

Date	February 17, 2017	
Venue	Daiwa Conference Hall	
Topic	Results Briefing	
Representatives	Kazuaki Kotani, CEO; Katsuhiro Teramoto, Representative Director and General Manager of Corporate Planning Division	
Q&A	Question	Answer
No. 1	<ul style="list-style-type: none"> <li>Do you forecast that you will achieve your New Mid-Term Management Plan commitment of a 15% ROE in the plan's final year (FY 2020)?</li> </ul>	<ul style="list-style-type: none"> <li>While our target is to achieve this by FY 2020, we would like to achieve it as early as possible.</li> </ul>
No. 2	<ul style="list-style-type: none"> <li>New Mid-Term Management Plan (Reference) on page 14</li> </ul>	<ul style="list-style-type: none"> <li>The figures listed in the briefing material are for reference only. It is assumed that we will achieve an average growth of 8% per annum by 2020, 3% of which is accounted for by organic growth and the remaining 5% by the increase in sales of new products and the expansion of business areas. New products herein refer to actuators for precision reduction gears, among others.</li> </ul>
No. 3	<ul style="list-style-type: none"> <li>What is your view on unprofitable businesses?</li> </ul>	<ul style="list-style-type: none"> <li>Except for businesses under development, we would like to take flexible measures, including possible withdrawal, if a business does not achieve profitability despite our efforts.</li> </ul>
No. 4	<ul style="list-style-type: none"> <li>What are the purposes of segmentation change starting from the fiscal year ending December 2017?</li> </ul>	<ul style="list-style-type: none"> <li>While the current segmentation was based on the similarities in technology used, we have adopted new segmentation based on the similarities in business model with the aim of pursuing increased synergies. For instance, the Component Solutions Segment is comprised of precision reduction gears and hydraulic equipment, both of which use similar procurement materials and production processes. Moreover, there are almost no maintenance, repair, and overhaul (MRO) demand for these two businesses. Meanwhile, the Transport Solutions Segment is comprised of railroad vehicle equipment, aircraft equipment, commercial vehicle equipment and marine vessel equipment, all of which are related to logistics and have MRO demand. The Accessibility Solutions Segment falls under the single business category of automatic doors. Since we operate this business in a mature market, we aim to expand the business through M&amp;As, unlike other businesses. Lastly, manufacturing equipment such as packaging machines, special-purpose machine tools, 3-D printers, etc., are categorized into the Manufacturing Solutions (Others) Segment.</li> </ul>
No. 5	<ul style="list-style-type: none"> <li>What are the reasons behind a rapid increase in orders received for precision</li> </ul>	<ul style="list-style-type: none"> <li>Firstly, orders received increased, reflecting an increase in actual demand.</li> </ul>

	<p>reduction gears from 15.0 billion yen in the 3Q of FY 2016 to 20.0 billion yen in the 4Q of FY 2016? Also, what are the factors behind the results falling below the initial plan and the 3Q revised plan?</p>	<p>Some customers also placed bulk orders for their demand for a couple of months.</p> <ul style="list-style-type: none"> <li>■ We failed to achieve the plan due to lower than expected sales to customers in Europe for the 1Q of FY 2016, reflecting the negative impact of the VW scandal in 2015, as well as a delay in the sales expansion of new actuators (new optimized products that combine reduction gears and servomotors).</li> </ul>
No. 6	<ul style="list-style-type: none"> <li>■ What is your sales target for actuators in the precision reduction gears business for the final year of the Mid-Term Management Plan? What are your specific plans for targeted fields and regions?</li> </ul>	<ul style="list-style-type: none"> <li>■ Our targets for the actuator business are the Chinese and European markets rather than the Japanese market. One of our users in China applies our actuators for equipment automation, which created demand that we had not anticipated. We are planning to formulate our sales strategies based on such experience.</li> </ul>
No. 7	<ul style="list-style-type: none"> <li>■ What are your plans for sales of precision reduction gears for non-robotics industries in the New Mid-Term Management Plan? What is the sales ratio?</li> </ul>	<ul style="list-style-type: none"> <li>■ We have been taking measures for non-robotics industries. As we are currently focused on sales expansions for actuators in particular, we anticipate that they will make significant contributions in and after 2017.</li> <li>■ The sales ratio between robotics industries and non-robotics industries used to be 80:20.</li> </ul>
No. 8	<ul style="list-style-type: none"> <li>■ What is the current demand for hydraulic equipment in China?</li> </ul>	<ul style="list-style-type: none"> <li>■ The trend in orders received has been in line with our prediction. While local construction machinery manufacturers in China tend to place bulk orders towards the Chinese New Year, it seems that foreign manufacturers are not willing to take on excessive inventory based on their past experiences.</li> </ul>
No. 9	<ul style="list-style-type: none"> <li>■ Can you provide the actual results for the railroad vehicle equipment business in FY 2016 as well as the plans for FY 2017?</li> </ul>	<ul style="list-style-type: none"> <li>■ Sales for China's high-speed railway project have remained virtually unchanged since FY 2015 (annualized). However, there have been a few changes in sales composition. MRO has significantly increased year on year.</li> <li>■ While it is anticipated that sales for China in FY 2017 will decline by 25% due to the negative impact of the proprietary models of high-speed railway vehicles developed in china, sales to subway manufactures are likely to increase.</li> </ul>
No. 10	<ul style="list-style-type: none"> <li>■ Regarding railroad vehicle equipment, do you think there will be a shift towards domestic production of 250km/h-type vehicles in China's high-speed railway project any time soon?</li> <li>■ Do you anticipate growth in the subway business in China? Will it be able to offset the negative impact of the domestic production of high-speed railroad vehicles? How about the current status of</li> </ul>	<ul style="list-style-type: none"> <li>■ If the Proprietary models of high-speed railway vehicles developed in china of ,350km/h-type vehicles is successful, we can normally assume that 250km/h-type vehicles can be manufactured China's proprietary models. However, we anticipate that it will take more time before the domestic production of 250km/h-type vehicles.</li> <li>■ Since many subway routes have been</li> </ul>

