



Summary of Financial Statements for the Year ended March 31, 2011 (Japanese GAAP) (Consolidated)

May 10, 2011

Name of Listed Company: Nabtesco Corporation Stock listed on: First Section of the Tokyo Stock Exchange
 Code Number: 6268 URL: <http://www.nabtesco.com>
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 Scheduled Date of Annual Shareholders Meeting: June 24, 2011 Scheduled Date of Dividend Payment: June 27, 2011
 Scheduled Date of Issue of Financial Report: June 27, 2011
 Availability of supplementary information: Yes
 Organization of financial result briefing meeting: Yes

(Amounts less than one million yen have been rounded down)

1. Consolidated Operating Results for FY 2010 (From April 1, 2010 to March 31, 2011)

(1) Consolidated Operating Results

(Percentages indicate the year-over-year increase (decrease))

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2010	169,303	34.1	20,212	153.8	22,365	139.5	13,387	233.2
FY 2009	126,249	(20.2)	7,964	(33.7)	9,337	(28.2)	4,017	(9.2)

(Note) Comprehensive income:

FY2010: ¥13,398 million (151.9%) FY2009: ¥5,319 million (-%)

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2010	105.91	105.88	15.8	13.5	11.9
FY 2009	31.70	31.70	5.2	6.3	6.3

(Reference) Investment profit/loss on equity method:

FY 2010: ¥2,218 million FY 2009: ¥756 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY 2010 (as of March 31, 2011)	180,729	96,531	49.9	713.77
FY 2009 (as of March 31, 2010)	149,480	85,167	53.1	628.29

(Reference) Shareholders' equity:

As of March 31, 2011: ¥90,241 million As of March 31, 2010: ¥79,404 million

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at fiscal year-end
	Million yen	Million yen	Million yen	Million yen
FY 2010	27,997	(4,419)	(1,849)	56,570
FY 2009	14,892	(6,155)	(684)	35,425

2. Dividends

(Base date: as of end of the period)	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year End	Full Year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2009	-	4.00	-	5.00	9.00	1,143	28.4	1.5
FY 2010	-	9.00	-	16.00	25.00	3,177	23.6	3.7
FY 2011 (year ending March 31, 2012 (Forecast))	-	17.00	-	17.00	34.00		28.7	

3. Forecast of Consolidated Operating Results for FY 2011 (From April 1, 2011 to March 31, 2012)

(Percentages indicate the year-over-year increase (decrease))

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 2011	91,800	16.1	9,700	2.6	10,800	4.6	6,800	15.0	53.80
FY 2011	196,000	15.8	22,500	11.3	24,700	10.4	15,000	12.0	118.67

4. Others

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries associated with change in scope of consolidation): Yes

Newly added: One company (Name of company: Jiangsu Nabtesco KTK Railroad Products Co., Ltd.);

Excluded: None (Name of company: —)

(2) Changes in accounting principles, accounting procedures and presentation methods.

1) Changes due to amendments and revisions to accounting standards: Yes

2) Changes other than those included in 1) above: None

(3) Shares outstanding (Common shares)

1) Shares outstanding at fiscal year end (including treasury stocks)

As of March 31, 2011: 127,212,607 shares

As of March 31, 2010: 127,212,607 shares

2) Treasury stocks at fiscal year end

As of March 31, 2011: 783,586 shares

As of March 31, 2010: 832,184 shares

3) Average number of outstanding shares

FY 2010: 126,404,722 shares

FY 2009: 126,735,654 shares

[Reference] Overview of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for FY 2010 (From April 1, 2010 to March 31, 2011)

(1) Non-Consolidated Operating Results

(Percentages indicate the year-over-year increase (decrease))

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2010	117,383	29.0	13,406	194.7	14,985	142.6	9,426	232.4
FY 2009	90,984	(21.3)	4,549	(29.0)	6,177	(21.9)	2,835	227.8

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY 2010	74.19		74.16	
FY 2009	22.32		22.31	

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY 2010 (as of March 31, 2011)	143,671	70,955	49.3	557.05
FY 2009 (as of March 31, 2010)	119,277	62,871	52.6	494.31

(Reference) Shareholders' equity:

As of March 31, 2011: ¥ 70,795 million

As of March 31, 2010: ¥62,797 million

2. Forecast of Non-Consolidated Operating Results for FY 2011 (From April 1, 2011 to March 31, 2012)

(Percentages indicate the year-over-year increase (decrease))

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 2011	61,800	14.7	7,800	14.3	5,300	24.0	41.71
Fiscal year ending March 2012	135,000	15.0	19,200	28.1	13,000	37.9	102.31

* Current Status of Audit Procedures

This "Summary of Financial Statements" is not subject to audit procedures as stipulated under the Financial Instruments and Exchange Act, and the audit procedures based on the said Act have not been completed as of the date of publication of this summary.

