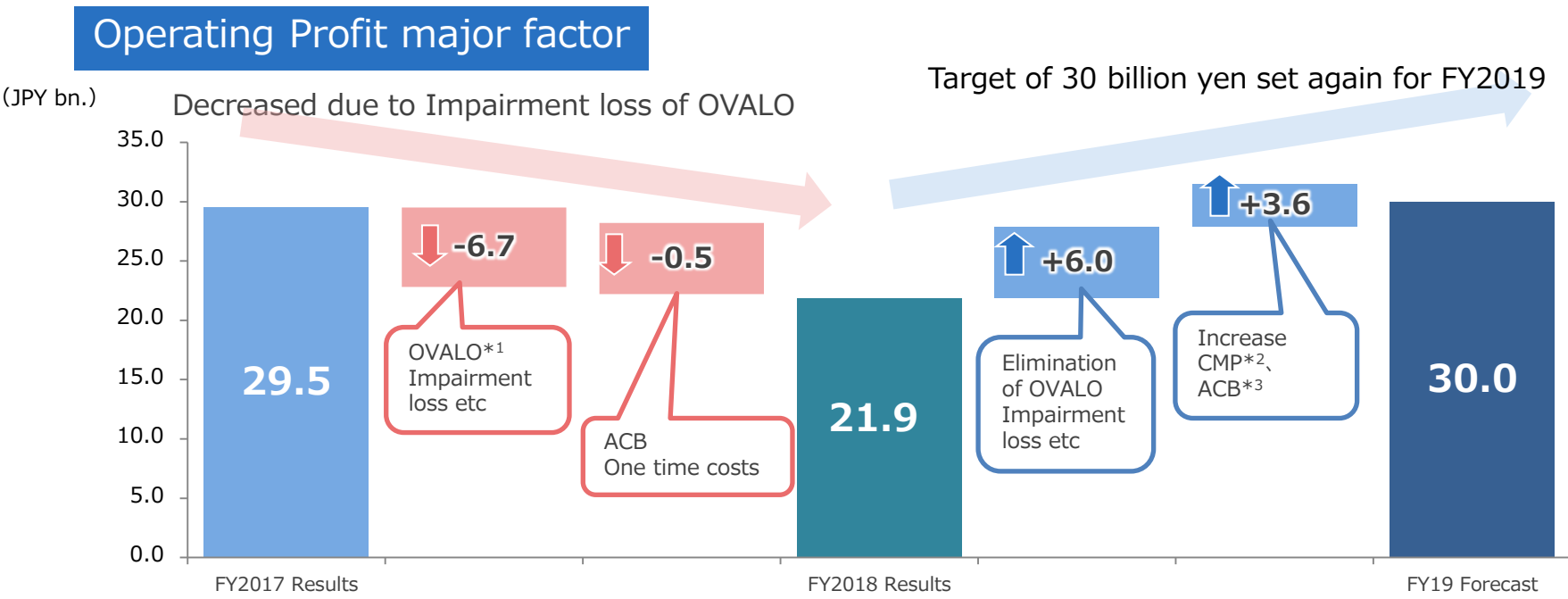
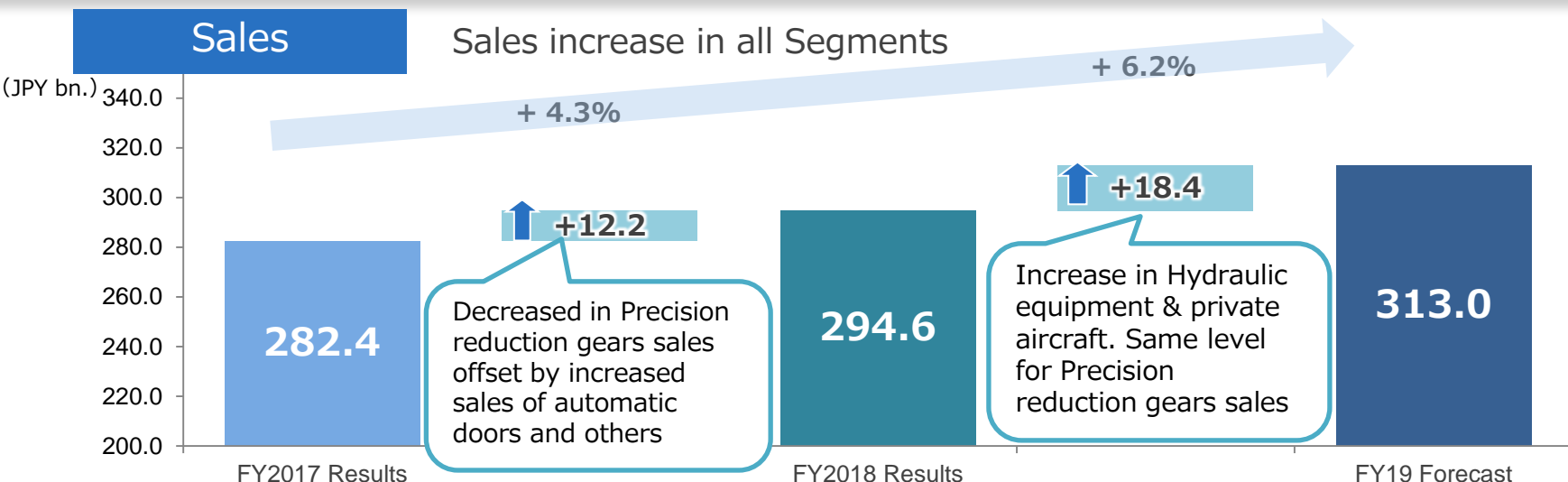


# **FY2018/12 Results Briefing (IFRS)**

**February 18, 2019**

# Summary of Annual Consolidated Results for FY2018/12



\*1 OVALO GmbH \*2 Component Solution Segment \*3 Accessibility Solution Segment

**1. Annual Consolidated Results for FY2018/12**

**2. Forecast for FY2019/12**

**3. Progress in Mid-Term Management Plan**

**1. Annual Consolidated Results for FY2018/12**

2. Forecast for FY2018/12

3. Progress in Mid-Term Management Plan

# Result for FY2018/12

- Sales increased for 5 terms continuously  
Sales, O.P and Net profit exceeded the Revised Plan.

(JPY million)	2017/12 Result (A)	2018/12 Revised Plan (As of Oct. 31, 2018) (B)	2018/12 Result (C)
Sales	282,422	293,900	294,626
Core O.P. *1	29,155	24,700	26,399
(Core OPM)	10.3%	8.4%	9.0%
O.P.	29,468	20,000	21,889
(OPM)	10.4%	6.8%	7.4%
Finance Income and Cost	523	-244	-1,107
Equity in earnings of affiliates	4,915	8,744	9,181
Income before tax	34,907	28,500	29,962
Net profit *2	25,146	19,800	21,029

Ratio of Variation ((C-A)/A)	Ratio of Variation ((C-B)/B)
4.3%	0.3%
-9.5%	6.9%
-1.3pt	0.6Pt
-25.7%	9.4%
-3.0pt	+0.6pt
86.8%	5.0%
-14.2%	5.1%
-16.4%	6.2%

Earnings per share (JPY Yen)	203.85円	159.74	169.65
DPS (JPY Yen)	72 yen	73 yen	73 yen(plan)
Payout ratio	35.3%	45.7%	43.0%

## Remarks :

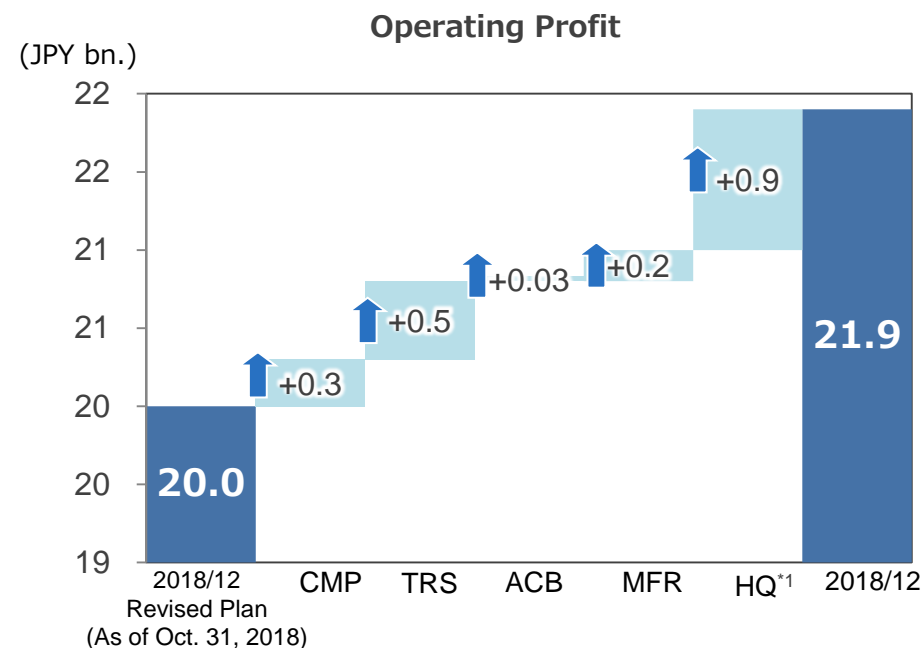
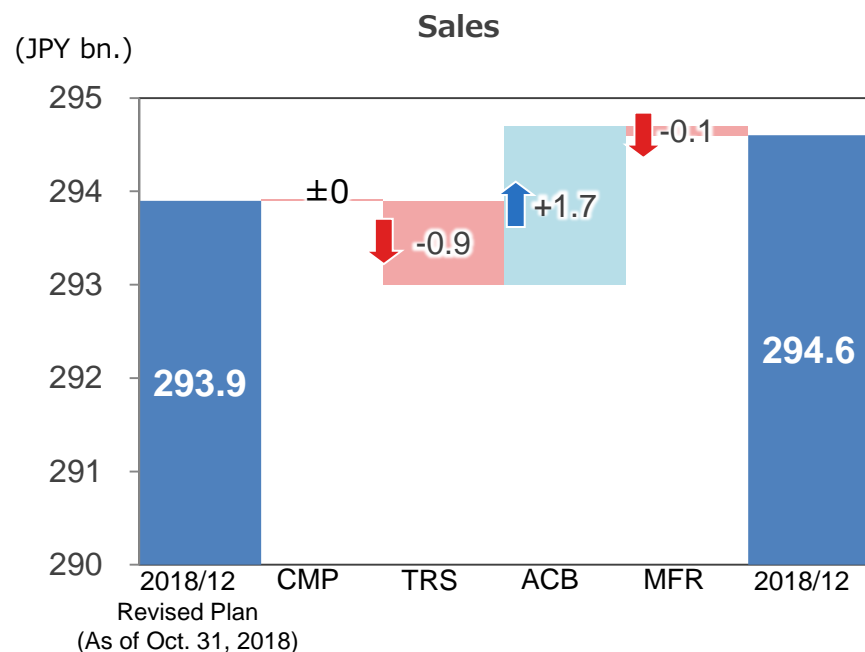
- Forex impact: -600M
- Harmonic Drive Systems share acquisition right valuation loss -260M

