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.
Agenda

1. Annual Consolidated Results for FY2017/12

2. Forecast for FY2018/12

3. Progress in Mid-Term Management Plan
Agenda

1. Annual Consolidated Results for FY2017/12

2. Forecast for FY2018/12

3. Progress in Mid-Term Management Plan
Led by good result of CMP, both sales and profits increased on a year-on-year basis and compared with and the plan (as of Jul. 31, 2017) achieving the highest sales and profits in history.

<table>
<thead>
<tr>
<th>(JPY million)</th>
<th>2016/12 Result (A)</th>
<th>2017/12 Revised Plan (As of Jul. 31, 2017) (B)</th>
<th>2017/12 Result (C)</th>
<th>Ratio of Variation ((C-A)/A)</th>
<th>Ratio of Variation ((C-B)/B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>244,968</td>
<td>273,000</td>
<td>282,422</td>
<td>15.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Core O.P. *2</td>
<td>25,165</td>
<td>28,400</td>
<td>29,155</td>
<td>15.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>(Core OPM)</td>
<td>10.3%</td>
<td>10.4%</td>
<td>10.3%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>O.P.</td>
<td>25,982</td>
<td>28,400</td>
<td>29,468</td>
<td>13.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>(OPM)</td>
<td>10.6%</td>
<td>10.4%</td>
<td>10.4%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance Income and Cost</td>
<td>-237</td>
<td>-</td>
<td>523</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity in earnings of affiliates</td>
<td>1,034</td>
<td>-</td>
<td>4,915</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income before tax</td>
<td>26,779</td>
<td>32,100</td>
<td>34,907</td>
<td>30.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Net profit *3</td>
<td>18,606</td>
<td>23,900</td>
<td>25,146</td>
<td>35.2%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings per share (JPY Yen)</th>
<th>150.64</th>
<th>193.60</th>
<th>203.85</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPS (JPY Yen)</td>
<td>50</td>
<td>68(Plan)</td>
<td>72(Plan)</td>
</tr>
<tr>
<td>Payout ratio</td>
<td>33.2%</td>
<td>35.1%</td>
<td>35.3%</td>
</tr>
</tbody>
</table>

*1 CMP : Component Solutions Segment  
*2 Core operating profit is net sales less cost of sales and selling, general and administrative expenses.  
*3 Net profit attributable to owners of the parent
Agenda

1. Annual Consolidated Results for FY2017/12

2. Forecast for FY2018/12

3. Progress in Mid-Term Management Plan
Forecast for FY2018/12 (IFRS)

- Targeting exceeding 10% OPM on the back of a robust performance in the CMP segment are anticipated.

<table>
<thead>
<tr>
<th></th>
<th>2017/12 Result (A)</th>
<th>2018/12 Plan (B)</th>
<th>Variation (B-A)</th>
<th>Ratio of Variation ((B-A)/A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>282,422</td>
<td>308,000</td>
<td>25,578</td>
<td>9.1%</td>
</tr>
<tr>
<td>O.P.</td>
<td>29,468</td>
<td>32,600</td>
<td>3,132</td>
<td>10.6%</td>
</tr>
<tr>
<td>(OPM)</td>
<td>10.4%</td>
<td>10.6%</td>
<td>0.2pt</td>
<td>-</td>
</tr>
<tr>
<td>Income before tax</td>
<td>34,907</td>
<td>35,900</td>
<td>993</td>
<td>2.8%</td>
</tr>
<tr>
<td>Net profit *</td>
<td>25,146</td>
<td>25,700</td>
<td>554</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017/12 Result (A)</th>
<th>2018/12 Plan (B)</th>
<th>Variation (B-A)</th>
<th>Ratio of Variation ((B-A)/A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPS (JPY Yen)</td>
<td>72(Plan)</td>
<td>73(Plan)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payout ratio</td>
<td>35.3%</td>
<td>35.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Remarks:
- Increase in demand for precision reduction gears for industrial robots and general industry.
- Increase in sales in Hydraulic Equipment business due to expected growth in demand for construction machinery.

Remarks:
- Ratio of variation in net profit is 15% excluding 28 billion yen gained by equity in earnings of affiliates.

* Net profit attributable to owners of the parent
Sales and profit are anticipated to grow reflecting an increase in demand for precision reduction gears for industrial robots and general industry, and global demand for construction machinery.

