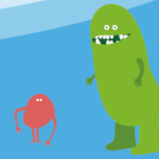
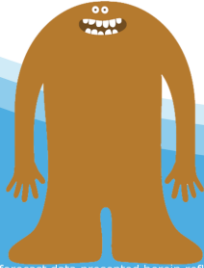


# Briefing on Annual Results for FY2015/12

February 18, 2016

**Nabtesco Corporation**



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.

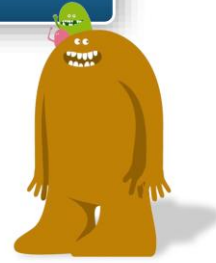
## Agenda

1. Results for FY2015/12

2. Forecast for FY2016/12



# 1. Results for FY2015/12



## Change of the Closing Date

■ Changed the closing date from March 31<sup>st</sup> to December 31<sup>st</sup> for FY2015/12 onwards

FY2015/3

	2014												2015		
	Jan.	Feb.	Mar.	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Nabtesco and domestic subsidiaries				Q1			Q2			Q3			Q4		
Overseas subsidiaries				Q1			Q2			Q3			Q4		

**Full-year :** 12-month period for both domestic and overseas companies

FY2015/12

(‘TANSHIN’ *Basis)	2015											
	Jan.	Feb.	Mar.	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Nabtesco and domestic subsidiaries				Q1			Q2			Q3		
Overseas subsidiaries				Q1			Q2			Q3		

**Full-year :** 9-month period (April 1, 2015 to December 31, 2015) for domestic companies, 12-month period for overseas companies

## FY2015/12 Consolidated Results

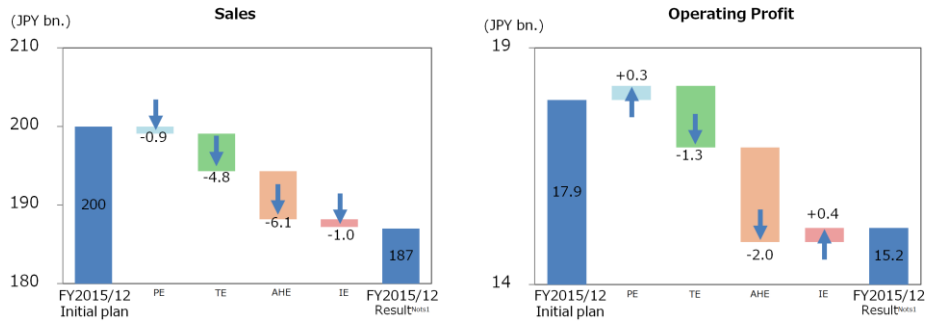
- Dividend per share remained unchanged while FY2015/12 results were below the initial targets due to the slowdown in Chinese demand

(JPY million)	2015/12 Result (A) Nabtesco and domestic subsidiaries (9M) Overseas subsidiaries (12M)	2015/12 Full-year initial plan As of May 2015 (B)	Variation (A-B)	Progress (A/B)
Sales	187,000	200,000	-13,000	93.5%
Operating profit	15,294	17,900	-2,606	85.4%
(O. P. Margin)	8.2%	9.0%	-0.8pt	-
Non-operating profit and loss	1,124	-	-	-
Ordinary profit	16,418	19,700	-3,282	83.3%
Extraordinary profit and loss	-1,060	-	-	-
Profit before taxes	15,358	-	-	-
Net profit*	11,059	13,400	-2,341	82.5%
Net profit per share (Yen)	88.85	105.88	-	-
FOREX rate	US\$1=¥121.03 RMB1= ¥19.37	US\$1=¥115.00 RMB1= ¥18.50	-	-
Dividend per share (Yen)	44 (Plan)	44 (Plan)	±0	100%

Reference : FY2015/3 Net profit per share ¥140.24  
\*Net Profit = Net income attributable to parent company shareholders

## FY2015/12 Result vs. Initial Plan

- Sales and O.P. declined due to demand decrease in China both in hydraulic equipment and railroad equipment businesses



### Structural reform of hydraulic equipment business in response to the sluggish construction machinery demand in China

- Integration of Chinese production bases (2 plants into 1 plant)
- Reduction of production capacity in China (by 30%)
- Asset reduction in Chinese production base (Impairment loss : JPY 2.1 billion)

Note 1: 9 months for Nabtesco and domestic subsidiaries and 12 months for overseas subsidiaries

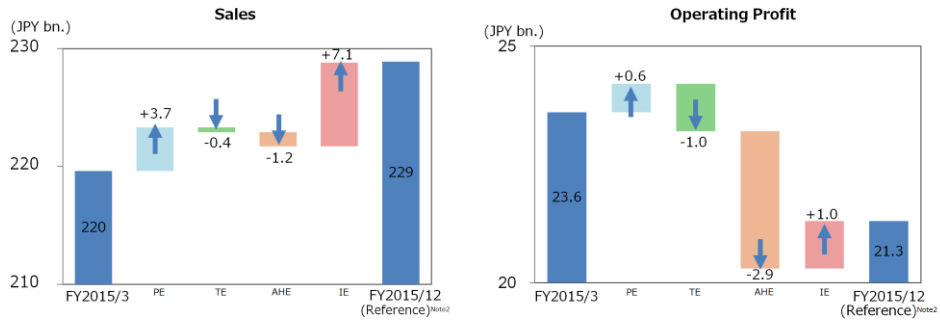
Nabtesco

6

- Integration of Chinese production bases (completed by September 2015)
- Reduction of production capacity in China (completed by 2015)

## FY2015/3 vs. FY2015/12(12 Months for Reference)

■ Robust demand for industrial robot and M&A effect led to an increase in sales, but slowdown of Chinese market negatively affected O.P.



**PE:** Sales and O.P. increased for precision reduction gears due to robust demand for industrial robots and others

**TE :** O.P. dropped due to product mix and cost increase

**AHE :** Sales and O.P. increased for aircraft equipment due to the currency effect but decreased for hydraulic equipment despite the M&A effect, being influenced by the weak Chinese construction machinery demand

**IE :** Sales and O.P. increased due to the M&A effect for FY2015/3 and accounting method standardization

Note 2: Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions.

