

Results Briefing for the First Half of the Fiscal Year Ending December 31, 2020 (FY2020/12 H1)

August 11, 2020
CEO Katsuhiko TERAMOTO

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.

Agenda

1. Summary

2. Results for FY2020/H1

3. Forecasts for FY2020/12

1. Summary

2. Results for FY2020/H1

3. Forecasts for FY2020/12

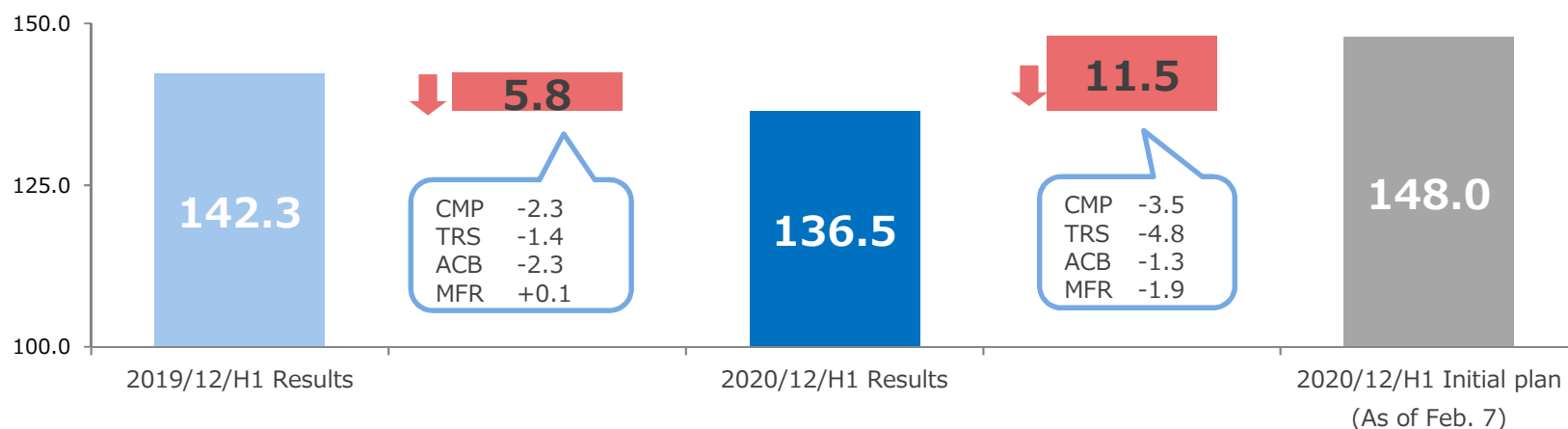
Summary of FY2020/12 H1 Results

Sales

(JPY billion)

■ Sales decreased by 4% on a YoY basis and by 8% compared to the initial plan.
Demand decreased in each of the core segments due to COVID-19.

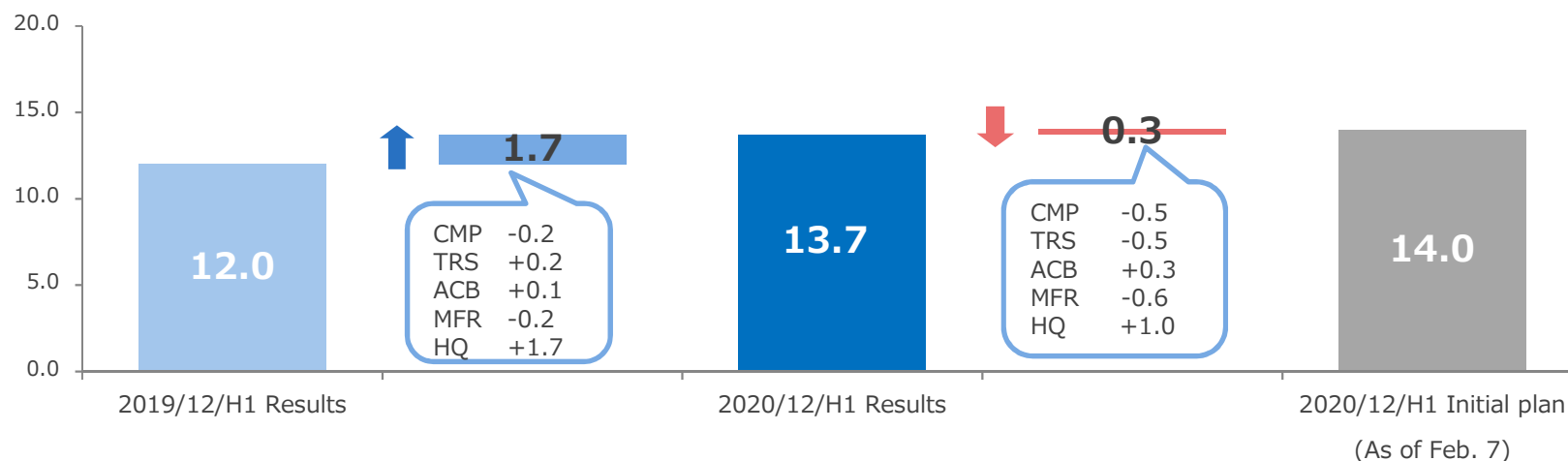
CMP: Component Solutions Segment
TRS: Transport Solutions Segment
ACB: Accessibility Solutions Segment
MFR: Manufacturing Solutions Segment
HQ: Corporate or Elimination



O.P.

(JPY billion)

■ O.P increased by 14% on a YoY basis due to SG&A reduction and gain on sales of non-business property although sales declined. O.P was close to the initial plan.



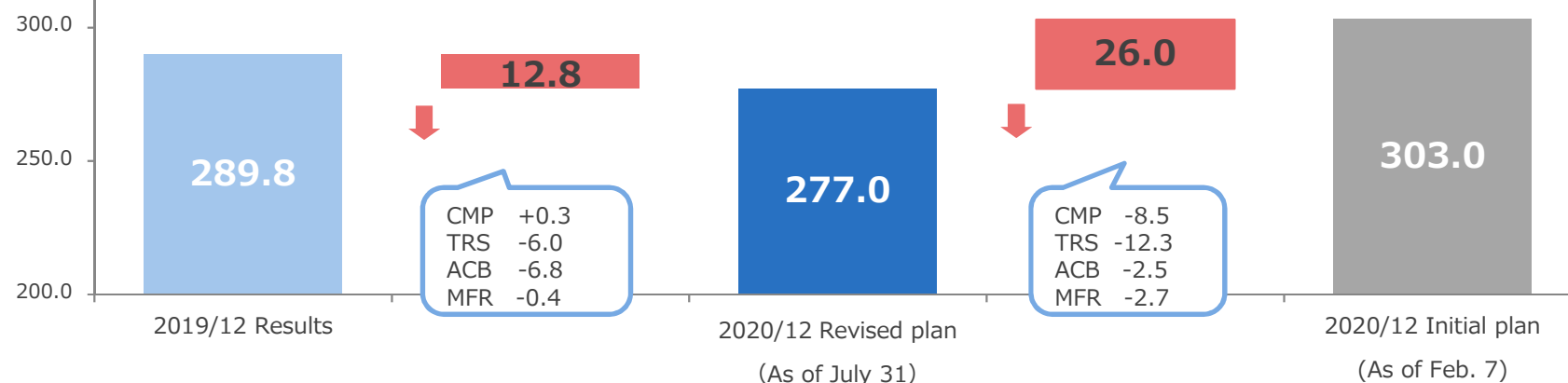
Summary of FY2020/12 Full-year Forecasts (Revised Plan)

Sales

(JPY Billion)

■ Revised downward due to weak demand in each segment, which is caused by negative impacts of COVID-19.

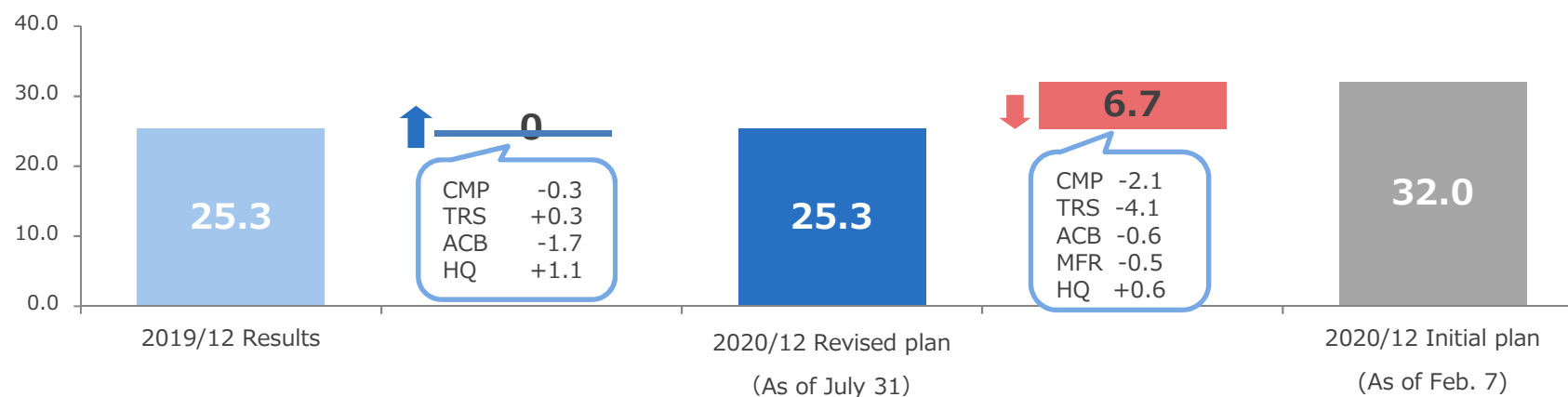
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O.P.

