

# **FY2015/3 Second Quarter Results Briefing**

**November 2014**

**Nabtesco Corporation**

**Securities code: 6268**

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.

Session 1 : Consolidated Results for  
the First Half of FY2015/3

Session 2 : Briefing for Automatic Doors  
Business

## Agenda



- I. Consolidated Results for the First Half of FY2015/3
- II. Forecast for FY2015/3 Consolidated Results
- III. Consolidated Annual Results and Forecasts by Business Segment
- IV. Sales by Geographic Segment
- V. Balance Sheet Summary
- VI. CAPEX, R&D and Depreciation
- VII. Consolidated Cash Flow
- VIII. Topics

**Consolidated Results for the First Half of FY2015/3**  
**(Comparison with the same period of the previous fiscal year)**

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Both sales and operating profit increased in H1 YoY.

H1 operating profit of each segment exceeded 7/31 plan while sales were unachieved.

(From April to September)

(JPY million)	2014/3 H1 result	2015/3 H1 (7/31 plan)	2015/3 H1 result	Variation (YoY)	Ratio (YoY)
Sales	93,458	107,000	105,598	12,140	13.0%
Operating profit	7,938	9,800	11,612	3,673	46.3%
Non-operating profit and loss	1,734	-	2,230	495	28.6%
Ordinary profit	9,673	11,600	13,842	4,169	43.1%
Extraordinary profit and loss	-896	-	-28	867	-
Profit before taxes	8,776	-	13,814	5,037	57.4%
Net profit	5,037	6,400	8,951	3,913	77.7%
Net profit per share(Yen)	39.52	50.58	70.74	31.22	

**Remark: Sales**  
(main factors for an increase in sales)

- robust demand for industrial robots
- growth in demand for high-speed rail in China
- recovery in new shipbuilding market

(main factor for a decrease in sales)

- stagnant demand for construction machinery in China

**Remark: Extraordinary profit and loss**  
(main reason for decrease in loss)

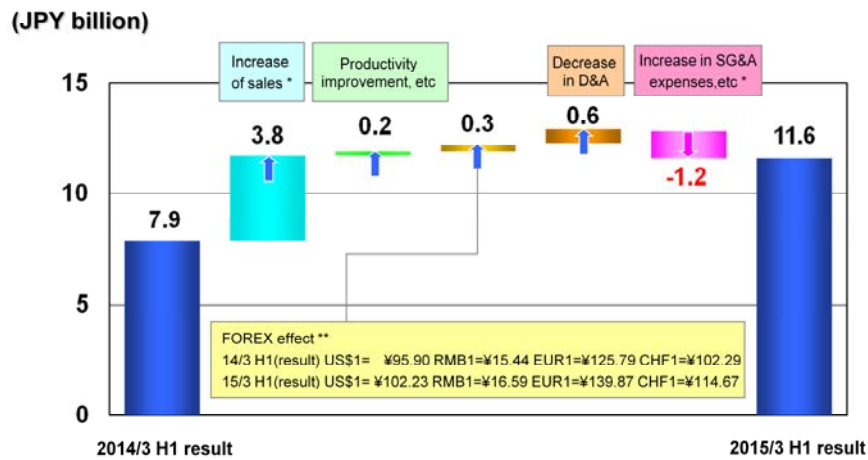
- disappearance of loss on revisions to the retirement benefit plan -0.8 billion yen

Dividend per share(Yen)	18	20	20	2
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\*Three-month time lag should be considered for all overseas subsidiaries of Nabtesco.  
(Their accounting period is from January to December.)

## Consolidated Profit & Loss for 2015/3 H1 (Analysis of Changes in Operating Profit)

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\*Fluctuations in operating profit owing to the increase or decrease of sales and SG&A expenses, etc are based on the calculation without FOREX effect.

\*\*FOREX sensitivity in O. P. (US\$):JPY 45 million, (RMB): JPY 29 million, (EUR): minimal, (CHF): minimal  
(This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen.)

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-SG&A expenses have been increased as a whole company for future growth, posing a negative influence on the operating profit of approximately 1.2 billion yen YoY.

-In terms of H1 result, 0.5 billion yen of SG&A expenses etc. have not been digested comparing to the initial plan, which is expected to overlap into H2.

## Forecast for FY2015/3 Consolidated Results

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Full-year plan for 2015/3 is being implemented as planned while attainment level of 7/31 plan(comparing (B-A) with H2 7/31 plan) for 2015/3 H2 varies between segments.

