



W E N D E L



Nippon Oil Pump Masato Nakao

Wendel Investor Day - December 4, 2014

Executive summary

- Founded in 1919, Nippon Oil Pump (NOP®) is a top Japanese company in the fluid power industry, with the drive and talent to become a global niche top company.
- **Key figures:**
 - **Sales** (FY2013): **JPY 4.84bn***
 - **EBITDA** (FY2013): **JPY 848m*** (17.5% margin)
 - Employees: **Approx. 220 employees**
 - Production: **Approx. 250,000 products** produced a year
- **Locations:**
 - Central Office in Tokyo
 - 2 manufacturing facilities in Japan
 - 1 assembly plant and 1 sales office in China

**Japanese GAAP, unaudited*

Masato NAKAO

Background

Born in 1962

- Master of Engineering (Electrical) Keio University, Japan 1987
 - Awarded by IEEE for an outstanding paper
- Master of Science (Statistics), Rensselaer Polytechnic Institute, USA 1993
- Master of Business Administration, Rensselaer Polytechnic Institute, USA 1993

1987-1995 Engineer
TOKYO ELECTRIC POWER COMPANY

1995-2002 Manager
THE BOSTON CONSULTING GROUP

2002-2005 Director of the board
General Manager of China HQ
MISUMI CORPORATION (Tokyo Stock Exchange 9962)

2005-2009 Partner
MKS PARTNERS (Japan pioneering private equity fund)

Since 2009 President and CEO
NIPPON OIL PUMP CO., LTD.



NOP's products and applications

Main Applications

Market Share

Trochoid Pumps



- Lubrication and Cooling
 - Machine Tool Spindles
 - General Machinery
 - Wind Turbines
- Fuel Injection
 - Boilers / Burners
- Oil Transfer
 - Ships and Power Facilities

**No.1 Globally
More than 70%**

**No.1 in Japan
More than 90%**

Procon Pumps (water pump)



- Soft-Drink Servers
- Water Purification Systems

**No.1 in Japan
More than 80%**

Hydraulic Motors



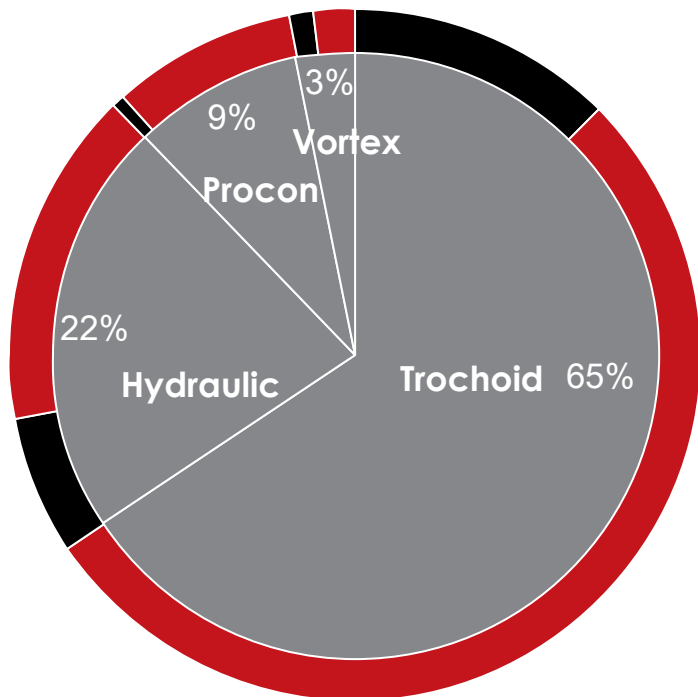
- Special Industrial Vehicles
- Agricultural Machines
- Fishing Industry
- Automatic Tool Changer for Machine Tools