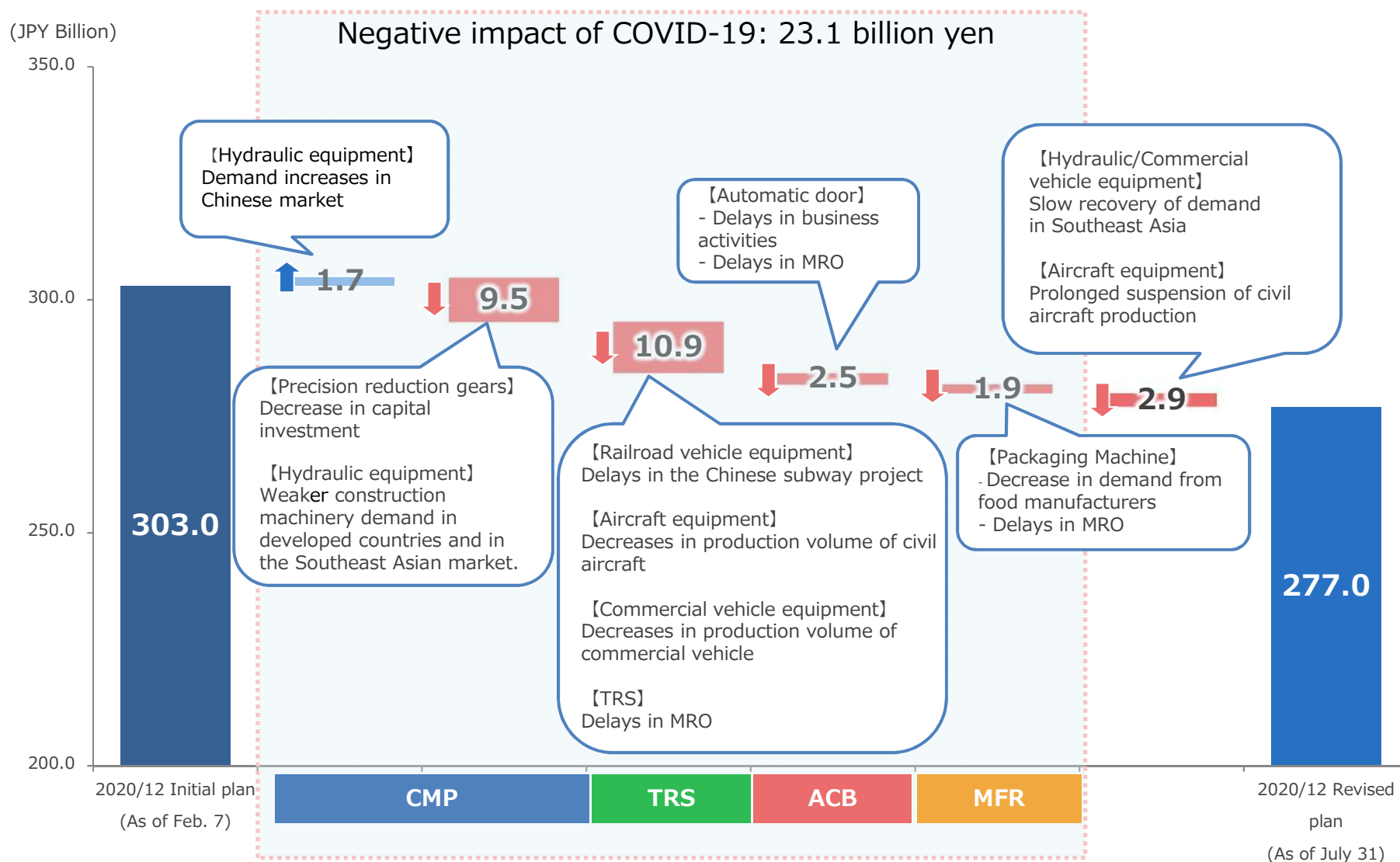
(JPY Billion)

■ Revised downward due to a decrease in sales despite the reduction of SG&A.













Impact of COVID-19 on Sales

■ Forecast revised mainly due to direct/indirect impact of COVID-19.



Impact of COVID-19

Risks and opportunities for our businesses under/after COVID-19

| Matters caused by COVID-19 | | Impact on our business | Our businesses expected to be affected by COVID-19 | | | | | |
|----------------------------|--|--|--|--|-------------|--------|-------|---|
| Short and Medium term | - | <ul style="list-style-type: none">- Restrictions on movement- Lockdown | <ul style="list-style-type: none">- Restrictions on business activities- Decrease in passenger demand- Delay in installation | <div> Aircraft equipment</div> <div> Automatic door</div> <div> Packaging machines</div> <div> MRO</div> | | | | |
| | <ul style="list-style-type: none">- Uncertainty of economy- Worsened business confidence IMF World Economic Outlook <table><tr><td>GDP</td><td>2020</td><td>2021</td></tr><tr><td>Growth rate</td><td>- 4.9%</td><td>+5.4%</td></tr></table> | GDP | 2020 | 2021 | Growth rate | - 4.9% | +5.4% | <ul style="list-style-type: none">- Restrictions on capital investment- Extension of product life-cycle and conservative buying- Decrease in cargo volume |
| GDP | 2020 | 2021 | | | | | | |
| Growth rate | - 4.9% | +5.4% | | | | | | |
| Long term | + | <ul style="list-style-type: none">- Economic measures taken by various governments | <ul style="list-style-type: none">- Increase of infrastructure investment in China- Subsidy for EV/HV | <div> Precision reduction gears</div> <div> Hydraulic equipment</div> | | | | |
| | <ul style="list-style-type: none">- New normal- Avoid the “Three Cs” (Closed spaces, Crowded places, and Close-contact settings) | <ul style="list-style-type: none">- Increase in demand for automation and labor saving at manufacturing sites- Increase in demand for touchless technology- Recovery in passenger demand | <div> Precision reduction gears</div> <div> Packaging machines</div> <div> Automatic door</div> <div> Aircraft equipment</div> | | | | | |

Agenda

1. Summary

2. Results for FY2020/H1

3. Forecasts for FY2020/12

Consolidated Results for FY2020/12 H1 (IFRS)

- Sales decreased year-on-year and compared to the initial plan (as of Feb. 7) due to COVID-19.
- O.P. improved because of SG&A reduction and gain on sales of non-business property.

| (JPY million) | 2019/12 H1 result (A) | 2020/12 H1 plan As of Feb.7 (B) | 2020/12 H1 result (C) | YOY Variation (C-A) | Plan Variation (C-B) |
|--------------------------------|-----------------------------|--|-----------------------------|---------------------------|----------------------------|
| Sales | 142,292 | 148,000 | 136,486 | -5,806 | -11,514 |
| Gross profit | 37,593 | — | 36,160 | -1,433 | — |
| Gross profit margin | 26.4% | — | 26.5% | 0.1pt | — |
| SG&A*1 | 26,151 | — | 24,608 | -1,543 | — |
| O.P. | 12,011 | 14,000 | 13,669 | 1,658 | -331 |
| Operating profit margin | 8.4% | 9.5% | 10.0% | 1.6pt | 0.6pt |
| Profit before tax | 13,488 | 15,000 | 14,693 | 1,205 | -307 |
| Net profit*2 | 7,706 | 9,200 | 9,392 | 1,686 | 192 |

| | | | |
|---|-------|--------------|-------|
| Total basic earnings per share (JPY) | 62.11 | 74.14 | 75.66 |
| DPS (JPY) | 36.00 | 41.00 (plan) | 41.00 |

*1 Selling, general and administrative expenses

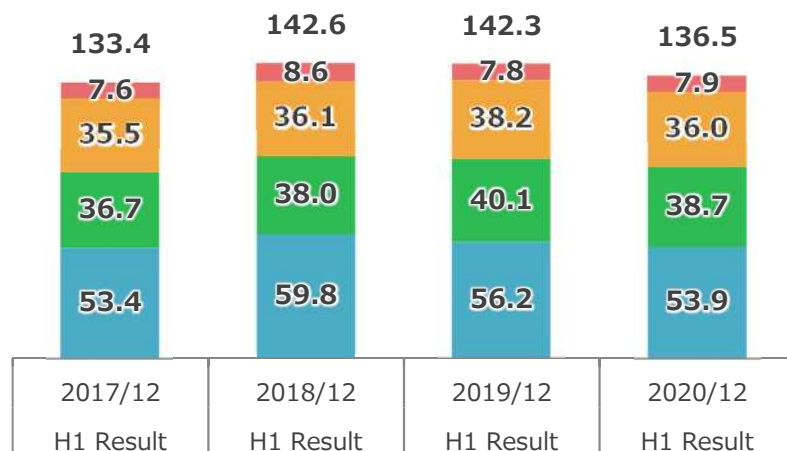
*2 Net profit attributable to owners of the parent

Results of sales and O.P. for each segment in 2020/12 /H1

Sales

(JPY billion)

■ CMP ■ TRS ■ ACB ■ MFR



<Comparison with 2019/12 H1>

Overall: Sales decreased YoY

CMP: Sales of precision reduction gears remained at the same level due to stagnant capital investment mainly in the automobile industry. Sales of hydraulic equipment decreased due to weak demand in developed countries and in the Southeast Asian market despite recovery of demand in China after March.