**Result and Plan**

<table>
<thead>
<tr>
<th>Sales (JPY bn.)</th>
<th>Precision Reduction Gears</th>
<th>Hydraulic Equipment</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/12</td>
<td>11.2</td>
<td>41.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Result</td>
<td>2017/12</td>
<td>20.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Plan</td>
<td>2018/12</td>
<td>23.8</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**O.P. (OPM)**

<table>
<thead>
<tr>
<th>2016/12</th>
<th>2017/12</th>
<th>2018/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.6%</td>
<td>17.9%</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

FY2017/12 Result vs. FY2018/12 Plan

Precision Reduction Gears: Sales are expected to grow reflecting an increase in demand for precision reduction gears for industrial robots and general industry on the back of automation and labor-saving demand in the automobile industry and general industry.

Hydraulic Equipment: Sales are anticipated to increase due to expected growth in global demand for construction machinery.

O.P.: Expansion of profits by increasing sales.
Sales and profit are anticipated to grow in TRS.

**Result and Plan**

<table>
<thead>
<tr>
<th>Sales (JPY bn.)</th>
<th>2016/12 Result</th>
<th>2017/12 Result</th>
<th>2018/12 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>O.P. (JPY bn.)</td>
<td>13.3</td>
<td>8.4</td>
<td>9.3</td>
</tr>
<tr>
<td>(OPM)</td>
<td>16.3%</td>
<td>10.6%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

**Railroad Vehicle Equipment**
- Sales growth is anticipated through meeting robust domestic demand and expanding order receipts from subway projects in China.

**Aircraft Equipment**
- Expected to remain flat on the back of the continued off-season for aircraft in the civil aviation sector.

**Commercial Vehicle Equipment**
- Expected to remain flat reflecting continued robust demand in Japan and Southeast Asia.

**Marine Vessel Equipment**
- Sales growth is anticipated reflecting the gradual recovery of the marine transport market.

**O.P.**
- An increase is expected driven by sales growth and proactive expansion of MRO.
Sales and profit are anticipated to grow by meeting demand for domestic and overseas building automatic doors.

**Result and Plan**

<table>
<thead>
<tr>
<th></th>
<th>2016/12 Result</th>
<th>2017/12 Result</th>
<th>2018/12 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (JPY bn.)</td>
<td>64.6</td>
<td>72.4</td>
<td>75.5</td>
</tr>
<tr>
<td>O.P. (JPY bn.)</td>
<td>5.1</td>
<td>5.2</td>
<td>6.0</td>
</tr>
<tr>
<td>(OPM)</td>
<td>7.9%</td>
<td>7.1%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

**FY2017/12 Result vs. FY2018/12 Plan**

Automatic Doors: Sales are anticipated to grow by meeting demand for domestic and overseas building automatic doors and domestic platform doors.

O.P.: Profits are expected to increase as the PMI*¹ cost in a North American subsidiary will come to an end, although strategic investment is planning.

*¹ PMI (Post Merger Integration)
Sales and profit are expected to increase due to robust both in domestic and overseas demand from the food industry.

### Result and Plan

<table>
<thead>
<tr>
<th></th>
<th>2016/12 Result</th>
<th>2017/12 Result</th>
<th>2018/12 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (JPY bn.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging Machines</td>
<td>4.8</td>
<td>3.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Others</td>
<td>11.6</td>
<td>13.1</td>
<td>16.0</td>
</tr>
<tr>
<td>O.P. (JPY bn.)</td>
<td>1.5</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>(OPM)</td>
<td>9.2%</td>
<td>11.6%</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

**FY2017/12 Result vs. FY2018/12 Plan**

Packaging Machines: Sales are expected to increase due to robust demand from the food industry on the back of labor-saving and automation need as well as sales expansion in Southeast Asia.