(JPY million)	2014/3			2015/3				
	H1 result	H2 result	Full-year result	H1 7/31 plan	H1 result(A)	H2 7/31 plan	(B-A)	Full-year forecast(B)
Sales (year-on-year)	93,458 (+3.1%)	108,834 (+22.5%)	202,292 (+12.7%)	107,000 (+14.5%)	105,598 (+13.0%)	109,000 (+0.2%)	110,401 (+1.4%)	216,000 (+6.8%)
Operating profit (year-on-year)	7,938 (+4.5%)	12,154 (+63.8%)	20,092 (+33.8%)	9,800 (+23.4%)	11,612 (+46.3%)	11,800 (-2.9%)	9,987 (-17.8%)	21,600 (+7.5%)
Operating profit margin	8.5%	11.2%	9.9%	9.2%	11.0%	10.8%	9.0%	10.0%
Ordinary profit (year-on-year)	9,673 (+14.2%)	14,554 (+54.5%)	24,227 (+35.4%)	11,600 (+19.9%)	13,842 (+43.1%)	12,800 (-12.1%)	10,557 (-27.5%)	24,400 (+0.7%)
Net profit (year-on-year)	5,037 (-22.7%)	9,940 (+47.1%)	14,978 (+12.9%)	6,400 (+27.0%)	8,951 (+77.7%)	9,100 (-8.5%)	6,548 (-34.1%)	15,500 (+3.5%)
ROA			6.9%		FOREX effect 15/3 H2 (premise) US\$ 1=¥100 RMB1=¥16.40 EUR1=¥130.00 CHF1=¥107.00			6.7%
ROE			12.2%					11.7%
Dividend per share(yen)	18	20	38	20(forecast)	20	20(forecast)	20(forecast)	40(forecast)
Dividend payout ratio			32.2%					32.7% (forecast)

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-On a HoH basis, sales of H2 are forecasted to increase while operating profit will decrease. OPM is expected to decrease for 2 percentage points (H1: 11.0%→ H2: 9.0%).

-However, taking the 0.5 billion yen of SG&A expenses etc. which are expected to overlap into H2 into consideration, there is only 1 percentage point difference between the OPM of H2 and H1.

-Please refer to explanation of each segment for details.

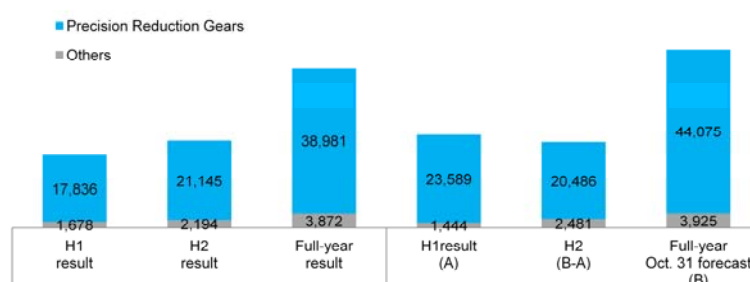
## Precision Equipment

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### Results and forecast

(JPY million)	2014/3			2015/3				
	H1 result	H2 result	Full-year result	H1		H2	Full-year	
				7/31 plan	Result (A)		7/31 plan	10/31 forecast(B)
Sales (year-on-year)	19,513 (-3.9%)	23,339 (+9.8%)	42,853 (+3.1%)	25,000 (+28.1%)	25,033 (+28.3%)	22,966 (-1.6%)	48,000 (+12.0%)	48,000 (+12.0%)
Operating profit (year-on-year)	2,665 (+24.1%)	3,694 (+15.2%)	6,359 (+18.8%)	3,600 (+35.1%)	3,976 (+49.2%)	2,823 (-23.6%)	7,300 (+14.8%)	6,800 (+6.9%)
Operating profit margin	13.7%	15.8%	14.8%	14.4%	15.9%	12.3%	15.2%	14.2%

Sales(JPY million)



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-Sales of precision reduction gears business were supposed to increase 6% YoY based on the initial forecast. In this September, IFR (International Federation of Robotics) has newly announced the forecast for the growth rate of world industrial robot market of CAGR 12% for the coming 3 years. Consequently, we revised our full-year forecast for precision reduction gears business.

-Taking the above full-year forecast for precision reduction gears business as the basis, the current H2 plan is the deduction of full-year forecast and H1 result, which is a decrease of sales of approximately 3 billion yen comparing with H1. Moreover, operating profit is expected to decrease due to the decline of sales.

-Coming forward, it is believed that industrial robot market will grow. However, shorter lead-time is required by our customers (industrial robot manufacturers). Forecasts from customers are 3-month shorter than before, so it is becoming harder to preview the business outlook.

