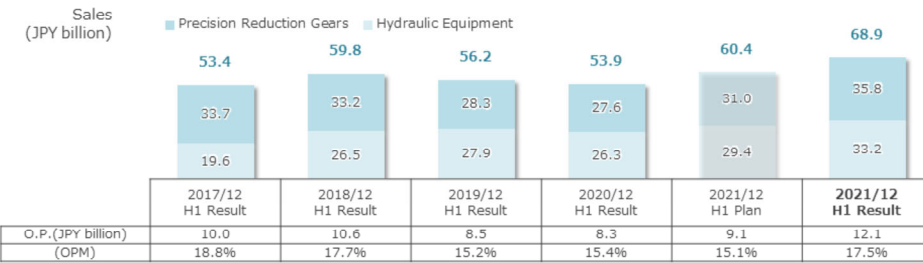
By segment



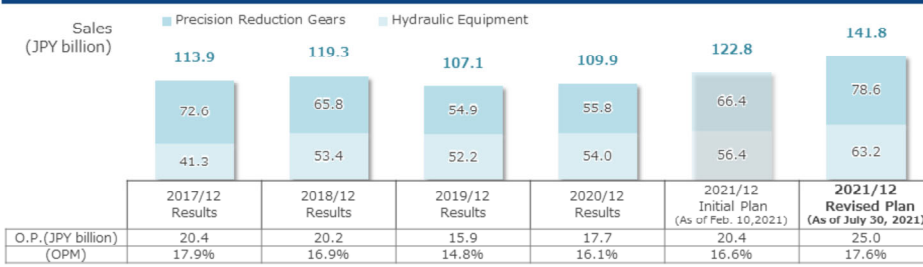
Component Solutions Segment (CMP)

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FY2021/12 H1 Results



FY2021/12 Full Year Revised Plan (As of July 30, 2021)



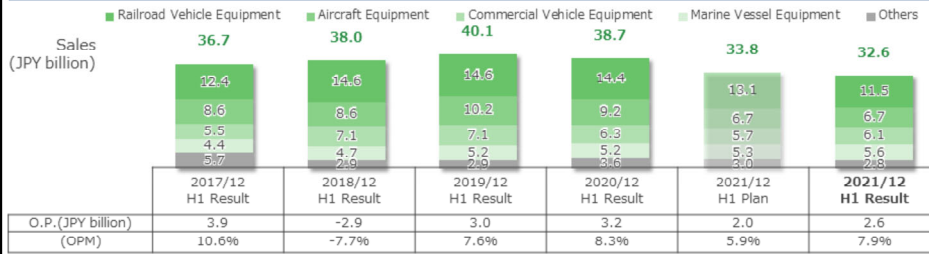
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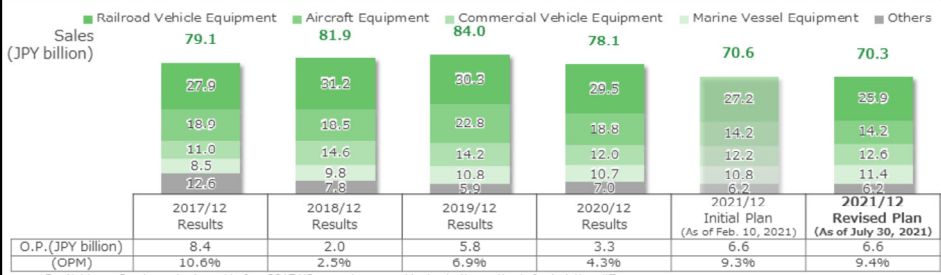
Transport Solutions Segment (TRS)

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FY2021/12 H1 Results



FY2021/12 Full Year Revised Plan (As of July 30, 2021)



*For Nabtesco Service, sales in and before 2017/12 are not comparable due to the method of calculation differences.

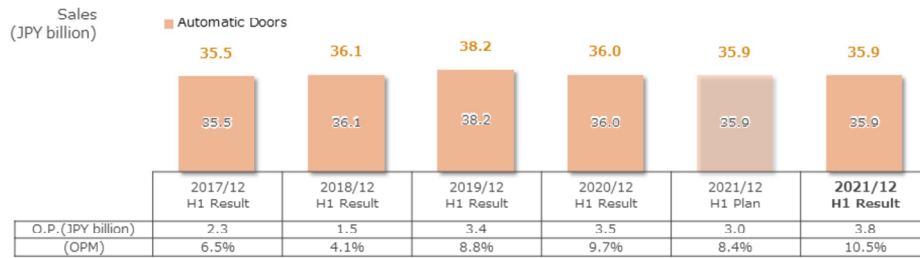
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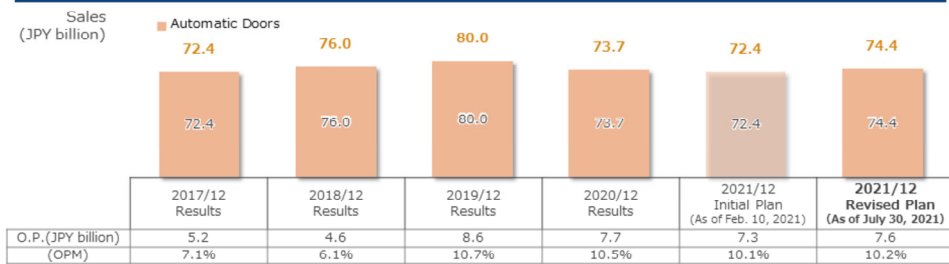
Accessibility Solutions Segment (ACB)