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

1. Annual Consolidated Results for FY2017/12

2. Forecast for FY2018/12

3. Progress in Mid-Term Management Plan
Progress in Mid-Term Management Plan and FY2020 sales forecast

### Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2016/12 Result (IFRS)</th>
<th>2017/12 Result (IFRS)</th>
<th>2018/12 Plan (IFRS)</th>
<th>2020/12 Mid-term Ref. *** (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>245.0</td>
<td>282.4</td>
<td>308.0</td>
<td>330.0</td>
</tr>
<tr>
<td>O.P.</td>
<td>26.0</td>
<td>29.5</td>
<td>32.6</td>
<td>42.0</td>
</tr>
<tr>
<td>(OPM)</td>
<td>10.6%</td>
<td>10.4%</td>
<td>10.6%</td>
<td></td>
</tr>
<tr>
<td>Net profit*</td>
<td>18.6</td>
<td>25.1**</td>
<td>25.7</td>
<td>30.0</td>
</tr>
</tbody>
</table>

*Net profit attributable to owners of the parent
**28 billion yen gained by equity in earnings of affiliates is included in 2017/12 result
*** Forecast FY2020 at Mid-Term plan in 2017 for reference
Our commitments in the New Medium-term Management Plan

ROE : 15%

Consolidated payout ratio: 35% or over

Focus on solving ESG issues
Progress in Mid-Term Management Plan

- The first fiscal year of the Medium-term Management Plan recorded performance exceeding our expectation.

- A revision to the Medium-term Management Plan will be implemented by the end of the current fiscal year.

ROE15%

- ROE has been advancing steadily towards the target of 15% in FY 2020.

Impact of extraordinary gains from Harmonic Drive Systems

Actual Value
Consolidated payout ratio 35% or higher

The pay-out ratio in FY 2017 was 35.3%.
(The pay-out ratio will be maintained at a level of 35.0% or higher in FY 2018 and thereafter.)
Progress in Mid-Term Management Plan
~Focus on solving ESG issues~

■ Focus on solving ESG issues (1)

■ Proactive investment for Environment-related investments

Trend of Environment-related investments

<table>
<thead>
<tr>
<th>Year</th>
<th>Solar Power Generation System</th>
<th>Geothermal Air Conditioner</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Tarui Plant 400kw</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>Tsu Plant 500kw</td>
<td>Kobe Plant 500kw</td>
</tr>
<tr>
<td>2017</td>
<td>Precision Reduction Gear Plant in China 500kw</td>
<td></td>
</tr>
</tbody>
</table>

Increase in Solar Power Generation System, Geothermal Air Conditioner etc.
Increase in Geothermal Air Conditioner, No drainage system etc.

Increase in Solar Power Generation System, Geothermal Air Conditioner etc.
Increase in Geothermal Air Conditioner, No drainage system etc.

2016/12
2017/12
2018/12 (Plan)

2.3times
1.7times

FCU : Fan Control Unit
Progress in Mid-Term Management Plan
~Focus on solving ESG issues~

**E – Evaluation by third party**

- **FTSE4Good**
  - 2009~
- **FTSE Blossom Japan**
  - 2017
- **MSCI 2017 Constituent**
  - MSCI ESG Leaders Indexes
  - 2017
- **Dow Jones Sustainability Indices**
  - In Collaboration with RobecoSAM
  - 2016 & 2017

**Named to 「The Supplier Climate A List 2018」 (Best evaluation of supplier dealing with climate change)**

+ **Rating by the CDP on anti-climate change measures**

<table>
<thead>
<tr>
<th>Rated item</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>A</td>
</tr>
<tr>
<td>Water resource management</td>
<td>A⁻</td>
</tr>
</tbody>
</table>

**The Company’s carbon dioxide reduction target was approved by the Science Based Targets (SBT) Initiative**

- **2017~**

<table>
<thead>
<tr>
<th>(compared with FY 2015)</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of CO₂ emissions</td>
<td>-30%</td>
<td>-80%</td>
</tr>
</tbody>
</table>

**Awarded the 2016 Boeing Supplier of the Year in the environmental category**
Focus on ESG issues

S-Further improvement for work reform – Est “Work reform dep.” in 2017

- Consciousness for Work and Life Balance
- Increase consume level for paid holidays
- Optimize working time
- Introduce home office
- Pay efficiency back to employees

- Elimination for useless work
- Make workflow simple
- Introduce IT / Automation / AI
- Reduction for double work by information sharing

S-Action for human rights
- Created Nabtesco human rights policy in 2017 with CSR committee following on international human rights standard

G-Upgrade governance level

- Further clearness for executives responsibility
  - Take responsibility same days as assignment of new executive board