-Other businesses in this segment are not contributing to operating profit comparatively.



## Precision Equipment

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### Notes:

- Precision reduction gears:**
  - Sales increase in H1(YoY): robust demand from industrial robot manufacturers
  - Sales decrease in H2 (compared with H1): completion of the large-scale capex projects of automobile manufacturers.
  - Increase in full-year sales (YoY): plan being set according to the revision of IFR's "J" forecast for shipments of industrial robots(CAGR6%→12%)
- New energy business:**
  - Decrease in full-year sales (YoY): influence from defects in procured components of drive units for wind turbines
- O.P. of the segment:**
  - Increase in H1(YoY): mainly due to the increased sales of precision reduction gears
  - Decrease in H2 (compared with H1): due to decrease in sales of precision reduction gears, increase in the cost of investment for future growth, influence from defects in procured components of new energy equipment, etc.
  - Full-year increase (YoY) :being resulted from sound performance of H1 in spite of decrease in O.P. in H2 compared with H1

\*IFR=International Federation of Robotics

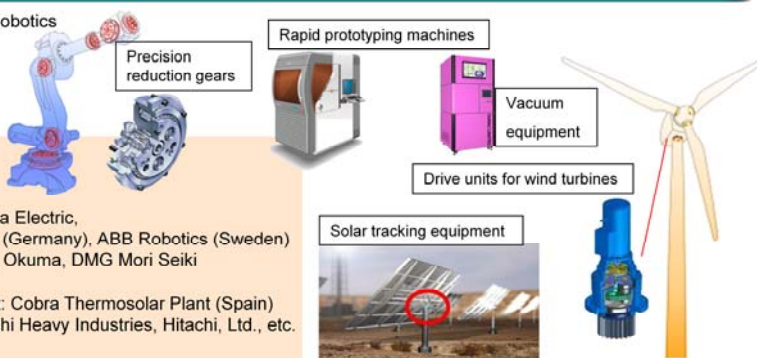
### Main Products and Customers

#### • Precision reduction gears

Industrial Robots: Fanuc, Yaskawa Electric, KUKA Roboter (Germany), ABB Robotics (Sweden)  
Machine Tools: Yamazaki Mazak, Okuma, DMG Mori Seiki

#### • New energy business

Solar Thermal Power Tower Plant: Cobra Thermosolar Plant (Spain)  
Wind Power Generation: Mitsubishi Heavy Industries, Hitachi, Ltd., etc.



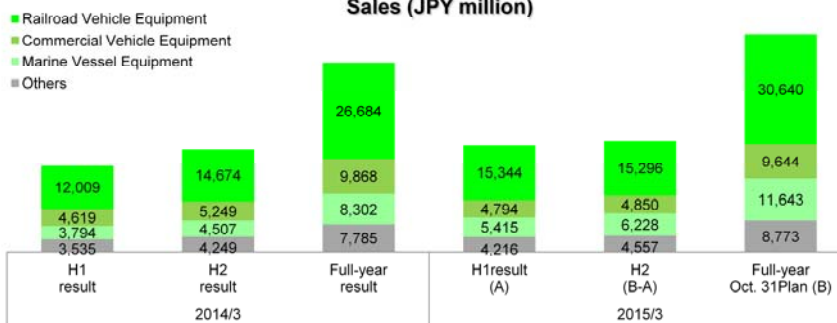


## Transport Equipment

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### Results and forecast

(JPY million)	2014/3			2015/3				
	H1 result	H2 result	Full-year result	H1		H2 (B-A)	Full-year	
				7/31 plan	Result (A)		7/31 plan	10/31 forecast(B)
<b>Sales (year-on-year)</b>	23,960 (+6.2%)	28,681 (+32.2%)	52,641 (+18.9%)	30,000 (+25.2%)	29,769 (+24.2%)	30,930 (+7.8%)	59,200 (+12.5%)	60,700 (+15.3%)
<b>Operating Profit (year-on-year)</b>	2,581 (+5.3%)	3,762 (+113.6%)	6,344 (+50.5%)	4,700 (+82.1%)	5,875 (+127.6%)	4,324 (+14.9%)	8,800 (+38.7%)	10,200 (+60.8%)
<b>Operating profit margin</b>	10.8%	13.1%	12.1%	15.7%	19.7%	14.0%	14.9%	16.8%



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-Full-year sales of commercial vehicle equipment business are forecasted to be flat. Demand for trucks in Japan is robust while sales for Southeast Asia will decline.

-Sales and operating profit of railroad vehicle equipment and marine vessel equipment businesses are anticipated to increase significantly on a YoY basis.