TRs: Sales of aircraft equipment decreased due to weak demand for civil aircraft. Sales of commercial vehicle equipment decreased due to weak demand in Japan and Southeast Asia.

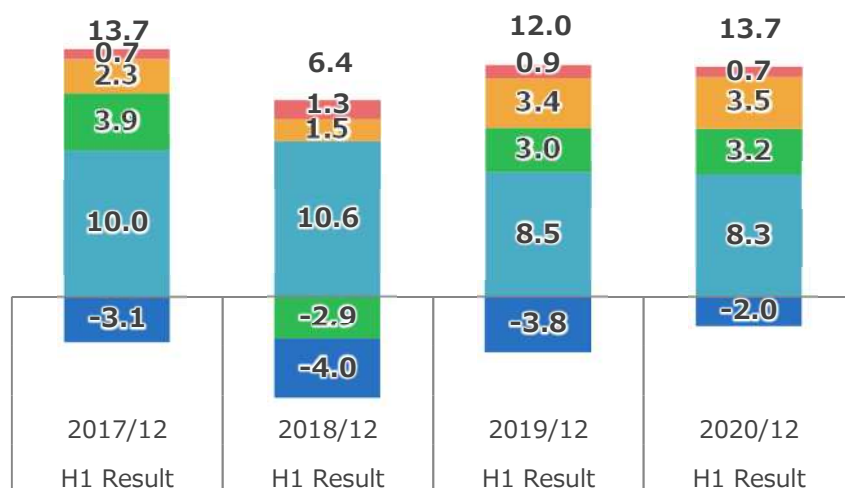
ACB: Sales of automatic door decreased further than expected due to weaker demand for OEM/MRO caused by COVID-19 in domestic and overseas markets.

MFR: Sales of packaging machines remained at the same level despite slowdown in new orders received.

O.P.

(JPY billion)

■ CMP ■ TRS ■ ACB ■ MFR ■ HQ



<Comparison with 2019/12 H1>

Overall: O.P. increased YoY

CMP: O.P. remained at the same level as a result of cost reduction.

TRs: O.P. increased due to sales increase driven by the growth of semi-high-speed railway in China and cost reduction in each businesses.

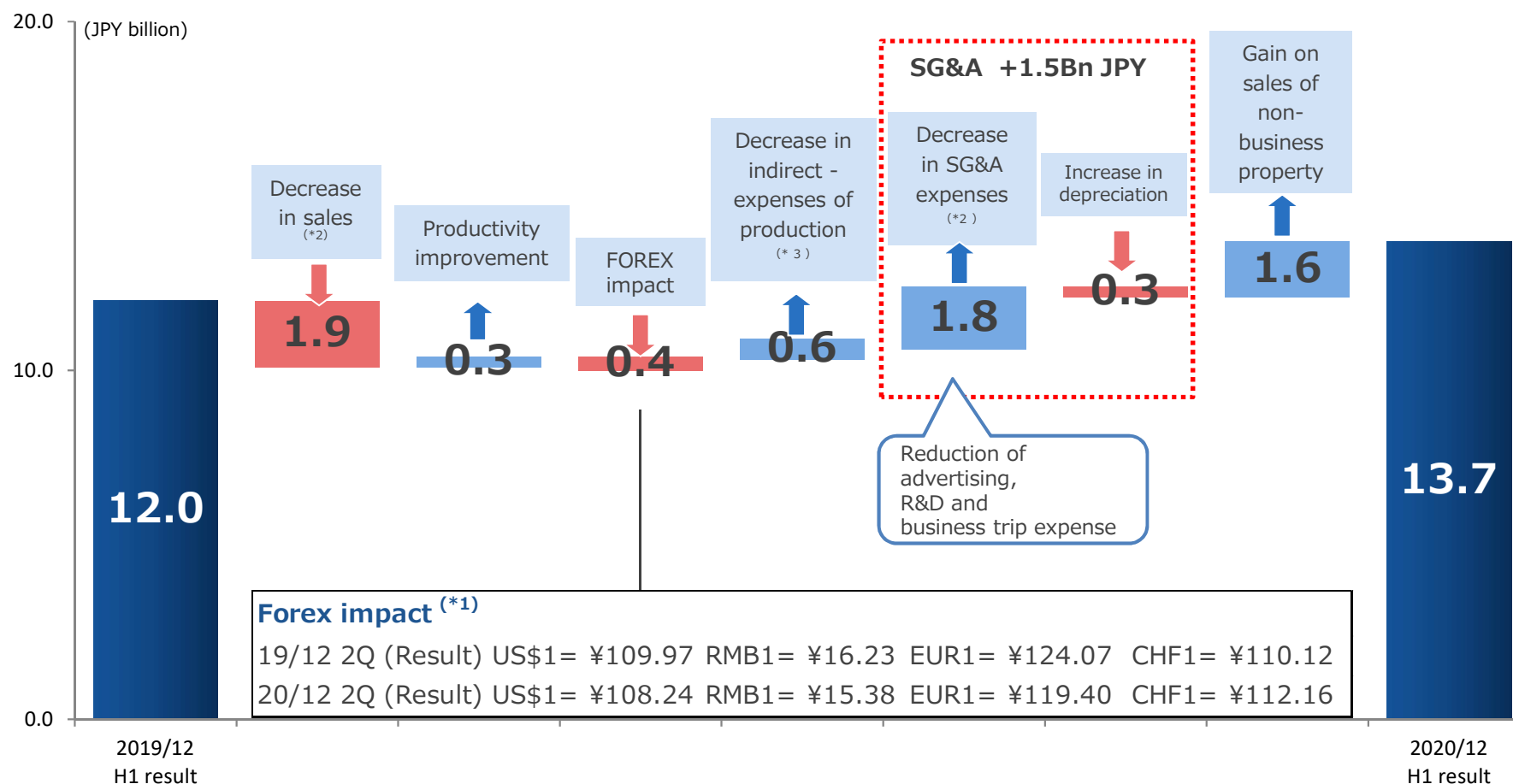
ACB: O.P. increased due to the change of product mix and cost reduction.

MFR: O.P. decreased due to the change of product mix.

HQ: O.P. increased due to the gain on sale of non-business property and cost reduction.

Analysis of Changes in H1 Operating Profit by Factor (FY2019/12 H1 Result vs. FY2020/12 H1 Results)

■ O.P increased YoY because of the cost reduction and gain on sales of non-business property despite a decrease in sales.



*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\$): 61 million yen, (RMB) : 410 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.

Balance Sheet for FY2020/12 H1 (Relative to Dec. 31, 2019)

- Equity ratio maintained at over 55% for a healthy balance sheet
- In order to ensure stable business operations, cash position equivalent to 2.8-month sales was secured.

| (JPY million) | 2019/12 Q4 (As of December 31, 2019) | 2020/12 H1 (As of June 30, 2020) | Variation |
|--|---|-------------------------------------|-----------|
| Assets | 344,558 | 342,315 | -2,242 |
| (Cash and cash equivalents) | 58,686 | 61,655 | 2,970 |
| (Trade receivable) | 70,175 | 65,120 | -5,055 |
| (Inventories) | 41,257 | 42,140 | 882 |
| (Tangible fixed assets) | 87,083 | 90,988 | 3,905 |
| Right of use assets | 9,004 | 8,626 | -378 |
| Liabilities | 145,424 | 140,168 | -5,256 |
| (Bonds and borrowings) | 43,936 | 42,629 | -1,306 |
| Total equities | 199,133 | 202,147 | 3,014 |
| (Non-controlling interests) | 11,735 | 11,330 | -405 |
| Equity attributable to owners of parent | 187,398 | 190,817 | 3,419 |
| Ratio of equity attributable to owners of parent | 54.4% | 55.7% | |

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Consolidated Forecasts for FY2020/12

- Aims to maintain O.P. at the same level as FY2019/12 despite a decrease in sales.

The DPS plan has been revised downward from the initial plan (from 82 yen to 75 yen per share).