**No.2 in Japan
Approx. 20%**

**No.1 Globally
100%**

NOP's revenue by product and region

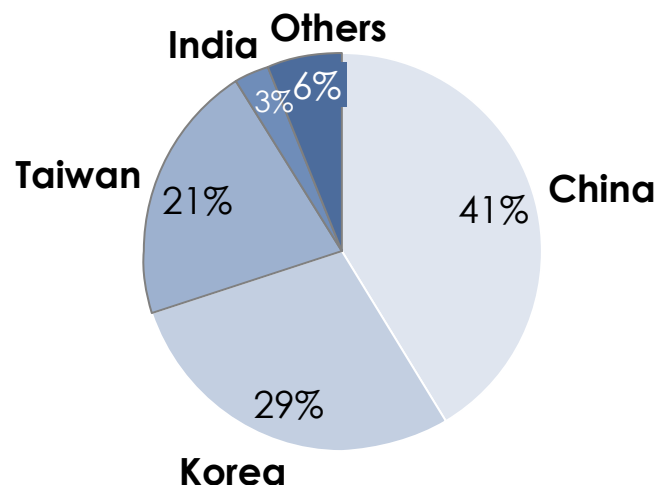
2014 revenues by Product



■ Sold directly to other countries
20%

■ Sold to Japanese customers
80%

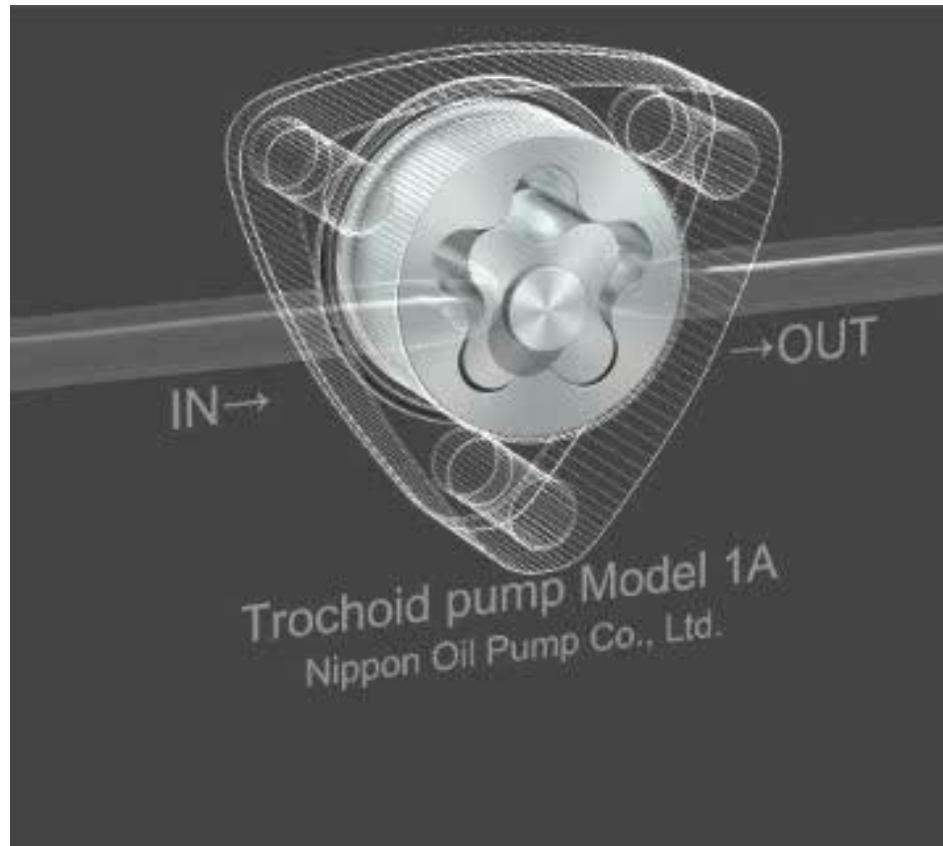
Country break down



- Subsidiary in China
- 15 distributors in 14 countries

Through Japanese OEMs and distributors, NOP's products are widely used and sold worldwide

How A Trochoid Gear Works



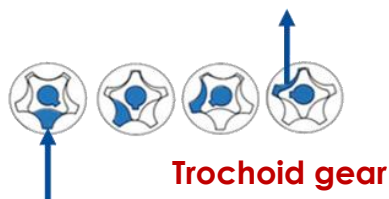
NOP's Technology

Technology focus on displacement pump markets key to competitiveness



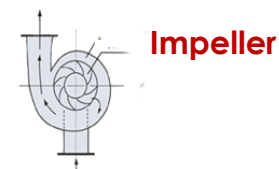
Displacement Pumps

Draws in and discharges fixed volume of fluid continuously. Extensive variety, including rotary gears, Pistons and Scrolls



Centrifugal Pumps*

Adds velocity to fluid and converts velocity to potential energy. Primarily by impellers and propellers



Markets

- Machinery tools
- Hydraulic applications
- Burner applications

- Water supply system
- Irrigation system
- Process water supply

Pressure

- High (> 1 Mpa)

- Low (< 1MPa)

Flow rate

- Small (< 100 liters/min), precise

- Large (<10,000 liters/min), rough

Efficiency

- High

- Low

Precision

- High (Needs fine metal work)

- Low (Easy to make)

Makers/industry

- Small enterprises
- Niche players

- Large Enterprises
- Dominant players

*Also known as velocity pumps

NOP's Revenue Stream



OEM Customers

Ex: Machine tool manufacturer

Sale force



18 people

Convincing Engineering Dept.
to register NOP products in
Bill of Material

It takes NOP 0.25 – 3.0 years to register its product in a client's BoM
(durability test, etc.)