BS Statement			
■ Maintaining healthy BS with proactive investments for future growth and share buyback			
(JPY Million)	2015/3 (As of March 31, 2015)	2015/12 (As of Dec. 31, 2015)	Variation
Assets	245,992	233,381	-12,611
(Cash and time deposits)	51,157	35,068	-16,088
(Accounts receivable)	57,115	59,750	2,635
(Inventory)	25,165	28,421	3,256
(Tangible fixed assets)	56,877	55,916	-960
Liabilities	87,327	84,456	-2,871
(Interest-bearing debt)	16,659	15,333	-1,326
Net assets	158,664	148,924	-9,739
(Stock acquisition right)	391	379	-11
(Minority interests)	8,410	6,476	-1,934
Equity capital	149,862	142,068	-7,793
※ Equity ratio :	60.9%	60.9%	

**Remarks :**

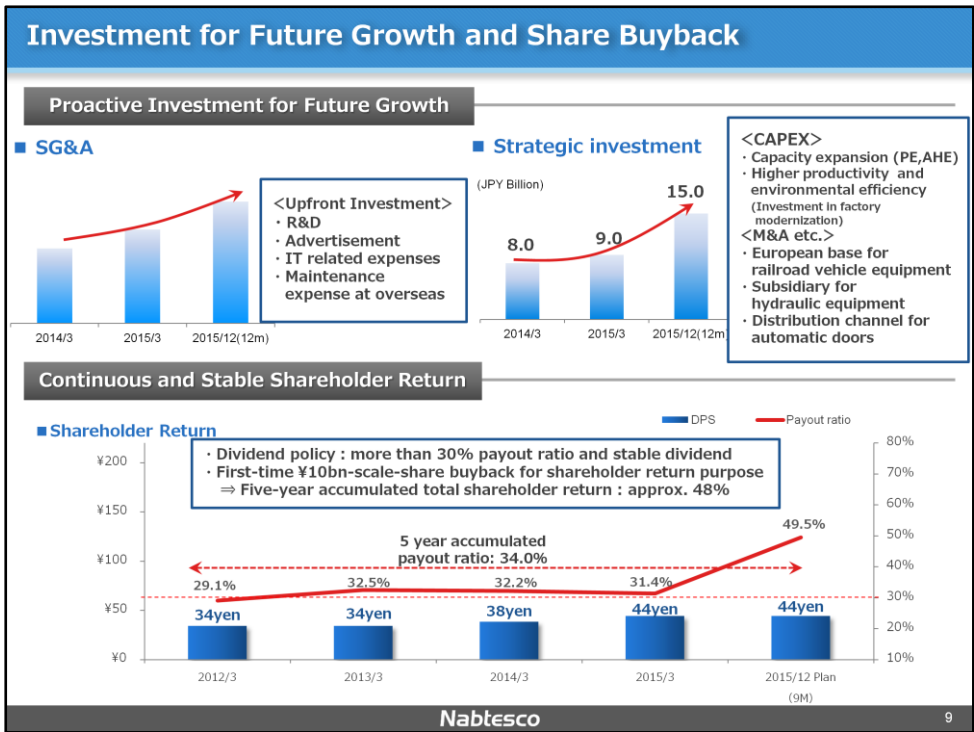
- Share buyback  
JPY -9,999 million

**Remarks :**

- Capital surplus  
JPY -4,752 million
- Translation adjustment  
JPY -1,379 million
- Other unrealized gain on securities  
JPY -1,288 million

- Share buyback : from June 2015 to July 2015  
Cancellation : December 2015





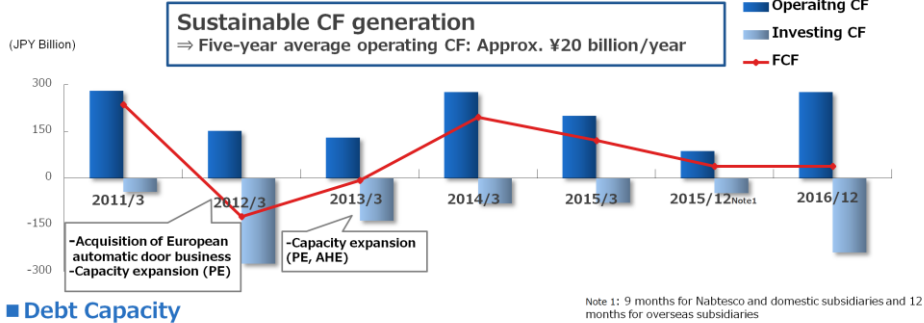
- Strategic investment (CAPEX, M&A and so on) had been done excluding the business which is struggling for the further growth. These investment will contribute to the future growth.

## Financial Strategy

- Pursuing both growth investment and shareholder return through sustainable CF generation and sound balance sheet

### Resources for Improving Corporate and Shareholders' Value

#### ■ Cash Flow



#### ■ Debt Capacity

B/S (as of 15/12)

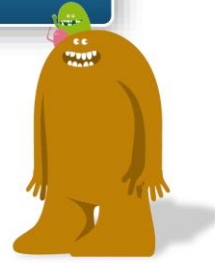
- Liquidity on hand: approx. ¥35.0 billion
- Shareholders' equity: approx. ¥140.0 billion
- Equity Ratio\*: 60.9%

⇒ While maintaining the credit rating "A", equity ratio could be reduced to **45% level**  
(Debt capacity level: **¥80 billion**)

- **Without equity finance in principle**

\*Equity Ratio: Shareholders' Equity/Total Asset

## 2. Forecast for FY2016/12



## Change of the Closing Date

- Adjusted FY2015/12 results to make YoY comparison with forecast for FY2016/12

FY2015/12

(Reference)	2015											
	Jan.	Feb.	Mar.	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Nabtesco and domestic subsidiaries	Q1			Q2			Q3			Q4		
Overseas subsidiaries	Q1			Q2			Q3			Q4		

**Full-year :** 12-month period for both domestic and overseas companies (with addition of the yellow part)

FY2016/12

(Reference)	2016											
	Jan.	Feb.	Mar.	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.
Nabtesco and domestic subsidiaries	Q1			Q2			Q3			Q4		
Overseas subsidiaries	Q1			Q2			Q3			Q4		

