

FY2020/12 Results Briefing (IFRS) and the New Long-term Vision

February 18, 2021
CEO Katsuhiko 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.

Agenda

1. Summary

2. Consolidated Results for FY2020/12

3. Forecast for FY2021/12

4. Review of the Mid-term Management Plan

5. The New Long-term Vision

Agenda

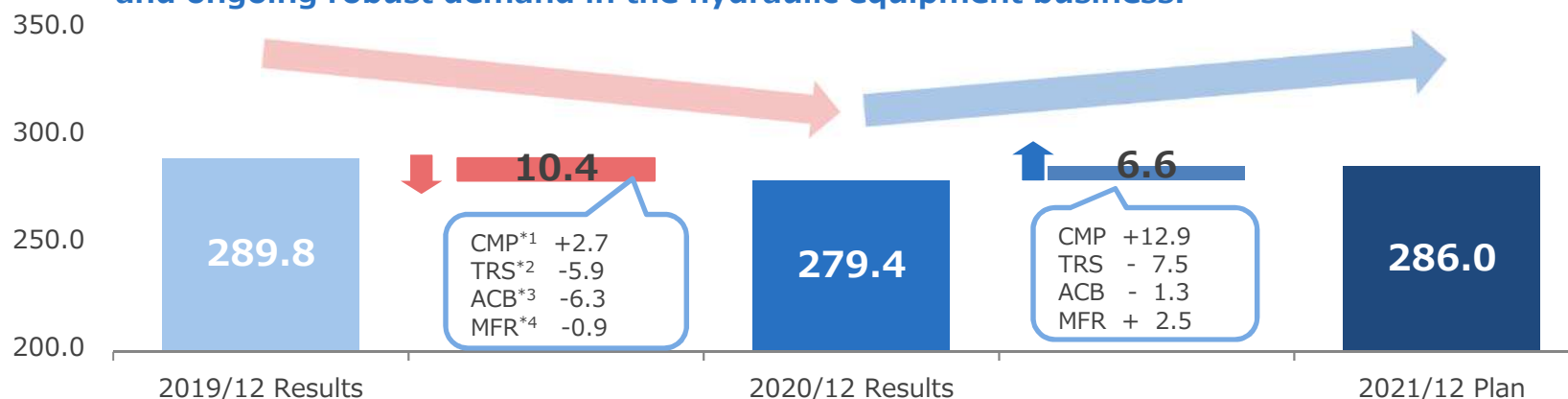
1. Summary

Summary

Sales

- In FY2020 sales decreased due to stagnation of economic activities and restriction caused by COVID-19.
- In FY2021 sales will increase due to demand recovery in the precision reduction gear business and ongoing robust demand in the hydraulic equipment business.

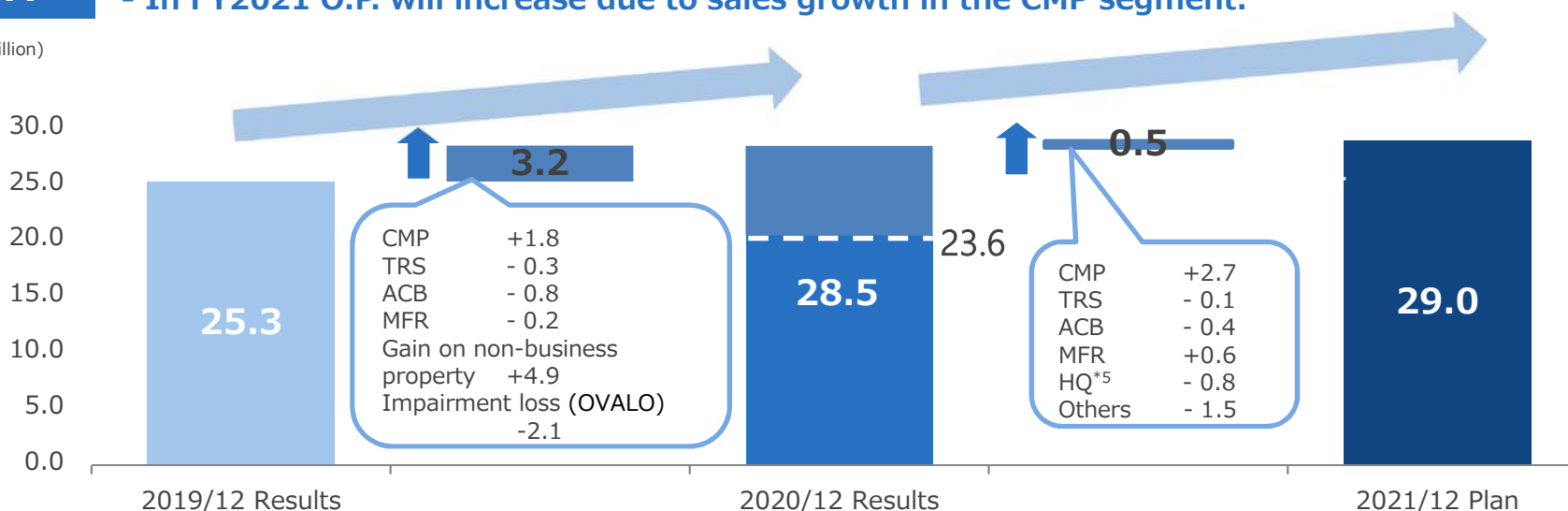
(JPY billion)



O.P.

- In FY2020 O.P. increased due to the gain on the sale of non-business property.
- In FY2021 O.P. will increase due to sales growth in the CMP segment.

(JPY billion)



*1 Component Solutions Segment *2 Transport Solutions Segment *3 Accessibility Solution Segment *4 MFR: Manufacturing Solutions Segment *5 HQ: Corporate or Elimination

2. Consolidated Results for FY2020/12

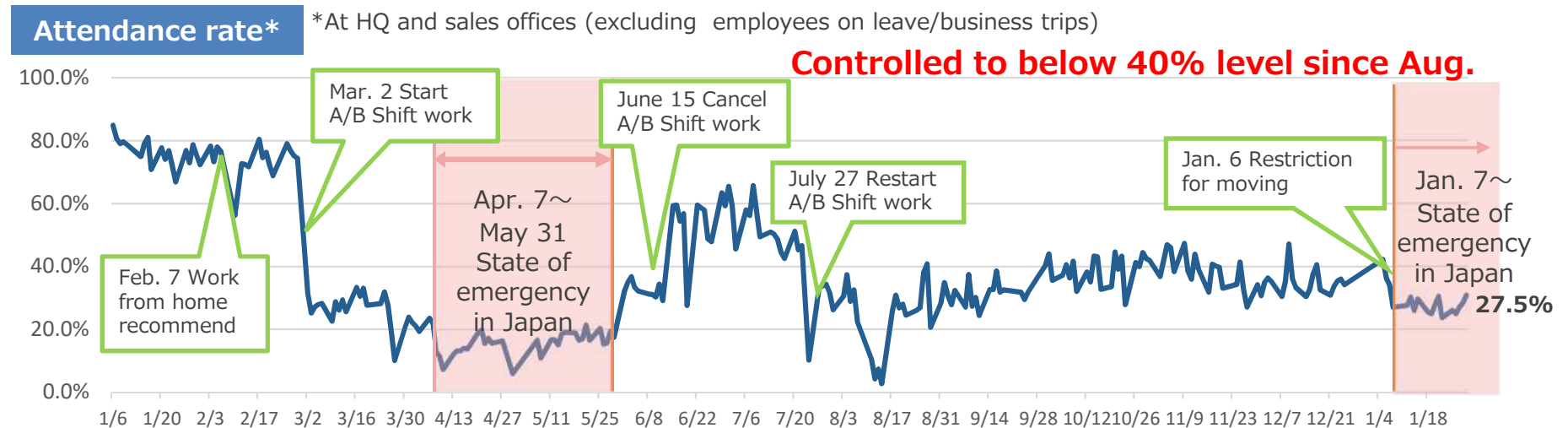
FY2020 External Factors

Market Conditions: COVID-19 had a significant impact on most of the industries.