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FY2021/12 H1 Results



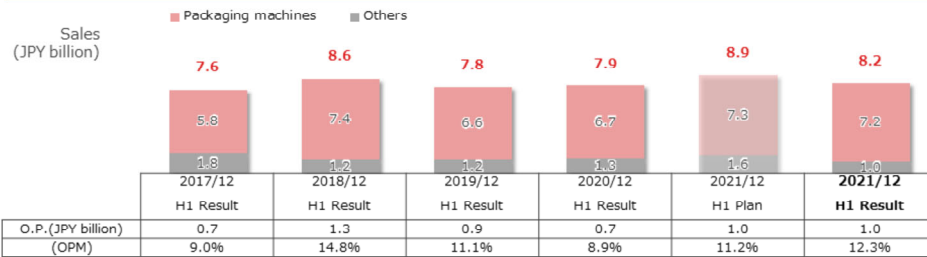
FY2021/12 Full Year Revised Plan (As of July 30, 2021)



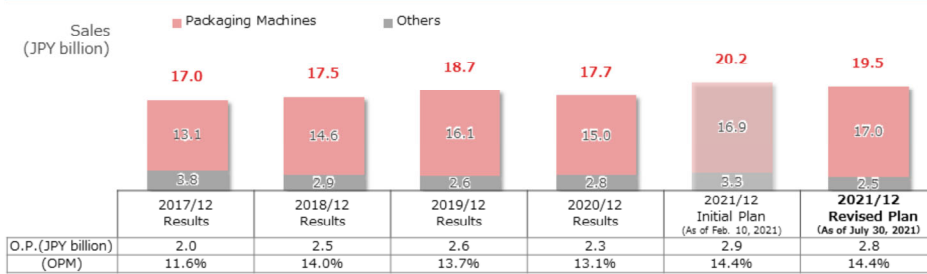
Manufacturing Solutions Segment (MFR)

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FY2021/12 H1 Results



FY2021/12 Full Year Revised Plan (As of July 30, 2021)



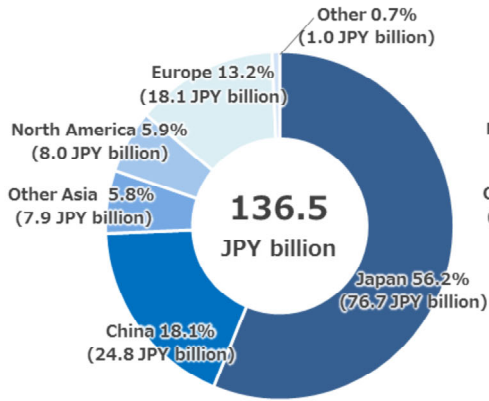
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Sales by Regions

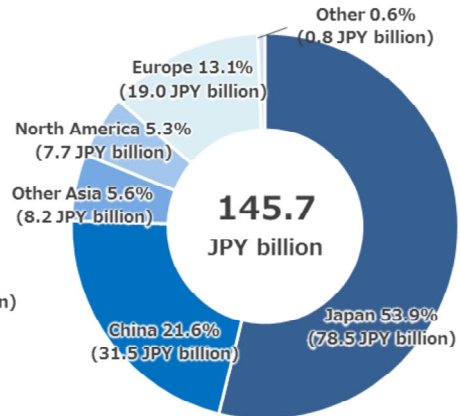
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2020/12 H1 Result



Overseas sales	59.8 JPY billion
Overseas sales ratio	43.8%

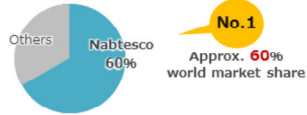
2021/12 H1 Result



Overseas sales	67.2 JPY billion
Overseas sales ratio	46.1%

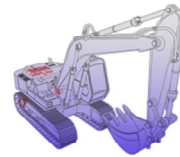
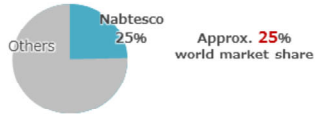
Precision Reduction Gears

■ Joints of Medium and Large Size Industrial Robots



Hydraulic Equipment

■ Traveling Units for Hydraulic Excavators



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: Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery,
Sany (China), XCMG (China), Liu Gong (China)

Main Products: Transport Solutions Segment (TRS)

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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 businesses including 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, Airline operators

Main Products: Transport Solutions Segment (TRS)

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Commercial Vehicle Equipment

■ Wedge Chambers



No.1

Approx. **75%** Domestic Market Share

■ Air Dryers



No.1

Approx. **70%** Domestic Market Share

Marine Vessel Equipment

■ 2ST Main Engine Control Systems



No.1

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, Hitachi Zosen, Japan Engine Corporation, Makita Corporation, Mitsui Engineering & Shipbuilding, Hyundai Heavy Industries (Korea), HSD Engine Co., Ltd. (Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)

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Main Products: Accessibility Solutions Segment (ACB) *Innovation In Action*
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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, China and 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.