**Full-year :** 12-month period for both domestic and overseas companies

## Forecast for FY2016/12

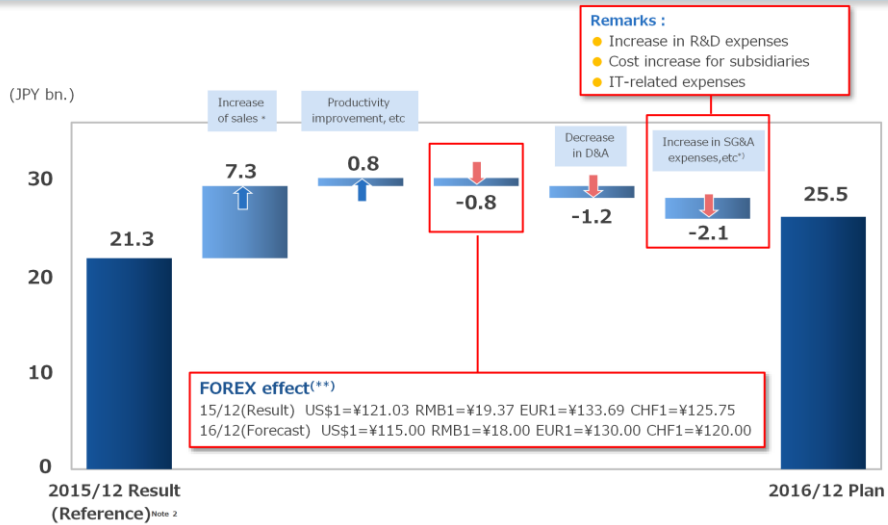
- Target for FY2016/12 : Record high for sales, O.P. and net profit
- Increase dividend per share to 50 yen, up 6 yen relative to FY2015/12

(JPY million)	2015/12 Result (Reference Note2) (A)	2016/12 Plan (B)	Variation (B-A)	Ratio ((B-A)/A)	2015/12 Result ('TANSHIN' basis)
Sales	228,949	250,000	21,051	9.2%	187,000
O.P.	21,308	25,500	4,192	19.7%	15,294
(O.P. Margin)	9.3%	10.2%	0.9pt	-	8.2%
Ordinary profit	22,388	27,000	4,612	20.6%	16,418
Net Profit*	14,796	18,900	4,104	27.7%	11,059
ROA	6.2%	7.6%	-	-	4.6%
ROE	10.1%	12.5%	-	-	7.6%

Dividend per share (Yen)	50 JPY(plan)	44 JPY(plan)
Payout Ratio	32.7%(plan)	49.5% <sub>(Notes)</sub> (plan)

\*Net profit=Net profit attributable to parent company shareholders  
Please refer to "Notes" for details related to Note 2 and Note 3.

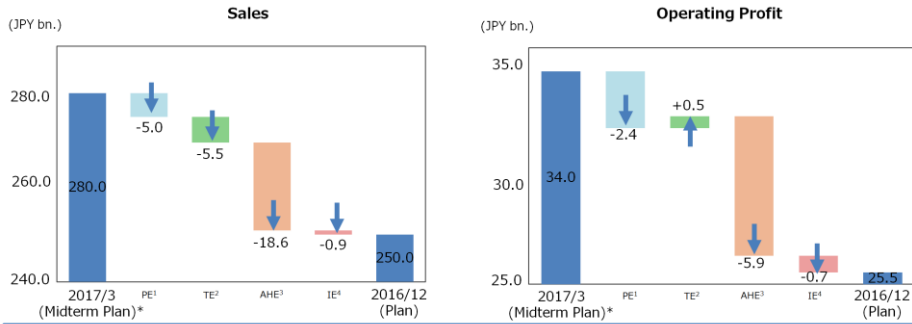
## Consolidated Profit & Loss Forecast (Analysis of Changes in Operating Profit)



\* Fluctuations in operating profit owing to the increase of sales and SG&A expenses are based on the calculation without FOREX effect.  
 \*\*: FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen):  
 (US\$): 91 million (RMB) 55 million. (EUR): minimal, (CHF): minimal  
 Please refer to "Notes" for details related to Note2.

## Final Year of Midterm Management Plan (2017/3) vs. 2016/12 (Plan)

- Businesses mainly fostered in developed countries are expected to grow as initially planned, while the growth of the businesses which are more focusing on developing countries tends to slow down



**Businesses which will grow as planned (2017/3 midterm plan) driven by growth in developed countries**

Precision reduction gears<sup>1</sup>, marine vessel equipment<sup>2</sup>, aircraft equipment<sup>3</sup>, automatic doors<sup>4</sup>

**Businesses the growth of which may decelerate due to economic fluctuations in China and Southeastern countries**

Railroad vehicle equipment<sup>2</sup>, commercial vehicle equipment<sup>2</sup>, hydraulic equipment<sup>3</sup>, packaging machines<sup>4</sup>

**Business which is worse than expected due to the delayed launch of the solar thermal power generation market, the potential new market to explore**

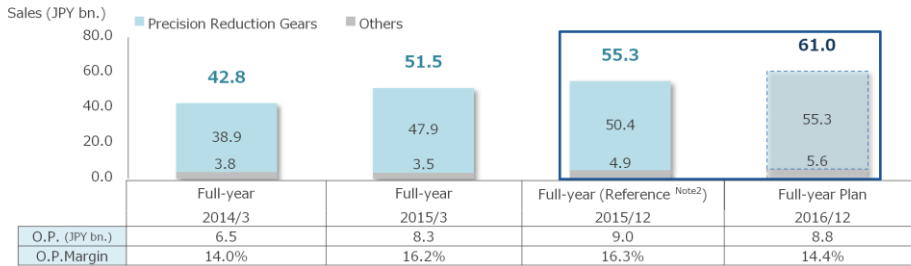
New energy equipment<sup>1</sup>

\*2017/3 Midterm Management Plan was announced in May, 2014.