Industry	YoY	Refer to
Robotics (Japan, Export)	↓ -7.5%	Japan Robot Association (Shipping units of Welding, Painting Robot)
Machine tool (Japan, Export)	↓ -26.8%	Japan Machine Tool Builders' Association (Order Volume)
Automotive (Global)	↓ -26.1%	Organisation Internationale des Constructeurs d'Automobiles (Global Production units 1-3Q)
Construction Machinery (Japan, Export)	↓ -20.7%	Japan Construction Equipment Manufacturers Association
Construction Machinery (China)	↑ +39%	China Construction Machinery Association (Shipping Units)

Industry	YoY	Refer to
Railroad (Japan)	↓ -33.7%	JAPAN PRIVATE RAILWAY ASSOCIATION (Apr. thru Oct. Number of passengers)
Civil Aviation (Global)	↓ -65.9%	The International Air Transport Association (Revenue Passenger-Kilometers)
Marine Vessel (Japan, Export)	↓ -10.8%	The Shipbuilders' Association of Japan (Completion Vessels, Comparison 1H)
Commercial Truck (Japan)	↓ -7.3%	Japan Automobile Dealers Association (Japanese 4 manufactures, Registered)
Construction (Japan)	↓ -11.2%	Ministry of Land, Infrastructure, Transport and Tourism (Groudbreaking, Total floor area)

Countermeasures against COVID-19: Established a task force team to prevent infection, foster telecommuting, and restrict business trips and movements between the plants



Consolidated Results for FY2020

- Although sales decreased year-on-year due to negative impact of COVID-19, O.P. increased year-on-year due to productivity improvement and cost reduction in each business and to the gain on the sale of non-business property.

(JPY million)	2019/12	2020 /12	2020/12	YOY	Revised Plan
	Full year result (A)	Full year revised plan As of July. 31 (B)	Full year result (C)	Variation (C-A)	Variation (C-B)
Sales	289,808	277,000	279,358	-10,450	2,358
O.P.	25,320	25,300	28,533	3,213	3,233
(OPM)	8.7%	9.1%	10.2%	1.5pt	1.1pt
Financial Income and Cost	-205	-624	1,718	1,923	2,342
Equity in earnings of affiliates	2,864	2,324	3,467	603	1,143
Income before tax	27,979	27,000	33,718	5,739	6,718
Net profit*1	17,931	17,300	20,505	2,574	3,205

*11Net profit attributable to owners of the parent

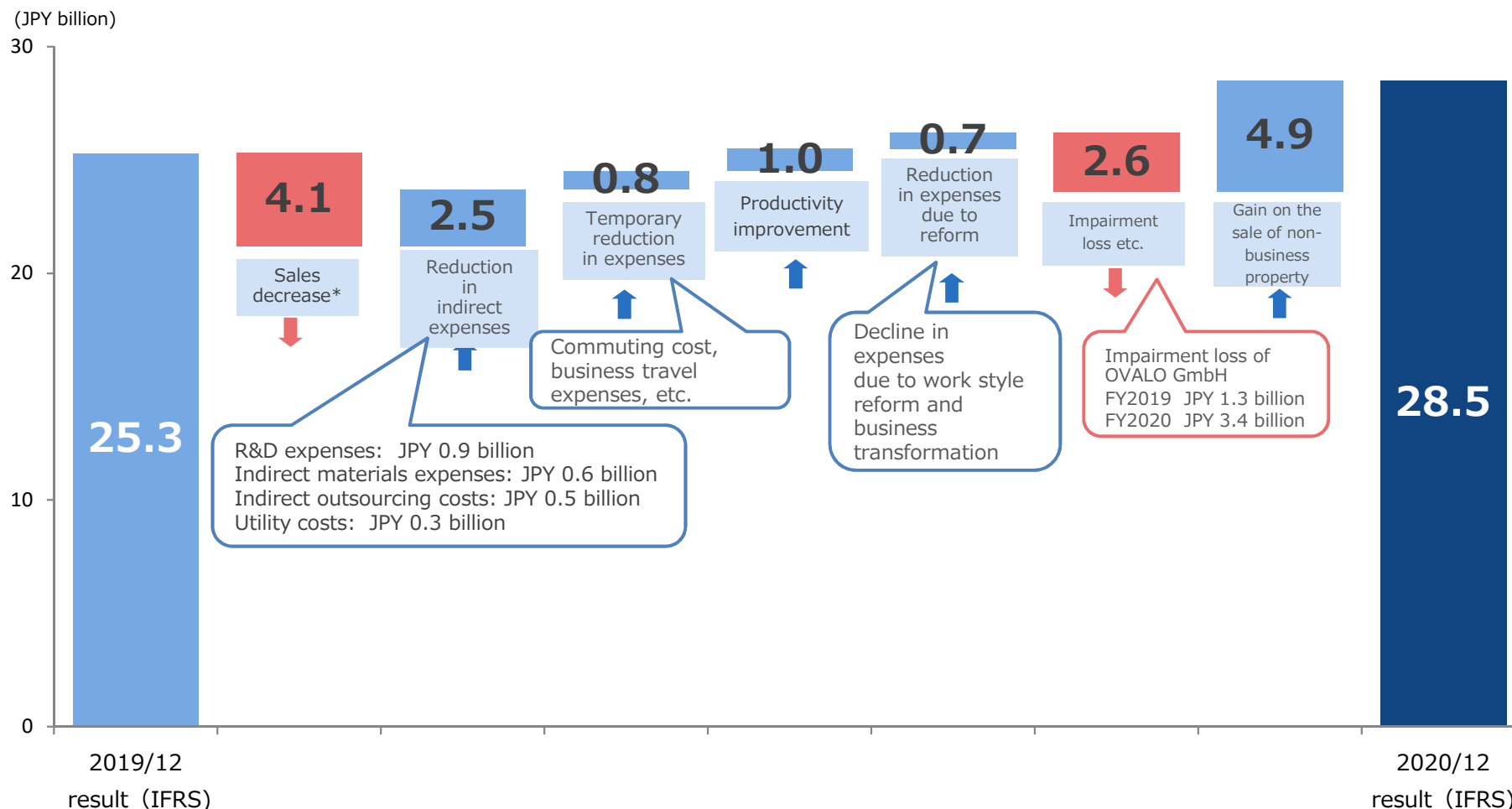
ROA	5.3%	5.0%	5.9%
ROE	9.8%	9.1%	10.6%
DPS (JPY Yen)	73	75(Plan)	75(Plan)
Payout ratio	50.5%	53.8%(Plan)	45.4%(Plan)

0.6pt	0.9pt
0.8pt	1.5pt

Average payout ratio over 4years
(2017-2020) : 42.9% (Plan)

Analysis of Factors Causing Changes in Operating Profit (Relative to FY2019)

■ O.P. increased due to cost reduction, productivity improvement, business transformation and the gain on the sale of non-business property.



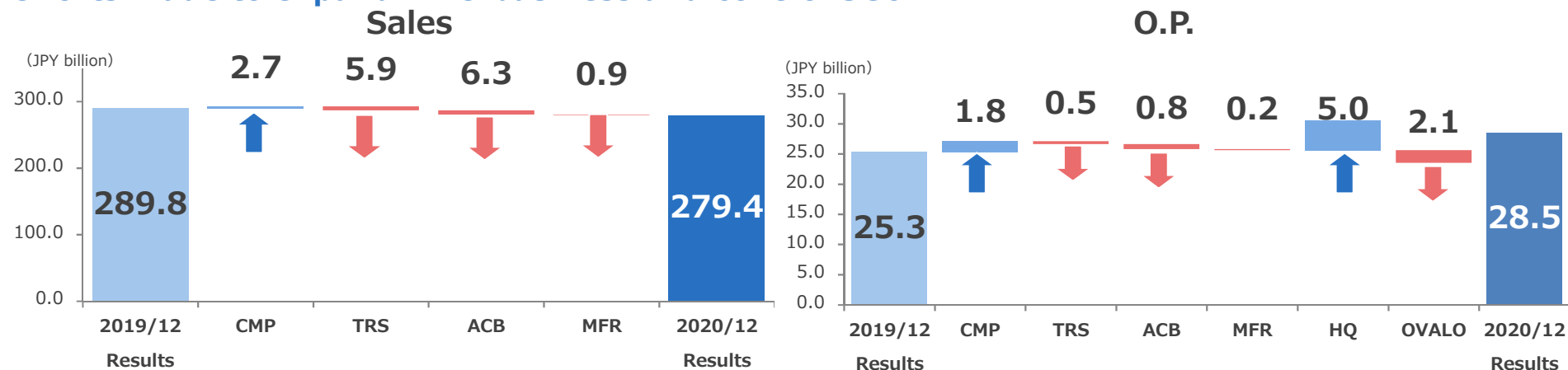
*FOREX negative impact (JPY 0.4 billion) was included.

-Exchange rate FY2020 (Result) 1USD=¥106.43 1CNY=¥15.45 1EUR=¥121.97 1CHF=¥113.84

-FOREX sensitivity in O. P. (This represents the effect to be expected on operating profit if the exchange rate fluctuates by one yen) : (US\$) JPY 52 million (RMB) JPY 932 million (EUR) minimal (CHF) minimal

Analysis of Factors Causing Changes in Net Sales and Operating Profit by Segment (Relative to FY2019)

■ Sales and O.P. increased in CMP. Both sales and O.P. decreased in TRS and ACB despite the efforts made to expand MRO business and control SG&A.