(Increased by 2 yen relative to FY2019/12)

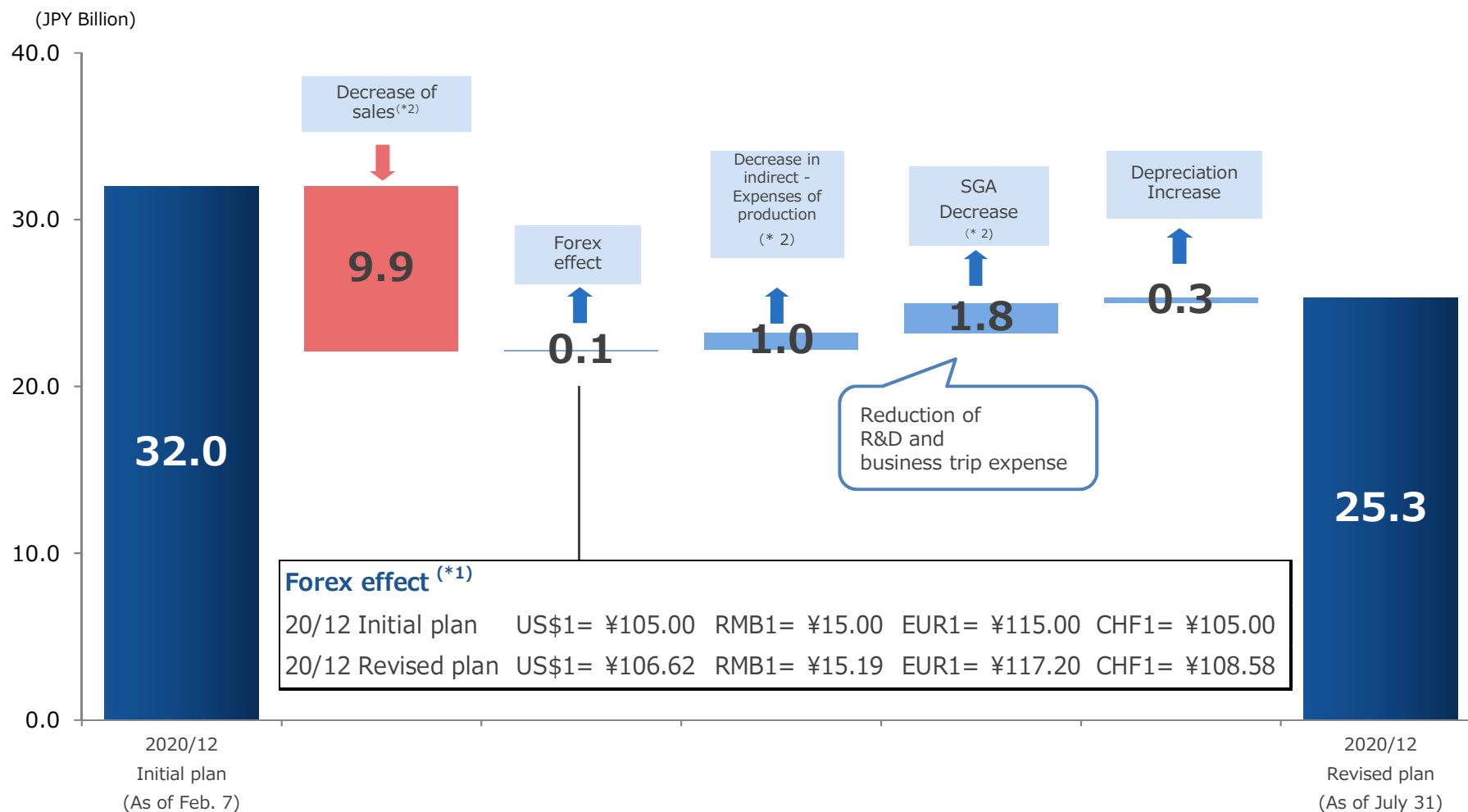
| (JPY million) | 2019/12 Full year result (A) | 2020/12 Full year plan As of Feb.7 (B) | 2020/12 Revised plan As of July 31(C) | YOY Variation (C-A) | Plan Variation (C-B) |
|--------------------------------|------------------------------------|--|---|---------------------------|----------------------------|
| Sales | 289,808 | 303,000 | 277,000 | -12,808 | -26,000 |
| O.P. | 25,320 | 32,000 | 25,300 | -20 | -6,700 |
| (OPM) | 8.7% | 10.6% | 9.1% | 0.4pt | -1.4pt |
| Income before tax | 27,979 | 34,000 | 27,000 | -979 | -7,000 |
| Net profit*¹ | 17,931 | 23,100 | 17,300 | -631 | -5,800 |
| ROA | 5.3% | 6.5% | 5.0% | -0.3pt | -1.5pt |
| ROE | 9.8% | 12.0% | 9.1% | -0.7pt | -2.9pt |

| | | | | | |
|---------------------|-------|--------------|--------------|-------|-------|
| DPS (JPY) | 73.00 | 82.00 (plan) | 75.00 (plan) | 2.00 | -7.00 |
| Payout ratio | 50.5% | 44.1% (plan) | 53.8% (plan) | 3.3pt | 9.7pt |

*¹ Net profit attributable to owners of the parent

Analysis of Changes in Operating Profit by Factor (FY2020/12 initial plan as of Feb. 7 vs. FY2020/12 revised plan as of July 31)

■ Minimize the negative impact on O.P. caused by sales decrease through SG&A reduction.



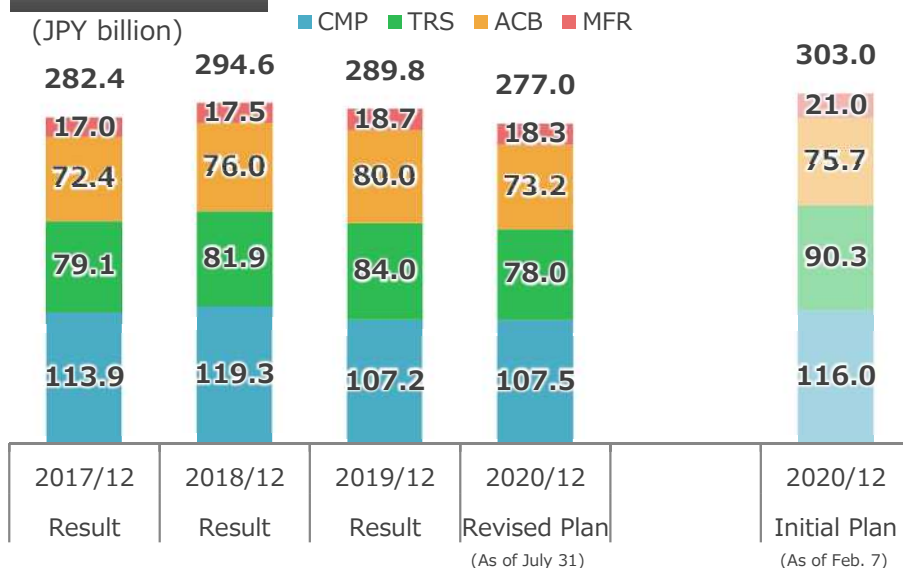
*1 FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen):

(US\$): minimal, (RMB) : 396 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.

2020/12 Full-Year Forecasts by Segment

Sales



<Relative to the initial plan>

Overall: Revised the forecast due to unexpected change to business environment.

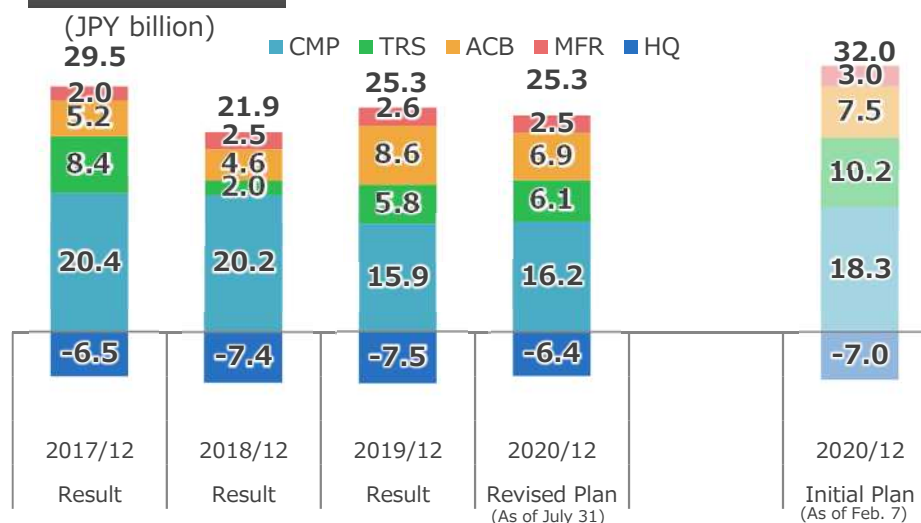
CMP: Sales of precision reduction gears will decrease because of slow recovery of capital investment mainly in the automobile industry. Sales of hydraulic equipment will decrease due to weak demand in developed countries and Southeast Asia despite gradual recovery in demand in China.

TRs: Demand for civil aircraft and commercial vehicles will remain stagnant. OVALO's sales will decrease due to weak demand from AUDI. The demand for MRO is expected to decline.

ACB: Sales of automatic doors will decrease further than expected due to weaker domestic and overseas demand for OEM/MRO.

MFR: Sales of packaging machines will decrease due to weaker demand in the food service industry.

O.P.



<Relative to the initial plan>

Overall: Aimed to maintain O.P. at the same level as FY2019/12.

CMP: O.P. will decrease due to a decrease in sales, despite reduced capital investment and SG&A.

TRs: O.P. will decrease due to stagnant MRO demand and decrease in sales.

ACB: O.P. will decrease despite cost reduction.

MFR: O.P. will decrease due to decrease in sales.

HQ: O.P. will increase through SG&A reduction.

CAPEX, R&D and Depreciation

■ Acquired land for a new plant in Hamamatsu (5.6 billion yen, in 1Q), expecting mid- to long-term growth for precision reduction gears. Will continue to selectively make automation and labor-saving investments for sustainable growth.

■ For R&D expenses, investments were not made as initially planned due to COVID-19. However, we will continue to invest in R&D for future growth.