## Precision Equipment Segment

- Sales will increase driven by robust demand for automation equipment including industrial robots
- Smooth launch of the new Chinese plant for precision reduction gears

### Results and Plan



Note 2: Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions.

### Main Change Contributors (16/12 vs 15/12(Reference <sup>Note2</sup>))

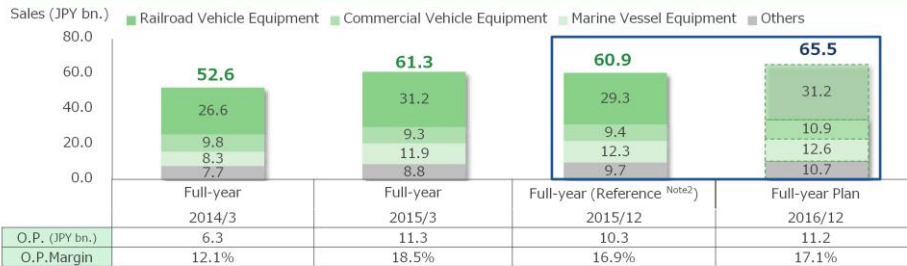
- Precision reduction gears:** Sales will grow, being supported by the high growth rate (6%) of the industrial robot market, which is due to robust automobile production and progress in automation as well as by the expansion of other FA-related businesses.
- New energy equipment:** Sales of drive units for wind turbines will decrease.
- Operating profit (segment):** O.P. will be temporarily compressed due to depreciation increase from capex and costs related to the new Chinese plant, despite sales increase in the precision reduction gear business.



## Transport Equipment Segment

■ Healthy profitability is maintained due to robust demand and expansion of MRO\* business although the environment differs by business

### Results and Plan

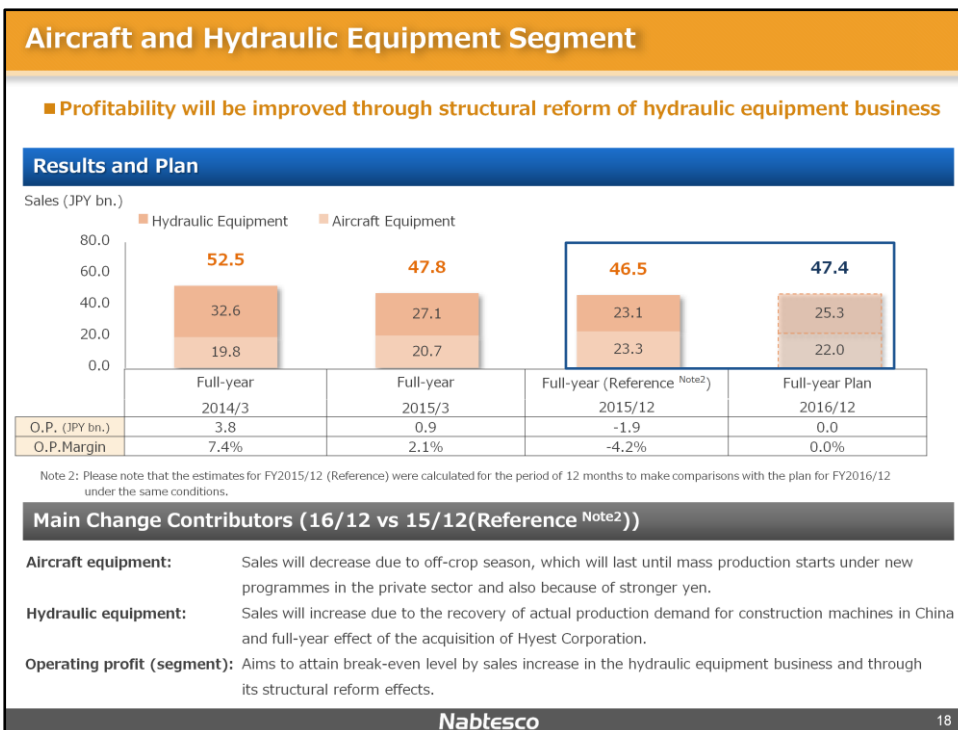


Note 2: Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions.

### Main Change Contributors (16/12 vs 15/12(Reference <sup>Note2</sup>))

- Railroad vehicle equipment:** Sales will grow because of increase in overseas railroad vehicle demand including China and continuous expansion of MRO business.
- Marine vessel equipment:** Sales will increase given growth in demand for control equipment for computerized engines and ongoing expansion of the MRO business.
- Commercial vehicle equipment:** Sales will increase due to strong domestic truck demand while demand in ASEAN countries will remain weak.
- Operating profit (segment):** O.P. will grow due to sales increase in each business and expansion of MRO business.

\*MRO: Maintenance, Repair, Overhaul



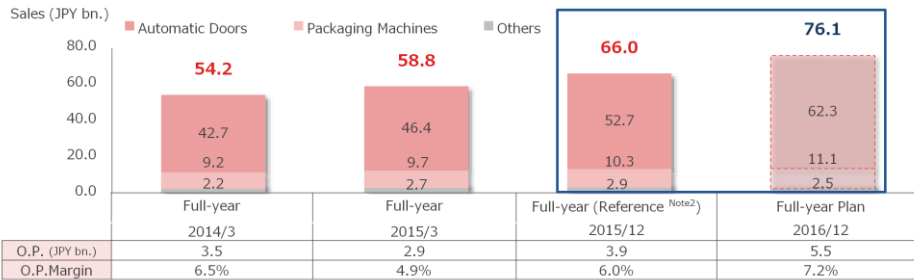
- Full-fledged contribution of MRJ\* for Mitsubishi Aircraft Corporation and 737MAX for Boeing will start from 2017. Aircraft equipment business is in a patience period in 2016 given the depreciation increase due to capacity increase.
- A slight decrease in unit sales of construction machines in China is expected while actual production demand will recover, which leads to sales increase and profitability improvement of hydraulic equipment business in 2016.

\*Mitsubishi Regional Jet

## Industrial Equipment Segment

■ Growth is expected mainly driven by the expansion of automatic doors business

### Results and Plan



Note 2: Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions.