CMP: Sales of precision reduction gears slightly increased in Q4 due to the **recovery of capital investment in the Chinese and North American automobile industries.**

For hydraulic equipment, sales increased due to **robust market demand in the Chinese market and a sign of recovery observed in the European and American markets.**

O.P. increased due to the sales increase.

TRS: Sales decreased in each business, **including the aircraft equipment and commercial vehicle equipment businesses due to global movement restrictions.**

O.P. decreased due to the sales decrease. OVALO GmbH posted impairment loss for fixed assets in Q4.

ACB: Sales decreased because of **a decrease in the number of redevelopment projects implemented for Tokyo 2020** and due to **weaker domestic and global demand caused by COVID-19.**

O.P. decreased due to the sales decrease.

MFR : Sales and O.P. decreased due to **sluggish demand for packaging machines in the food service industry**

HQ: **Gain on the sale of non-business property (JPY 4.9 billion)**

Balance Sheet (Year-on-Year Comparison)

- Ratio of equity attributable to owners of parent: Over 55%
Thus has a sound balance sheet

(JPY million)	2019/12 Q4 (As of December 31, 2019)	2020/12 Q4 (As of December 31, 2020)	Variation
Assets	344,558	351,723	7,166
(Cash and cash equivalents)	58,686	64,665	5,980
(Trade receivable)	70,175	75,862	5,687
(Inventories)	41,257	36,505	-4,752
(Tangible fixed assets)	87,083	89,522	2,439
Liabilities	145,424	140,083	-5,342
(Bonds and borrowings)	43,936	39,866	-4,070
Total equities	199,133	211,641	12,507
(Non-controlling interests)	11,735	13,610	1,875
Equity attributable to owners of parent	187,398	198,031	10,632

Ratio of equity attributable to owners of parent

54.4%

56.3%

3. Forecast for FY2021/12

Forecast for FY2021

- Despite the negative impacts of COVID-19, overall sales and O.P. will increase due to sales growth in CMP and MFR. Plans for share buyback in addition to the stable dividend increase.

(JPY million)	2020 /12	2021/12	
	Full year result	Full year plan	
	(A)	(B) Excluding valuation gain for HDS	(C)*2 Including valuation gain for HDS
Sales	279,358	286,000	
O.P.	28,533	29,000	
(OPM)	10.2%	10.1%	
Financial profit and loss	1,718	-100	132,900
Income before tax	33,718	30,000	163,000
Net profit*1	20,505	19,300	112,200

Variation	Variation ratio
(C-A)	(C-A)/A
6,642	2.4%
467	1.6%
-0.1pt	-

*1 Net profit attributable to owners of the parent

ROA	5.9%	5.6%	25.4%
ROE	10.6%	10.0%	46.9%
DPS(JPY Yen)	75(Plan)	77(Plan)	77(Plan)
Payout ratio	45.4%(Plan)	49.5%(Plan)	8.2%(Plan)
Buyback	—	—	20,000(Plan)
Total return ratio	45.4%(Plan)	49.5%(Plan)	26.2%(Plan)

Average payout ratio over 5 years (2017-2021) : 33.5%

*2 2021/12 Plan (C) includes valuation gain for the shares of Harmonic Drive Systems (HDS), which causes increases in the "Income before tax," "Net profit" and other KPIs as compared to Plan (B).

Dissolution of Cooperative Relationship with HDS and Sale of the Shares

Cooperative Relationship with HDS

【Purpose】

- Further increase the corporate value of the two companies
- Make use of each other's technologies and create new market together

- December 2005: Established a joint venture in the United States. (Harmonic Drive L.L.C.)
 - 51% of equity interest owned by the HDS Group
 - 49% of equity interest owned by the Nabtesco Group
- June 2009: Included HDS as an equity-method affiliate. (With Nabtesco owning 20% of HDS shares)
- February 2018 Subscribed Third-Party Share Options issued by HDS when the company raised funds by issuing new shares.
Expiration: February 2023
(Nabtesco owned 19.03% of HDS shares and share options that accounted for 0.97% of HDS shares)

Dissolution of the relationship

【Background】

- Nabtesco will need a large amount of money to exercise the share options of HDS by 2023. However, current return on investment is relatively low for HDS's shares.
- Cooperative relationship with HDS has brought about some effects in the US. However, both the companies have recognized that no further synergy effects will be expected through this cooperative relationship.

Sale of shares

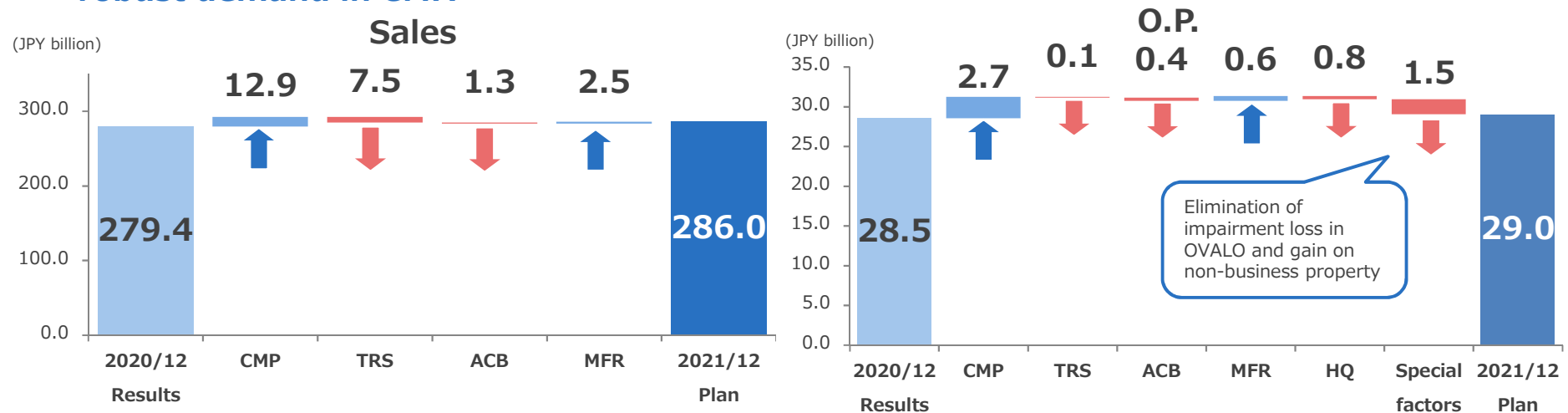
- Nabtesco needs to utilize cash in order to deal with the COVID-19 crisis, strengthen the Company's financial foundation, and meet the mid-to-long term challenges

Accounting : Change in Equity-method Affiliates and recording of paper profit (financial profit and loss) for FY 2021.

* HDS: Harmonic Drive Systems

Analysis of Factors Causing Changes in Net Sales and Operating Profit by Segment (Relative to FY2020)

- Although the difficult economic situation will continue, sales and O.P. will increase due to robust demand in CMP.



CMP: Sales of precision reduction gears will increase due to the **recovery of demand for industry robots in the automobile industry.**

Sales of hydraulic equipment will increase due to steady **demand in the Chinese market** and **the recovery of demand in the developed countries and Southeast Asia.**

O.P. will increase due to the sales increase.

TRS: Sales will decrease in the **railroad vehicle and aircraft equipment businesses** due to the ongoing negative impact of COVID-19. O.P. will remain at the same level, excluding the influence of impairment loss posted for OVALO in 2020

ACB: Sales and O.P. will decrease due to **temporary drop in demand for platform doors** in the domestic market.

MFR : Sales will increase due to **stronger demand for packaging machines in the domestic and overseas markets.**

Special factors causing a decrease in O.P. (JPY 1.5 billion): Fixed assets impairment loss (JPY 3.4 billion) and the gain on the sale of property (JPY 4.9 billion) recorded in FY2020

CAPEX, R&D and Depreciation / Cash Flow

- Decreased CAPEX and R&D expense in FY2020.
- In FY2021, will increase R&D expense for sustainable growth.