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

\*2 Net profit attributable to owners of the parent

# Revised Plan(As of Oct. 31, 2018) vs. FY2018/12 Result by Segment

■ Both Sales and O.P.: Exceeded the targets set in the revised plan(As of Oct.31).



Component Solutions Segment (CMP) :Sales and O.P were in line with the revised plan.

Transport Solutions Segment (TRS) :O.P increased due to achievement in the MRO\*<sup>2</sup> business.

Accessibility Solutions Segment (ACB) :Sales increased due to achievement in the platform door business.

O.P increased but only slightly, due to PMI\*<sup>3</sup> in Japan and to one-time expenses for the sales network in overseas.

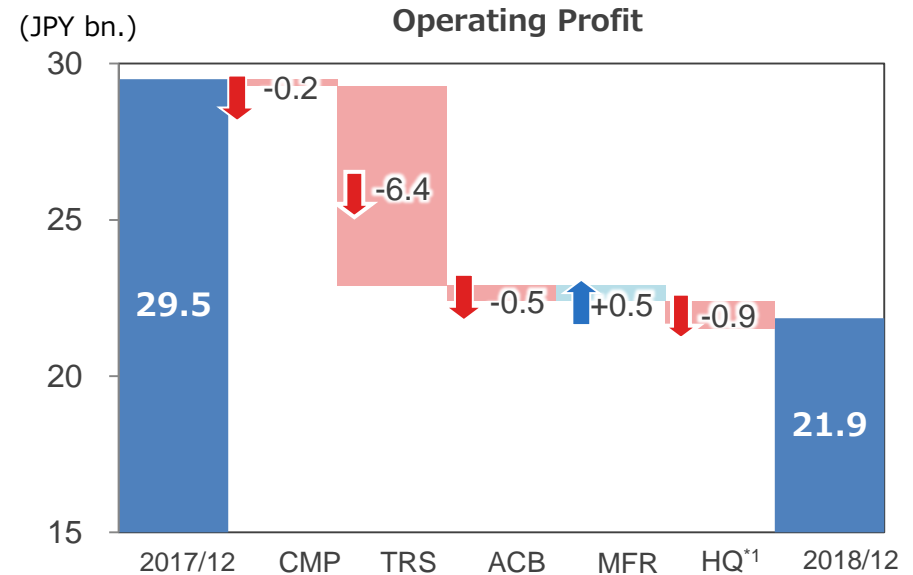
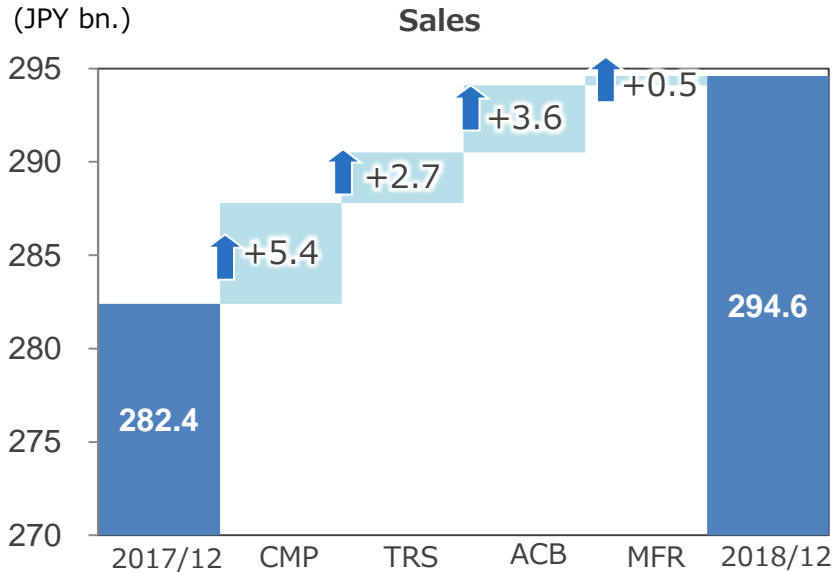
Manufacturing Solutions Segment (MFR) : Sales and O.P were in line with the revised plan.

HQ cost : Activities for cost reduction

\*<sup>1</sup> Corporate or Elimination \* \*<sup>2</sup> Maintenance, Repair and Overhaul \*<sup>3</sup> PMI(Post Merger Integration)

# FY2017/12 Result vs. FY2018/12 Result by Segment

■ Sales in all Segments increased. O.P decreased due to impairment loss of German subsidiary OVALO GmbH in 2Q

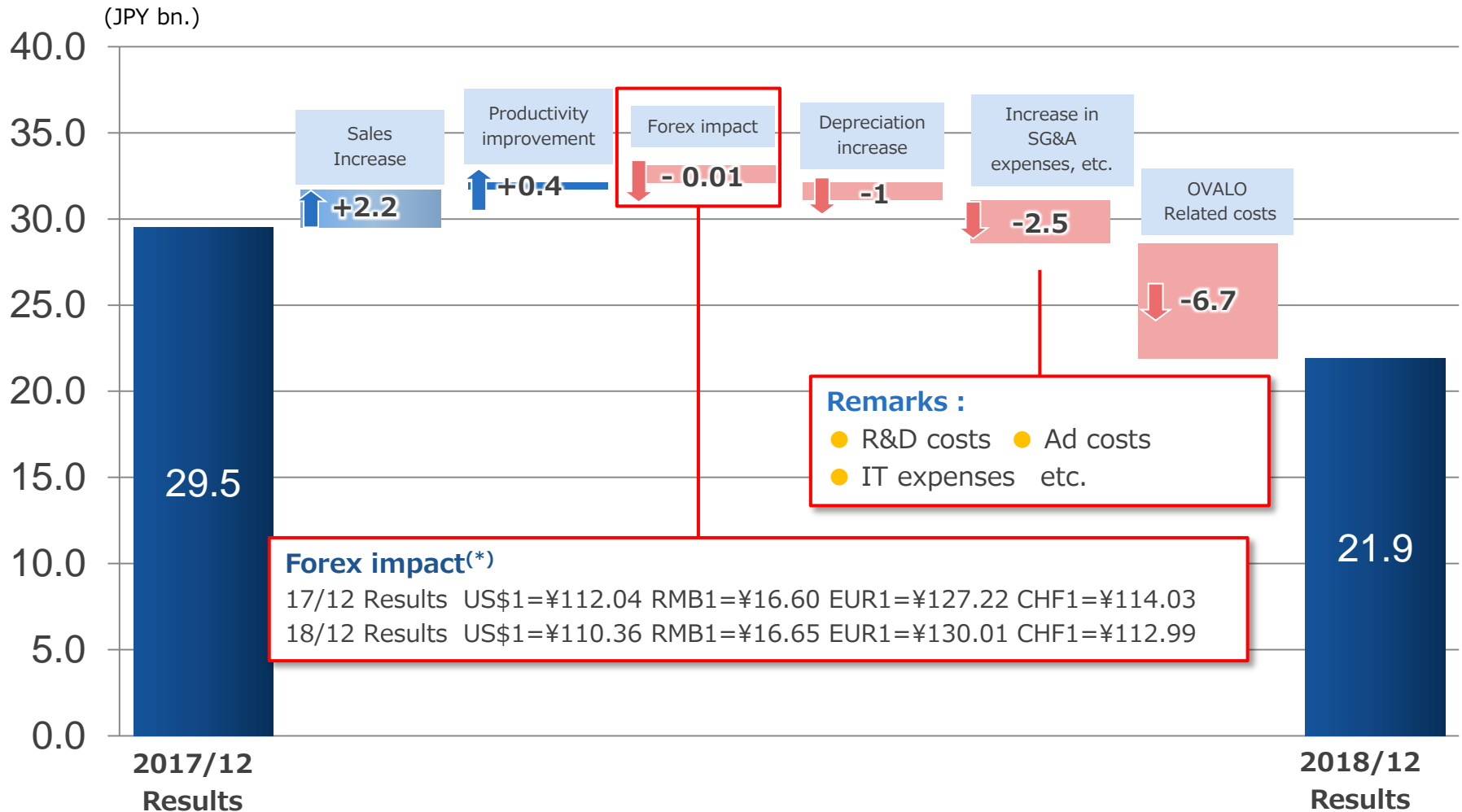


- Component Solutions Segment (CMP) :** Sales increased due to high growth in the hydraulic equipment business while sales decreased in the precision reduction gears business.  
O.P. remained at the same level, with sales increase in the hydraulic equipment business being offset by sales decrease in the precision reduction gear business.
- Transport Solutions Segment (TRs) :** Sales increased due to a good circumstance in 4 main businesses.  
O.P. decreased due to the impairment of OVALO GmbH(JPY 5.2B) and operating loss.
- Accessibility Solutions Segment (ACB) :** Sales increased due to the sales growth in the platform door business.  
O.P. decreased due to delays in construction projects for automatic doors for buildings and one-time expenses for the maintenance of sales bases.
- Manufacturing Solutions Segment (MFR) :** Sales and O.P increased due to the growth of the Food Packaging Machine business.  
HQ Cost : Costs of the consolidation of R&D fronts, IT investments and Advertisement increased.