- Upgrade risk management level
  - Implemented systematic risk assessment with entire companies, screening major risks through committee e.g. information security risks, accounting fraud risks, tax and procurement risks, established action plan to remove risks

- Upgrade compliance
  - Established Nabtesco Group ethical code and anti-bribery basic policy
Basic Policy of the New Medium-term Management Plan

**Basic Policy**

**Move forward! Challenge the future!**

~ Create “New Value 2020” ~

**Long-term vision: Ideal image toward 2020**

Global Partner with Best Solution

~ Enjoy The Challenge ~

**Key Strategies**

**Obtain new markets**

**Market Creation**

Obtain new markets by accelerating overseas business and developing new domains

**Create new solutions**

**Technology Innovation**

Create new solutions through transition from components to systems and services

**Improve profitability and efficiency**

**Operational Excellence**

Improve corporate value by raising profitability through production reforms and operational reforms as well as by seeking better capital efficiency.

**Promote and enhance the existing measures**

**Move forward!**

**Challenge the future!**

New challenges and reforms

Nabtesco
Market Creation • • • Obtain new markets by accelerating overseas business and developing new domains (Established since 2016)

- Nabtesco ITG GmbH
  Design, sales and after-sales for Compressor in Commercial Vehicle Equipment Business

- Jiangsu Nabtesco KTK Railroad Products Co., Ltd.
  Sales and manufacturing of brake system and door operating system for railroad vehicle

- Nabtesco Europe GmbH
  Management of existed subsidiaries to Nabtesco

- Gilgen Door Systems
  Scandinavia AB
  Inspection and after sales service of platform doors for public transport

- Nabtesco India Private Ltd
  Product import, sales, after-sale service etc. pertaining to the Nabtesco Group

- OVALO GmbH / adocos GmbH
  Chassis System, Engine System, ECU for R&D, Software

- Gilgen Door Systems France Sarl
  Sales, installation and after sales service of automatic doors

- Nabtesco Service Southeast Asia Co., Ltd
  Sales and after-sales service pertaining to the Nabtesco Group
Technology Innovation • • • Create new solutions through transition from components to systems and services

A unified research and development management system was set up by establishing “Nabtesco R&D Center.”

Disc brakes for CAE Analysis

Coupling of high-speed solenoid valves (Structure⇔Fluid)
Analytic example

OVALO GmbH of Germany was acquired in order to obtain technologies related to systematization and mechatronization.

Promotion of co-development by industry-academia collaboration with Technical University of Denmark and Eidgenössische Technische Hochschule Zürich (ETH)

Release of corroborated products with HYEST Corporation acquired in 2015.
Progress in Mid-Term Management Plan (3)

- Operational Excellence · · · High Automation of Production

**2020 goal** 10% improvement in productivity (2.5% per year)

### Mechanical processing
- **Robotization**
- **Automatic measurement, automatic judgment**

### Assembly/Inspection
- **Development of automatic assembly device**
- **Automatic inspection, develop judgment technology**

#### Development of innovative production technology
- **AM** (Metal additive manufacturing)
- Combined machining technology

*AM : Additive Manufacturing*
3-2-2. Strengthening of plant management ability

**Aim**
Elimination of waste ⇒ Acceleration of production

**Goal**
2020 goal: Overall inventory turnover period in days: Reduce by 25%

- **Realize optimal production management**
  - Optimization of manufacturing method (one-unit manufacturing, batch production)
  - Optimization of production line (dedicated line, general-purpose lines)

- **Make & Buy optimization**
  - Optimization of core components/processes

- **Logistics reform**
  - Optimal process design ⇒ Optimal site layout + automatic transport (AGV, etc.)

**Utilization of AI & IoT**
- AI: Automatic scheduling
- IoT: Digitization, visualization

Through implementation of visualization in producing
FY2018 Investment for growth and enhance biz basement

Market Creation
- Reduction Gear
  - New Application
- Doors
  - Develop MRO (Maintenance) market
- R&D
  - Create New Biz Development Incubation

Technology Innovation
- Aerospace
  - Promote Private MRO program
- Commercial Vehicle
  - Manage Air-Supply system (ITG)
- R&D
  - Acquire European develop process (Ovalo, adocos)

Operational Excellence
- Reduction Gear
  - Capacity increase, improve productivity
- HQ
  - Introduce IoT
- Doors
  - Improve US biz profitability
- Railroad
  - Comply EU Homologation (Oclap)
## CAPEX and R&D

- Capital expenditure was implemented centering on precision reduction gears and aircraft equipment for future growth.