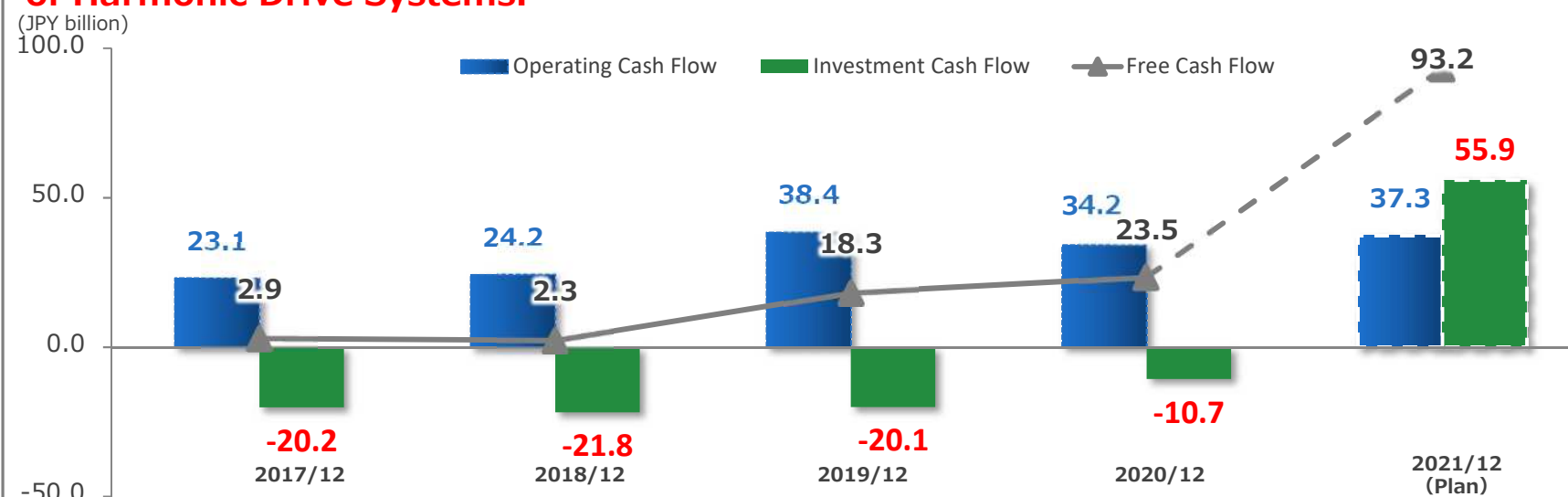
(JPY billion)	2017/12 Full year result	2018/12 Full year result	2019/12 Full year result	2020/12 Full year result	2021/12 Full year plan
CAPEX	18.8	20.3	16.4	15.1 ^{*1}	12.7
R&D	8.7	10.2	9.9	9.0	10.9
Depreciation	9.0	10.0	13.1 ^{*2}	13.7 ^{*2}	13.6 ^{*2}

2017-20 Mid-term plan	2017-20 Mid-term Result
77.0	70.6
40.0	37.8

*1 Includes the investment (JPY 5.7 billion) made to acquire land for the Hamamatsu Plant, which will be constructed to meet the future demand for precision reduction gears. *2 Increased due to the adoption of the lease accounting standard (IFRS 16)

■ Cash Flow

In FY2021, investment cash flow will temporarily increase as a result of selling some shares of Harmonic Drive Systems.



Expected Cash Gain and the Usage

The gain on the sales of HDS shares would be approx. JPY 100 billion (after tax) if the stock price is 8,000 JPY.

Sell all the HDS shares held by Nabtesco (18,320,400 shares)

NTS sells half of the shares this time (9,160,200 shares)

JPY 20 billion for shareholder return

-Buyback and cancellation
(Up to 4.4 million shares or JPY 20 billion)

JPY 30 billion to strengthen the financial foundation

- Higher liquidity of cash
- Retirement of 2nd series of unsecured straight bonds (Final maturity date: December 2021)
- Settlement of the difference arising from selling shares

The remaining shares NTS plan to sell in the future (9,160,200 shares)

JPY 50 billion for growth investment

-Environment-friendly factories in Hamamatsu (PRG*1) and Tarui (HEB*2)

-Investment in R&D for electrification and the production of systems

-Investment in M&A and CVC projects

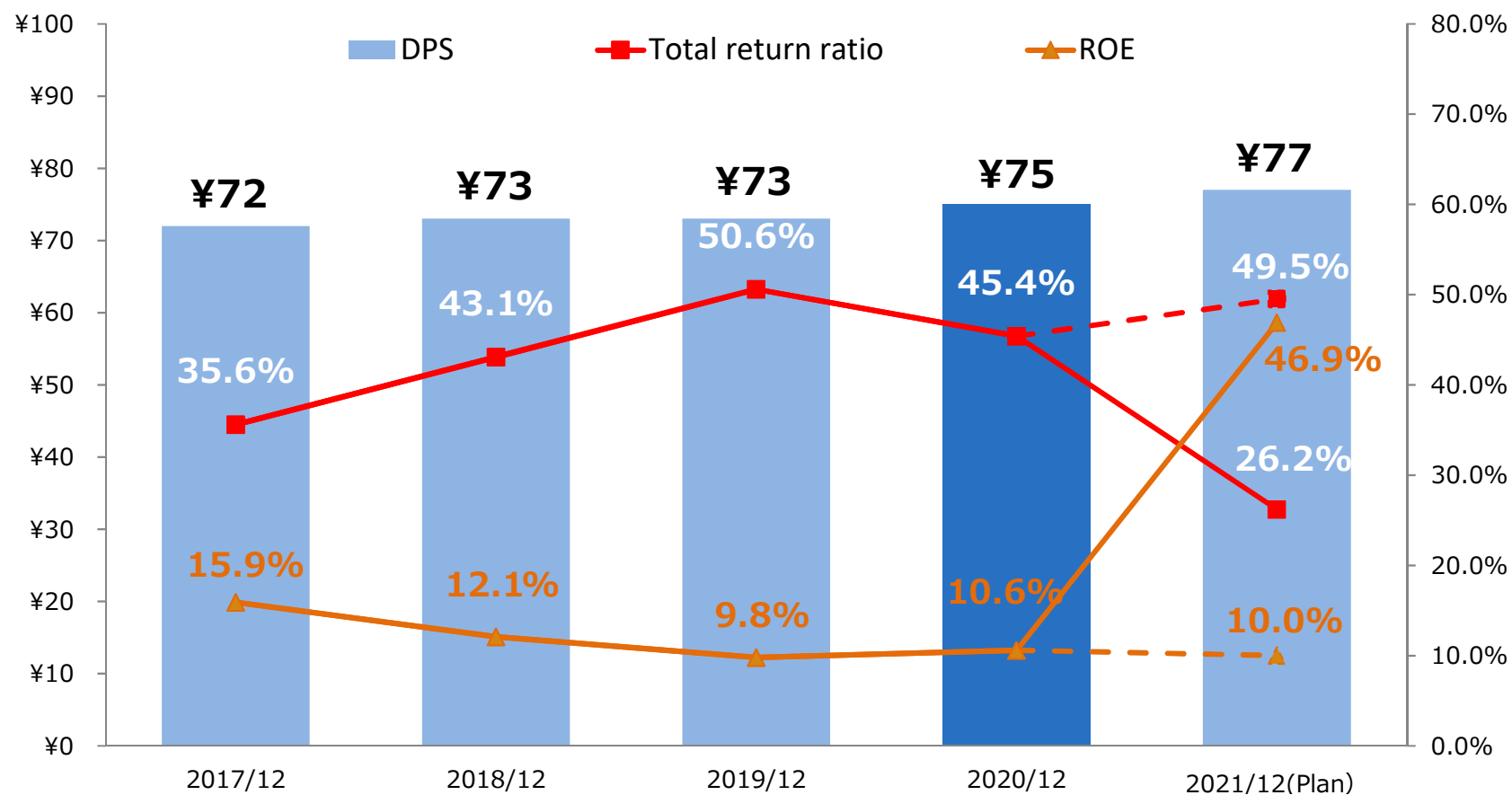
*1 PRG: Precision Reduction Gears

*2 HEB : Hydraulic Equipment Business

4. Review of the Mid-term management plan

Progress with the Medium-term Management Plan: ROE/Payout Ratio

- ROE→ FY2021: 10.0% (Except for valuation gains for HDS shares).
- Total shareholders return (During the period from 2017 to 2021, except for valuation gains on for HDS shares) →44.1%.
(33.5% →Including valuation gains for HDS shares) .