### Main Change Contributors (16/12 vs 15/12(Reference <sup>Note2</sup>))

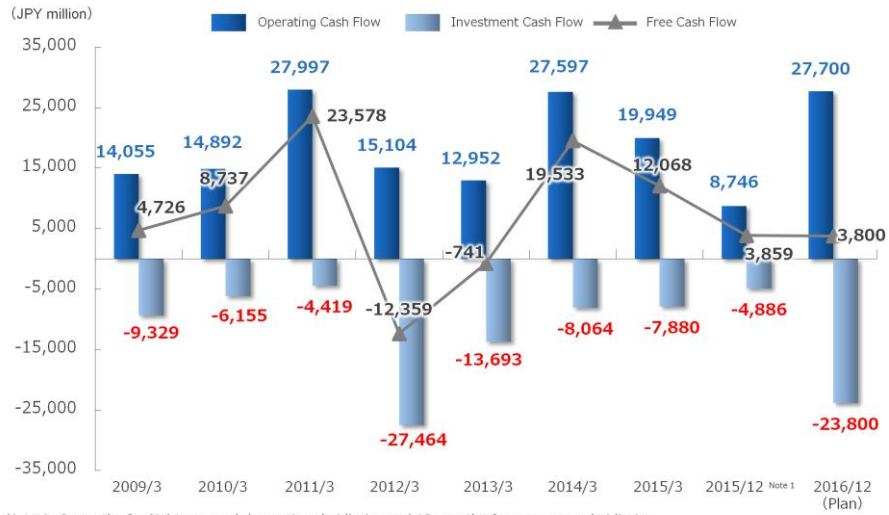
- Automatic doors:** Sales will increase because of robust demand in domestic and overseas markets, together with further strengthening of value chain management and M&A effects.
- Packaging machines:** Sales will increase due to overseas sales growth.
- Operating profit (segment):** O.P. will increase due to sales growth of each business.

CAPEX, R&D and Depreciation					
<ul style="list-style-type: none"> <li>■ 2015/12: Appropriate CAPEX including the construction of the new Chinese plant for precision reduction gears</li> <li>■ 2016/12: Construction of new buildings for the aircraft equipment business and modernization of each plant (planned)</li> </ul>					
(JPY million)	2015/12 Result <small>(9 months for Nabtesco and domestic subsidiaries, 12 months for overseas subsidiaries)</small>	2015/3 Result	2016/12 Plan	Accumulated Total* <small>15/3, 15/12(9m), 16/12(plan)</small>	Midterm Plan (15/3~17/3 Accumulated Total) <small>As of May, 2014</small>
CAPEX	8,982	6,918	20,000	35.9 bn.	45.0 bn.
R&D	5,800	6,876	8,200	20.8 bn.	23.0 bn.
<small>*Accumulated total includes 2015/3 results (12 months), 2015/12 results (9 months) and 2016/12 plan (12 months), 3 months fewer for Nabtesco and domestic subsidiaries relative to the accumulated total plan announced in May, 2014</small>					
Depreciation	6,363	6,258	8,600	21.2 bn.	23.0 bn.
<b>Nabtesco</b> <span style="float: right;">20</span>					

-CAPEX accumulated total (15/3 result+ 15/12 result(9m)+16/12 plan) vs Midterm plan accumulated total,  
 firstly there is a 3-month shortage due to closing date change.  
 Partial of capacity increase in aircraft equipment business is expected to overlap into 2017 or after.  
 CAPEX in hydraulic equipment business is suppressed because of sluggish business performance. CAPEX of other businesses are in progress as planned.

## Consolidated Cash Flow

- FCF will remain positive due to continuous generation of operating cash flow although large-scale capex projects are planned to be implemented.



## Notes

Note 1: 9 months for Nabtesco and domestic subsidiaries and 12 months for overseas subsidiaries

Note 2: Please note that the estimates for FY2015/12 (Reference) were calculated for the period of 12 months to make comparisons with the plan for FY2016/12 under the same conditions.

Note 3: The Company has changed the closing date from March 31 to December 31 effective from the fiscal year 2015/12. Accordingly, the consolidated fiscal year ended December 2015 is a transitional period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, in contrast to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December.  
Payout ratio on a consolidated basis is higher than the payout ratio set in the current dividend policy (30%-40%).

### Abbreviations

PE: Precision Equipment Segment

TE: Transport Equipment Segment

AHE: Aircraft & Hydraulic Equipment Segment

IE: Industrial Equipment Segment

# Appendix



## Topics

- Feb 2015**
  - Announced the establishment of production facilities for precision reduction gears in China and the reorganization of the hydraulic equipment business in the country
  - Announced the transformation of the gear machining company in China into a wholly-owned subsidiary, which would serve as a production base for precision reduction gears
- Mar 2015**
  - Announced the acquisition of HYEST Corporation.
  - Awarded a contract for Boeing 777X flight control actuation systems
- Apr 2015**
  - Included in the FTSE4Good Index Series (global index for socially responsible investment) 12 times in a row
  - Received an order for passenger doors from Siemens AG for the Rennes line B in France under the Siemens AG's Neoval Project
- Jul 2015**
  - Transferred NDEC (Nabtesco Digital Engineering Center) to Kyoto Research Park, to further innovate product development process through utilization of metal 3D printer
- Sep 2015**
  - Started to enhance production capacity for aircraft equipment business (start of production in FY2016)
  - Selected for the third time for inclusion in the Dow Jones Sustainability Asia Pacific Index (global benchmark for socially responsible investment)
- Oct 2015**
  - Set the Corporate Governance Basic Policy
- Dec 2015**
  - Conducted acquisition and retirement of treasury stock at the aim of shareholder return for the first time
- Jan 2016**
  - Selected for the first time as a member in RobecoSAM AG's "Sustainability Yearbook 2016"