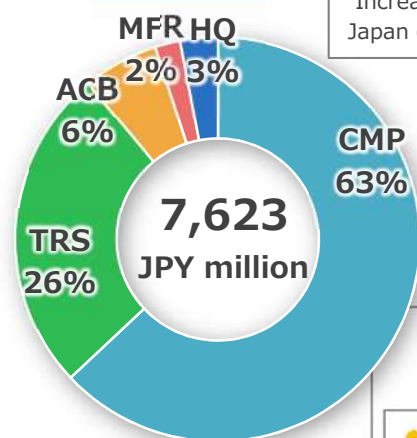
| (JPY billion) | 2019/12 H1 Result (A) | 2020/12 H1 Result (B) | YoY Variation (B-A) |
|---------------|-----------------------------|-----------------------------|---------------------------|
| CAPEX | 7.6 | 10.3 | 2.7 |
| R&D | 4.8 | 4.4 | -0.4 |
| Depreciation | 6.4 | 6.7 | 0.3 |

| 2019/12 Full Year Result | 2020/12 Full Year Plan (C) (As of Feb. 7) | 2020/12 Revised Plan (D) (As of July 31) | Variation (D-C) |
|--------------------------------|--|---|--------------------|
| 16.4 | 19.3 | 24.1 | -4.8 |
| 9.9 | 10.5 | 11.5 | -1.0 |
| 13.1 | 13.2 | 13.5 | -0.3 |

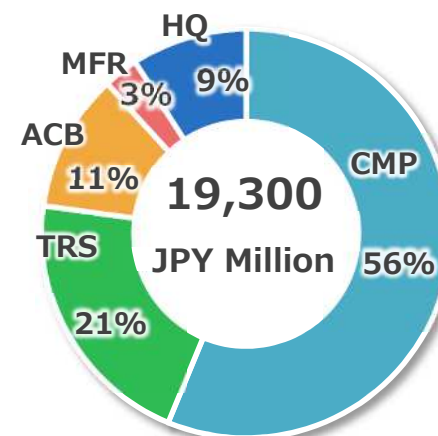
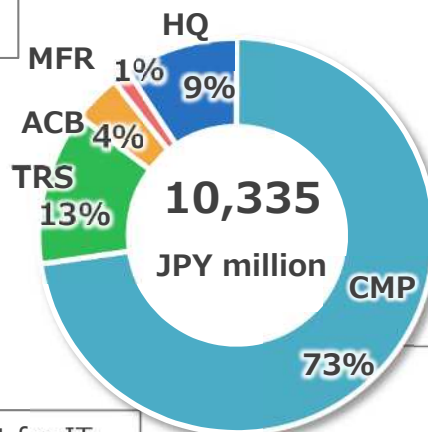
Appendix

CAPEX

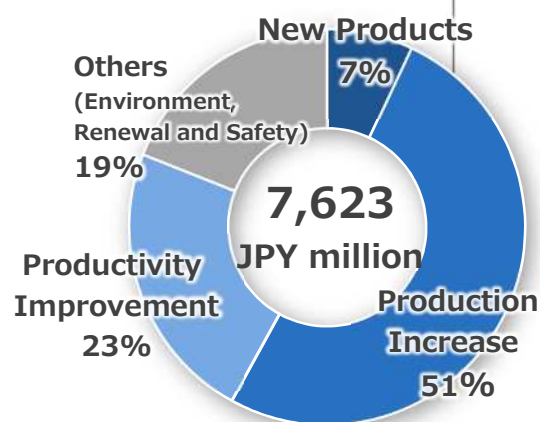
By segment



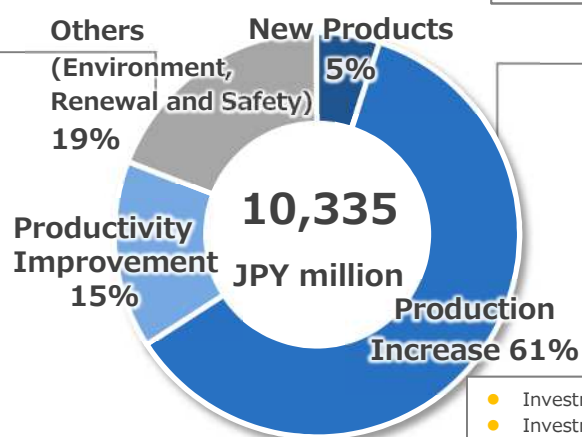
● Precision reduction gears:
Increased capacity in Japan (Building)



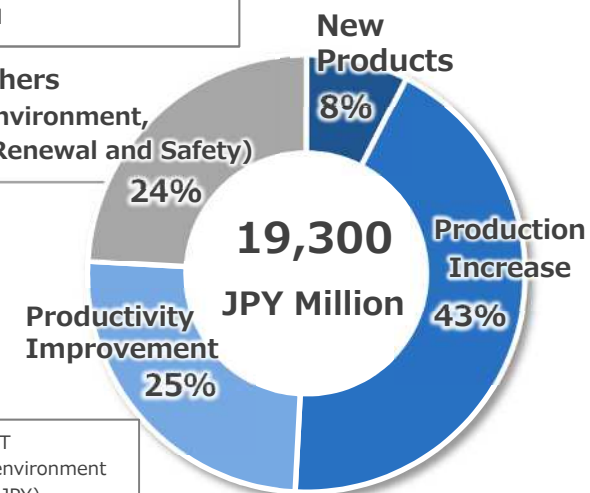
By Usage



● Investment for IT
● Investment for environment
(Approx. 1.0 bn JPY)



● Precision reduction gears:
Purchased land in Hamamatsu



● Investment for IT
● Investment for environment
(Approx. 1.6 bn JPY)

2019/12 /H1 Result

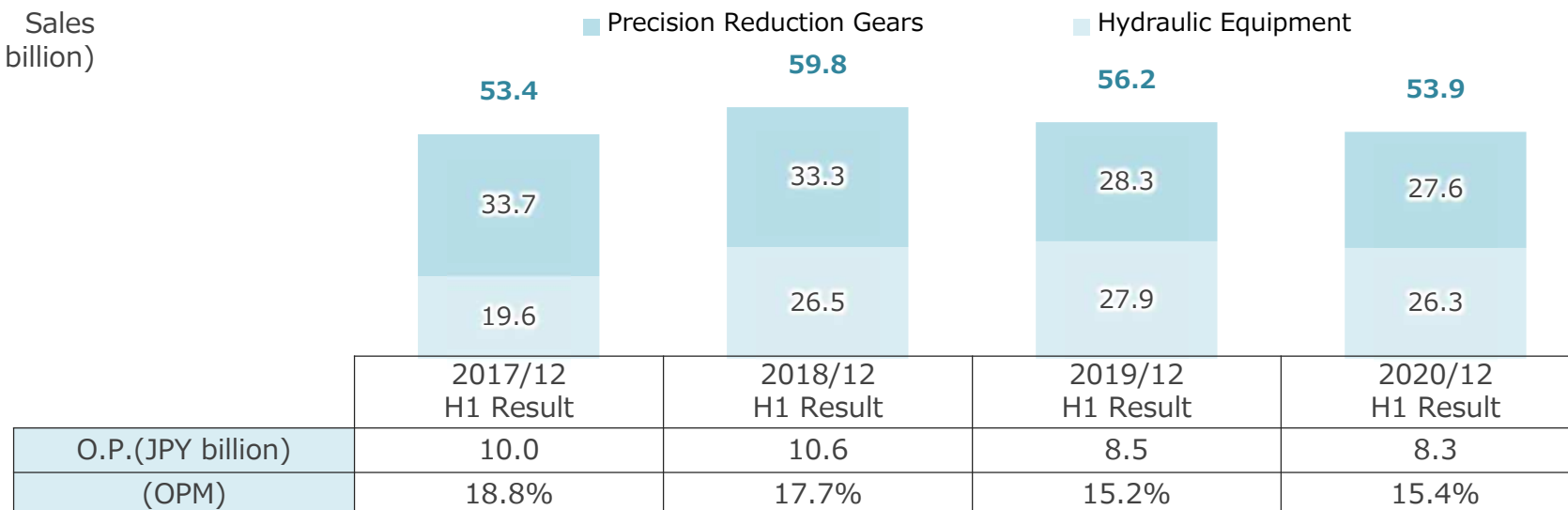
2020/12/H1Result

2020/12 Revised plan

Component Solutions Segment (CMP)

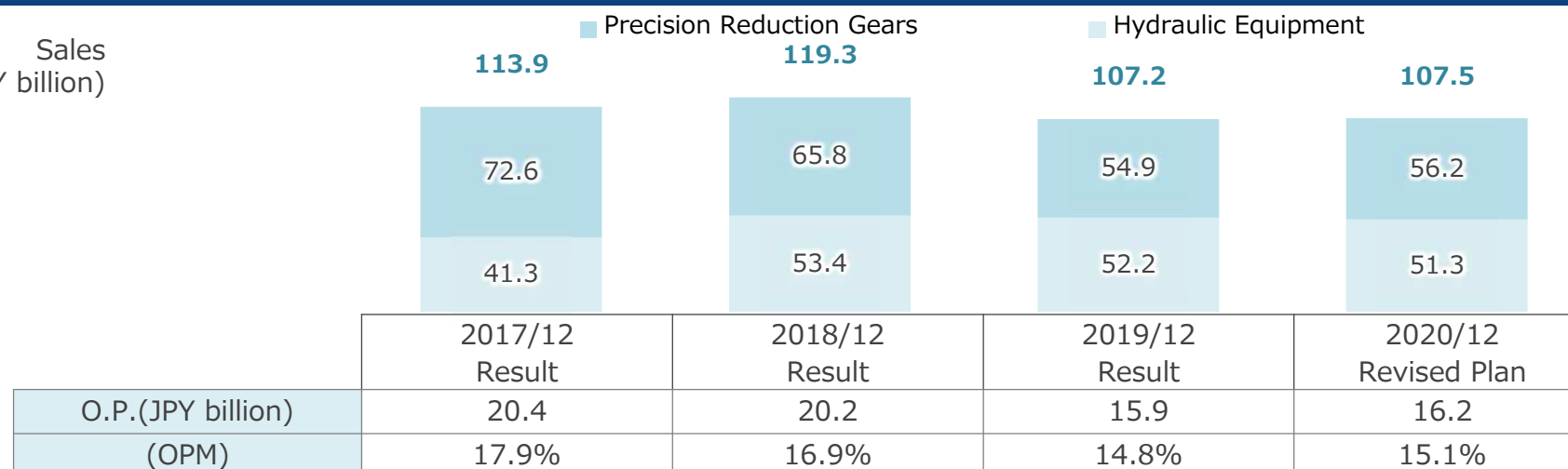
FY2020/12 H1 Result

Sales
(JPY billion)



