Results Briefing for the Fiscal Year
Ended December 31, 2019 (FY2019/12)

February 17, 2020

CEO Katsuhiro 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.
Summary of Annual Consolidated Results

Sales

- In 2020, we will again aim to increase sales, which were stagnant in 2019.

Sales increased due to a decline in demand in CMP* due to favorable results in TRS* and ACR*. Sales will increase driven by a rise in demand for precision reduction gears and due to favorable performance in TRS**.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/12 Results</td>
<td>294.6</td>
</tr>
<tr>
<td>2019/12 Results</td>
<td>289.8</td>
</tr>
<tr>
<td>2020/12 Plan</td>
<td>303.0</td>
</tr>
</tbody>
</table>

O.P.

- We will increase operating profit (O.P.) for profitable growth.

O.P. increased despite a decrease in total sales driven by a rise in sales in ACR* and due to the elimination of the impairment loss for OVALO. O.P. will increase in line with a rise in sales.

<table>
<thead>
<tr>
<th>Year</th>
<th>O.P. (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/12 Results</td>
<td>21.9</td>
</tr>
<tr>
<td>2019/12 Results</td>
<td>25.3</td>
</tr>
<tr>
<td>2020/12 Plan</td>
<td>32.0</td>
</tr>
</tbody>
</table>

*1 Component Solutions Segment  *2 Transport Solutions Segment  *3 Accessibility Solutions Segment
Agenda

1. Consolidated Results for FY2019/12
2. Forecast for FY2020/12
3. Progress with the Medium-Term Management Plan (2017-2020)
Agenda

1. Consolidated Results for FY2019/12

2. Forecast for FY2020/12

3. Progress in Mid-Term Management Plan (FY2017-2020)
Sales of Precision reduction gear did not recover on 2H explained as initial plan and 2Q.
CMP reduced the sales volume but other segments increased. O.P increased in OVALO due to elimination of 5.2 Billion yen impairment loss in 2018, however, in right of use assets as of the year ended 2019 added on the B/S due to the adoption of lease accounting standard, and recognized 1.3 Billion impairment loss by the impairment test and goodwill amount is zero. Almost same results if excluding OVALO impact.
Analysis of O.P. Change Factors (Relative to FY2018/12)

- O.P. increased by the reduction of the SG&A cost, despite a decrease in sales and the impact of foreign exchange fluctuations.

![Diagram showing factors affecting O.P.]

**FOREX Impact**

<table>
<thead>
<tr>
<th>2012/13 Result</th>
<th>USD $1 = ¥110.36</th>
<th>RMB ¥16.65</th>
<th>EUR €1 = ¥130.01</th>
<th>CHF CHF ¥112.99</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14 Result</td>
<td>USD $1 = ¥109.24</td>
<td>RMB ¥15.84</td>
<td>EUR €1 = ¥122.15</td>
<td>CHF CHF ¥109.96</td>
</tr>
</tbody>
</table>

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

*2Excluding the increase caused by the application of "IFRS 16 Leases."
**Balance Sheet (Relative to FY2018/12)**

- **Right-of-use assets increased by about nine billion yen due to the application of “IFRS 16 Leases.”**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>328,568</td>
<td>344,558</td>
<td>15,990</td>
</tr>
<tr>
<td>(Cash and cash equivalents)</td>
<td>54,039</td>
<td>58,686</td>
<td>4,647</td>
</tr>
<tr>
<td>(Trade receivable)</td>
<td>76,602</td>
<td>70,175</td>
<td>-6,427</td>
</tr>
<tr>
<td>(Inventories)</td>
<td>43,592</td>
<td>41,257</td>
<td>-2,334</td>
</tr>
<tr>
<td>(Tangible fixed assets)</td>
<td>80,573</td>
<td>87,083</td>
<td>6,510</td>
</tr>
<tr>
<td>(Right-of-use assets)</td>
<td>0</td>
<td>9,004</td>
<td>9,004</td>
</tr>
<tr>
<td>Liabilities</td>
<td>130,313</td>
<td>145,424</td>
<td>6,112</td>
</tr>
<tr>
<td>(Bonds and borrowings)</td>
<td>45,310</td>
<td>43,936</td>
<td>-1,375</td>
</tr>
<tr>
<td>Total equities</td>
<td>189,255</td>
<td>199,133</td>
<td>9,878</td>
</tr>
<tr>
<td>(Non-controlling interests)</td>
<td>10,553</td>
<td>11,735</td>
<td>1,182</td>
</tr>
<tr>
<td>Equity attributable to owners of parent</td>
<td>178,702</td>
<td>187,398</td>
<td>8,696</td>
</tr>
</tbody>
</table>