* Description concerning proper use of the forecast of operating results and other remarks:

Description concerning projections of performance and other future matters contained in this material is based on information currently available and certain assumptions judged to be reasonable. Therefore, actual performance, etc. may differ significantly from those projections due to various factors. Please see "Analysis of Consolidated Operating Results" on page 3 of the attached documents for more information on the conditions of the assumption for the projections and points to be remembered in connection with the use of projections.

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* The Company plans to hold a financial results briefing meeting for investors as follows: (Materials distributed at this meeting, videos and the principal questions and answers will be posted on the Company' website as soon as the meeting is over.)

- Tuesday, May 17, 2011..... Financial result briefing meeting for institutional investors and analysts.

1. Operating Results

(1) Analysis of Consolidated Operating Results

(Consolidated Operating Results for FY 2010)

The world economy maintained a general upward trend during the consolidated fiscal year ended March 31, 2011 on the back of the additional financial and fiscal measures implemented by the U.S. government and the high economic growth maintained in emerging countries such as China, despite prolonged fiscal issues and sluggish economy triggered by the deteriorated credit risk in certain European countries. On the other hand, amid the unpredictable situation in which the yen hovered at a high level and prices remained on a deflationary trend, the Japanese economy picked up slowly, driven by increased exports to emerging countries and a recovery of corporate capital expenditure as a result of the growth in demand for environment-friendly cars and small cars.

Under these circumstances, the Group saw a significant growth in net sales compared with the previous fiscal year reflecting a strong recovery in both domestic and overseas demand for industrial robots as well as an increase in demand for construction machinery triggered by aggressive investments in infrastructure as witnessed in China. All of operating income, ordinary income and net income increased on a year on year basis.

With regard to the Great East Japan Earthquake, none of the employees or their families of the Group companies was injured, and the plants and facilities suffered no serious damage. Therefore, the direct impact of the Earthquake on the Group's business performance is minimal.

1) Net sales and operating income

Net sales and operating income for consolidated FY 2010 were ¥169,303 million (an increase of ¥43,054 million, 34.1% year on year) and ¥20,212 million (an increase of ¥12,247 million, 153.8% year on year), respectively.

Operating results by business segment were as follows:

[Precision Equipment]

Net sales and operating income in the precision equipment business increased by 112.3% and 971.7% year on year, to ¥32,438 million and ¥6,466 million, respectively.

Sales of precision reduction gears showed strong growth due to an increase in demand for industrial robots, reflecting the expansion in capital expenditure by domestic and overseas car manufacturers on the back of increasing car sales mainly in the emerging countries.

[Transport Equipment]

Net sales in the transport equipment business grew by 15.0% year on year, to ¥48,182 million, and operating income also increased by 61.9%, to ¥5,915 million.

Sales of railroad vehicle equipment rose due to the expansion of railroad networks in China. Marine equipment slightly fell in sales due to a deterioration of competitiveness caused by appreciation of the yen, although the number of new ships built showed a robust increase and new shipbuilding orders were on a recovery trend. Sales of automobile equipment increased as a result of a rise in domestic and overseas production by truck manufacturers.

[Aircraft and Hydraulic Equipment]

Net sales and operating income in the aircraft and hydraulic equipment business stood at ¥59,106 million (up 42.5%, year on year) and ¥5,609 million (up 210.9%, year on year), respectively.

Our hydraulic equipment business recorded a rise in sales due to robust demand for construction machinery continuing in emerging countries such as China. Aircraft equipment increased in sales reflecting strong demand from the defense sector while demand from the private sector decreased.

[Industrial Equipment]

Net sales and operating income in the industrial equipment business grew to ¥29,575 million (up 7.2% year on year) and ¥2,220 million (up 16.7% year on year), respectively.

Sales in the automatic door business increased slightly, reflecting the moderate recovery of the domestic market.

Sales of automatic packaging machines remained almost unchanged from the previous fiscal year despite domestic demand recovering slightly, whereas special-purpose machine tools also grew compared with a year earlier due to growth in sales to automakers in China and Korea.

2) Ordinary income

Ordinary income for the current consolidated fiscal year was ¥22,365 million, an increase of ¥13,027 million (139.5%) from a year earlier.

The principal reason for this growth was, as mentioned above, the year-on-year increase in operating income, in addition to a year-on-year rise of ¥1,306 million in non-operating income to ¥2,929 million due to an improvement in business performance of equity method-applied affiliates. Non-operating expenses increased by ¥526 million from a year earlier to ¥776 million, reflecting the impact of foreign exchange fluctuations.

3) Net income

Net income for the current consolidated fiscal year increased ¥9,370 million (up 233.2% year on year), to ¥13,387 million.