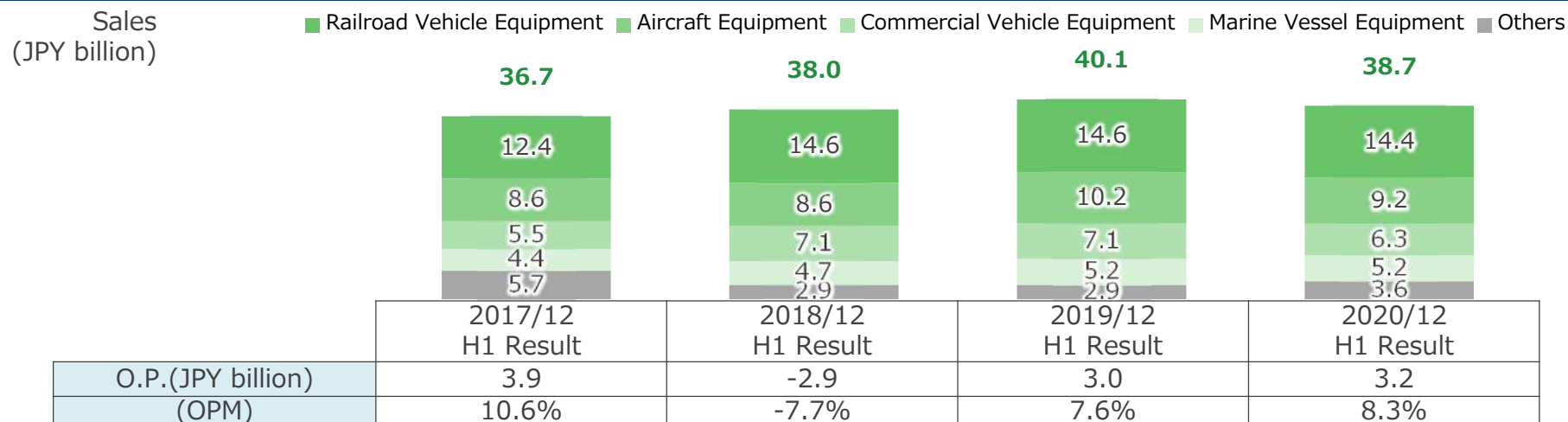
FY2020/12 Revised Plan (As of July 31, 2020)

Sales
(JPY billion)

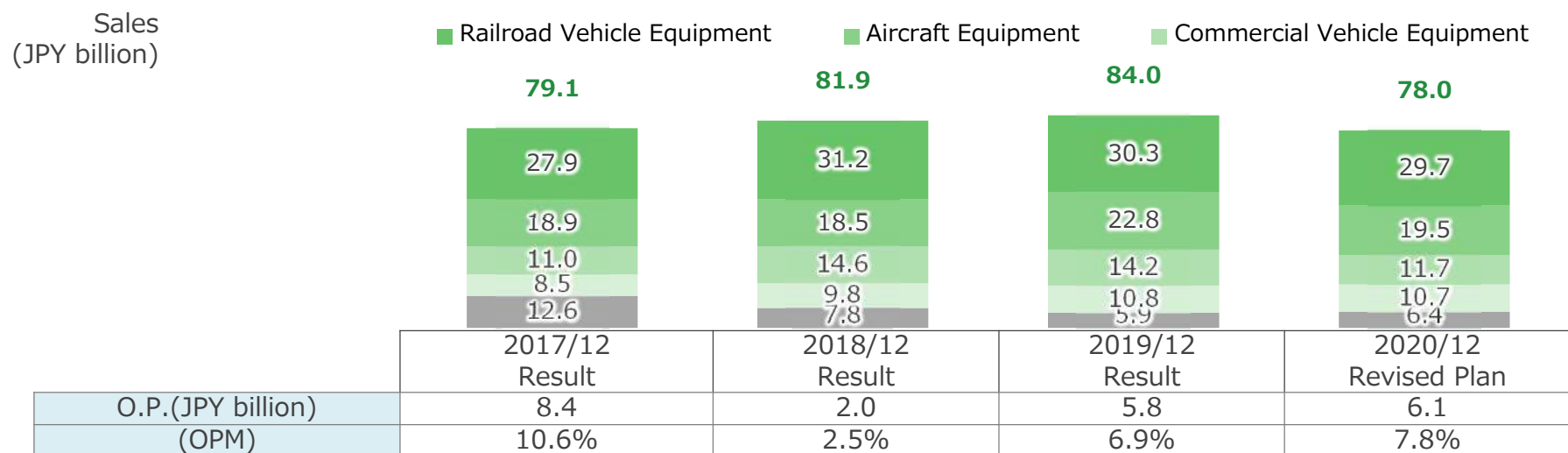


Transport Solutions Segment (TRS)

FY2020/12 H1 Result



FY2020/12 Revised Plan (As of July 31, 2020)



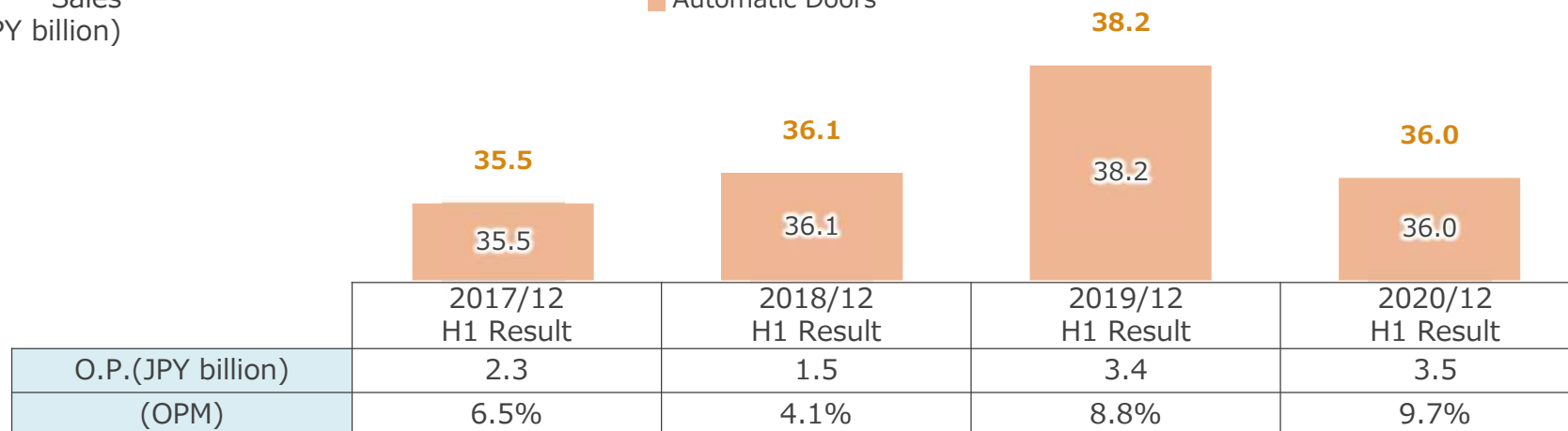
*For Nabtesco Service, sales in and before 2017/12 are not comparable due to the method of calculation differences.