\*1 Corporate or Elimination

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

- While sales increase was expected to drive O.P growth, impairment in OVALO and increasing operating expenses resulted in decrease of O.P



- FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen) :  
(US\$): 47 million yen (RMB): 812M yen, (EUR): minimal, (CHF): minimal



# Balance sheet (2017/12 Result vs. 2018/12 Result )

- Balance sheet keeps healthy conditions, while investments were made flexibly for growth in the precision reduction gear and aircraft equipment businesses.

(JPY million)	2017/12 (A) (as of December 31, 2017)	2018/12 (B) (as of December 31, 2018)	(B-A) Variation
<b>Assets</b>	301,557	328,824	27,011
<b>(Cash and cash equivalents)</b>	44,121	54,039	9,918
<b>(Trade receivables)</b>	76,874	74,952	-1,922
<b>(Inventories)</b>	40,298	43,592	3,294
<b>(Tangible fixed assets)</b>	70,700	80,573	9,873
<b>Liabilities</b>	124,556	139,313	14,757
<b>(Bonds and borrowings)</b>	27,720	45,310	17,590
<b>Total equities</b>	177,002	189,255	12,253
<b>(Non-controlling interests)</b>	9,465	10,553	1,088
<b>Equity attributable to owners of parent</b>	167,537	178,702	11,165

\*Ratio of equity attributable to owners of parent:

55.6%

54.4%

1. Annual Consolidated Results for FY2017/12

**2. Forecast for FY2019/12**

3. Progress in Mid-Term Management Plan

# Forecast for FY2019/12 (IFRS)

- Sales will increase due to strong demand for hydraulic equipment and private aircraft equipment businesses while sales will remain at the same level in the precision reduction gears business.
- O.P is anticipated to increase due to the elimination of OVALO's impairment loss.

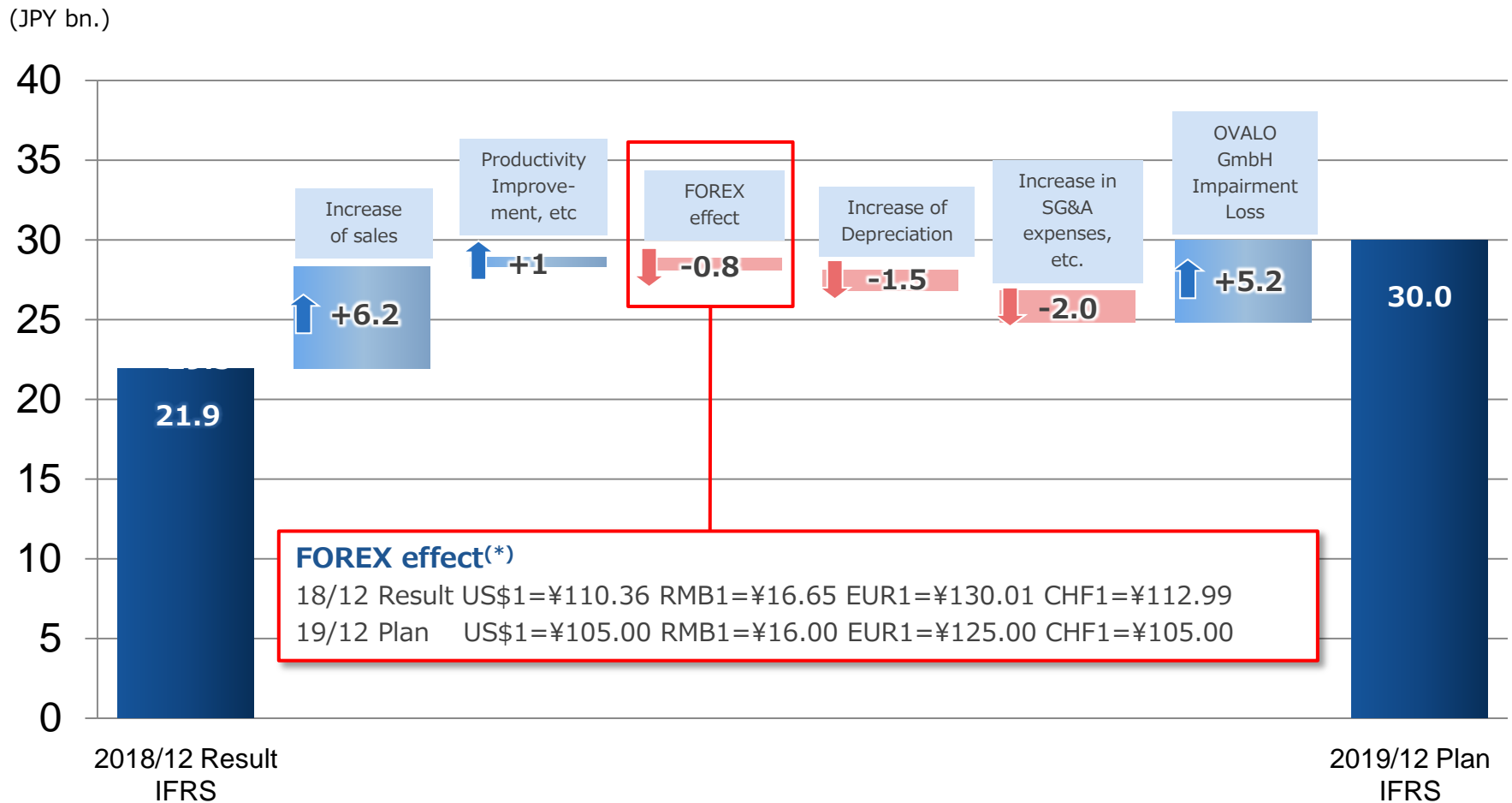
(JPY million)	2018/12 Result (A)	2019/12 Plan (B)	Variation (B-A)	Ratio of Variation ((B-A)/A)
<b>Sales</b>	294,626	313,000	18,374	6.2%
<b>O.P.</b>	21,889	30,000	8,111	37.1%
<b>(OPM)</b>	7.4%	9.6%	+2.2pt	-
<b>Income before tax</b>	29,962	33,600	3,638	12.1%
<b>Net profit *</b>	21,029	22,900	+1,871	+8.9%

<b>DPS (JPY Yen)</b>	73	73(plan)
<b>Payout ratio</b>	43.0%	39.5%(plan)

\* Net profit attributable to owners of the parent

# Analysis of Changes in Operating Profit by Company (FY2018/12 Result vs. FY2019/12 Plan )

- Expansion of profits due to sales increase and elimination of OVALO GmbH impairment loss.

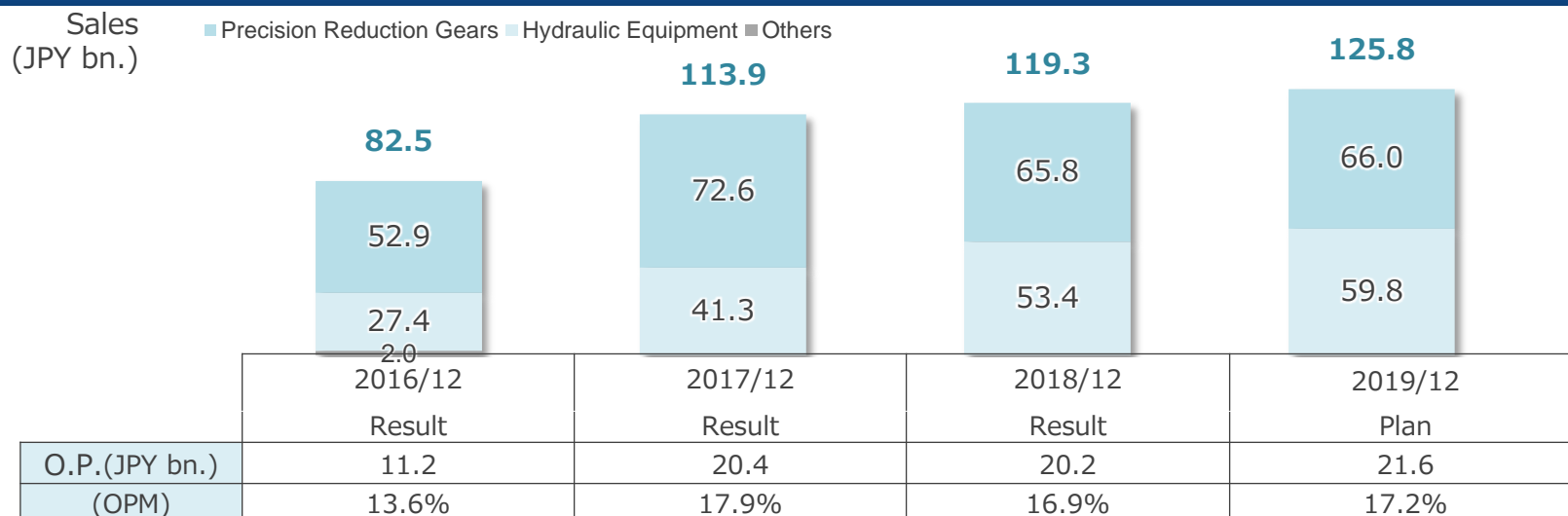


\*FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen):  
(US\$): 48 million yen, (RMB) : 863 million yen, (EUR) : minimal, (CHF) : minimal

# Component Solutions Segment (CMP)

■ As for the CMP segment, sales growth is anticipated due to increase in global strong demand for construction machinery. Sales for precision reduction gears are anticipated to remain the same level as in 2018 and demand for industrial robots is anticipated to recover in the second half, while demand will slow down in the first half.