Extraordinary gains decreased by ¥195 million compared with the previous year, to ¥103 million due to decreased gains on the sale of investment securities, etc. Extraordinary losses decreased by ¥1,110 million from a year earlier, to ¥514 million, as a result of recognizing a total of ¥970 million for business structure improvement expenses for the improvement of the business structure of automobile-related equipment and the restructuring of the domestic production system for hydraulic equipment in the previous fiscal year. As a result, income before income taxes increased by ¥13,942 million, to ¥21,954 million.

Income taxes were up ¥4,214 million year on year, to ¥7,485 million, while minority interests grew ¥358 million from a year earlier, to ¥1,080 million.

(Projection for the consolidated fiscal year ending March 31, 2012)

The prospects for the world economy in the months ahead contain a number of uncertainties. These include factors such as the risk of higher crude oil prices caused by political turmoil in North Africa and the Middle East, the worsening of the financial crises in Europe, and the impact of the damage suffered by Japanese companies from the Great East Japan Earthquake on the world supply chain. However, despite such concerns, it is expected that the macroeconomic environment will be relatively favorable, supported by strong growth in China and other emerging countries and a recovery in personal consumption in the United States. The Group expects further growth in sales of precision reduction gears for industrial robots, hydraulic equipment for construction machinery, and railroad vehicle equipment for China, which has continued to increase since the previous fiscal year. Our projection for net sales and operating income for the consolidated fiscal year ending March 31, 2012 is ¥196,000 million (up 15.8% year on year) and ¥22,500 million (up 11.3% year on year), respectively.

The projection includes the impact of the Great East Japan Earthquake predictable as of the date of this summary report. However, if a revision to the business projection is considered necessary, we will immediately disclose the necessary information.

Forecasts for operating results by business segment are as follows:

[Precision Equipment]

The Company anticipates net sales of ¥44,400 million (up 36.9% year on year), and operating income of ¥8,800 million for the precision equipment business.

In the precision reduction gears business for industrial robots, which are our core business, we expect increased sales due to continued strong capital expenditure, especially by automakers.

[Transport Equipment]

Net sales and operating income in the transport equipment business are expected to remain almost unchanged from the previous fiscal year at ¥48,200 million and ¥5,400 million, respectively. For railroad vehicle equipment, sales are forecasted to increase as sales of express railroad vehicles in China will continue to grow while demand in the domestic market will remain at almost the same level as in the previous fiscal year. We anticipate that sales of marine equipment will remain flat year on year as demand has yet to reach full-fledged recovery after hitting the bottom despite a slight rebound in demand for new ships including bulker carriers, and a recovery in post-sale services due to an increase in the global cargo movement. Sales of automobile-related equipment are likely to decrease due to the termination of the government subsidy program for the purchase of new cars in the domestic market, although the environment for the exports by commercial vehicle manufacturers is favorable.

[Aircraft and Hydraulic Equipment]

Net sales and operating income in the aircraft and hydraulic equipment business are anticipated to reach ¥63,100 million (up 6.8% year on year) and ¥6,000 million, respectively.

Sales of hydraulic equipment will increase, reflecting particularly the robust demand for infrastructure in China, as well as strong demand for construction machinery in other emerging countries. Aircraft equipment is expected to grow in sales, as demand for repair parts, etc. in the defense sector will be robust, sales of commercial aircraft equipment are likely to increase with the resumption of production of the B777, and mass-production of the B787 is slated to start.

[Industrial Equipment]

The Company anticipates that net sales and operating income in the industrial equipment business will increase to ¥40,300 million (up 36.3% year on year) and ¥2,300 million, respectively.

In the automatic door business, sales are expected to increase as a result of the impact of the acquisition of Gilgen Door Systems AG of Switzerland, despite a decrease in overseas sales of platform doors. Sales of automatic packaging machines is projected to grow reflecting the recovery of domestic demand as well as the expected growth in sales in the overseas market, particularly in China. Special-purpose machine tools are also anticipated to grow in sales due to an expansion of sales to the automobile industry.

(2) Analysis of Financial Position**1) Status of assets, liabilities and net assets****(Assets)**

Total assets as of March 31, 2011 were ¥180,729 million, an increase of ¥31,248 million from a year earlier, consisting of ¥119,003 million in current assets and ¥61,726 million in fixed assets. Primary positive factors included an increase of ¥30,665 million in cash and time deposits and an increase of ¥4,776 million in notes and accounts receivable. On the other hand, negative factors consisted mainly of a decrease of ¥9,499 million in marketable securities due to a decrease in negotiable deposits.