  Precision reduction gears: Enhancing the production capacity of plants in Japan and China.
  Aircraft equipment: Capacity expansion built for new programs.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>14.5</td>
<td>15.5</td>
<td>30.4</td>
<td>77.0</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>7.4</td>
<td>8.7</td>
<td>10.2</td>
<td>40.0</td>
</tr>
</tbody>
</table>
Production capacity

Precision reduction gears : Production capacity (ordinary)

■ Production capacity is going to be expanded to 1.2 million units per year adding up Japan plant and China plant by 2020.

■ 26 billion JPY will be invested for the expansion of production capacity in precision reduction business between 2017 and 2020.

■ The CAGR of supply of industrial robots is +15% between 2017 and 2020

The CAGR of supply of mid to large sized industrial robots is about +5-10% (Our forecast)

Precision Reduction Gear China Plant (Changzhou)
2016～Manufacturing has started
Establishment of 3 new plants for commercial aircraft

- Plants for the manufacture of surface treatment.  
  Completed in 2016

- Plants for the manufacture of EHSV's  
  Completed in 2016

- Plants for the manufacture of actuators  
  Completed in 2018 (Plan)

- 10 billion yen will be invested for establishing 3 new plants.

New programs for commercial aircraft

- **B737MAX**  
  - Operation has started in 2017

- **B777X**  
  - Operation will start in 2019
Breakdown in CAPEX

**By Segment**

- **2016/12 Result**
  - MFR: 2%
  - HQ: 3%
  - ACB: 3%
  - CMP: 35%
  - TRS: 41%
  - **Total: 14,530 JPY million**

- **2017/12 Result**
  - MFR: 2%
  - HQ: 3%
  - ACB: 12%
  - CMP: 44%
  - TRS: 19%
  - **Total: 15,522 JPY million**

- **2018/12 Plan**
  - MFR: 2%
  - HQ: 3%
  - ACB: 5%
  - CMP: 54%
  - TRS: 30%
  - **Total: 30,400 JPY million**

**By Usage**

- **2016/12 Result**
  - New Products: 10%
  - Production Increase: 43%
  - Productivity Improvement: 23%
  - Others (Environment, Renewal and Safety): 24%
  - **Total: 14,530 JPY million**

- **2017/12 Result**
  - New Products: 10%
  - Production Increase: 43%
  - Productivity Improvement: 32%
  - Others (Environment, Renewal and Safety): 15%
  - **Total: 15,522 JPY million**

- **2018/12 Plan**
  - New Products: 8%
  - Production Increase: 46%
  - Productivity Improvement: 29%
  - Others (Environment, Renewal and Safety): 17%
  - **Total: 30,400 JPY million**

- **Precision reduction gears:**
  - Installation of new facilities in the new China plant

- **Aircraft equipment:**
  - Capacity expansion at Gifu Plant

- **Environment-related investments**
- **R&D-related investments**
## Full-year Segment Sales and O.P.

<table>
<thead>
<tr>
<th>(JPY million) Segment</th>
<th>Term</th>
<th>2016/12 Result</th>
<th>2017/12 Jul.2017 plan</th>
<th>2017/12 Result</th>
<th>2018/12 Plan</th>
<th>2020/12 Mid-term reference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component Solutions (CMP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>82,473</td>
<td>103,600</td>
<td>113,885</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O.P. (OPM)</td>
<td></td>
<td>11,231 (13.6%)</td>
<td>18,200 (17.6%)</td>
<td>20,432 (17.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transport Solutions (TRS)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>81,426</td>
<td>80,600</td>
<td>79,134</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O.P. (OPM)</td>
<td></td>
<td>13,269 (16.3%)</td>
<td>10,200 (12.7%)</td>
<td>8,383 (10.6%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accessibility Solutions (ACB)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>64,634</td>
<td>71,100</td>
<td>72,374</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O.P. (OPM)</td>
<td></td>
<td>5,087 (7.9%)</td>
<td>5,800 (8.2%)</td>
<td>5,168 (7.1%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Manufacturing Solutions (MFR)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>16,435</td>
<td>17,700</td>
<td>17,029</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O.P. (OPM)</td>
<td></td>
<td>1,507 (9.2%)</td>
<td>1,600 (9.0%)</td>
<td>1,983 (11.6%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Profit or Loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-5,112</td>
<td>-7,400</td>
<td>-6,498</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>273,000</td>
<td>282,422</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>244,968</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O.P. (OPM)</td>
<td></td>
<td>25,982 (10.6%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Both net sales and profits increased reflecting robust demand for precision reduction gears for industrial robots, the recovery of demand for construction machinery in China as well as the effects of converting a sales company of automatic doors into a consolidated subsidiary.