## Transport Equipment

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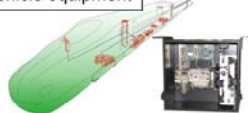
### Notes:

- ◆ Railroad vehicle equipment:
  - Sales increase in H1/Full-year (YoY): due to the growth of sales for high speed trains in China and MRO (Maintenance, Repair and Overhaul)
  - Flat sales in H2 (compared with H1): due to the sales decrease for MRO and increasing demand for new railroad vehicles in Japan
- ◆ Commercial vehicle equipment:
  - Sales increase in H1 (YoY): sluggish truck demand in overseas was covered by the strong demand in Japan
  - Flat sales in H2 (compared with H1) /Full-year (YoY): due to sluggish demands in overseas market
- ◆ Marine vessel equipment:
  - Increase in full-year sales: due to the recovery of new shipbuilding market
- ◆ O.P. of the segment:
  - Increase in H1/Full year (YoY): due to the growth of sales in each of the businesses
  - Decrease in H2 (compared with H1): due to increase in the cost of investment for future growth for railroad vehicle equipment and marine vessel equipment

### Main Products and Customers

- Railroad vehicle equipment (brake systems, door operating units)
  - JR companies, Private railway companies, KHI, Bullet train and subway projects in China, etc.
- Commercial vehicle equipment (air brake peripheral equipment)
  - Hino, Mitsubishi Fuso Truck & Bus, Isuzu, UD Trucks
- Marine vessel equipment (remote control systems for marine diesel engines)
  - KHI, Mitsui Engineering & Shipbuilding, Hitachi Zosen, MHI, Diesel United, Hyundai Heavy Industries (Korea), MAN Diesel (Denmark)

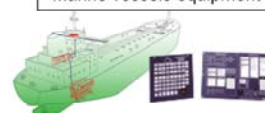
Railroad vehicle equipment



Commercial vehicle equipment



Marine vessels equipment



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-Comparing H2 to H1, sales and operating profit of railroad vehicle equipment business in H2 are expected to decrease.

Profit related to capacity utilization ratio in this business increased during H1 and the difference between capacity utilization of H1 and H2 will cause a negative impact to the operating profit of H2.

During H2, SG&A expenses for production increase and operating activities in Europe are anticipated to grow. Moreover, operating profit will suffer from the change of product mix as well.

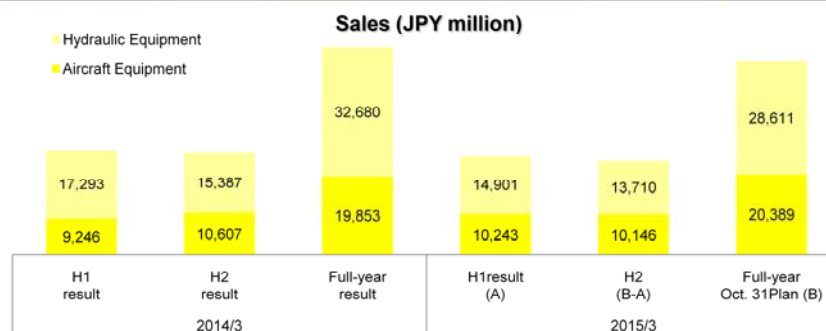
-Marine vessel equipment business has been recovered beyond expectation.

## Aircraft & Hydraulic Equipment

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### Results and forecast

(JPY million)	2014/3			2015/3				
	H1 result	H2 result	Full-year result	H1		H2 (B-A)	Full-year	
				7/31 plan	Result (A)		7/31 plan	10/31 forecast(B)
Sales (year-on-year)	26,538 (+3.2%)	25,994 (+29.8%)	52,533 (+14.8%)	26,100 (-1.7%)	25,144 (-5.3%)	23,855 (-8.2%)	50,500 (-3.9%)	49,000 (-6.7%)
Operating Profit (year-on-year)	1,840 (+9.0%)	2,022 (+1276.0%)	3,862 (+110.4%)	1,000 (-45.7%)	1,115 (-39.4%)	-15 (-100.8%)	1,700 (-56.0%)	1,100 (-71.5%)
Operating profit margin	6.9%	7.8%	7.4%	3.8%	4.4%	-0.1%	3.4%	2.2%



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-The only segment which is supposed to have declining sales and operating profit YoY.

-Full-year sales of hydraulic equipment business are considered to decrease approximately 4 billion yen YoY, as a result of stagnant demand for construction machinery in China.

