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To whom it may concern,

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## Announcement of Formulation of New Medium-term Management Plan “Move forward! Challenge the future! Create New Value 2020”

Nabtesco Corporation (hereinafter, “the Company”) hereby announces the outline of its new four-year Medium-term Management Plan titled “Move forward! Challenge the future! Create New Value 2020” starting in FY 2017.

### ■ Status of achievement of numerical targets under the previous Medium-term Management Plan

Under the previous Medium-term Management Plan for the period from FY 2014 to FY 2016 announced in May 2014, the numerical targets for FY 2016 were set at 280.0 billion yen  $\pm$ 5% in net sales, 34.0 billion yen in operating income (operating margin of 12%), 24.0 billion yen in net income, 190 yen in net income per share, return on assets (ROA) of 7.5% and return on equity (ROE) of 15.0%.

Due to drastic changes in the business environment surrounding the Company, the actual results for FY 2016 fell short of the target numbers of the relevant management plan as follows: 244.6 billion yen in net sales, 23.4 billion yen in operating income (operating margin of 9.6%), 17.5 billion yen in net income, 142.37 yen in net income per share, ROA of 7.1% and ROE of 12.0%.

	FY 2016 Target	FY 2016 Results
Net sales	280.0 billion yen $\pm$ 5%	244.6 billion yen
Operating income	34.0 billion yen	23.4 billion yen
Operating margin	12.0%	9.6%
Net income*	24.0 billion yen	17.5 billion yen
Net income per share	190 yen	142.37yen
ROA	7.5%	7.1 %
ROE	15.0%	12.0 %

\* Net income attributable to owners of the parent

■ Basic policy and strategy for the New Medium-term Management Plan

The Company and its group companies have exerted efforts to achieve the relevant long-term vision toward FY 2020. However, considering the changes in the business environment surrounding the Company, the Company has formulated a new four-year New Medium-term Management Plan titled “Move forward! Challenge the future! Create New Value 2020” starting in FY 2017.

Basic policy

Move forward! Challenge the future!  
Create “New Value 2020”

Basic strategy

(1) Market Creation

- Create new markets by accelerating the development of overseas businesses, including through M&A, as well as of new business domains.
- Expand after-sales-services (MRO) business through the effective use of ICT and IoT.

(2) Technology Innovation

- Expand business domains from components to the provision of system solutions.
- Establish new competitive advantages in products through “innovations in manufacturing” including the development of new engineering processes.
- Realize highly efficient production, high environmental capabilities and a comfortable working environment by introducing smart factory solutions.

(3) Operational Excellence

- Reinforce operation bases through production reforms, structural reforms and operational reforms.
- Pursue the improvement of profitability and capital efficiency by adding ROIC (Return on Invested Capital) to the internal management indicators.

■ Numerical targets

The Company has set the following numerical targets:

[Commitment]

The Company makes a commitment to achieve and maintain ROE of 15% by FY 2020.

During the period of the relevant Medium-term Management Plan, the Company also sets a target consolidated payout ratio of 35% or higher.

[Reference: Target numbers for FY 2020]

Other assumed managerial indices when ROE of 15% is achieved.

Indices	FY 2020 (Reference)
Net sales	330.0billion yen
Operating income	42.0billion yen
Net income*	30.0billion yen
ROA	9.0%
Cumulative capital expenditure for four fiscal years	77.0billion yen
Cumulative R&D expenses for four fiscal years	40.0billion yen

\* Net income attributable to owners of the parent

## ■ Shareholder return policy

The Company sets its target consolidated payout ratio at 35% or higher during the period of the relevant Medium-term Management Plan, aiming to consistently increase the amount of dividend per share, without upper limit.

### Note on the use of numerical targets:

Information provided in this document is based on various assumptions which may change in response to changes in the economic environment or business circumstances. Nabtesco does not guarantee the implementation of stated future plans, numerical targets or measures described herein.