## Result and Plan



## FY2018/12 Result vs. FY2019/12 Plan

Precision Reduction Gears : Sales will remain the same level as in 2018.

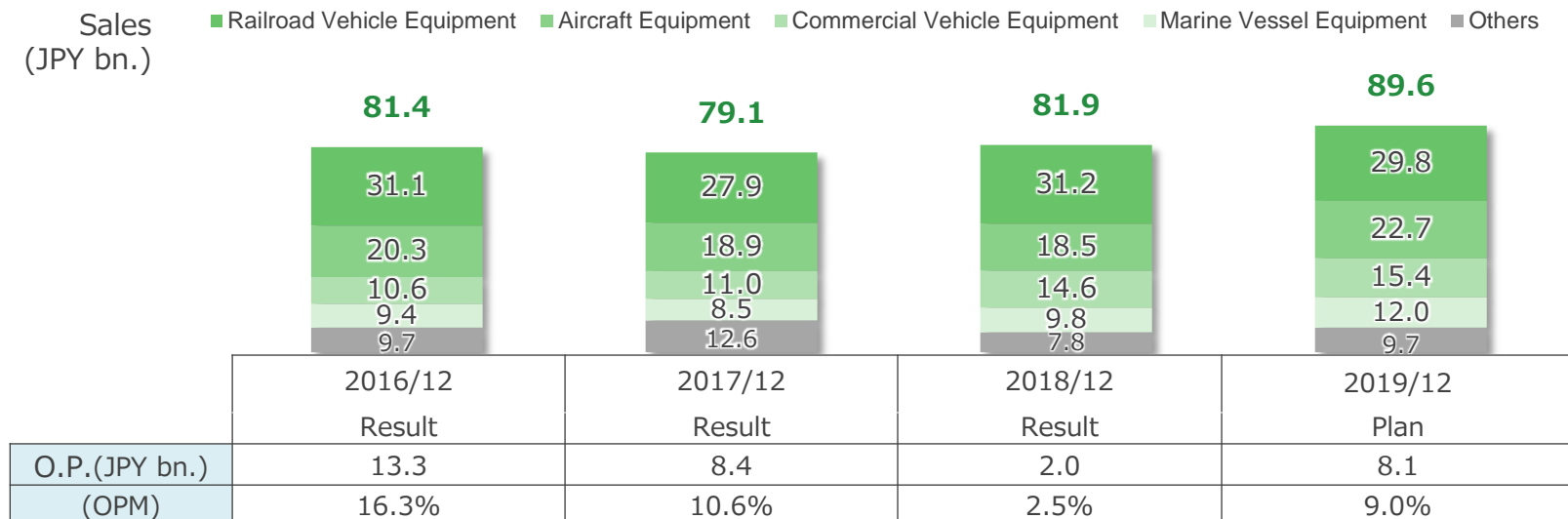
Hydraulic Equipment : Demand in China is stable due to infrastructure investment. Sales are anticipated to increase due to a robust demand in South-east Asia and North America.

O.P. : Expansion of profits by increasing sales.

# Transport Solutions Segment (TRS)

- Sales are anticipated to grow in TRS driven by the growth of aircraft sales in the private aviation sector.
- Profits are anticipated to increase for the elimination of the OVALO GmbH impairment loss.

## Result and Plan



\*For Nabtesco Service, sales in and before 2017/12 are not included in the results shown above.

## FY2018/12 Result vs. FY2019/12 Plan

Railroad Vehicle Equipment : Sales will decrease in the off-season period for vehicle production in Japan.

Aircraft Equipment : Sales will increase due to ramp up for production rate for B737MAX and the start of mass production for B777X.

Commercial Vehicle Equipment : Anticipate to increase due to stable demand in Japan and strong demand in Southeast Asia.

Marine Vessel Equipment : Sales growth is anticipated due to slow recovery of the marine transport market and new building for marine vessel market

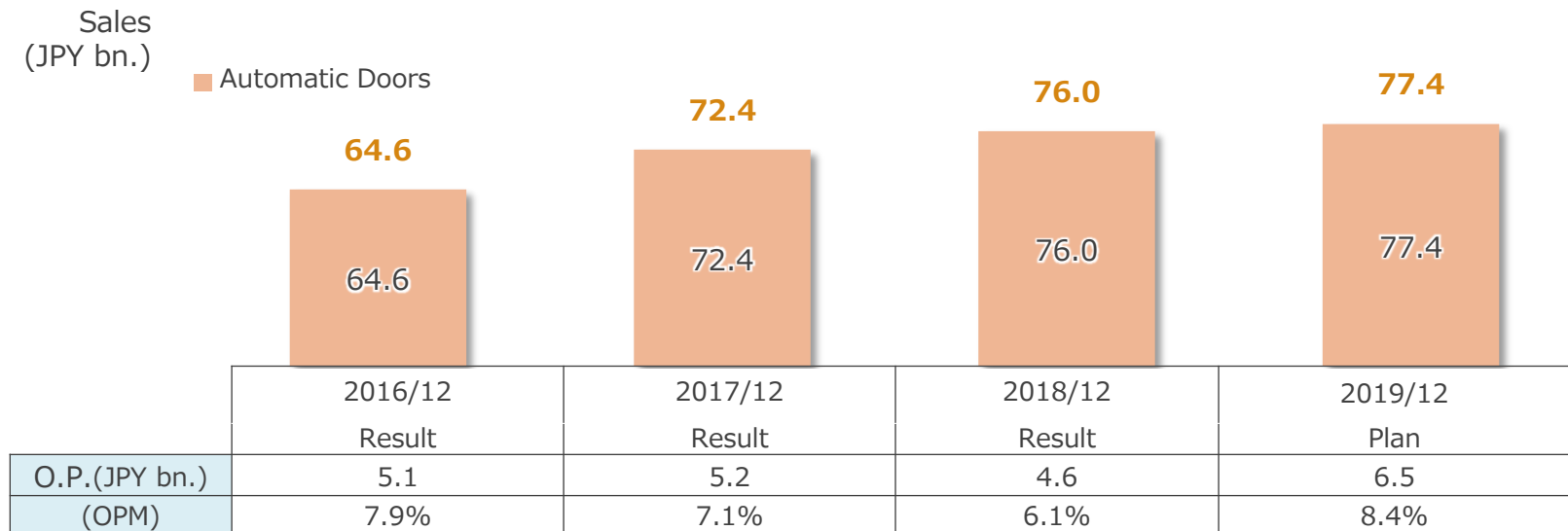
Others: Sales will increase due to the start of mass production in OVALO GmbH.

O.P. :The O.P. is anticipated to increase due to the elimination of the OVALO GmbH impairment loss.

# Accessibility Solution Segment (ACB)

- Sales and profit are anticipated to grow by meeting demand for Japan and overseas building automatic doors.

## Result and Plan



## FY2018/12 Result vs. FY2019/12 Plan

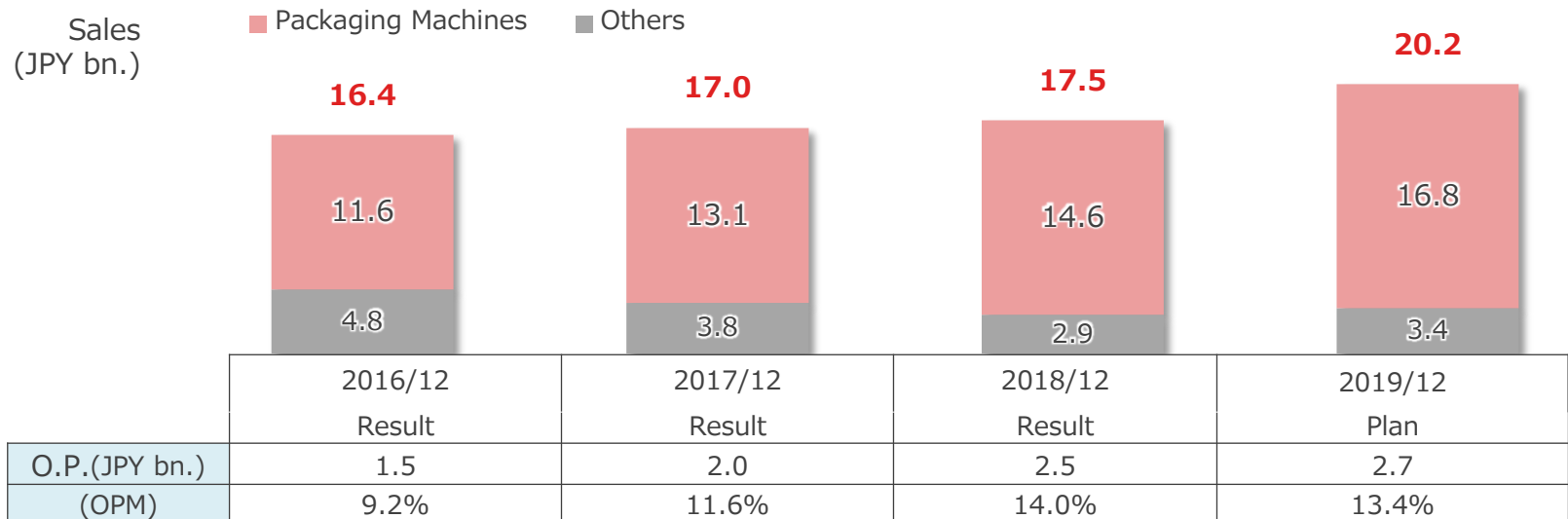
Automatic Doors :Sales will increase due to stable demand for the platform door and to catch up for new building construction delays.

O.P. : Anticipated to increase driven by sales growth and decrease in one-time expense.