During CY2012-2013, the number of excavators sold in China were around 110,000 units/year. Initial forecast of CY2014 was a slight increase. However, we downwardly revised the forecast for 20% to roughly 90,000 units.

-Aircraft equipment business will enjoy an increase in sales of 0.5 billion yen this fiscal year, which is based on the foreign effect premise of US \$1= JPY 100 so that there could be potential upside factors according to foreign effect condition.

## Aircraft & Hydraulic Equipment

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### Notes:

- ◆ Hydraulic equipment: - Sales decrease in full-year sales (YoY): due to weak demand for construction machinery in China
- ◆ Aircraft equipment: - Sales increase in H1/Full year (YoY): expansion of demand in the private sector and currency effect  
- Flat sales in H2 (compared with H1): due to the flat sales for private sector and Japanese Ministry of Defense
- ◆ O.P. of the segment: -Decrease in full-year O.P. (YoY): due to sales decrease in hydraulic equipment business

### Main Products and Customers

#### ◆ Hydraulic equipment

##### Traveling motors:

Japan: Komatsu, Kobelco Construction Machinery, Kubota, Sumitomo Construction Machinery Manufacturing

China: Sany, Xugong Excavator, Liu Gong, Zoomlion

#### ◆ Aircraft equipment

##### Flight control actuation systems:

Boeing, KHI, MHI, IHI, Japanese Ministry of Defense, Airlines



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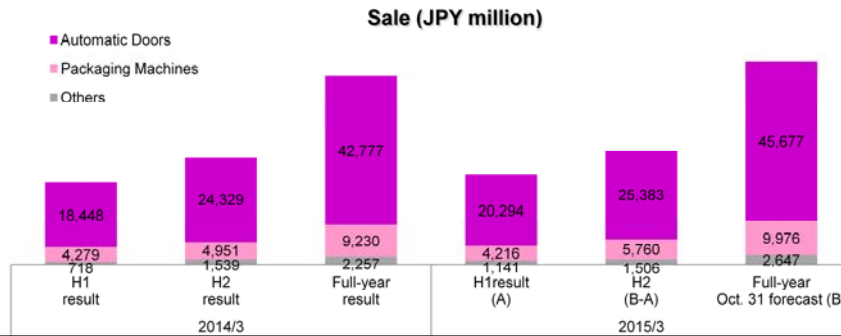
-As mentioned on P5, SG&A expenses etc. of the whole company are forecasted to increase during this fiscal year. SG&A expenses of the headquarter are allocated to each segment based on the number of employees. Since there are relatively more employees in Aircraft & Hydraulic Equipment Segment, the greater impact of increasing SG&A expenses to this segment is the reason which drops the segment operating profit.

## Industrial Equipment

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### Results and forecast

(JPY million)	2014/3			2015/3				
	H1 result	H2 result	Full-year result	H1		H2 (B-A)	Full-year	
				7/31 plan	Result (A)		7/31 plan	10/31 forecast(B)
<b>Sales (year-on-year)</b>	23,445 (+6.2%)	30,819 (+19.1%)	54,264 (+13.2%)	25,900 (+10.5%)	25,651 (+9.4%)	32,648 (+5.9%)	58,300 (+7.4%)	58,300 (+7.4%)
<b>Operating profit (year-on-year)</b>	851 (-34.8%)	2,675 (+16.2%)	3,526 (-2.3%)	500 (-41.3%)	644 (-24.3%)	2,855 (+6.7%)	3,800 (+7.7%)	3,500 (-0.8%)
<b>Operating profit margin</b>	3.6%	8.7%	6.5%	1.9%	2.5%	8.7%	6.5%	6.0%



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-OPM of this segment will decrease for 0.5 point as a result of the distribution of increasing SG&A expenses etc. YoY.

-In substance, both automatic doors and packaging machine businesses do have increasing sales and operating profit comparing to previous year.

## Industrial Equipment

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### Notes:

- ◆ Automatic Doors:
  - Increase in full-year sales (YoY): mainly due to currency effect
  - Sales increase in H2 (compared with H1): due to the seasonality
- ◆ Packaging Machines:
  - Flat sales in H1(YoY): slight decrease in domestic sales but slight increase in overseas sales
  - Sales increase in H2 (compared with H1), increase in full-year sales (YoY): increase in domestic demand
- ◆ O.P. of the segment:
  - Decrease in H1(YoY): temporary cost increase due to IT investment
  - Increase in H2(compared with H1): sales increase due to seasonality in automatic door market
  - Flat full-year O.P. (YoY): increase in the cost of investment for future growth

### Main Products and Customers

#### ● Automatic doors

**Automatic doors for buildings:** Major general contractors, sash manufacturers, hospitals, banks, public institutions, etc.