* HDS : Harmonic Drive Systems

Progress with the Medium-term Management Plan: Focus on Solving ESG Issues

■ Steady implementation of measures for sustainability and governance

-E : "Combat climate change," "Reduce environmental impact," "Disclose more non-financial information"

-S : "Further revitalize the organization," "Enhance human resource development," "Enhance CSR-oriented procurement"

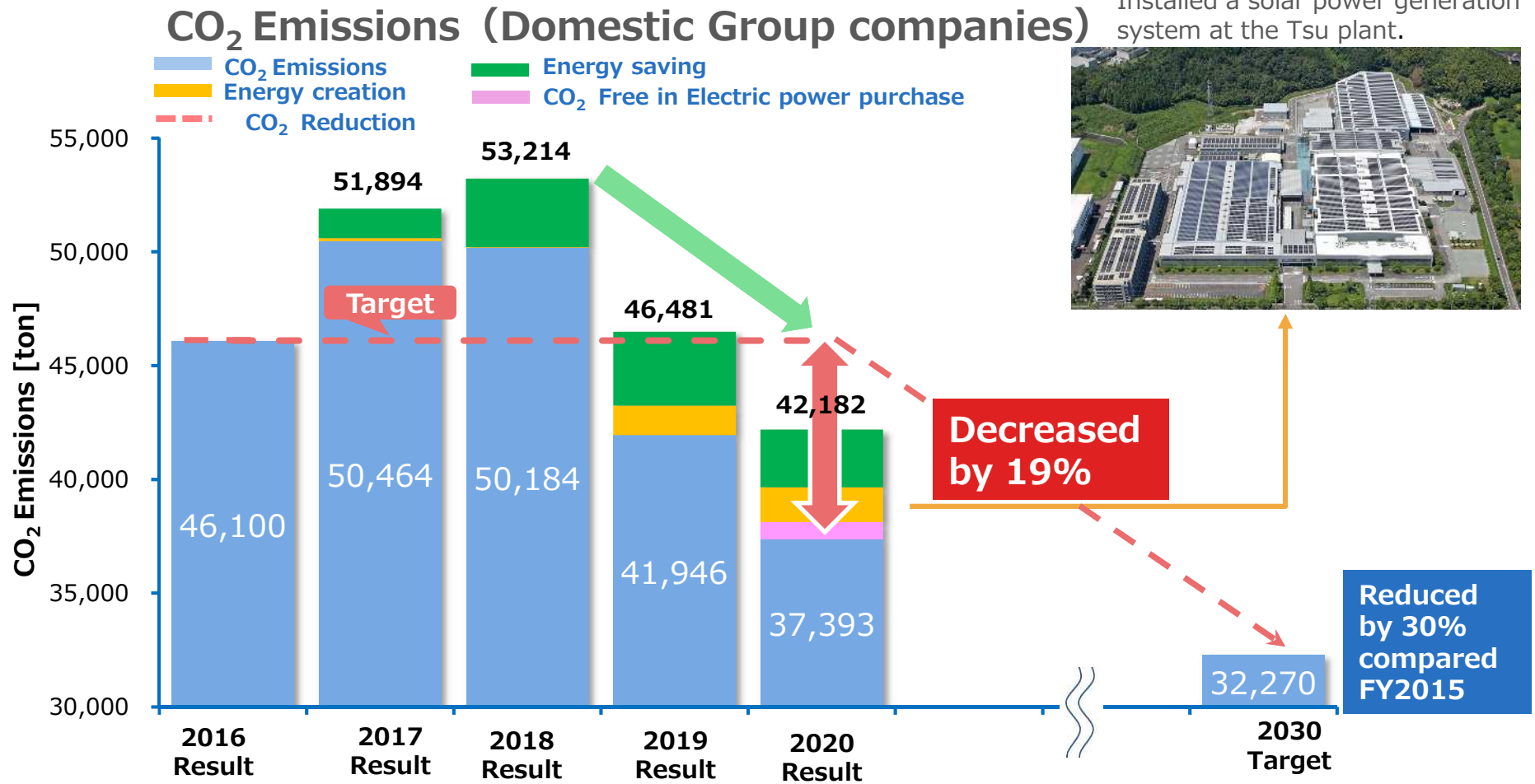
-G : "Ensure management transparency," "Globalize Risk management/Compliance"

ESG Theme	Materiality	FY 2017/12	FY 2018/12	FY 2019/12	FY 2020/12
Environment (E)	Countermeasures against climate change	<ul style="list-style-type: none"> Set long-term CO2 reduction target 	<ul style="list-style-type: none"> Promoted environment-related investment (solar power generation) 	<ul style="list-style-type: none"> Endorsed recommendations of TCFD Promoted the introduction of renewable energy 	<ul style="list-style-type: none"> Achieved 2020 CO2 reduction target Started examining the 1.5 degrees Celsius scenario
	Environmentally friendly manufacturing	<ul style="list-style-type: none"> Offered environment-related incentives 		<ul style="list-style-type: none"> Accelerated measures to comply with the Act on Rational Use and Appropriate Management of Fluorocarbons 	<ul style="list-style-type: none"> Managed hazardous substances contained in products through LCA
Social (S)	Transparent procurement activities				<ul style="list-style-type: none"> Revised the CSR-oriented procurement policy
	Provide safe and comfortable workplaces	<ul style="list-style-type: none"> Launch of the Business Transformation Division Implemented due diligence (DD) for human rights 	<ul style="list-style-type: none"> Promoted teleworking Returned the benefits of higher productivity to employees 	<ul style="list-style-type: none"> Installed systems (for RPA, AI utilization) Enhanced health and productivity management 	<ul style="list-style-type: none"> Transition to a selective career program Implemented due diligence (DD) for human rights
Governance (G)	Strengthen CG	<ul style="list-style-type: none"> Adopted Board Benefit Trust (BBT) as a compensation plan 	<ul style="list-style-type: none"> Revised CG basic policy 	<ul style="list-style-type: none"> Abolished the advisor system 	<ul style="list-style-type: none"> Increased the ratio of outside directors
	Promote risk management and compliance	<ul style="list-style-type: none"> Risk management on a company-wide basis Strengthened corruption and bid rigging prevention measures 	<ul style="list-style-type: none"> Enhanced risk assessment Set local rules to prevent corruption and bid rigging 	<ul style="list-style-type: none"> Globalized the internal reporting system 	<ul style="list-style-type: none"> Provided compliance training at Group companies in and outside Japan Established an integrated risk management system
	Ensure proactive dialogue with stakeholders	<ul style="list-style-type: none"> Enhanced integrated reporting 	<ul style="list-style-type: none"> Established the Nabtesco Group Community Investment Policy 	<ul style="list-style-type: none"> Held an ESG briefing session Disclosed ESG data 	<ul style="list-style-type: none"> Held the first IR Day Set a new materiality list

Progress with the Medium-term Management Plan: Environmental (E) Initiatives








■ Actively implemented energy creation and energy saving initiatives in order to reduce CO₂ emissions. As a result, achieved a substantial reduction and exceeded the FY2020 target.

【Example for energy creation】
Installed a solar power generation system at the Tsu plant.