# Manufacturing Solutions Segment (MFR)

- Sales and profit are anticipated to increase due to robust demand for packaging machines in the food industry in Japan and overseas.

## Result and Plan



## FY2018/12 Result vs. FY2019/12 Plan

Packaging Machines :Sales to Japanese food manufacturers will increase, driven by labor-saving requirements. Sales will increase steadily also outside of Japan.

O.P. :Expansion of profits by increasing sales.



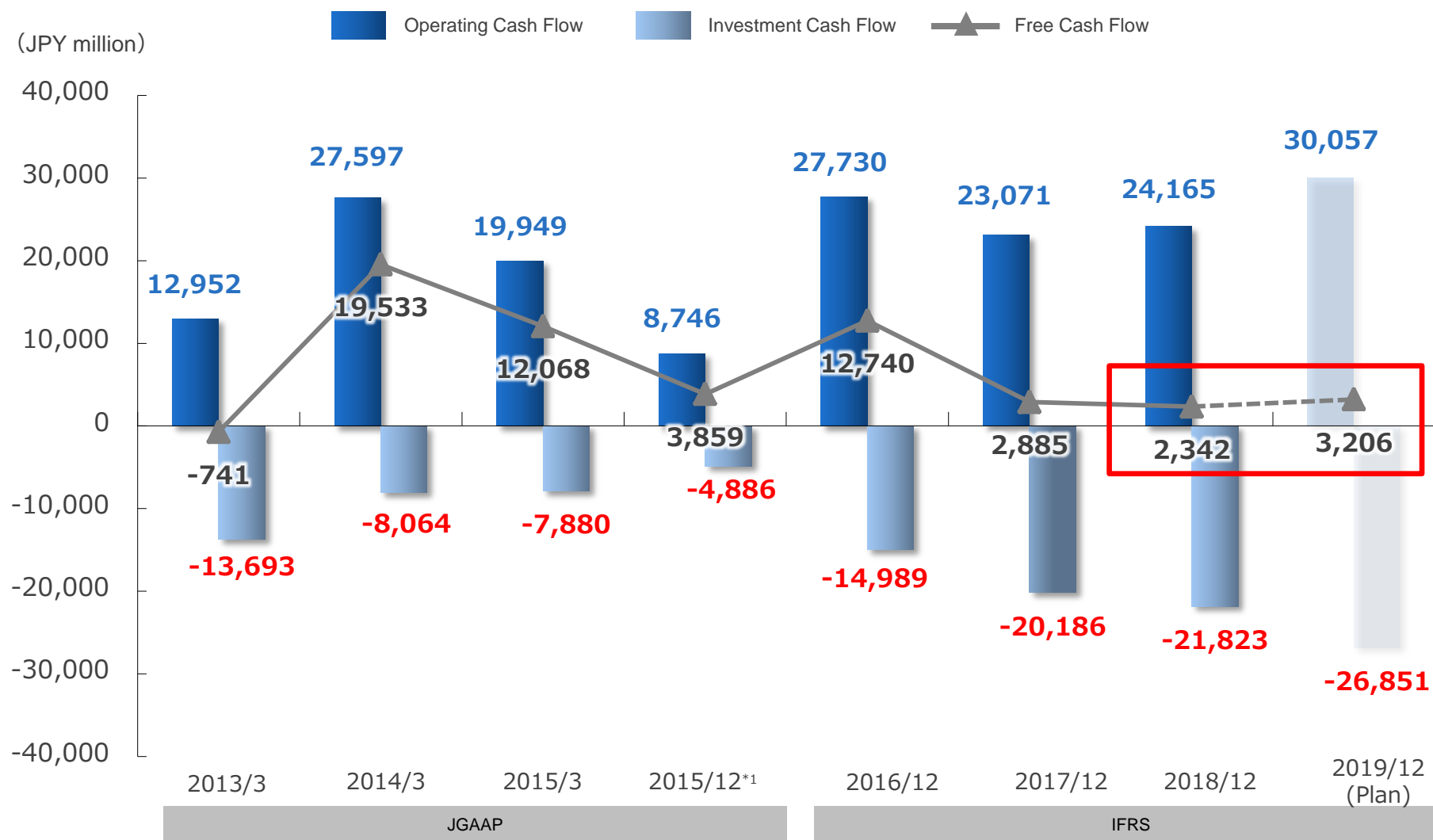
# CAPEX, R&D and Depreciation

■ Capital expenditure for future growth with a focus on the precision reduction gears and aircraft equipment businesses as well as environment-related investments

(JPY bn.)	2017/12 Result	2018/12 Result	2019/12 Plan	2017-20 Mid-term Plan
<b>CAPEX</b>	15.2	20.3	30.6	77
<b>R&amp;D</b>	8.7	10.2	10.6	40
<b>Depreciation</b>	9.0	10.0	11.5	

# Consolidated Cash Flow

## ■ Maintaining positive free cash flow while making investments in growth markets



\*<sup>1</sup> 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.

1. Annual Consolidated Results for FY2017/12

2. Forecast for FY2018/12

**3. Progress in Mid-Term Management Plan**

**ROE : 15%**

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

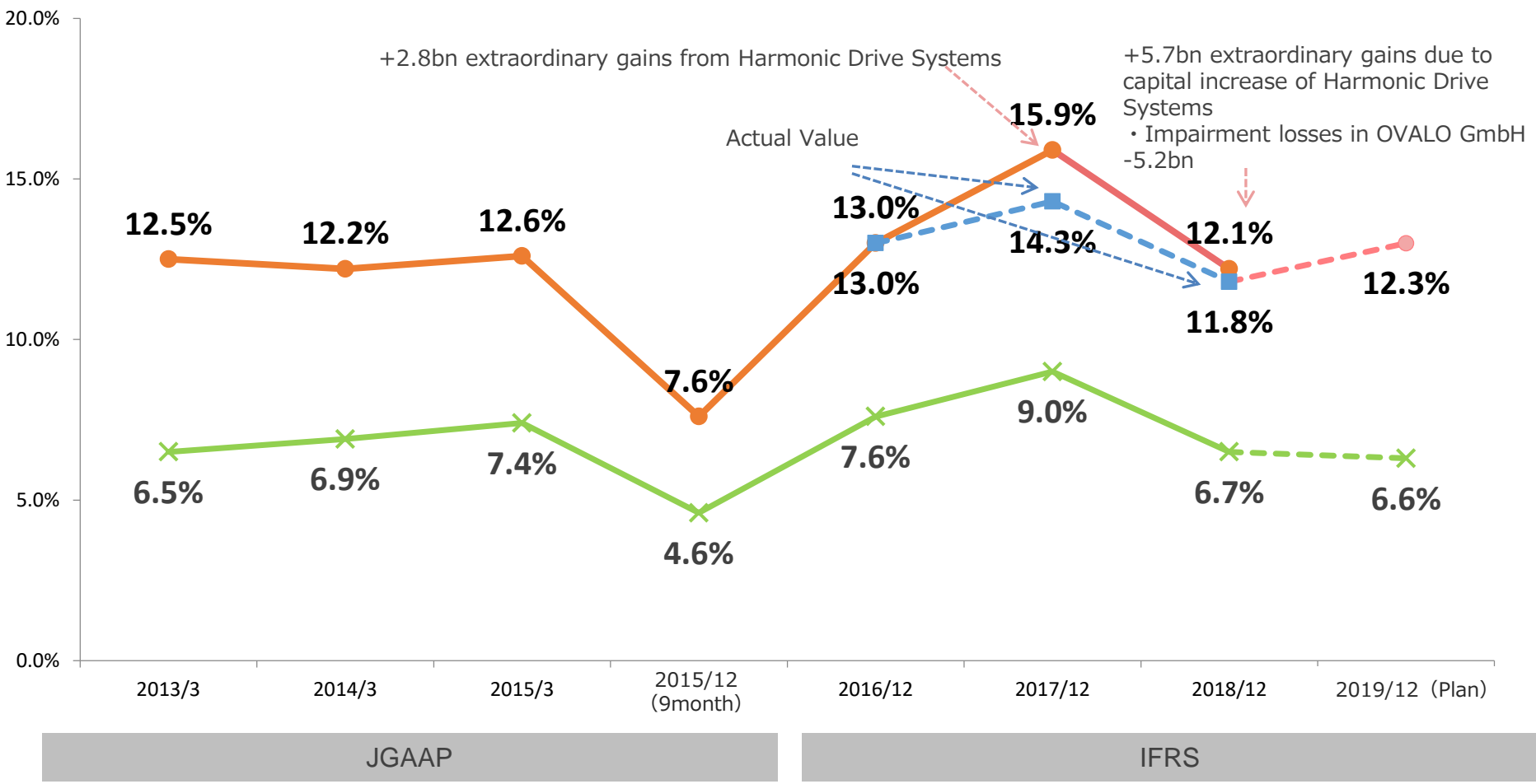
**Focus on solving  
ESG issues**

# Medium-term management plan ~ROE15%~

## ROE15%

ROE declined due to the impairment losses in OVALO GmbH.  
Will work to improve ROE in order to achieve ROE 15% in 2020..