Engineering

factory



142 people

Once registered in BoM, NOP growth is
directly linked to OEM product's growth

Cost for pump brand switch is very high.
A switch requires intense testing and renewal of
procurement and production systems



Procurement



Financials & Key drivers for growth

Promising sales trend

Recent performance

FY 2013⁽²⁾ FY 2013⁽²⁾ H1 2014⁽³⁾ H1 2014⁽³⁾
 (in ¥m) (in €m)⁽⁴⁾ (in ¥m) (in €m)⁽⁴⁾

Revenue	4,844	37.4	2,543	18.1
EBITDA⁽¹⁾	848	6.5	401	2.9
% of net sales	17.5%	17.5%	15.8%	15.8%
Net financial debt	4,207	28.2	3,831	27.7

⁽¹⁾ Excluding management fees

⁽²⁾ Japanese GAAP, unaudited

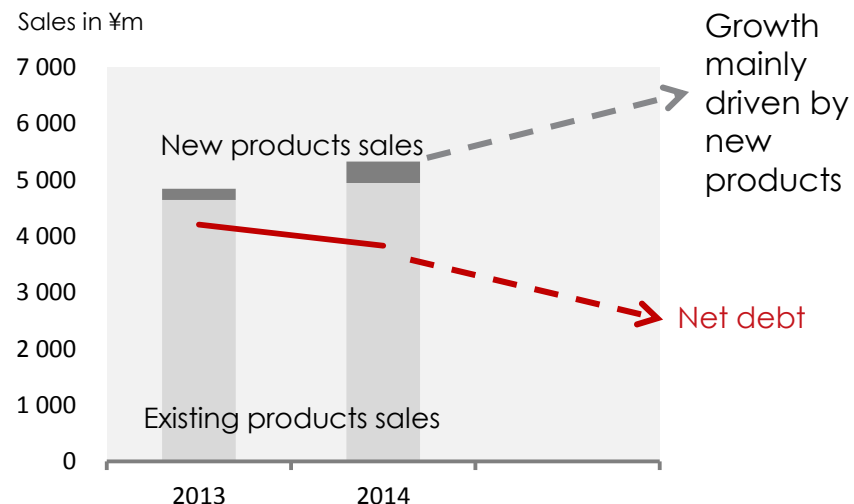
⁽³⁾ IFRS, audited

⁽⁴⁾ 2013 average JPY/EUR = 129.65; 2014 average JPY/EUR = 140.40
 FY2013 JPY/EUR = 144.72; H12014 JPY/EUR = 138.44

■ 2014 End Estimate : Sales at ¥5,330m (€36.1m) up +10.0%

- ▶ Japanese macroeconomic conditions improved
- ▶ Strong sales of Trochoid products
- ▶ Good performance in China
- ▶ Sales of new products (Vortex) on track

3-year projection



■ Targeted growth : CAGR +8%

- ▶ Penetration of new products continue with new customers
- ▶ Markets expand from Asia to Europe and US

NOP's two Do's and one Don't, Part 1

Two Do's

One Don't

**Make
Game-Changing
Products**

Fight Against Time

**Never Accept
Mediocrity**

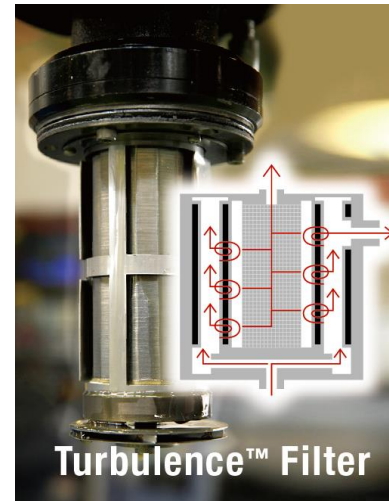
Vortex Pump: A dramatic innovation for machine tools