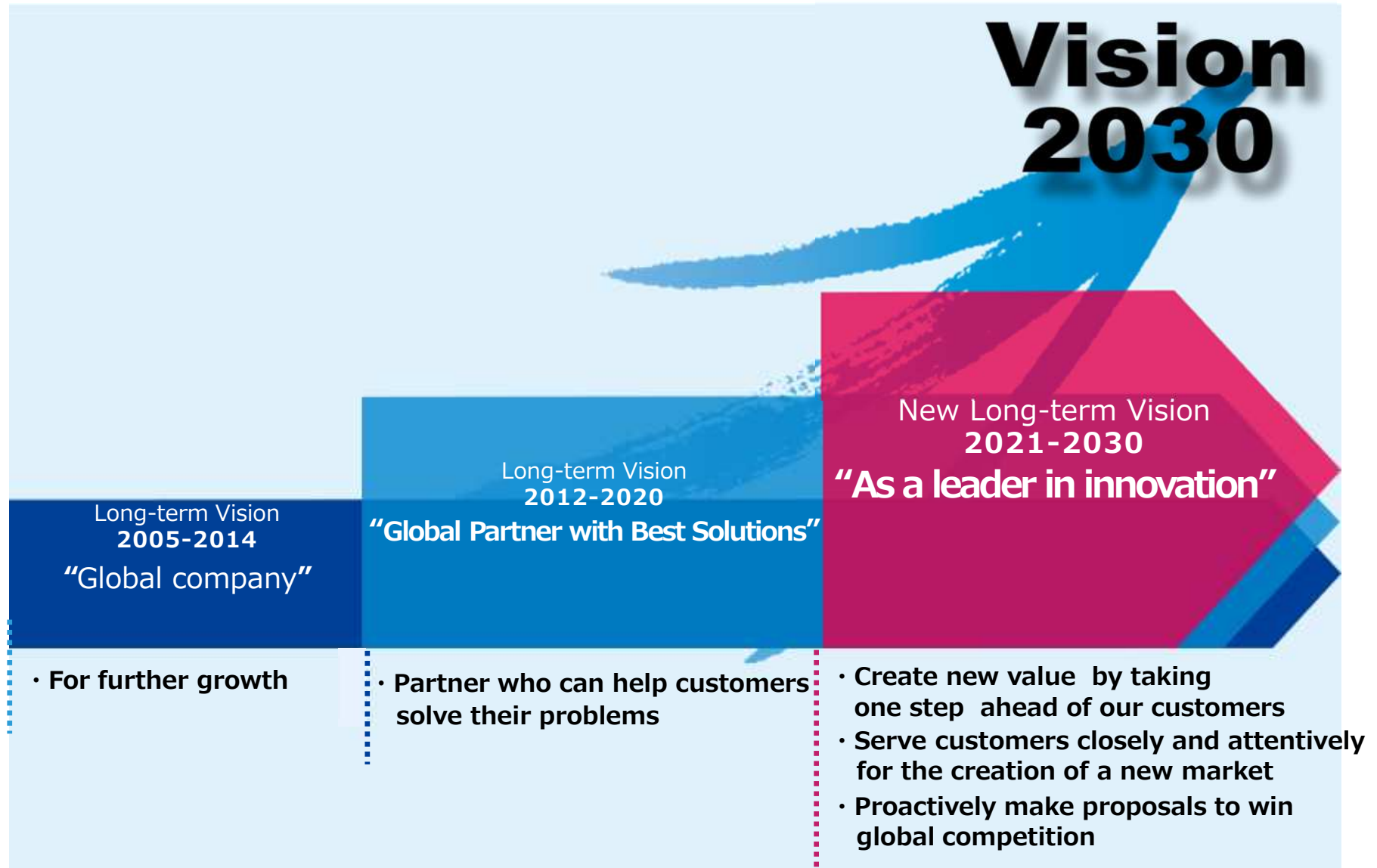
ESG Evaluation

- We have been continuously selected for inclusion in major ESG indices, such as DJSI World and FTSE.
- Evaluated as the “A List” company in all three major CDP categories.

			2017	2018	2019	2020
ESG indices	DJSI Asia Pacific	Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	★ (2013~)	★	★	★
	DJSI World		★ (2016~)	★	★	★
	FTSE4Good		★	★	★	★
	FTSE Blossom Japan		★	★	★	★
	MSCI ESG Leaders Indexes		★ (2015~)	★	★	★
	MSCI Japan ESG Select Leaders	2020 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数	★	★	★	★
S	MSCI Japan Empowering Women	2020 CONSTITUENT MSCI 日本株 女性活躍指数 (WIN)		★		★
E	S&P/JPX Carbon Efficient				★	★
	CDP CLIMATE CHANGE		★	★	★	★
	CDP WATER SECURITY			★		★
	CDP SUPPLIER ENGAGEMENT LEADER					★

5. The New Long-term Vision

The New Long-term Vision for 2030



The New Long-term Vision for 2030

2030
Vision

Leaders in Innovation for the Future

Changing the "Cs" through innovation

Core-technology
Customer
Culture
Carbon-free...



Technology

Creating what the
future
wants with
our unique technology
Designing a
new way of "moving"

Globalization

Global standards
made in Japan
Becoming
a truly global
company

Contribution

SDGs & ESG
Contributing to social
progress
and environmental
conservation

Reliable "Monozukuri" and Meisters
in Manufacturing
Providing safety, security and comfort

Identity of Nabtesco

Enjoy the Challenge
Realizing each and everyone's dream

The New Long-term Vision for 2030

Our Aim for 2030

Creating new value with our unique technology and intelligence

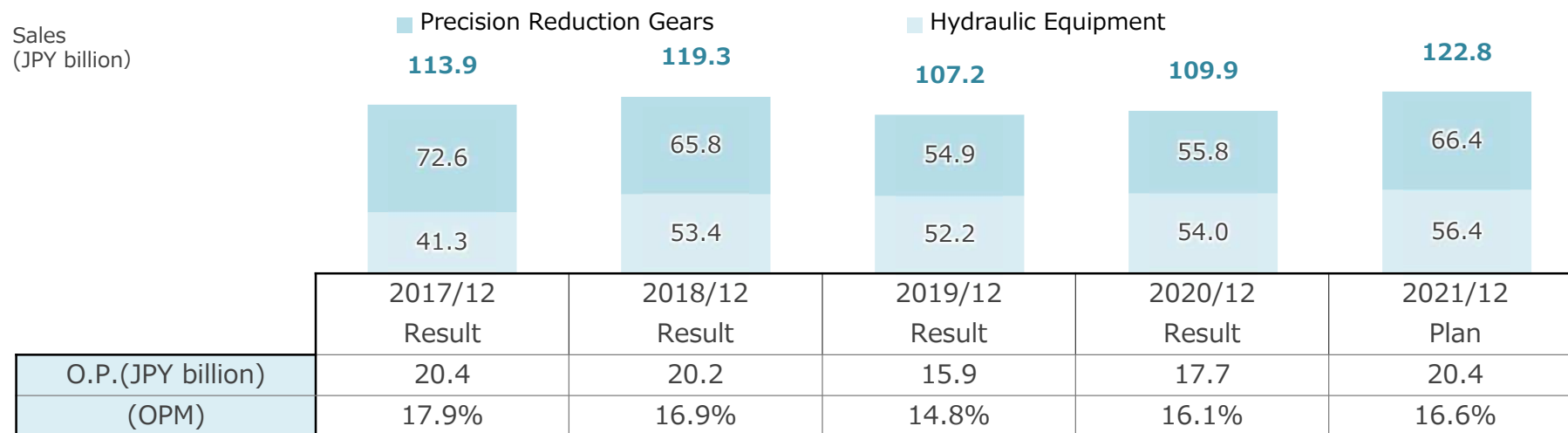
Enriching lifestyles and the environment worldwide

“Moving your heart” by providing safety and security

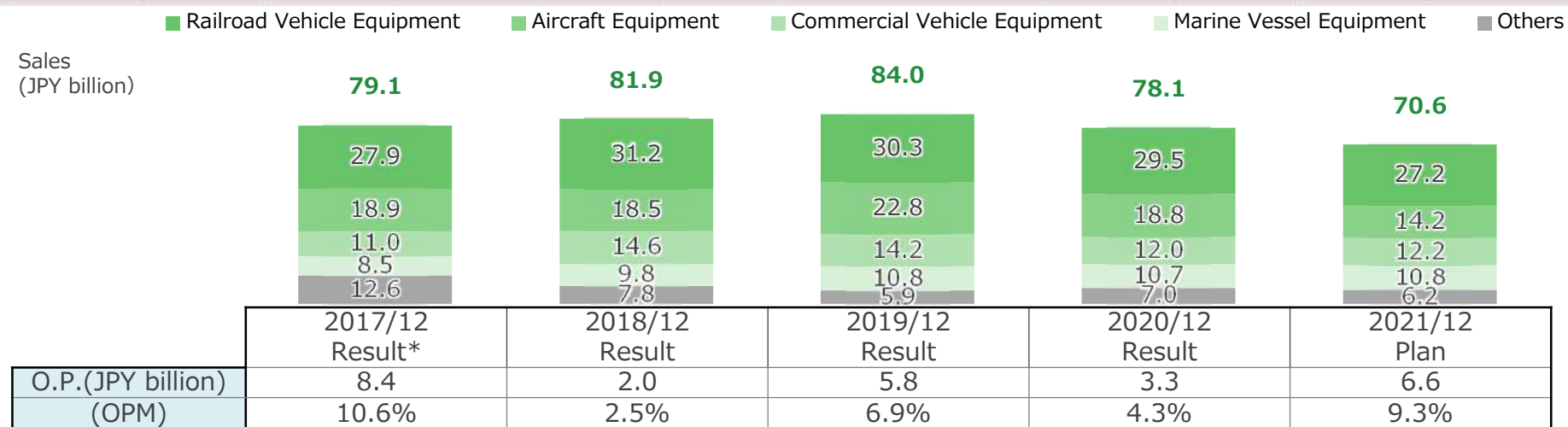
Formulation of a new mid-term plan (3 years) based on the new long-term vision

Appendix

Component Solutions Segment (CMP)



Transport Solutions Segment (TRS)