Ratio of equity attributable to owners of parent: 54.4% 54.4%
Agenda

1. Annual Consolidated Results for FY2019/12

2. Forecast for FY2020/12

3. Progress in Mid-Term Management Plan (FY2017-2020)
The forecast for FY2020 is not including Coronavirus impact.
Increase in sales includes a certain amount of the sales increase of precision reduction gear.
Reduction of SGA cost includes 1.5 billion yen of a gain on disposal of underutilized real estate.
Sales amount on 1H of Precision reduction gear is 30 billion yen and 2H is weighted as 32.5 billion yen.
As of now the order backlog is approx. 18 billion yen.
CMP O.P. margin of 15.8% in still behind level of FY2018.
O.P. is anticipated to increase due to elimination of impairment loss in OVALO and the SOP for Audi.
Sales will decrease due to a temporary drop in demand during the Tokyo 2020 period and because of the start of an off-demand period for overseas platform door projects.

**Results and Plan**

<table>
<thead>
<tr>
<th></th>
<th>2017/12 Result</th>
<th>2018/12 Result</th>
<th>2019/12 Result</th>
<th>2020/12 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (JPY billion)</td>
<td>72.4</td>
<td>76.0</td>
<td>80.0</td>
<td>75.7</td>
</tr>
<tr>
<td>O.P. (JPY billion)</td>
<td>5.2</td>
<td>4.6</td>
<td>6.6</td>
<td>7.5</td>
</tr>
<tr>
<td>(O.P.M)</td>
<td>7.1%</td>
<td>6.1%</td>
<td>10.7%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

FY2020 forecast includes the reduction of platform projects and logistic and construction reduce the speed of progress due to Olympic and Paralympic. The impacts of coronavirus are not included.
Manufacturing Solutions Segment (MFR)

- Sales and O.P. will increase, driven by overseas sales expansion for packaging machines.

### Results and Plan

<table>
<thead>
<tr>
<th>Sales (JPY billion)</th>
<th>Packaging Machines</th>
<th>Others</th>
<th>O.P. (JPY billion)</th>
<th>O.P. (OPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/12 Result</td>
<td>17.0</td>
<td>17.5</td>
<td>18.7</td>
<td>21.0</td>
</tr>
<tr>
<td>2018/12 Result</td>
<td>17.0</td>
<td>17.5</td>
<td>18.7</td>
<td>21.0</td>
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<tr>
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<td>17.5</td>
<td>18.7</td>
<td>21.0</td>
</tr>
<tr>
<td>2020/12 Plan</td>
<td>17.0</td>
<td>17.5</td>
<td>18.7</td>
<td>21.0</td>
</tr>
</tbody>
</table>

| (OPM)               | 11.6%              | 14.9%  | 13.7%              | 14.3%      |

### FY2019/12 Result and FY2020/12 Plan

Packaging Machines: Sales will increase driven by the stable domestic market and sales promotions in the overseas food and pet food markets.

O.P.: Increased sales will, in turn, boost O.P.
Capital expenditure and R&D are almost as described in the medium-term plan.
- Plan to obtain new land in Shizuoka Prefecture (at the cost of 5.7 billion yen) in anticipation of the expansion in demand for precision reduction gears.
- Make environment-related investments on a continual basis.

<table>
<thead>
<tr>
<th></th>
<th>FY2017/12</th>
<th>FY2018/12</th>
<th>FY2019/12</th>
<th>FY2020/12</th>
<th>Cumulative (for 2017 to 2020)</th>
<th>Medium-term plan (for 2017 to 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPEX</strong></td>
<td>15.2</td>
<td>20.3</td>
<td>16.4</td>
<td>24.1</td>
<td>76.0</td>
<td>77.0</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>8.7</td>
<td>10.2</td>
<td>9.9</td>
<td>11.5</td>
<td>40.3</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>9.0</td>
<td>10.0</td>
<td>13.1*</td>
<td>13.5*</td>
<td>13.5*</td>
<td>13.5*</td>
</tr>
</tbody>
</table>

* Depreciation cost increased due to the application of “IFRS 16 Leases” for FY2019/12.
Consolidated Cash Flow

Maintaining a positive free cash flow while making capital investments in growth areas

[Bar chart showing cash flow data with years 2010/11 to 2020/21, with notes on JGAAP and IFRS.]

*1 Please note that the estimates for FY2015 (Reference) were calculated for the period of 11/12 to 3/31 to make comparisons with the result for FY2016 under the same conditions.