	business expansion into Europe?	<p>planned, there is more room for future growth. We will expand our business with a focus on the cities where we have delivered our products. By establishing a subsidiary in Chengdu, we will strengthen our sales capacity in collaboration with local partner company.</p> <ul style="list-style-type: none"> <li>■ We would also like to start selling our brakes, targeting railroad vehicle manufacturers in Europe. We are currently working towards obtaining certification under European standards.</li> </ul>
No. 11	<ul style="list-style-type: none"> <li>■ Can you provide an outlook for the high-speed railroad vehicle equipment business in China, where there are concerns over a future shift towards domestic production?</li> </ul>	<ul style="list-style-type: none"> <li>■ It is a fact that there has been a shift towards China's proprietary models. While high-speed railroad vehicles in China are comprised of 350km/h-type vehicles and 250km/h-type vehicles, the 350km/h-type vehicles had been developed in 2017. We assume that 250km/h-type of high-speed railroad vehicles of China's proprietary models have been developing in some time. While sales are likely to decline due to the negative impact of the domestic production in FY 2017, we anticipate an increase in sales for subway projects, where demand is expected to grow.</li> </ul>
No. 12	<ul style="list-style-type: none"> <li>■ Do you anticipate increases in sales and profit for the aircraft equipment business in FY 2018 in comparison with FY 2017?</li> </ul>	<ul style="list-style-type: none"> <li>■ Our view is that 2017 is a drop-off period for the aircraft equipment business. We assume that sales will increase in 2018 due to a rise in the production rate of the B737MAX, among other reasons. Despite the burden from an increase in depreciation expenses as a result of the establishment of a new plant, we will aim to achieve higher profitability.</li> </ul>
No. 13	<ul style="list-style-type: none"> <li>■ Did the actual results for the aircraft equipment business in FY 2016 achieve the target set forth in the plan?</li> <li>■ Can you provide an outlook for the aircraft equipment business?</li> </ul>	<ul style="list-style-type: none"> <li>■ While we were unable to achieve the plan based on the yen-denominated results, we did achieve the plan based on dollar-denominated results.</li> <li>■ The profitability of the aircraft equipment business is expected to improve after 2023. The ratio of MRO sales currently accounts for more than 20% of the sales in the commercial aircraft business (approximately 55% of the entire aircraft equipment business). We anticipate that the sales ratio will further increase in the future as a result of the contribution from the MRO business for the 737MAX. Our target is to increase the sales ratio of the MRO business to 40% of the entire aircraft equipment business in the future.</li> <li>■ At the moment, our MRO operations in the aircraft equipment business are focused on large aircrafts such as the B777.</li> </ul>

		<p>Since the number of airlines that possess B777 aircraft is limited, we will be able to leverage our current MRO network for the MRO business for the B777X, which is the next model in that line of aircraft. However, with B737MAX aircraft, which will be delivered to customers starting in 2018, the main customers are low cost carriers (LCCs). Since there are many LCCs, we will not be able to cover them with our existing MRO network. Therefore, we think that it is necessary to develop a designated network. We plan to promote the MRO business based on proposals customized for each customer.</p>
No. 14	<ul style="list-style-type: none"> <li>■ CEO Kotani, you are planning to resign president and will be chairman at the end of the general shareholders' meeting in March. Do you have any concern over the future of Nabtesco?</li> </ul>	<ul style="list-style-type: none"> <li>■ Looking from a ten-year perspective, the marine vessel equipment business has a tendency to repeat up and down periods in terms of business conditions. I predict that a challenging business condition will remain in place for the time being. Other businesses have good potential for growth. I also think that the railroad equipment business will grow further if we can win the competition in Europe.</li> <li>■ The acquisition of OVALO will result in a significant change for Nabtesco. Our aim is to make a transformation from a component manufacturer to a mechatronics manufacturer by leveraging our technologies and human resources. Mechatronics is a keyword for our growth in the future.</li> </ul>