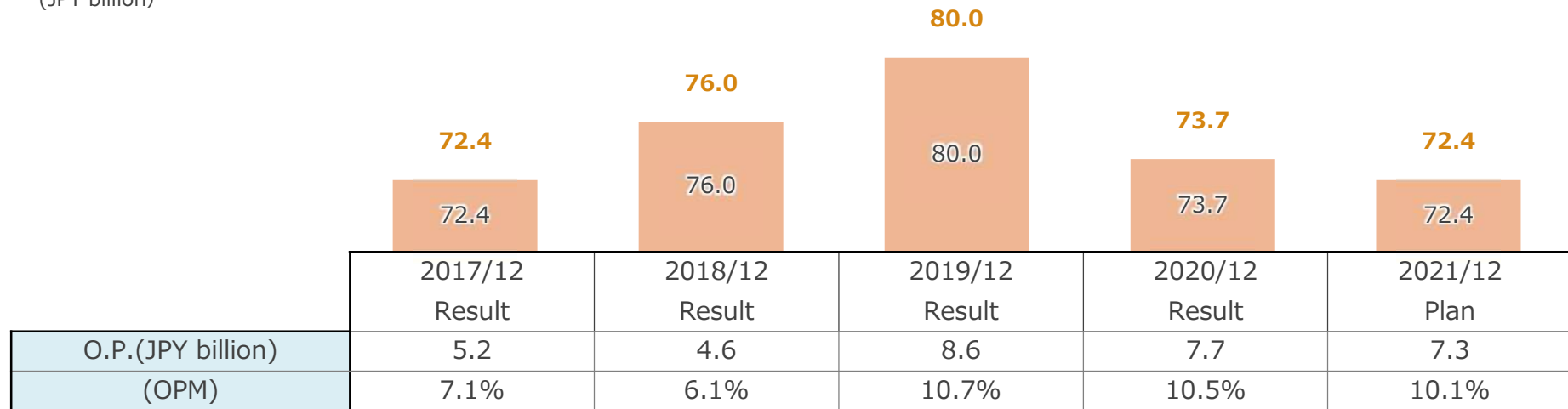


*Sales of Nabtesco Service is calculated until as of the result for 2017/12

Accessibility Solution Segment (ACB)

Sales
(JPY billion)

■ Automatic Doors

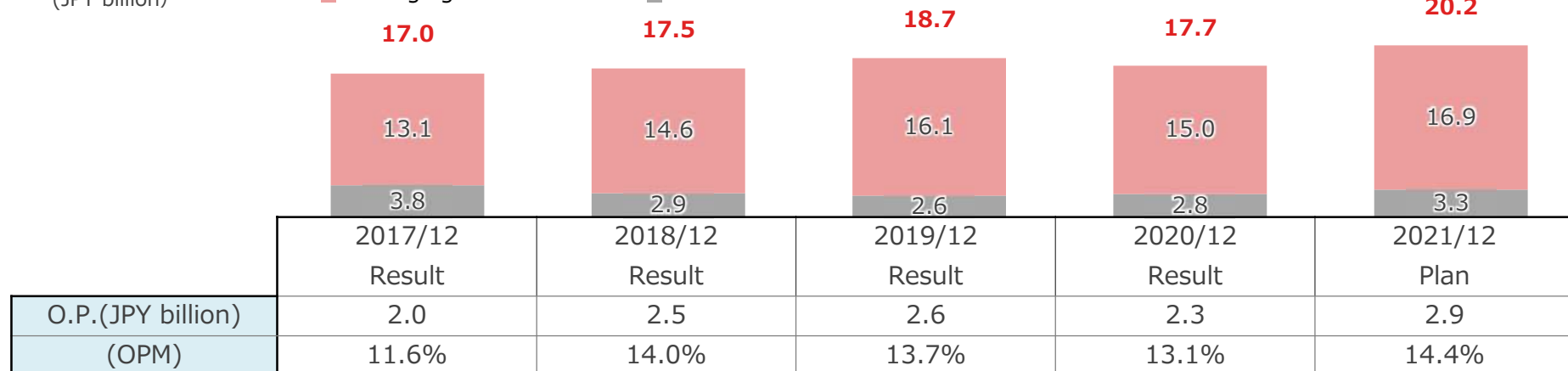


Manufacturing Solutions Segment (MFR)

Sales
(JPY billion)

■ Packaging Machines

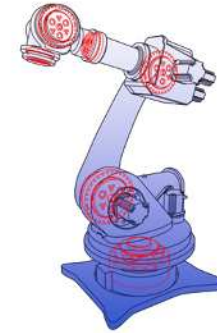
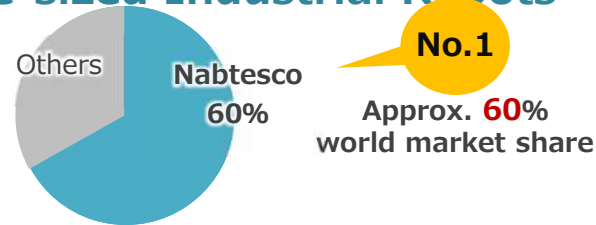
■ Others



Main Products: Component Solutions Segment (CMP)

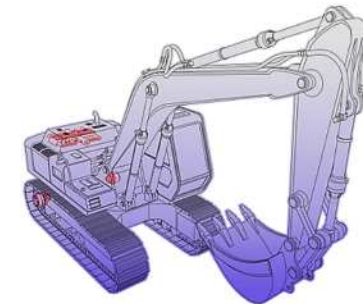
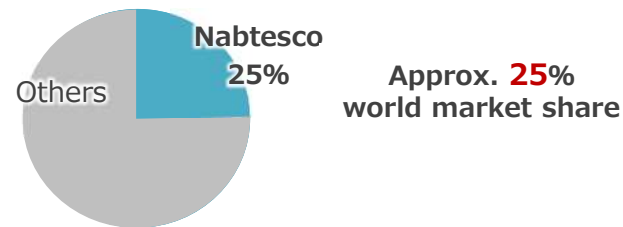
Precision Reduction Gears

■ Joints of Medium- and Large-sized Industrial Robots



Hydraulic Equipment

■ Traveling Units for Hydraulic Excavators



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: Komatsu, Kobelco Construction Machinery, Sumitomo Construction Machinery, Sany(China), XCMG(China), Liu Gong(China)

Main Products: Transport Solutions Segment (TRS)

Railroad Vehicle Equipment

■ Brake Systems



No.1

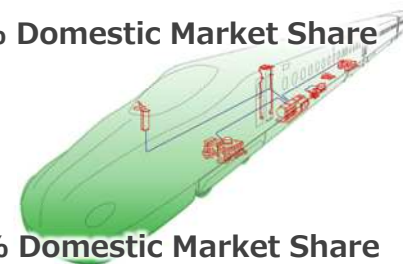
Approx. **50%** Domestic Market Share

■ Door Operating Systems



No.1

Approx. **60%** 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



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

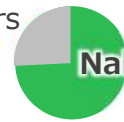
Boeing, KHI, MHI, IHI, Japanese Ministry of Defense, Airline operators

Main Products: Transport Solutions Segment (TRS)

Commercial Vehicle Equipment

■ Wedge Chambers

Others



Nabtesco 75%

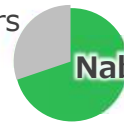
No.1

Approx. **75%** Domestic Market Share



■ Air Dryers

Others



Nabtesco 70%

No.1

Approx. **70%** Domestic Market Share

Marine Vessel Equipment

■ 2ST Main Engine Control Systems

Others



Nabtesco 50%

No.1

Approx. **50%** Domestic Market Share
(Approx. 40% World Market Share)



Main Customers

■ Commercial Vehicle Equipment

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

■ Marine Vessel Equipment

KHI, Makita Corporation, Hitachi Zosen, Japan Engine Corporation, Mitsui Engineering & Shipbuilding, Hyundai Heavy Industries(Korea), HSD Engine Co., Ltd.(Korea), Hudong Heavy Machinery (China), MAN Diesel (Denmark)

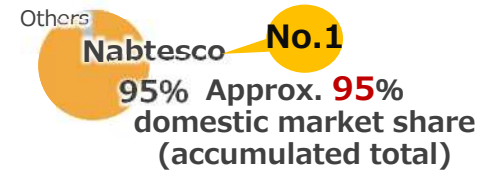
Main Products: Accessibility Solution Segment (ACB)

Automatic Doors

Automatic Doors



Platform Screen Doors



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 and others

Main Products: Manufacturing Solutions Segment (MFR)