FTSE4Good



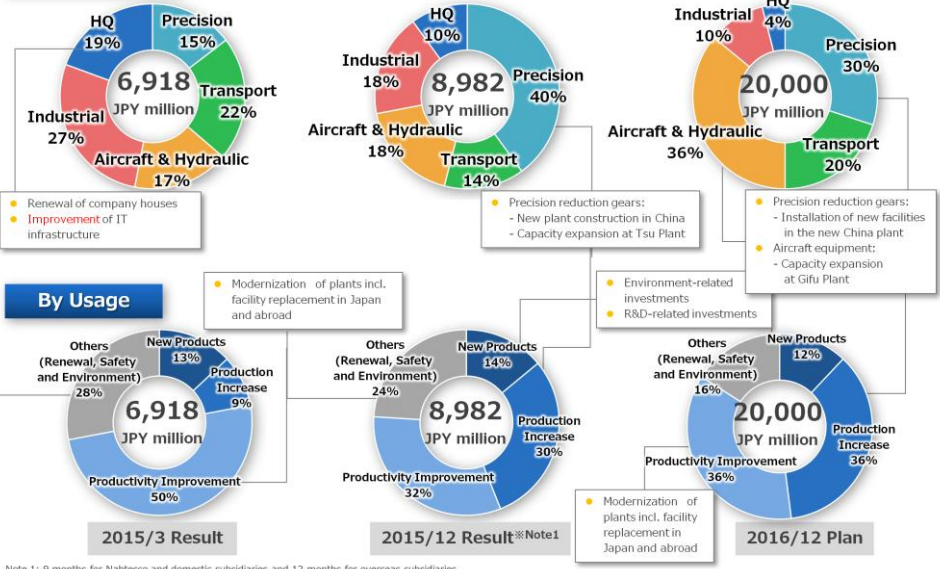
## Progress of the Mid-term Management Plan

(JPY billion)	2015/12 Result (Reference <sup>(1)(2)(3)</sup> )	2016/12 Plan	2017/3 Final Year of the Current Mid-term Plan (As of May 2014)
<b>Sales</b>	228.9	250.0	280.0±5%
<b>Operating Profit</b>	21.3	25.5	34.0
<b>O.P. Margin</b>	9.3%	10.2%	12.0%
<b>Net Profit*</b>	14.7	18.9	24.0
<b>EPS</b>	118.87 JPY	153.04 JPY	190 JPY
<b>ROA</b>	6.2%	7.6%	7.5%
<b>ROE</b>	10.1%	12.5%	15.0%
<b>Dividend</b>	44 JPY(Plan)	50 JPY(Plan)	-
<b>Payout Ratio</b>	-	32.7%(Plan)	30% or higher

\*Net profit = Net income attributable to parent company shareholders  
 Note 2: Please see the Notes page

# Breakdown in CAPEX

## By Segment



Note 1: 9 months for Nabtesco and domestic subsidiaries and 12 months for overseas subsidiaries

## Main Products: Precision Equipment Segment

### Precision Reduction Gears

#### ■ Joints of Industrial Robots



#### ■ Machine Tool ATCs

(ATC = Automatic Tool Changer)



### New Energy Equipment

#### ■ Solar Tracking Equipment



#### ■ Drive Units for Wind Turbines



### 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

#### ■ New Energy Equipment

Solar Tracking Equipment: Cobra Thermosolar Plant (Spain)  
Drive Units for Wind Turbines: MHI, Hitachi, Ltd., Others

## Main Products: Transport Equipment Segment

### Railroad Vehicle Equipment

#### ■ Brake Systems



#### ■ Door Operating Systems



### Commercial Vehicle Equipment

#### ■ Wedge Chambers

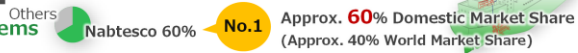


#### ■ Air Dryers



### Marine Vessel Equipment

#### ■ 2ST Main Engine Control Systems



### Main Customers

#### ■ Railroad Vehicle Equipment

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

#### ■ Commercial Vehicle Equipment

Hino, Mitsubishi Fuso Truck & Bus, Isuzu, UD Trucks

#### ■ Marine Vessel Equipment

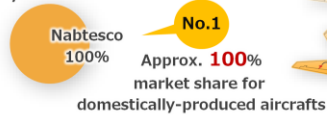
KHI, Mitsui Engineering & Shipbuilding, MHI, Hitachi Zosen, Makita, Hyundai Heavy Industries (Korea), Doosan Engine (Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)

## Main Products: Aircraft & Hydraulic Segment

### Aircraft Equipment

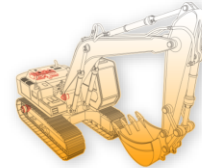
#### ■ Flight Control Actuation Systems (FCA)

- One of the four major world players for FCA systems (major FCA supplier to Boeing Company)
- Expanding business into engine accessories and power supply systems



### Hydraulic Equipment

#### ■ Traveling Units for Hydraulic Excavators



### Main Customers

#### ■ Aircraft Equipment

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

#### ■ Hydraulic Equipment

Komatsu, Kobelco Construction Machinery, Kubota, Sumitomo Construction Machinery, Hitachi Construction Machinery, Sany, Zoomlion, XCMG, LiuGong

Nabtesco

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## Main Products: Industrial Equipment Segment