Accessibility Solution Segment (ACB)

FY2020/12 H1 Result

Sales
(JPY billion)

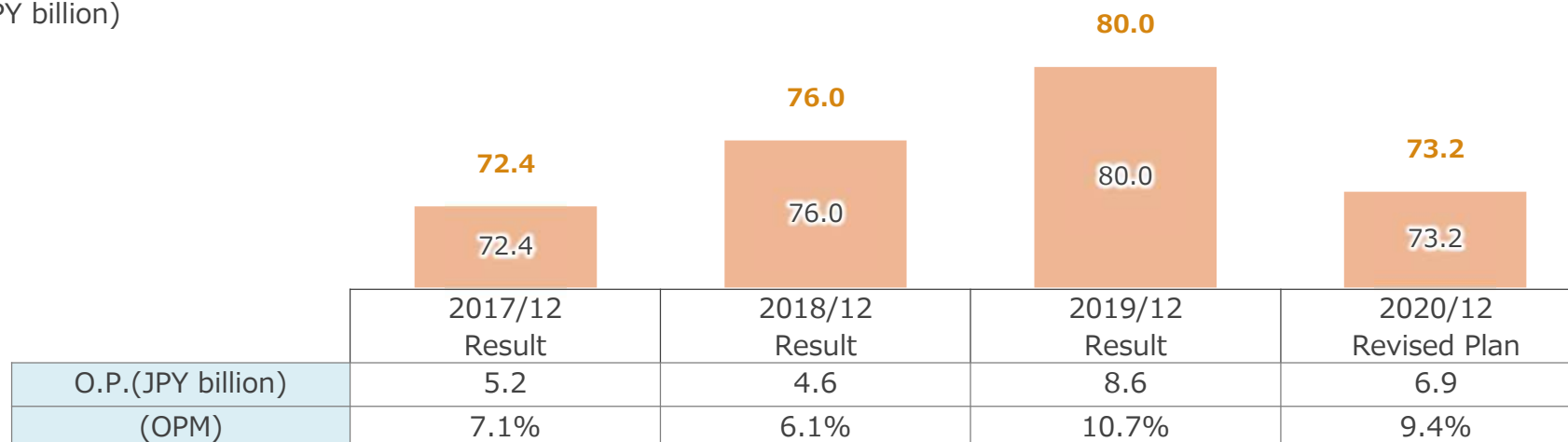
Automatic Doors



FY2020/12 Revised Plan (As of July 31, 2020)

Sales
(JPY billion)

Automatic Doors

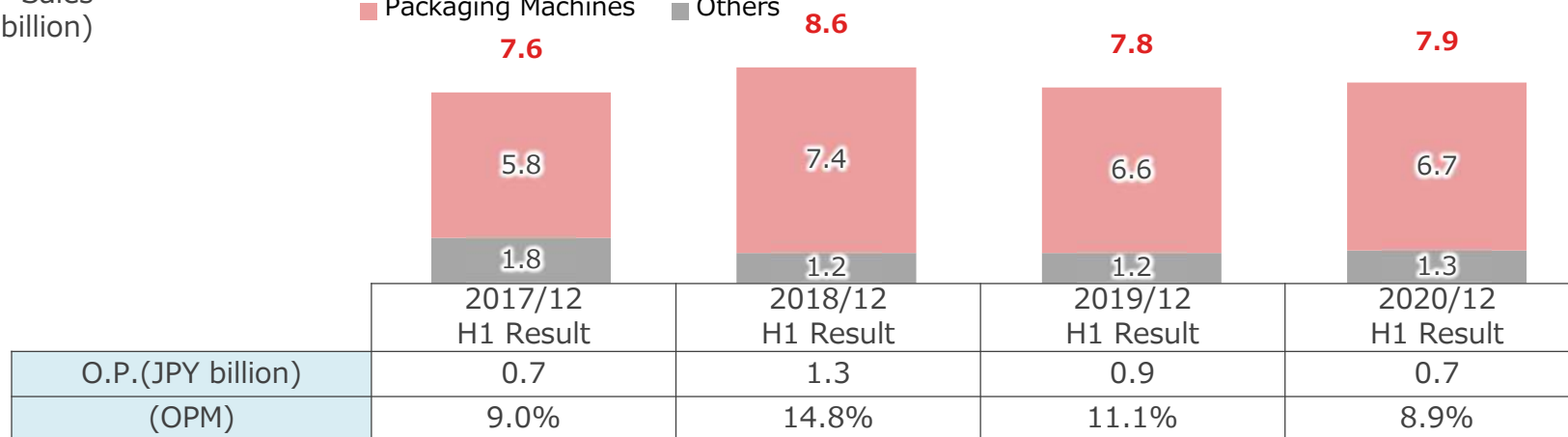


Manufacturing Solutions Segment (MFR)

FY2020/12 H1 Result

Sales
(JPY billion)

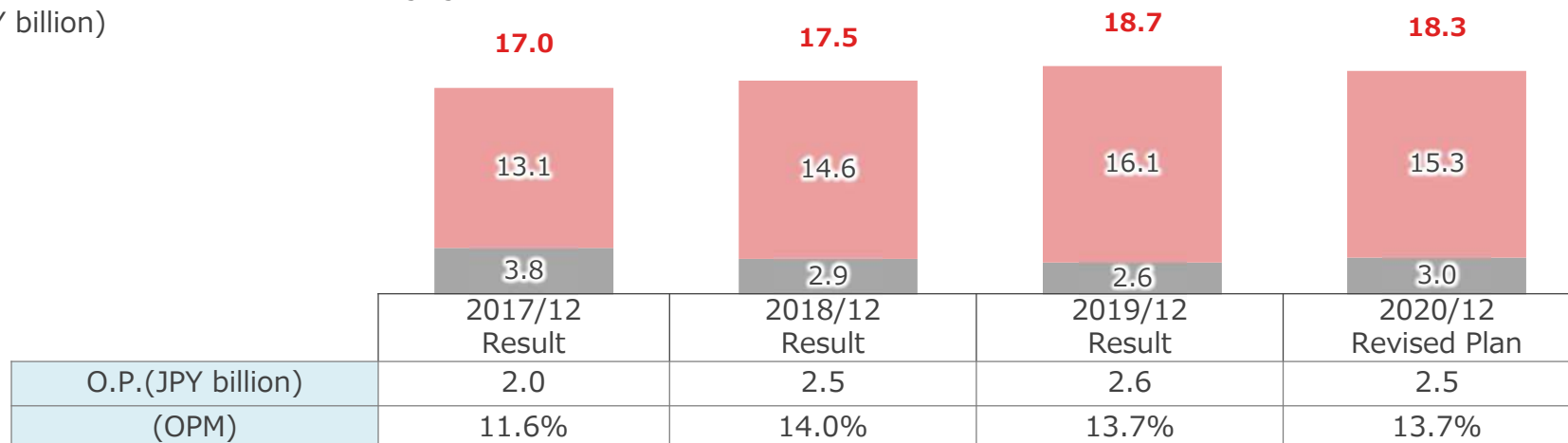
■ Packaging Machines ■ Others



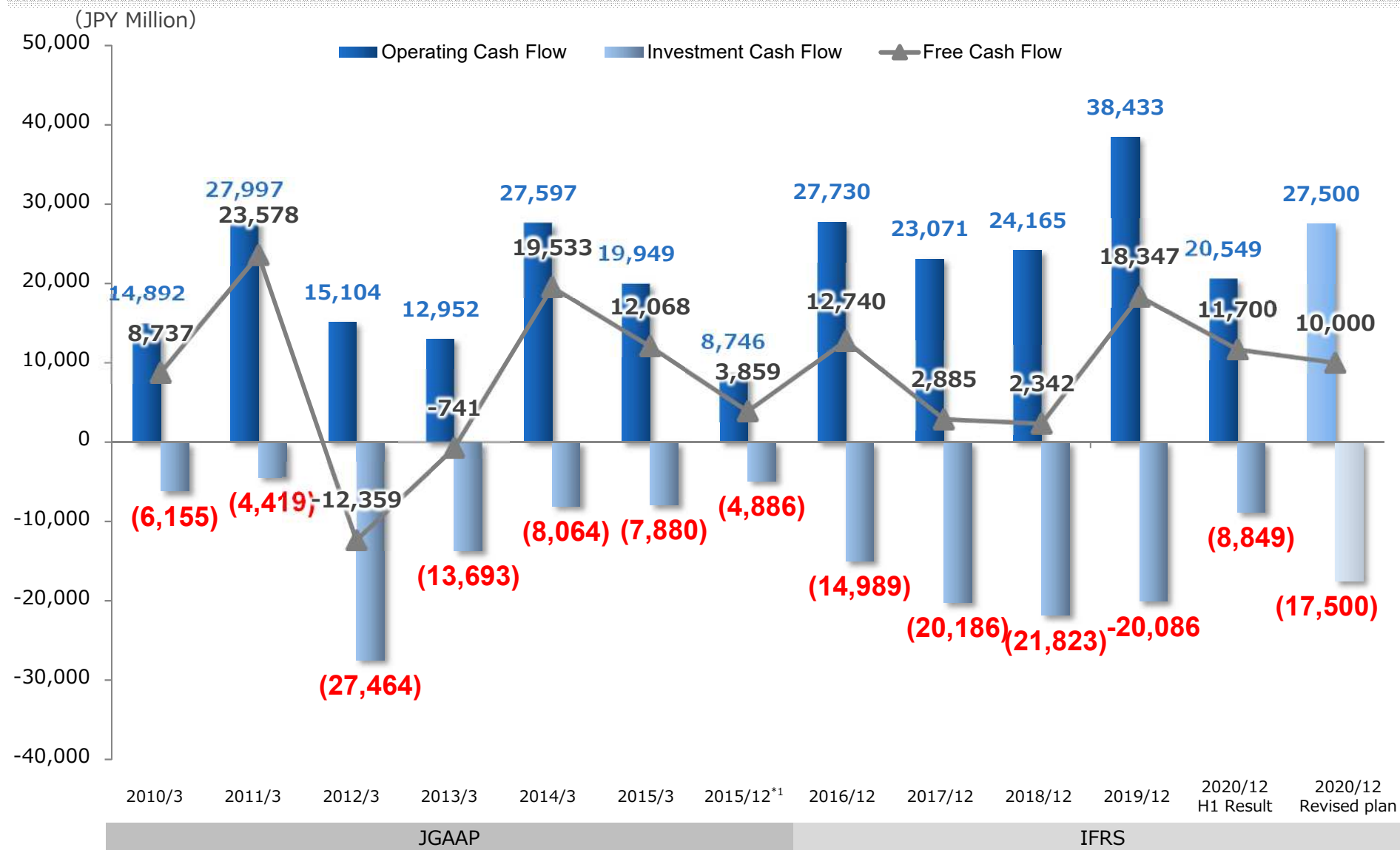
FY2020/12 Revised Plan (As of July 31, 2020)