— ROA  
— ROE



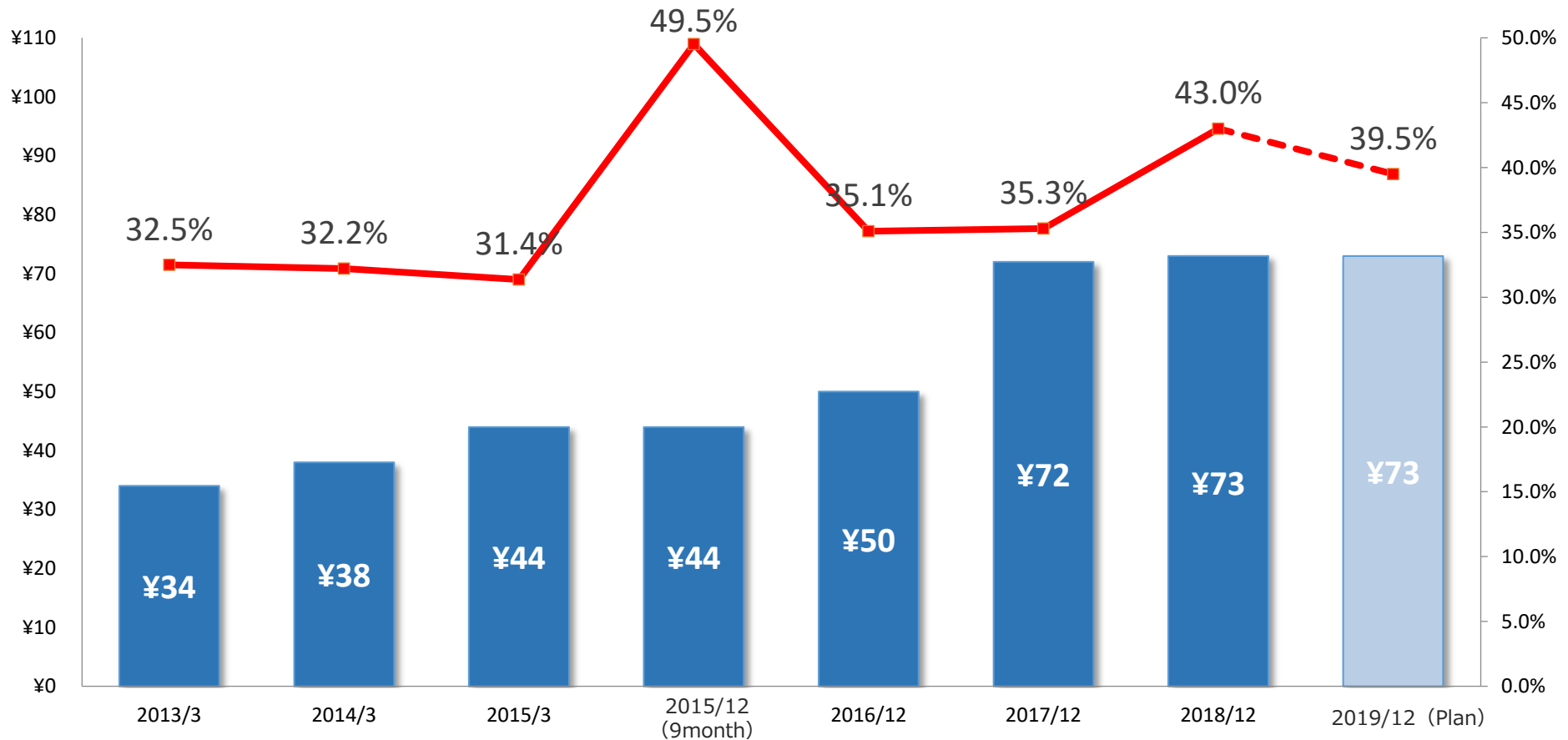
# Medium-term management plan

~Consolidated pay out ratio 35% or higher~

## ■ Consolidated payout ratio 35% or higher

Profit for 2018/12: Below the initially planned level

Dividends: To be paid in line with the plan made at the beginning of the term



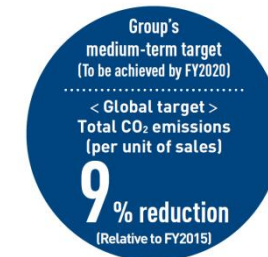
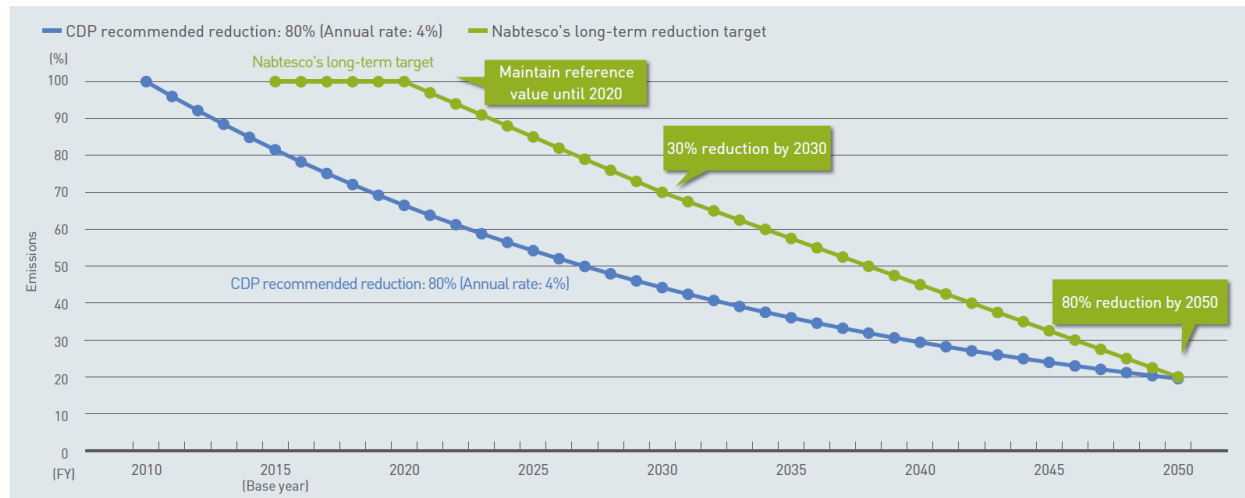
# Measures to Solve ESG Issues in 2018

## ■ E : Measures to Climate Change Issues

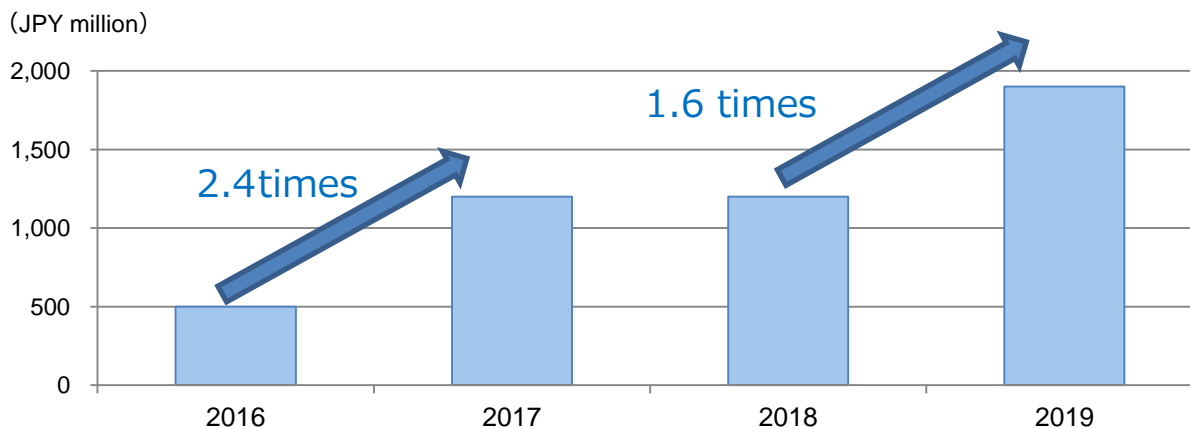
\*1 The FSB Task Force on Climate-related Financial Disclosures

- Speeded up the Execution of the PDCA Cycle to achieve the long term CO<sub>2</sub> emission reduction target
- Established TCFD \*1 sectional committee and implemented cross-functional measures

### Nabtesco's SBT



## • Making environmental investments aggressively



### ■ Major investment targets

- Solar power generation equipment
- Highly efficient Machineries
- Advanced measures to comply with regulations on fluorocarbons

# Measures to Solve ESG Issues in 2018

## ■ S : Measures for Society

### • Work Style Reforms

→Diversity in employment and workplaces (Open recruitment, Work-from-home system, Smart work benefit)

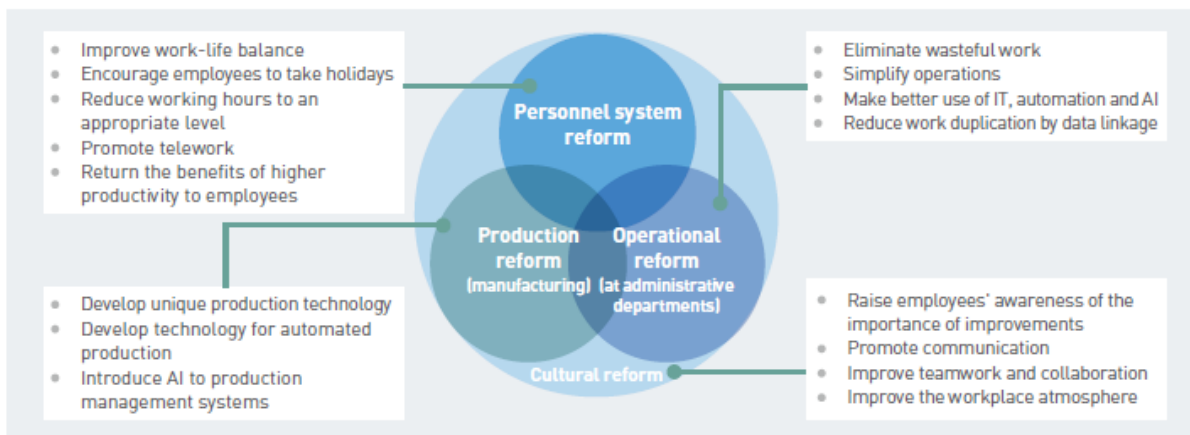
Improve productivity by IT application (RPA, Paperless, Operational review for improvement)

### • Human Rights Management

→Implemented a human right risk investigation based on the Nabtesco Group Human Rights Policy in domestic and oversea fronts and confirmed that no significant risk existed.