Component Solutions Segment (CMP): Robust performance was recorded in precision reduction gears for industrial robots for automation and labor-saving needs, and for general industry. Sales and profit increased on the back of higher demand for construction machinery in China.

Transport Solutions Segment (TRS): Sales of railroad vehicle equipment decreased high-speed railroad vehicles in China. Aircraft equipment faced a decline in sales in the off-season due to a model change of B777. Marine vessel equipment suffered a decrease in sales due to the sluggish shipbuilding market. Sales of commercial vehicle equipment increased due to robust domestic demand. Overall, this segment saw a decrease in profit.

Accessibility Solutions Segment (ACB): Sales increased reflecting robust domestic demand and the conversion of an acquired company into a consolidated subsidiary (for a quarter), although the growth ratio was limited due to the PMI*2 cost associated with a North American subsidiary.

Manufacturing Solutions Segment (MFR): The packaging machines business recorded an increase in sales reflecting domestic labor-saving needs.

*1 Corporate or Elimination  *2 PMI(Post Merger Integration)
Analysis of Changes in Operating Profit by Company (FY2017/12 Result vs. FY2018/12 Plan)

- **Expansion of profits by increasing sales.**

![Graph showing changes in profit drivers](image)

**Remarks:**
- Increase in R&D expenses
- Advertising expenses
- IT-related expenses and so on.

**FOREX sensitivity in O. P.** (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen):
- (US$): 40 million yen
- (RMB): 299 million yen
- (EUR): minimal
- (CHF): minimal

**FOREX effect**
17/12 Result US$1=¥112.04 RMB1=¥16.60 EUR1=¥127.22 CHF1=¥114.03
18/12 Plan US$1=¥110.00 RMB1=¥16.50 EUR1=¥130.00 CHF1=¥110.00

*FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen): (US$): 40 million yen, (RMB): 299 million yen, (EUR): minimal, (CHF): minimal*
Balance sheet (2016/12 Result vs. 2017/12 Result)

Balance sheet remained sound during implementation of steady investments for growth.

<table>
<thead>
<tr>
<th>(JPY million)</th>
<th>2016/12 (as of December 31, 2016)</th>
<th>2017/12 (as of December 31, 2017)</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>256,973</td>
<td>301,557</td>
<td>44,584</td>
</tr>
<tr>
<td>(Cash and cash equivalents)</td>
<td>41,780</td>
<td>44,121</td>
<td>2,341</td>
</tr>
<tr>
<td>(Trade receivable)</td>
<td>65,569</td>
<td>76,874</td>
<td>11,305</td>
</tr>
<tr>
<td>(Inventories)</td>
<td>32,704</td>
<td>40,298</td>
<td>7,594</td>
</tr>
<tr>
<td>(Tangible fixed assets)</td>
<td>63,155</td>
<td>70,700</td>
<td>7,545</td>
</tr>
<tr>
<td>Liabilities</td>
<td>101,070</td>
<td>124,556</td>
<td>23,486</td>
</tr>
<tr>
<td>(Bonds and borrowings)</td>
<td>16,949</td>
<td>27,720</td>
<td>10,771</td>
</tr>
<tr>
<td>Total equities</td>
<td>155,904</td>
<td>177,002</td>
<td>21,098</td>
</tr>
<tr>
<td>(Non-controlling interests)</td>
<td>7,974</td>
<td>9,465</td>
<td>1,491</td>
</tr>
<tr>
<td>Equity attributable to owners of parent</td>
<td>147,929</td>
<td>167,537</td>
<td>19,607</td>
</tr>
</tbody>
</table>

*Ratio of equity attributable to owners of parent: 57.6% vs. 55.6%
Overview of Market Conditions in 2017 and 2018

**CMP : Precision Reduction Gears**

According to the Japan Robot Association, sales of robots during the period of July-September 2017 amounted to 189.0 billion yen, a year-on-year increase of 34%. As to the full-year forecast for 2018, sales are expected to reach 1 trillion yen, a 10% increase from the previous year. Mr. Inaba, Chairman of the association, concurrently serving as the Chairman of FANUC CORPORATION, emphasizes that the expansion of demand for robots will continue for more than five years, and that sales of 2 trillion yen will be just a milestone.