Sales
(JPY billion)

■ Packaging Machines ■ Others



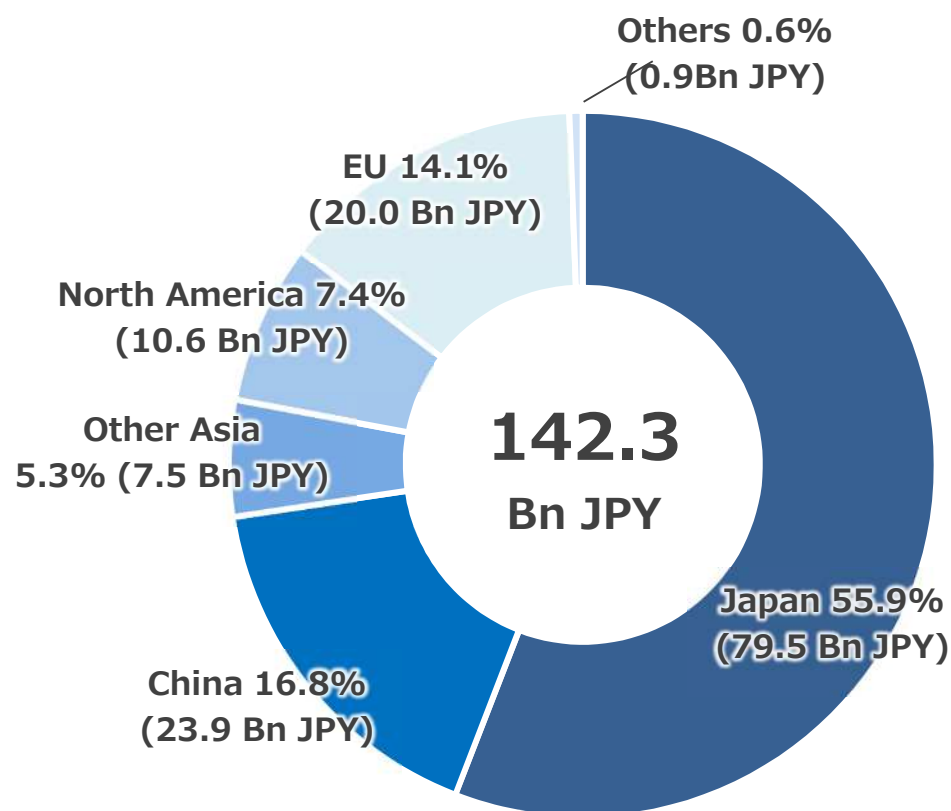
Consolidated Cash Flow



*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.

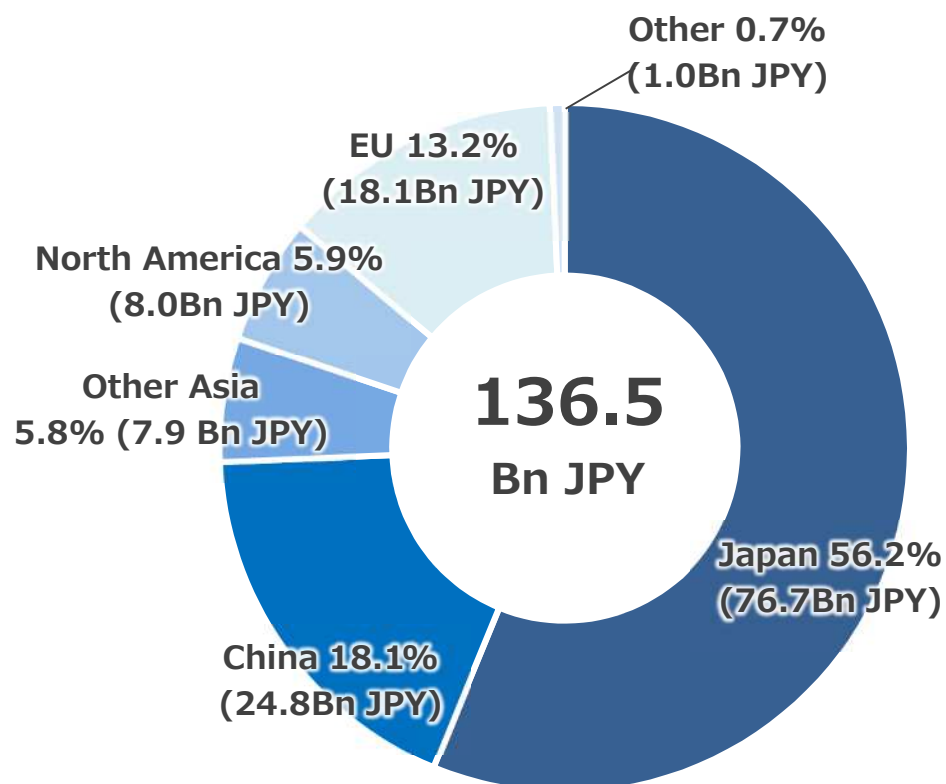
Sales by regions

2019/12 H1 Result



| | |
|----------------------|------------------|
| Overseas Sales | 62.8 JPY billion |
| Overseas Sales ratio | 44.1% |

2020/12 H1 Result

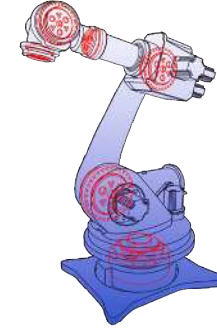
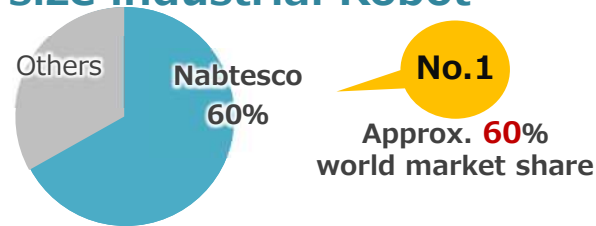


| | |
|----------------------|------------------|
| Overseas Sales | 59.8 JPY billion |
| Overseas Sales ratio | 43.8% |

Main Products: Component Solutions Segment (CMP)

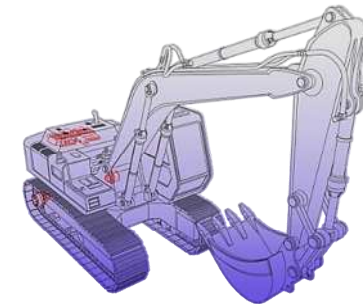
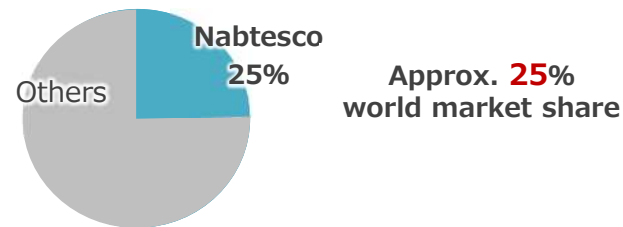
Precision Reduction Gears

■ Joints of Medium and Large size industrial Robot



Hydraulic Equipment

■ Traveling Units for Hydraulic Excavator



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

Main Products: Transport Solutions Segment (TRS)

Railroad Vehicle Equipment

■ Brake Systems



No.1

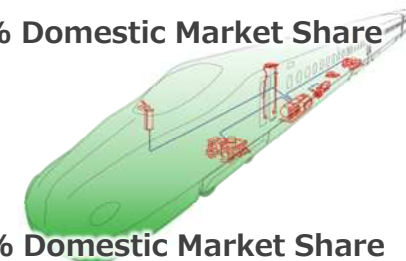
Approx. **50%** Domestic Market Share

■ Door Operating Systems



No.1

Approx. **70%** Domestic Market Share



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



No.1

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



Main Customers

■ Railroad Vehicle Equipment

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

■ Aircraft Equipment

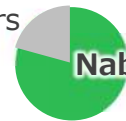
Boeing, KHI, MHI, IHI, Japanese Ministry of Defense, Airline operators

Main Products: Transport Solutions Segment (TRS)

Commercial Vehicle Equipment

■ Wedge Chambers

Others



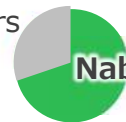
Nabtesco 80%

No.1

Approx. **80%** Domestic Market Share

■ Air Dryers

Others



Nabtesco 70%

No.1

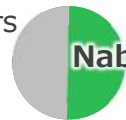
Approx. **70%** Domestic Market Share



Marine Vessel Equipment

■ 2ST Main Engine Control Systems

Others



Nabtesco 50%

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

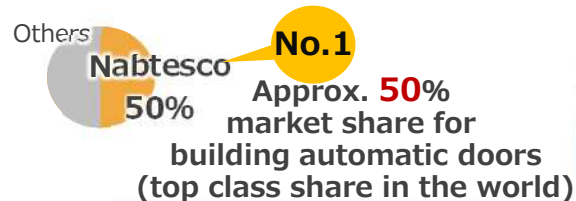
■ Marine Vessel Equipment

KHI, Makita Corporation, Hitachi Zosen, Mitsui Engineering & Shipbuilding, Japan Engine Corporation, Hyundai Heavy Industries (Korea), HSD Engine Co., Ltd. (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

Nabtesco
moving it. stopping it.