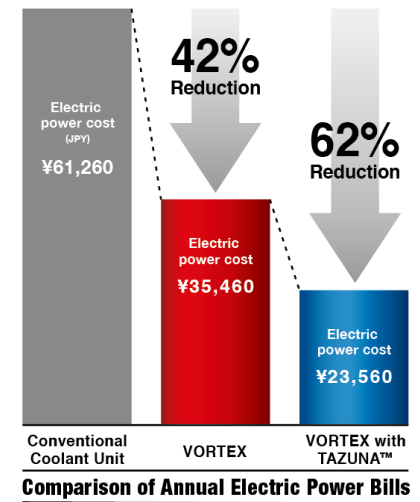
Compact



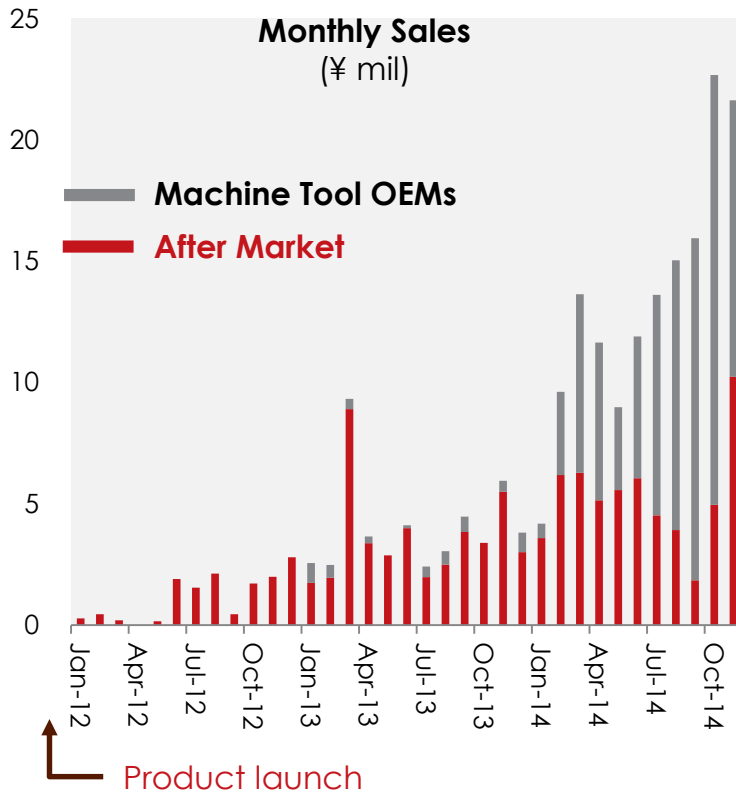
Maintenance free



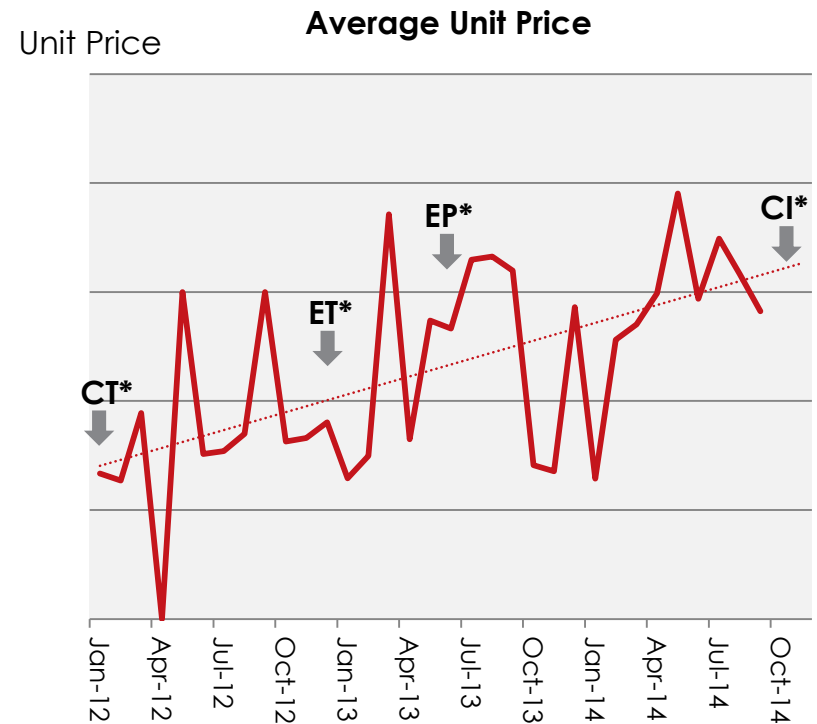
Energy efficient



OEMs starting to use Vortex, boosting product value recognition



As of November 2014,
30 models of 15 OEMs in 5 countries use Vortex



NOP continues to introduce new models, which help increase recognized value of Vortex