Packaging Machines

Packaging Machines for Retort Pouch Foods



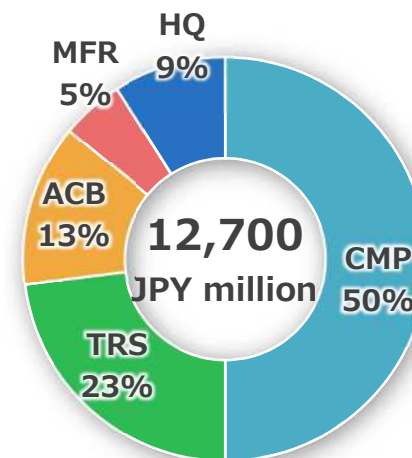
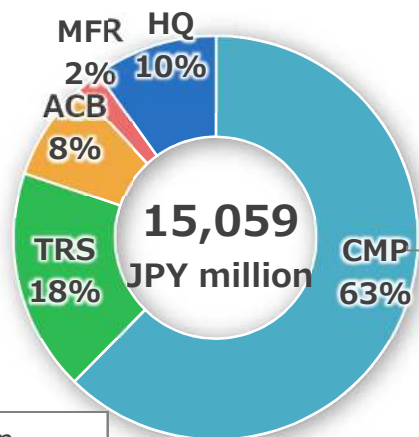
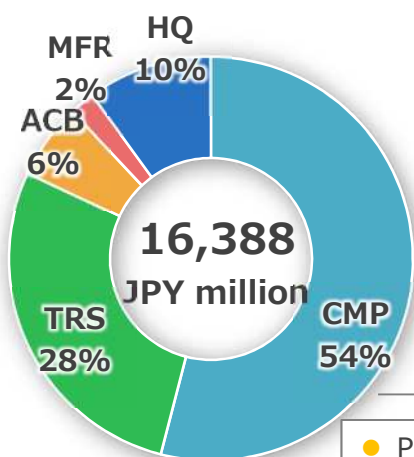
Main Customers

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

Breakdown of CAPEX

By segment

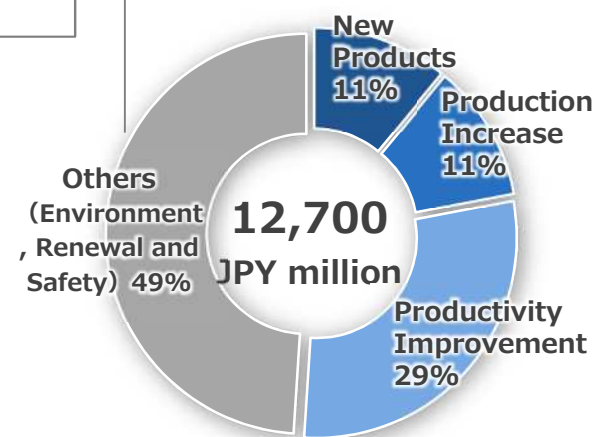
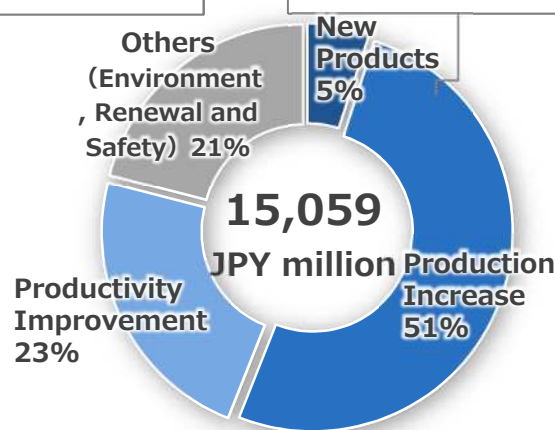
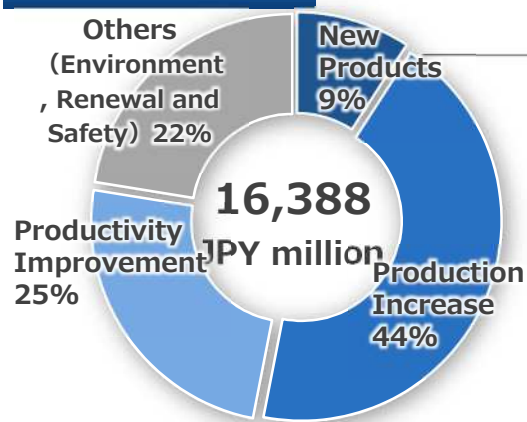


- Precision Reduction Gears: Increase production capacity at the Tsu Plant

- Precision Reduction Gears: Purchase land in Shizuoka pref.

- Core system update
- PLM*system construction

By usage



2019/12 Result

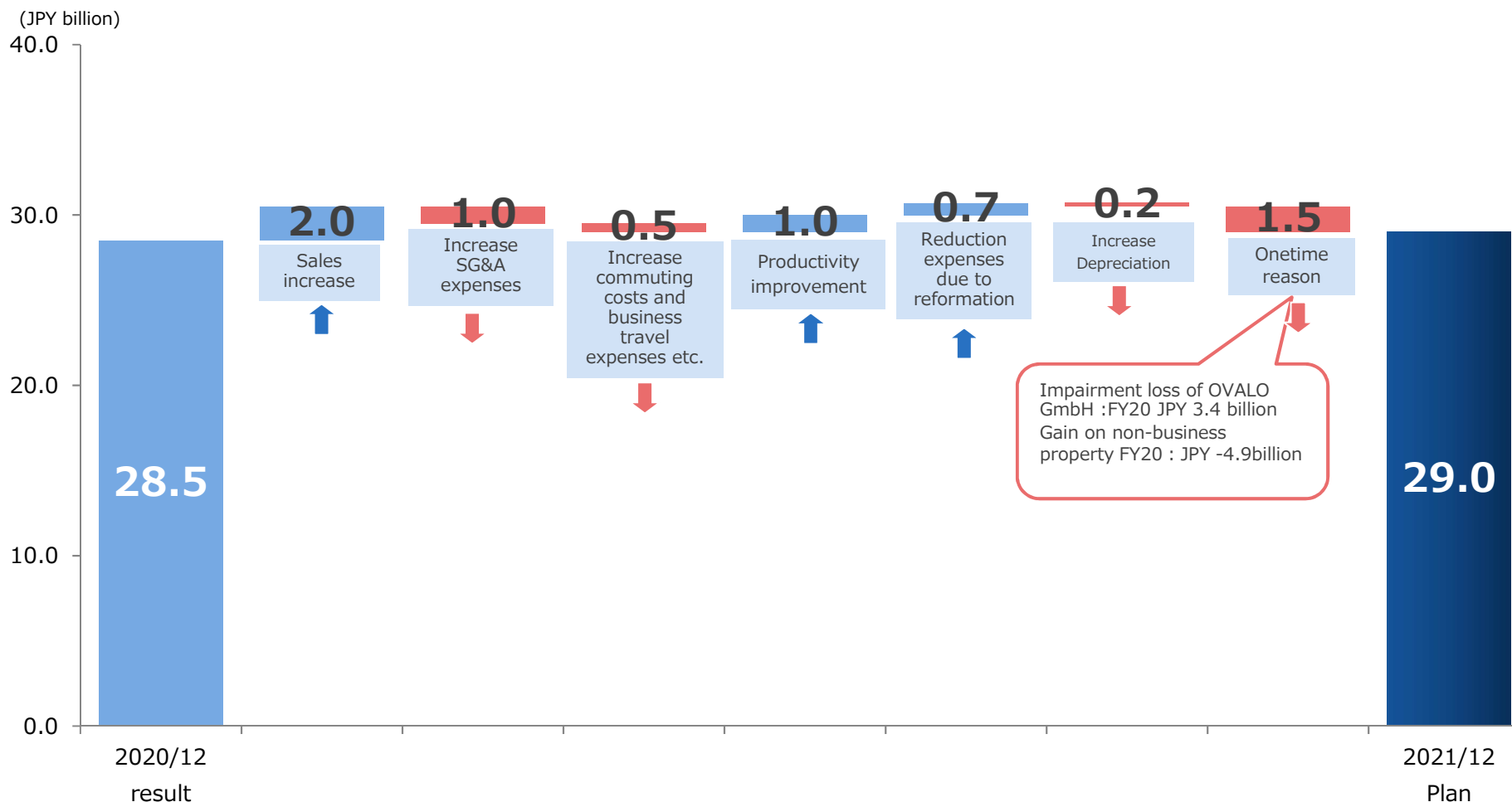
2020/12 Result

2021/12 Plan

*Product Lifecycle Management

Analysis of Factors Causing Changes in Operating Profit (Relative to FY2020)

■ O.P. will increase due to sales growth, productivity improvement and business transformation.



Accounting FOREX impact (JPY -0.6 billion)

-Exchange rate FY2021 (Plan) 1USD=¥100.00 1CNY=¥15.00 1EUR=¥120.00 1CHF=¥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\$) JPY 27 million (RMB) JPY868 million (EUR) minimal (CHF) minimal

Nabtesco
moving it. stopping it.