### Automatic Doors

#### ■ Automatic Doors



#### ■ Platform Screen Doors



### Packaging Machines

#### ■ Packaging Machines for Retort Pouch Foods



### 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

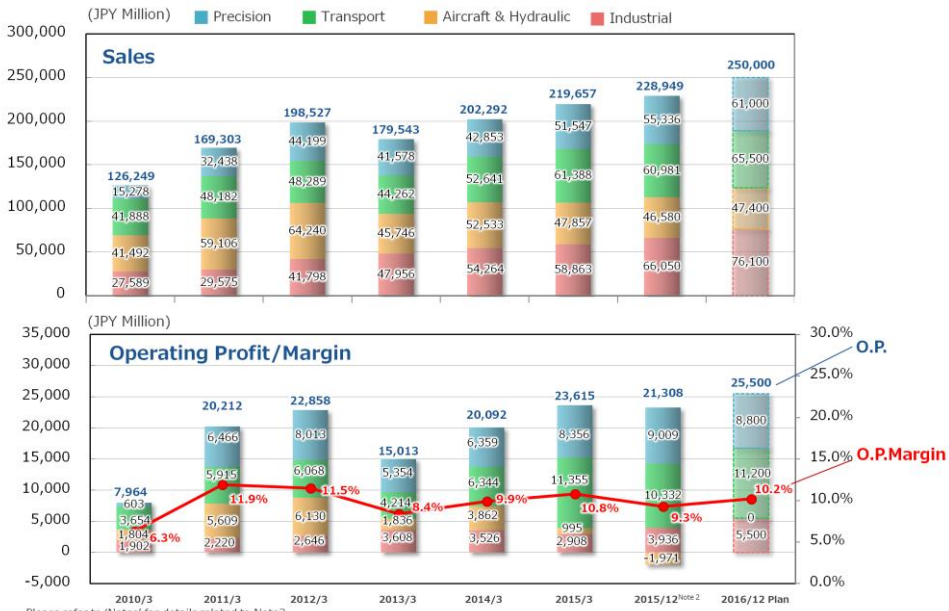
#### ■ Packaging Machines

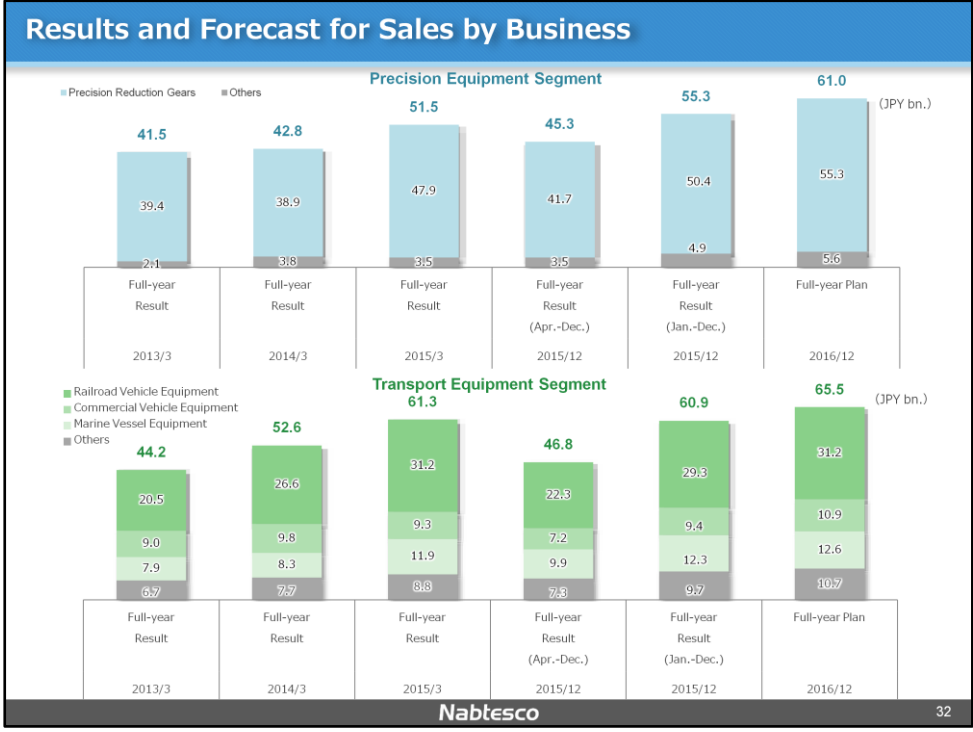
Mitsui Sugar, Ajinomoto, Marudai Food Co., Ltd., ARIAKE Japan, KENKO Mayonnaise, P&G, Kao, Lion, beverage companies in North America, food companies in China