(28th Jan. 2018. Nikkei Veritas)

**CMP : Hydraulic Equipment**

The Japan Construction Equipment Manufacturers Association announced on January 31 that the shipment value of construction machinery in 2017 (total amount including supplemental parts) reached 2,551.3 billion yen, a 19.1% increase year on year, representing the first increase in three years. Overseas demand including North America and Asia contributed to the overall growth driven by the increase in demand for construction machinery on the back of infrastructure construction and housing, while last-minute purchase also expanded prior to the enforcement of stricter emissions control in Japan. Shipments have increased to a wide range of destinations outside Japan spurred by world-wide economic growth. While a large volume of construction machinery is produced locally in China, the Chinese market turned upward since the end of 2016, and demand remained robust and steady throughout the year of 2017. “Sales of construction machinery have maintained high growth in China,” said Mr. Yasuhiro Inagaki, Senior Executive Officer of Komatsu Ltd., in a telephone interview on January 31.

(1st, Feb. 2018 The Nikkei)

Mr. Tetsuo Katsurayama, Executive Officer and Director of Hitachi Construction Machinery Co., Ltd. was quoted as saying that in the next fiscal year the momentum of Chinese demand growth will continue up to June.

(31st, Jan. 2018 The Nikkei)

**TRS : Marine Vessel Equipment**

Shipping firms consider the Chinese environmental regulation as a favorable drive. Chinese steel makers increased the use of Brazilian and Australian iron ore of higher quality, resulting in the brisk movement of freight. The average Baltic Dry Index, a freight index of bulk resource carriers, for 2017 recorded its highest level in four years.

Main Products: Component Solutions Segment (CMP)

- **Precision Reduction Gears**
  - **Joints of Industrial Robots**
    - Nabtesco 60% world market share
    - No.1
  - Nabtesco 60% world market share

- **Hydraulic Equipment**
  - **Traveling Unit for Hydraulic Excavators**
    - Nabtesco 25% world market share
  - 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**: Yamazaki Mazak, Okuma, DMG Mori Seiki

- **Hydraulic Equipment**
  - **Traveling Units**: Japan: Komatsu, Kobelco Construction Machinery, Kubota, Sumitomo Construction Machinery
    - China: Sany, Zoomlion, XCMG, Liu Gong
  - **Drive Units for Wind Turbines**: MHI, Hitachi, Ltd., Others
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 into engine accessories and power supply systems
  - Nabtesco 100%
  - 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**
  - Nabtesco 70% No.1
  - Approx. 70% Domestic Market Share

- **Air Dryers**
  - Nabtesco 75% No.1
  - Approx. 75% 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, Mitsui Engineering & Shipbuilding, MHI, Hitachi Zosen, Hyundai Heavy Industries (Korea), Doosan Engine (Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)
Main Products: Accessibility Solution Segment (ACB)

**Automatic Doors**

- **Automatic Doors**
  - Nabtesco 50% approx. 50% market share for building automatic doors (top share in the world)
  - Others

- **Platform Screen Doors**
  - Nabtesco 95% approx. 95% domestic market share (accumulated total)
  - Others

**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

- **Platform Screen Doors**

**Main Products: Manufacturing Solutions Segment (MFR)**

**Packaging Machines**

- **Packaging Machines for Retort Pouch Foods**
  - Nabtesco 85% approx. 85% domestic market share
  - Others

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

**Sales**

*Please note that estimates for 2015/12 (reference) were calculated for the period of 12 M to make comparisons with the plan for 2016/12 under the same conditions.*

**Operating Profit/Margin**

*Please note that estimates for 2015/12 (reference) were calculated for the period of 12 M to make comparisons with the plan for 2016/12 under the same conditions.*
Consolidated Cash Flow

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.