*Models of Trochoid with different pressure and flowrate features

NOP's two Do's and one Don't, Part 2

Two Do's

One Don't

**Make
Game-Changing
Products**

Fight Against Time

**Never Accept
Mediocrity**

Capturing New Clients with Short Delivery Times

NOP's Hydraulic Motor

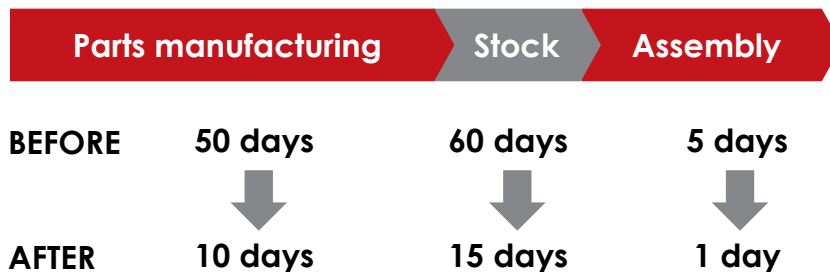


Model Variations
=2,087 models

Precision Tolerance
< 5 mm

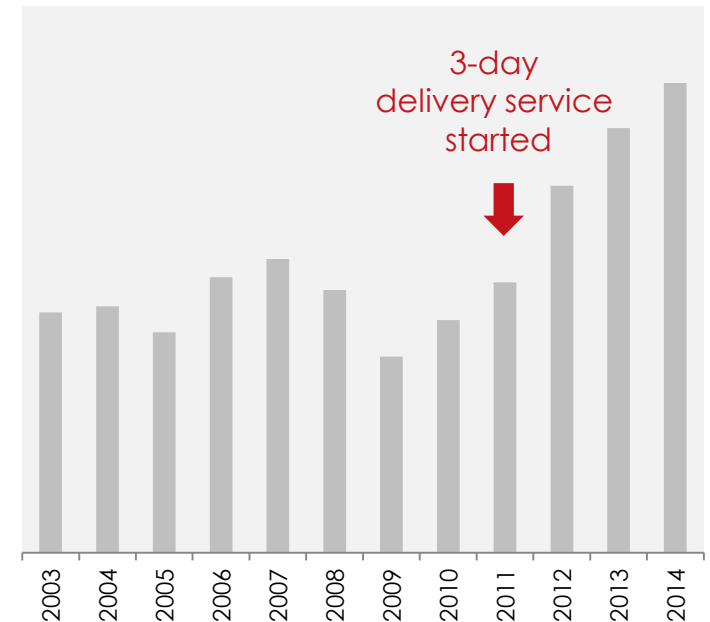
Order to Delivery
Industry Standard: 1 month
NOP: 3 days

Production Process "KAIZEN"



Output of Hydraulic Motors

Units sold



NOP's two Do's and one Don't, Part 3

Two Do's

One Don't

**Make
Game-Changing
Products**

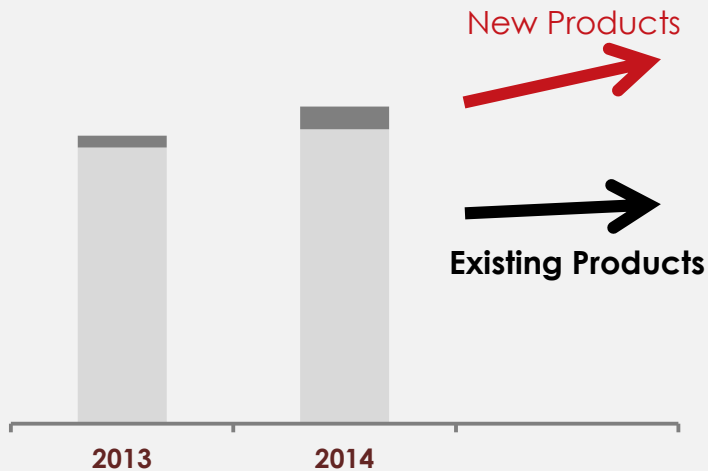
Fight Against Time

**Never Accept
Mediocrity**

Our Search for External Growth Opportunities

Organic Growth

Sales Projection



Create Breakthrough Products

- Vortex
- New Fuel Pumps
- New Hydraulic Motors

Increase Market Share

- Capture customers by "Fast Delivery"
- Expand Geographical Coverage

**"Two Do's and One Don't"
philosophy**

External Growth

- Acquiring new technologies
- Strategic alliance to increase applications and distribution network

Given the fragmented state of the displacement pump industry, there are many firms offering great synergy with NOP in the world

**Search for partners who
can share the same
philosophy**

NOP's two Do's and one Don't

Two Do's

One Don't

**Make
Game-Changing
Products**

Fight Against Time

**Never Accept
Mediocrity**