Nabtesco

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

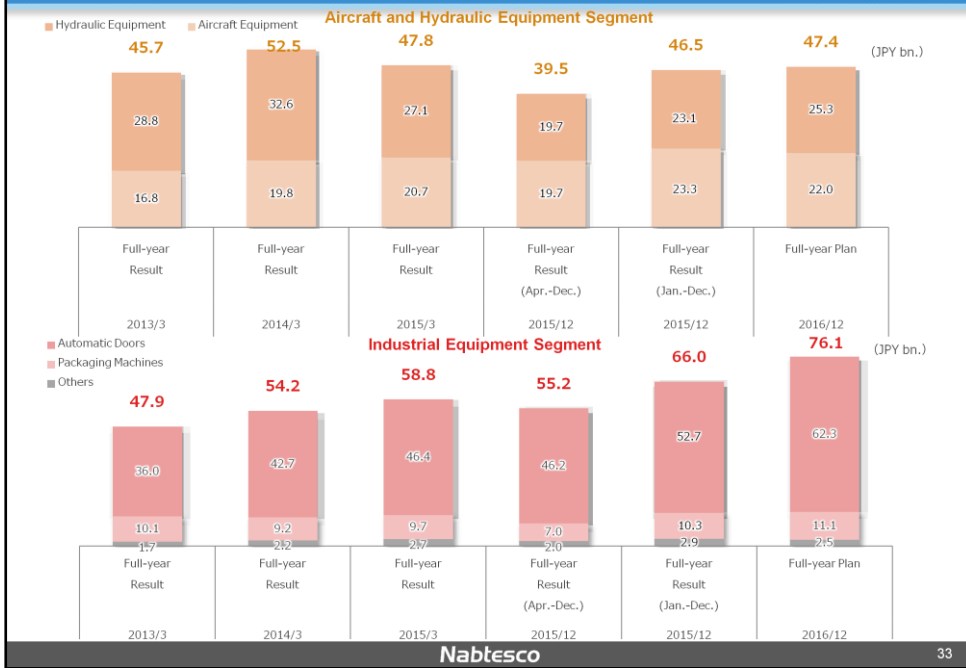




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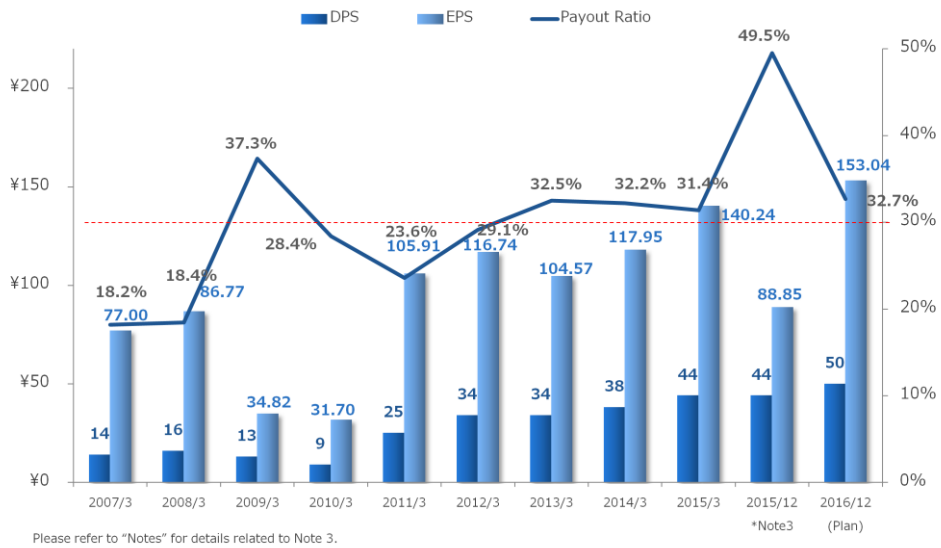


## Results and Forecast for Sales by Business



## Result and Forecast for Dividends

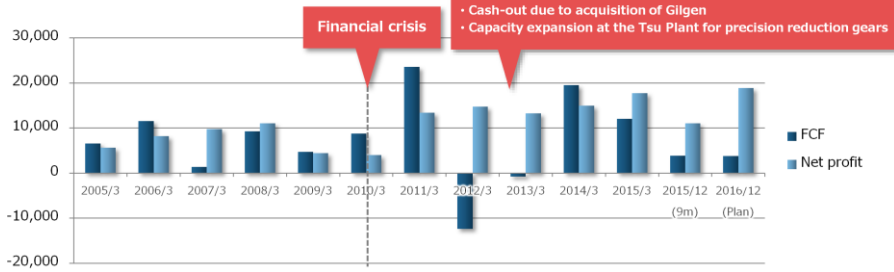
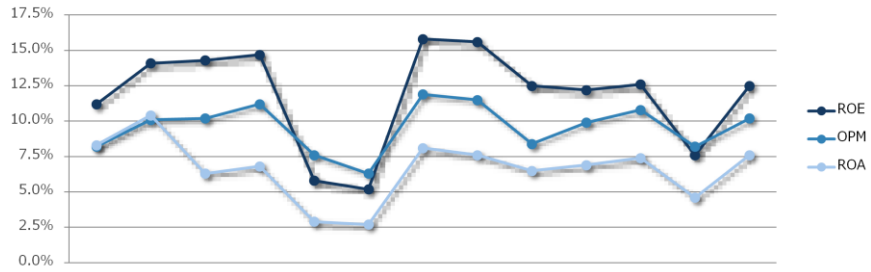
■ Maintaining more than 30% payout ratio while ensuring stable payments



Nabtesco

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## ROA/ROE



# Data Book



## Segment Sales and OP

(JPY million)

Segment	Term	2015/12 Result (A) Nabtesco and domestic subsidiaries (9M) Overseas subsidiaries (12M)	2015/12 Plan As of May 2015(B)	Variation (A-B)
PE	Sales	45,327	46,300	-973
	OP (OPM)	6,824 (15.1%)	6,500 (14.0%)	324 (1.1 pt)
TE	Sales	46,848	51,700	-4,852
	OP (OPM)	7,890 (16.8%)	9,200 (17.8%)	-1,310 (-1.0pt)
AHE	Sales	39,524	45,700	-6,176
	OP (OPM)	-2,029 (-5.1%)	0 (0.0%)	-2,029 (-5.1pt)
IE	Sales	55,299	56,300	-1,001
	OP (OPM)	2,610 (4.7%)	2,200 (3.9%)	410 (0.8%)

The Company changes the closing date from March 31 to December 31. Accordingly, the year-on-year results are not indicated for the consolidated results for FY2015/12, which is a transitional period.

## FOREX

Item	Currency	2015/12 Result (A) Nabtesco and domestic subsidiaries (9M) Overseas subsidiaries (12M)	2015/12 Plan As of May 2015(B)	2016/12 Plan	2015/3 Result
Currency	USD	121.03	115.00	115.00	106.46
	RMB	19.37	18.50	18.00	17.30
	EUR	133.69	124.00	130.00	140.35
	CHF	125.75	118.00	120.00	115.70
FOREX sensitivity in O.P.* (JPY million)	USD	57	92	91	91
	RMB	-32	Minimal	55	Minimal
	EUR	Minimal	Minimal	Minimal	Minimal
	CHF	Minimal	Minimal	Minimal	Minimal

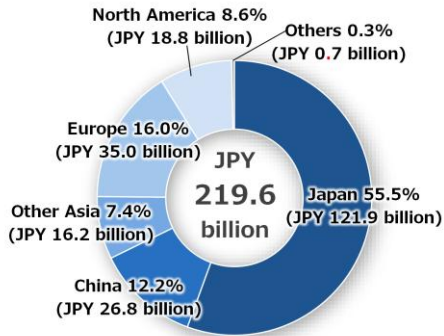
\*This represents the effect to be given to operating profit if the exchange rate fluctuates by one yen

## Sales by Geographic Segment

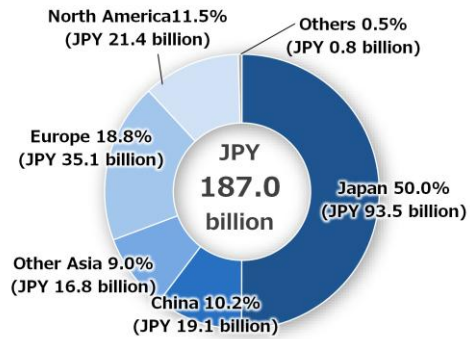
**2015/3 result**

**2015/12 result**

(12-month period for both domestic and overseas companies) (9 month period (April 1, 2015 to December 31, 2015) for domestic companies, 12 month period for overseas companies)



Overseas sales	JPY 97.7 billion
Ratio	44.5%



Overseas sales	JPY 93.5 billion
Ratio	50.0%

# Nabtesco

*moving it. stopping it.*