**Platform doors:** Subway projects in France, China etc

#### ● Packaging machines (Toyo Jidoki Co., Ltd)

Ajinomoto, Marudai Food Co., Ltd., ARIAKE JAPAN, KENKO Mayonnaise, P&G, Kao, Lion, American Beverage Corporation (USA), food companies in China



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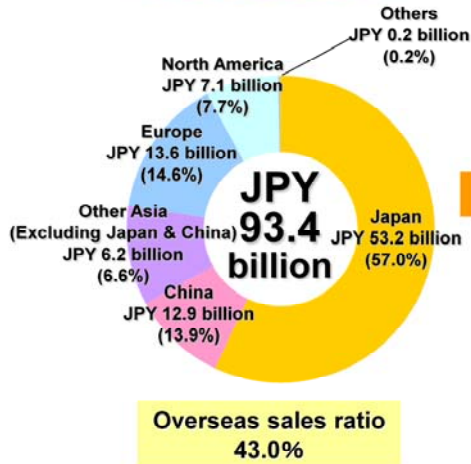
-On a local currency basis, sales and operating profit of main overseas subsidiaries of automatic doors business are anticipated to grow YoY.



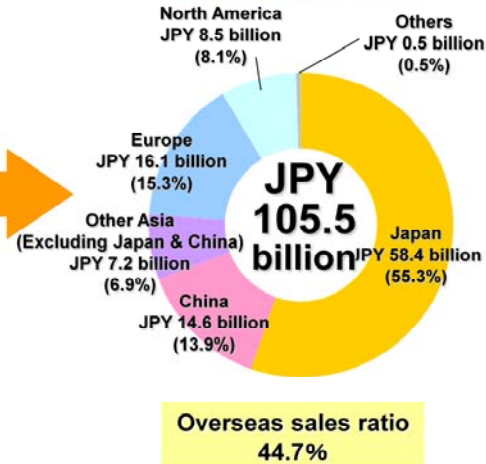
## Sales by Geographic Segment

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### 2014/3 H1 result



### 2015/3 H1 result



#### Notes:

◆ Overseas sales increased to JPY 47.1 billion due to increase in sales to China for railroad vehicle equipment, sales to Europe for precision reduction gears and sales to North America for aircraft equipment.

-In terms of sales to China, sales increases of railroad vehicle equipment, precision reduction gears and marine vessel equipment businesses have covered the weakening of hydraulic equipment business.



## Balance Sheet Summary

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(JPY million)	2014/3/31	2014/9/30	Variation
<b>Assets</b>	<b>233,984</b>	<b>228,104</b>	<b>-5,879</b>
(Cash and time deposits)	53,725	42,251	-11,474
(Accounts receivable)	52,840	53,083	243
Receivable turnover period (in days)	88	92	4
(Inventory)	22,233	25,673	3,439
Inventory turnover period (in days)	53	58	5
(Fixed assets)	55,225	54,708	-517
<b>Liabilities</b>	<b>94,513</b>	<b>83,252</b>	<b>-11,260</b>
(Interest-bearing debt)	26,204	15,544	-10,660
<b>Net assets</b>	<b>139,471</b>	<b>144,852</b>	<b>5,380</b>
(Stock acquisition right)	306	323	16
(Minority interests)	8,121	7,310	-811
<b>Equity capital</b>	<b>131,043</b>	<b>137,218</b>	<b>6,175</b>
<b>*Equity ratio:</b>	<b>56.0%</b>	<b>60.2%</b>	

**Remark:**

◆ Compression of marketable securities  
- JPY 10.9 billion

**Remark:**

◆ Goods and products + JPY 0.1 billion  
◆ Products in progress + JPY 2.2 billion  
◆ Raw materials and stored goods + JPY 0.9 billion

**Remark:**

◆ Refund of syndicated loan  
-JPY 10.0 billion

**Remark:**

◆ Increase of earned surplus  
+ JPY 7.0 billion

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-Comparing end of September to end of March, inventory turnover rate tends to become worse. We expect an improvement towards the end of this fiscal year.