### • Established Nabtesco Group Community Investment Policy

→Clarified purposes of the activities and domains in order to promote proactive Community investment



Major Targets	FY2020 Target (vs FY16)
Per hour labor productivity (Value added/working hour)	+20%
Overtime hours	△18%
Paid annual leave	+5 days
Promote Telework	More than 150 persons



### ■ Formulation of Community Investment Policy

- Through our community investment activities, we will proactively engage in exchanges and cooperate with local communities in fields closely related to our business in each region where the Group conducts business as good practice of the Nabtesco Way.
- Aim to create value for stakeholders · value for the Nabtesco Group.
- Concentrate on the three key fields of the environment, the education, the welfare.

## Nabtesco Group's Community Investment

### Nabtesco Group Community Investment Policy

<b>Policy</b>	The Nabtesco Group promises to protect the global environment and promotes harmony with local communities by practicing The Nabtesco Way. In each region where it conducts business, the Nabtesco Group will cooperate with local communities in those fields closely related to its business.		
<b>Targets</b>	<ul style="list-style-type: none"> <li>• To contribute to solving global social challenges</li> <li>• To contribute to solving social challenges faced by local communities in each region where the Group conducts business</li> <li>• To encourage employees' spirit of challenge and their innovative way of thinking by contributing to solving social challenges in those fields related to the Group's business</li> <li>• To increase the Group's brand value by contributing to solving social challenges</li> <li>• By achieving these targets, to foster the growth of both the Nabtesco Group and local communities and to build long-term relationships of mutual trust</li> </ul>		
<b>Priority Areas of activity</b>	<b>Relevance to the Group's business</b>	<b>Corresponding material CSR issues (materiality)</b>	<b>Corresponding SDGs</b>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Contribution to reducing environmental impact through manufacturing</li> <li>• Commitment to addressing global and local environmental issues in each region where the Group conducts business</li> </ul>	<ul style="list-style-type: none"> <li>• Countermeasures for climate change</li> <li>• Environment-friendly manufacturing</li> <li>• Reduction of environmental impact through products and services</li> <li>• Recycling, reuse and remanufacture of products</li> </ul>	
<b>Education</b>	<ul style="list-style-type: none"> <li>• Development of next-generation human resources by using the Group's expertise and resources gained through business</li> <li>• Enhancement of the value chain in collaboration with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Development of human capital and promotion of workplace diversity</li> <li>• Local community development</li> <li>• Fair, proper and transparent procurement activities</li> </ul>	
<b>Welfare</b>	<ul style="list-style-type: none"> <li>• Revitalization of local communities through welfare equipment business</li> <li>• Support for diversity and social inclusion in each region where the Group conducts business</li> </ul>	<ul style="list-style-type: none"> <li>• Local community development</li> <li>• Development of human capital and promotion of workplace diversity</li> <li>• Provision of safe and comfortable workplaces</li> </ul>	

Number of welfare devices donated (FY2008 to FY2017)  
 2017: 38  
 Accumulated total: 308

### Resources Invested



Charitable Donations 1%  
 Local Community Investments 38%  
 Commercial Initiatives 61%



Cash contributions 8.1 million yen / 32.9%  
 Time: employee volunteering during paid working hours 3.2 million yen / 13.3%  
 In-kind giving (product donations) 12 million yen / 48.9%  
 Management overheads 1 million yen / 4.9%

\* Excluding commercial initiatives

### Environment

Number of mangroves planted (FY2013 to FY2017)

2017: 600  
 Accumulated total: 2,850

Number of persons who planted mangroves (FY2013 to FY2017)

2017: 180  
 Accumulated total: 607

### Education

Number of persons who joined various programs

2017: 251,071

### Welfare

Number of welfare devices donated (FY2008 to FY2017)

2017: 38  
 Accumulated total: 308

## ■ G : Strengthen Corporate Governance

- **Revised the Nabtesco Corporate Governance Basic Policy**

- Made clear statements on the reduction of “strategically held shares,” capital costs, and the involvement of the Board of Directors in the plan for a successor to the CEO

- **Implemented a proactive Quality Audit**

- Implemented a special audit for “Quality” in Group companies and Confirmed no significant issue was found.

- **Created a governance structure to generate synergies among in-house organizations and speed up the decision-making process**

- Applied Segment system(CMP Segment) and pursued synergy

- Empowerment based on the evaluation of the effectiveness of the Board made in the previous fiscal year

- **Sophisticated Risk Management**

- Conducted structural risk assessment in group companies. Identified significant risks and implemented countermeasures across the company through the risk management committee.

- **Strengthened Compliance structure**

- Raised employees’ awareness of the Nabtesco Group Code of Ethics and Global Anti-Bribery Policy

# ESG Rating Organizations/ESG Indexes

## ■ Awarded the highest rating from CDP in three fields

Included in the major ESG indexes, including four selected by the GPIF

### • Environmental evaluation

(CDP)

- Climate Change A List 2018
- CDP Water Security A List 2018
- Supplier Engagement Leader 2019



First time named in CY2018

(WWF Japan)

- Ranked No. 1 in the “Global warming countermeasure ranking: Machinery and precision equipment”

### • ESG Index

- DJSI World Index
- MSCI ESG Leader Indexes
- FTSE4Good Index Series
- STOXX Global ESG Leaders



Included in the World Index in CY2016



FTSE4Good



FTSE Blossom Japan

(GPIF Index)

- MSCI Japan ESG Select Leaders Indices
- MSCI Japan stock women active score index



2018 Constituent MSCI ESG Leaders Indexes



2018 Constituent MSCI Japan ESG Select Leaders Index

Included for the first time in CY2018

(WIN)

- FTSE Blossom Japan
- Global Environmental Stock Indices



2018 Constituent MSCI Japan Empowering Women Index (WIN)

# Progress of Medium-term management plan

## Market Creation

- ✓ **Establishment of new bases and subsidiaries**
  - Nabtesco Europe GmbH (2017)
  - TOYO JIDOKI EUROPE GmbH (2018)
  - OVALO/ adcos M&A (2017)
- ✓ **Reconstruction and sale of subsidiaries**
  - DIAVAC LIMITED: Sold in 2018
  - Automatic door business in North America: Reconstructed in 2017
- ✓ **Capacity expanding in overseas**
  - Hydraulic Equipment :  
Coping with demand increase in Chinese market
  - Precision Reduction Gears:  
Acquired land to expand capacity for further growth

## Technology Innovation

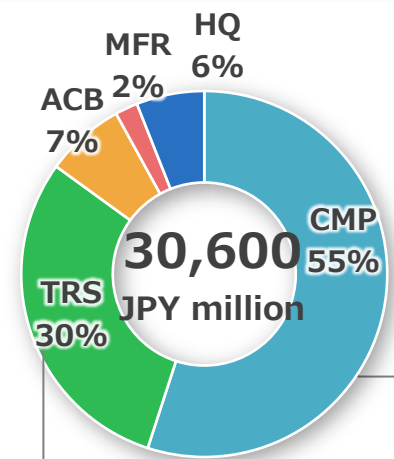
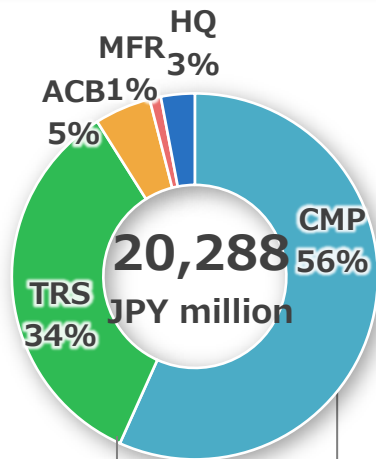
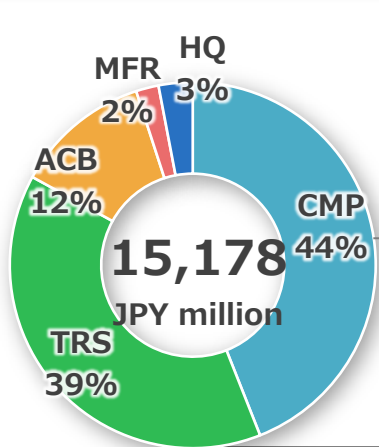
- ✓ **Strengthen competitiveness of existing products · develop next-generation products**
  - Next generation Precision Reduction Gears (Zeta) :  
Put on the market (2018)
  - Next generation standard automatic door (NATRUS)  
Put on the market (2018)
    - New model FCA : For 737MAX(2017)、777X(2019)
- ✓ **Develop new products and technology to expand the lineup of value-added products**
  - Hydraulic Equipment :Expansion of the lineup of systems and development of electrically controlled valves
  - Packaging machines : Preprocess automation equipment
  - Electronic design using adcos
- ✓ **Create new technologies and businesses**
  - Established Corporate Venture Capital (2018)

## Operational Excellence

- ✓ **Production reform across the company**
  - Production management renewal (ICT)
  - Advanced automation · Optimum SCM (3P Logic)
- ✓ **Measures for work style reforms**
  - Active use of RPA Tools (2018)
  - Promotion of workplace communication
  - Quantification of results and management of targets
- ✓ **Inventory operations**
  - Under the leadership of the Production Innovation Div., improvements are made based on the business-specific targets reset in consideration of the present situation
- ✓ **Organizational reform**
  - Head office departments: Placed under the direct control of the CEO (2018)
  - Business departments: Appointment of segment leaders (2019)
- ✓ **ESG**
  - Enhancement of corporate governance
  - Continually investment in environment and safety