Nabtesco
Agenda

1. Annual Consolidated Results for FY2019/12

2. Forecast for FY2020/12

3. Progress with Medium-Term Management Plan (2017-2020)
Our commitments in the New Medium-Term Management Plan

ROE : 15%

Consolidated payout ratio:
35% or over

Focus on solving ESG issues
The starting point was 13% as setting Mid-term plan in FY16. Sales of Precision reduction gear was planned to gradually increase but decreased due to U.S-China trade friction.
Achieved profitable growth during the medium-term plan period, although there are gaps between the targets and actual sales and O.P.
Large gap made by precision reduction gear which had a huge amount of demand in FY17 but the demand reduced due to a pushback and U.S-China trade friction.
Payout ratio in FY2020 is 44.1% and payout is 82 yen, which is the amount of 35% of payout ratio generated by the profit level of ROE 15% in 2020.
In governance point of view the advisor system was abolished.
We would like to increase the rate of outside directors from 30% to 1/3 in 2020, also the ratio of woman management.
In social point of view, we promote telework and business transformation. In this year we will promote office reforms.
In environment point of view, we continue to install solar panels and promote ‘smartization’ of plants and visualization.
<table>
<thead>
<tr>
<th>Inclusion in ESG Indices/ESG Rating</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJSI Asia Pacific</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>DJSI World</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>FTSE4Good</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>FTSE Blossom Japan</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>MSCI ESG Leaders Indexes</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>MSCI Japan ESG Select Leaders Index</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>MSCI Japan Empowering Women (WIN) Select Index</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P/JPX Carbon Efficient Index</td>
<td></td>
<td></td>
<td></td>
<td>★</td>
</tr>
<tr>
<td>CDP CLIMATE CHANGE</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>CDP WATER SECURITY</td>
<td></td>
<td></td>
<td>★</td>
<td></td>
</tr>
<tr>
<td>CDP SUPPLIER ENGAGEMENT LEADER</td>
<td>★</td>
<td>★</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix
Breakdown of CAPEX

- MFR HQ: 20,288 JPY million (33%)
- MFR: 16,388 JPY million (28%)
- HQ: 24,100 JPY million (53%)
- ACB: 409 JPY million (1%)
- CMP: 251 JPY million (4%)

- Productivity Improvement: 2,072 JPY million (10%)
- New Products: 6,880 JPY million (36%)
- Production Increase: 4,116 JPY million (25%)
- Environment-related investments: 982 JPY million (5%)
- Others (Environment, Renewal and Safety): 367 JPY million (2%)

2018/12 Result

2019/12 Result

2020/12 Plan

- Precision Reduction Gears: Increased production capacity of the Tsu Plant
- Aircraft Equipment: Expanded facilities at the Gifu Plant
- Precision Reduction Gears: Purchased land in Shizuoka Prefecture
- OVALO GmbH: Mass production of new products

Nabtesco
Main Products: Component Solutions Segment (CMP)

**Precision Reduction Gears**
- Joints of medium- and large-sized industrial robots
  - Nabtesco: 60% world market share

**Hydraulic Equipment**
- Traveling units for hydraulic excavators
  - Nabtesco: 25% world market share

**Main Customers**

**Precision Reduction Gears**
- **Industrial Robots**: Fanuc, Yaskawa Electric, KHI, KUKA Robotor (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**
  - Nabtesco: 50% No.1
  - Approx. 50% domestic market share
- **Door Operating Systems**
  - Nabtesco: 70% 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
  - Nabtesco: 100% No.1
  - Approx. 100% market share for domestically produced aircraft

## 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**
  - Nabtesco 80%
  - No. 1
  - Approx. 80% domestic market share
- **Air Dryers**
  - Nabtesco 70%
  - No. 1
  - Approx. 70% domestic market share

#### Marine Vessel Equipment
- **2ST Main Engine Control Systems**
  - 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 Solutions Segment (ACB)

- **Automatic Doors**
  - **Main Customers**
  - **Automatic Doors for buildings**: Major general contractors, sash manufacturers, hospitals, banks, public institutions, etc.
  - **Platform Doors**: Subway projects in France and China, others

- **Platform Screen Doors**
  - **Main Customers**

Main Products: Manufacturing Solutions Segment (MFR)

- **Packaging Machines**
  - **Packaging Machines for Retort Pouch Foods**
  - **Main Customers**
  - Mitsubishi Sugar, Ajinomoto, Marudai Food Co., Ltd., ARIAKE Japan, KENKO Mayonnaise, P&G, Kao, Lion, beverage companies in North America, food companies in China

Nabtesco