## CAPEX, R&D and Depreciation



(JPY million)	H1 result		Full-year result & forecast		
	2014/3 H1 result	2015/3 H1 result	2014/3 Full-year result	2015/3 Full-year (previous forecast)	2015/3 Full-year forecast
CAPEX	3,557	3,454	6,760	12,000	9,000
R&D	3,111	3,392	6,401	7,000	7,600
Depreciation	3,640	2,941	7,600	6,700	6,400

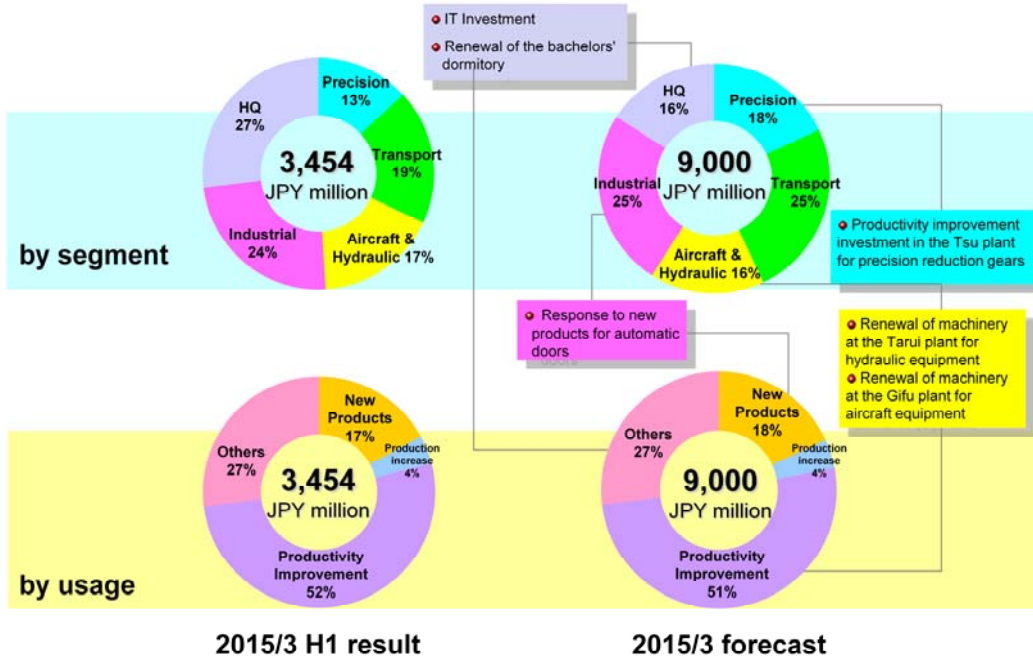
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-We have reviewed CAPEX plan from 12 billion yen (initial plan) to 9 billion yen. Downhold of investment for hydraulic equipment business is the main factor.

-R&D costs will increase comparing to initial plan. R&D-to-sales ratio is approximately 3.5%.

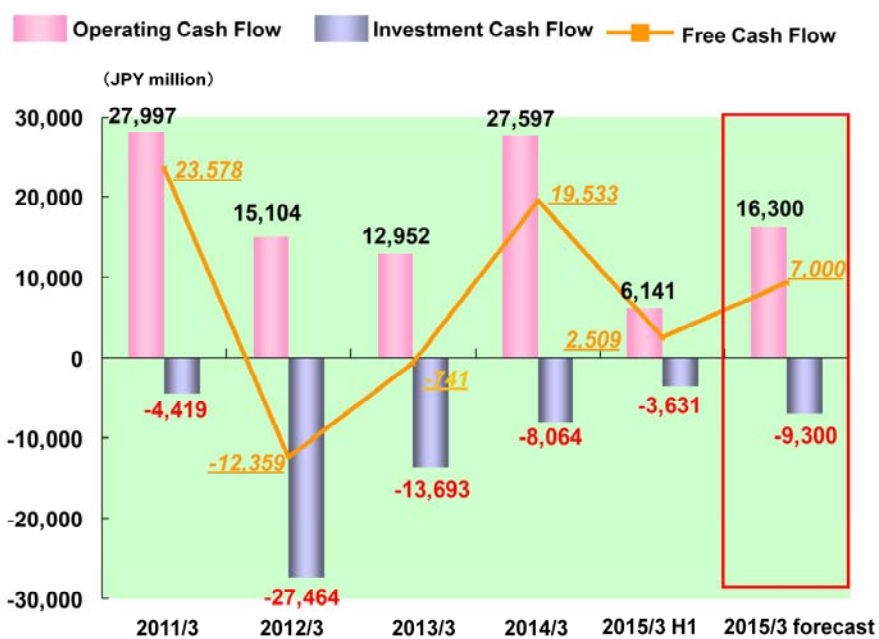
## Breakdown in CAPEX

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## Consolidated Cash Flow



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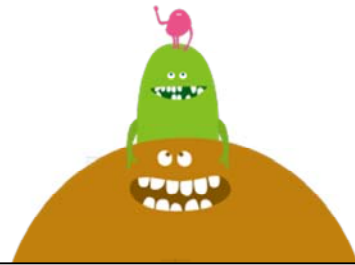
## Topics