# Appendix

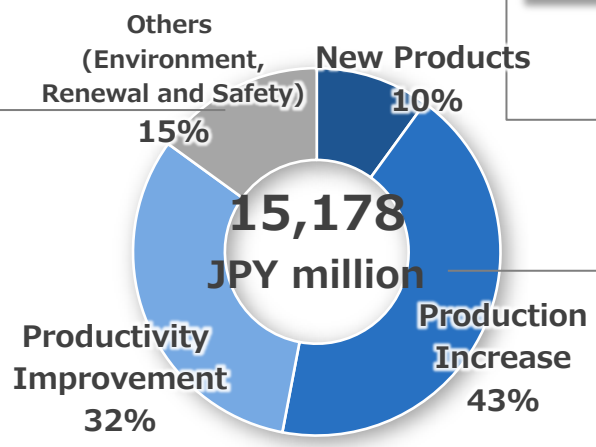
# Breakdown of CAPEX



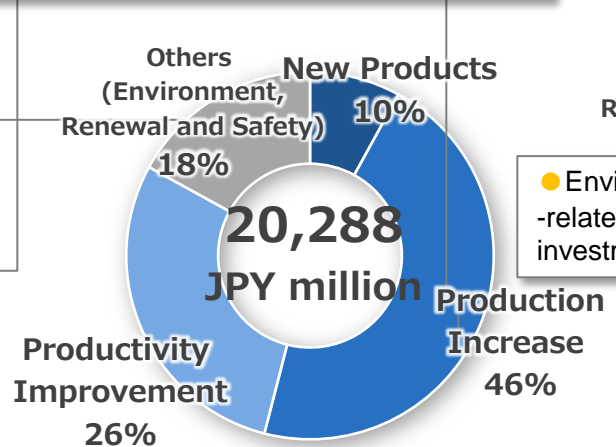
- Precision reduction gears: Increase production capacity in Japan and China
- Aircraft equipment: - Capacity expansion at Gifu Plant

- Precision reduction gears: Increase production capacity in Japan
- OVALO GmbH  
Mass production for new products

- Environment-related investments
- R&D-related investments

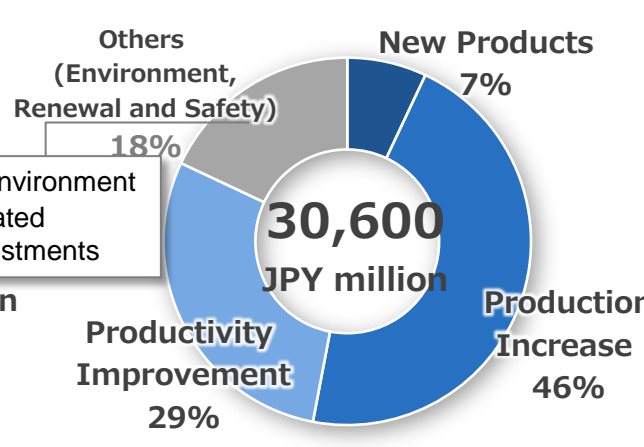


2017/12 Result



2018/12 Result

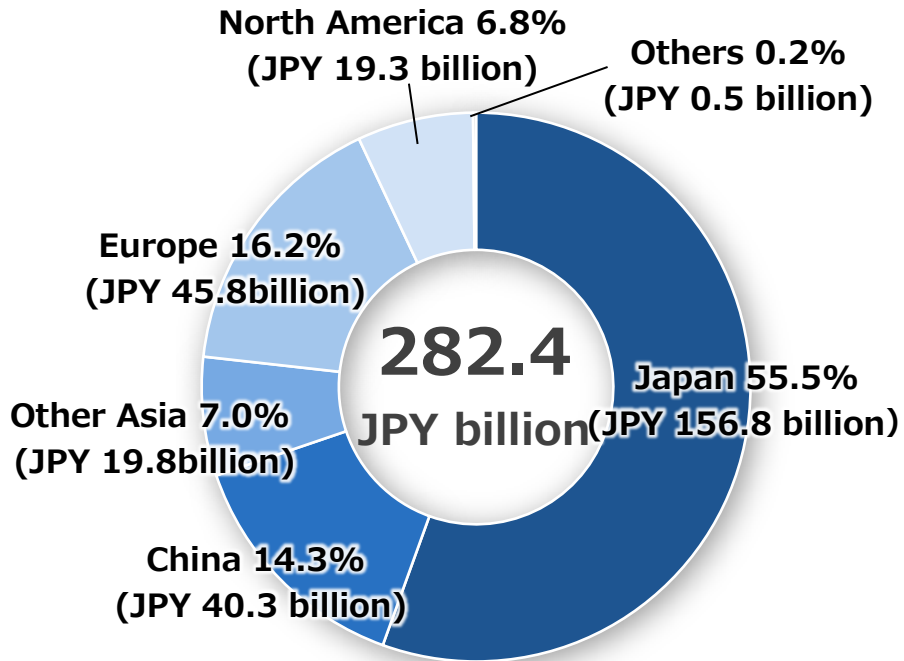
- Environment-related investments



2019/12 Plan

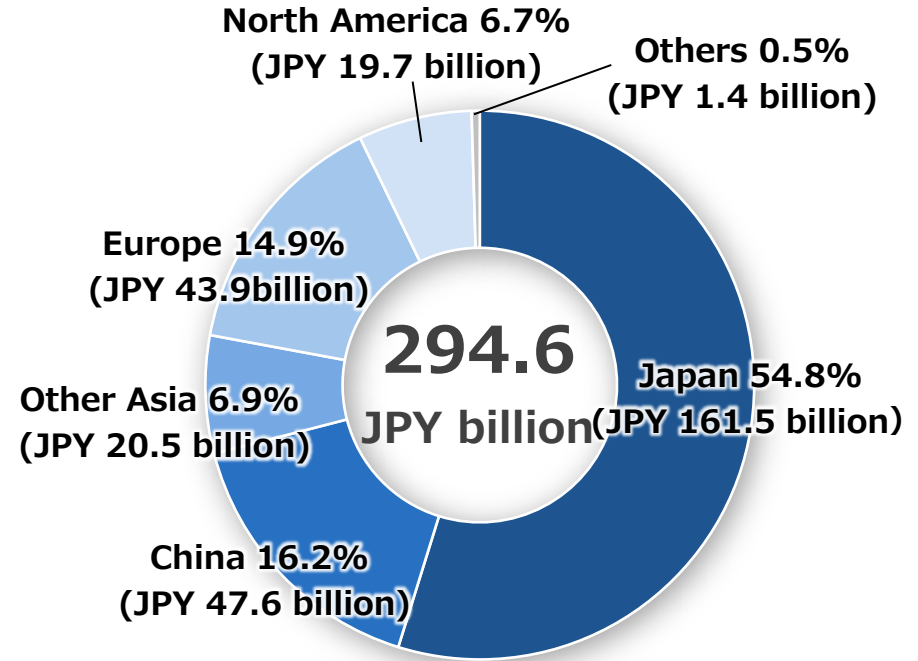
# Sales by Geographic Segment

## 2017/12 Result



Overseas Sales	JPY 125.6 billion
Ratio	44.5%

## 2018/12 Result



Overseas Sales	JPY 133.2 billion
Ratio	45.2%

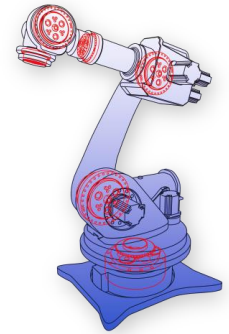
# Main Products: Component Solutions Segment (CMP)

## Precision Reduction Gears

### ■ Joints of Industrial Robots



**No.1**  
Approx. **60%**  
world market share

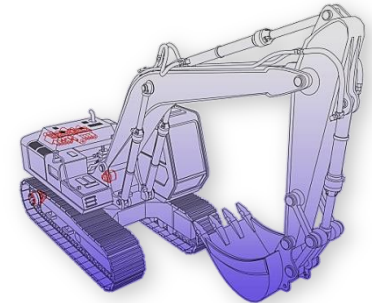


## Hydraulic Equipment

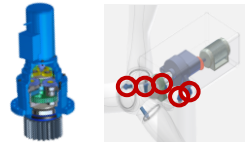
### ■ Traveling Unit for Hydraulic Excavators



Approx. **25%**  
world market share



### ■ Drive Units for Wind Turbines



## Main Customers

### ■ Precision Reduction Gears

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

**Machine Tools:** Okuma, Yamazaki Mazak, Makino Milling Machine Co.,Ltd., DMG Mori Seiki

### ■ Hydraulic Equipment

**Traveling Units:** Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery, Sany, XCMG, Liu Gong

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



# Main Products: Transport Solutions Segment (TRS)

## Railroad Vehicle Equipment

### ■ Brake Systems

Others



No.1

Approx. **50%** Domestic Market Share

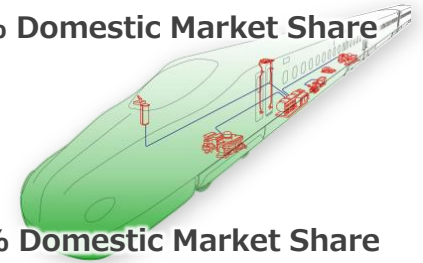
### ■ Door Operating Systems

Others



No.1

Approx. **70%** Domestic Market Share



## Aircraft Equipment

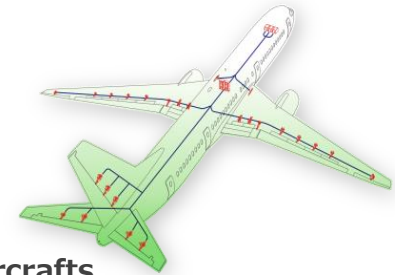
### ■ Flight Control Actuation Systems (FCA)

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

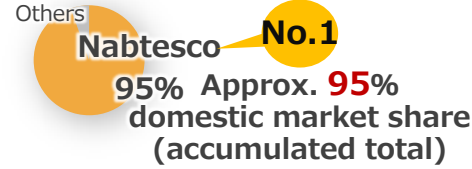
# Main Products: Accessibility Solution Segment (ACB)

## 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

**Nabtesco**  
*moving it. stopping it.*