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- April: Cumulative production of the RV™ series precision reduction gears reached 5 million units
- June: Established a representative office in India to collect information and search for suppliers
- July: Joined the network of Maritime Innovation Japan Corporation to foster R&D in the field of marine vessels equipment
- September: Included again in Dow Jones Sustainability Asia Pacific Index  
First included in September 2013, continued to be selected this time   
MEMBER OF  
Dow Jones  
Sustainability Indices  
In Collaboration with RobecoSAM
- September: Cumulative production of the electric digital governor systems for marine vessels reached 7,000 units  
Will expand the lineup of products for digital control engines for marine vessels
- October: Awarded the eighth KIDS DESIGN AWARD in the automatic door division for the fourth year in a row   
KIDS  
DESIGN  
AWARD
- October: Obtained the credit rating of A from Rating and Investment Information, Inc. (R&I)

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*Moving it. Stopping it.*  
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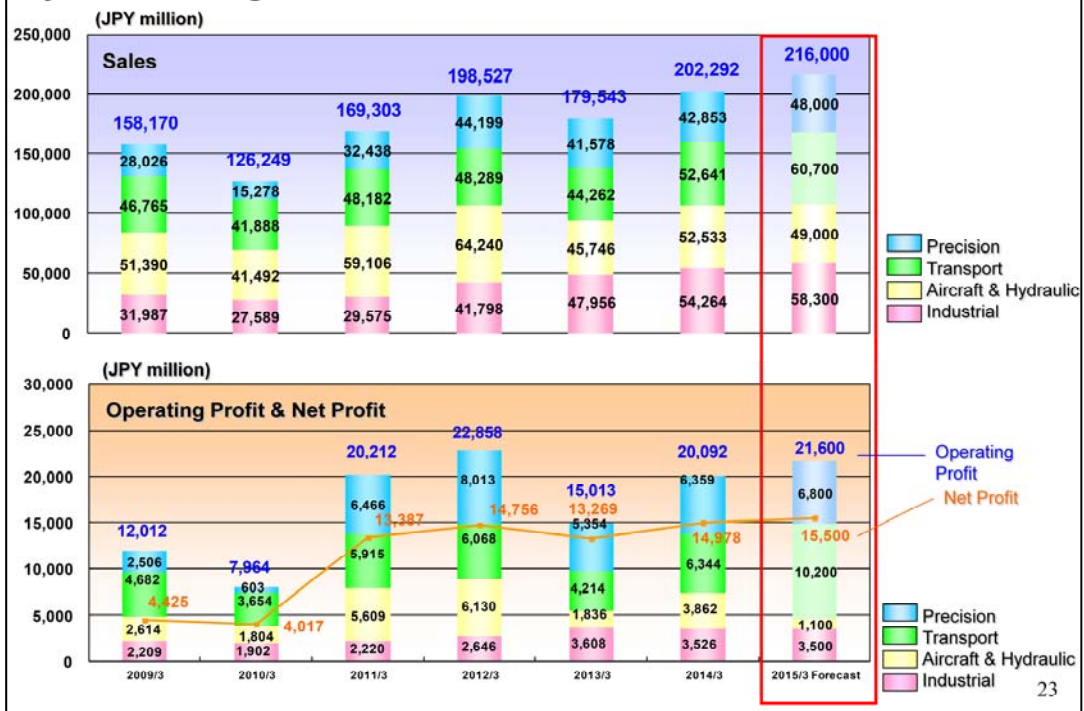


## Appendix



# Consolidated Annual Results and Forecasts by Business Segment

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## Targeted Financial Figures

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**Targeted EPS: ¥190 by 2017/3**

(JPY billion)	2014/3 Actual	2015/3 Plan	2017/3 Plan	2021/3 Long-term vision announced in May 2012
Sales	202.2	216	280 ± 5%	400
Operating profit	20	21.6	34	60
O.P. margin	9.9%	10.0%	12.0%	15.0%
Net profit	14.9	15.5	24	-
ROA	6.9%	6.7%	7.5%	11.0%
ROE	12.2%	11.7%	15.0%	18.0%
Payout ratio	32.2%	32.7%	30% being maintained	

Basic policy of the new mid-term management plan from 2015/3 to 2017/3

1. Further expansion of the business scale and pursuance of profitability
2. Promoting management with the conscious of asset and capital efficiency
3. Distribution of business earnings with the conscious of corporate growth