(Liabilities)

Total liabilities as of March 31, 2011 were ¥84,197 million, an increase of ¥19,884 million from a year earlier, consisting of ¥74,891 million in current liabilities and ¥9,306 million in long-term liabilities. The increase was mainly attributable to a rise of ¥9,144 million in trade notes and accounts payable, and ¥6,242 million in income taxes payable. On the other hand, main negative factors included a decrease of ¥450 million in retirement allowance due to the payment of retirement benefits, etc.

(Net Assets)

Net assets as of March 31, 2011 stood at ¥96,531 million, of which shareholders' equity totalled ¥90,241 million, an increase of ¥10,837 million from a year earlier. Primary positive factors included an increase in earned surplus reflecting net income of ¥13,387 million. On the other hand, principal negative factors consisted of a decrease of ¥1,779 million in earned surplus due to dividend payment.

2) Status of cash flows

Cash and cash equivalents (hereinafter, "funds") as of March 31, 2011 amounted to ¥56,570 million, an increase of ¥21,145 million from a year earlier, as a result of having applied ¥27,997 million generated from operating activities, to capital expenditures and dividend payments, etc.

(Cash flow from operating activities)

Net cash generated from operating activities for the current consolidated fiscal year totalled ¥27,997 million. Principal positive factors included an increase in income before income taxes, and an increase in notes and accounts payable. Meanwhile, negative factors consisted mainly of a decrease in retirement allowance and an increase in trade notes and accounts receivable, and an increase in inventories.

(Cash flow from investing activities)

Net cash used in investing activities for the current consolidated fiscal year amounted to ¥4,419 million, mainly due to the acquisition of tangible fixed assets.

(Cash flow from financing activities)

Net cash used in financing activities for the current consolidated fiscal year was ¥1,849 million, reflecting both an increase in short-term loans payable and the payment of dividends.

Cash flow indicators on a consolidated basis were as follows.

Reference: Cash flow indicators

	FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Shareholders' equity ratio (%)	52.9	53.1	49.9
Shareholders' equity ratio on a market value basis (%)	59.7	105.3	146.3
Ratio of interest-bearing debt to cash flow	1.4	1.3	0.7
Interest coverage ratio	82.4	145.9	372.3

Notes: Shareholders' equity ratio: capital/total assets

Shareholders' equity ratio on market value basis: total market value of shares/total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt/cash flow

Interest coverage ratio: cash flow/interest payments

* All indicators are calculated using consolidated financial figures.

* Total market value of shares is calculated using multiplying the closing market prices at term-end by the number of outstanding shares (excluding treasury stock) at term-end.

* Cash flow utilizes the cash flow from operating activities posted in the consolidated cash flow statement.

Interest-bearing debt covers all debts in the consolidated balance sheet on which interest is being paid.

The amount of interest paid listed in the consolidated cash flow statement is used for interest payments.

(3) Basic Policy Concerning Profit Sharing and Dividends for the Current and Next Fiscal Years

The Company intends to appropriately distribute its corporate earnings based on the operating performance of the Group as a whole, and taking into consideration strategic growth investments, financial soundness, appropriate balance of return to shareholders and stable dividend payment.

As for cash dividends for the current fiscal year, the total annual amount will be ¥25 per share, bringing the pay-out ratio on a consolidated basis to 23.6%. As the interim dividend of ¥9 per share was already paid, the term-end cash dividend will be ¥16 per share.

The annual cash dividend for the next fiscal year will be ¥34 per share (interim dividend of ¥17 plus term-end dividend of ¥17 per share).

The Company will continue to pay cash dividends twice a year, of which the base dates will be September 30 and March 31 of each year.

(4) Operational Risk

Principal risks relevant to the business activities of the Group and deemed significant are as follows.

Note that the risks regarding future contents included in the matters described below were based on the judgment of the Company as of the end of the current consolidated fiscal year.

1) Risks relevant to the economy and markets

The businesses of the Group are related directly and indirectly to industries such as automobiles, construction machinery, railroads, construction and industrial machinery. Market fluctuations and trends in capital expenditure in these industries may affect the operating results and financial position of the Group.

2) Risks relevant to overseas operations

In pursuit of further growth and profitability, the Group actively conducts business in Asia, North America and Europe. However, political turmoil and unforeseeable amendments to laws and regulations, etc. may occur in countries, which may affect the markets for particular products. Such events are likely to have an impact on the operating results of the overseas business of the Group.

3) Exchange rate fluctuations risk

Overseas sales accounted for 38.8% of the Group's sales during the consolidated fiscal year under review. The Group also relies on imports of raw materials from overseas and, though it hedges its risks in foreign currency-denominated transactions through forward-exchange contracts, the Group's performance is nonetheless affected by exchange rate fluctuations. The performance of overseas subsidiaries is also impacted by exchange rate fluctuations when converting to Japanese yen.

4) Risks relevant to procurement

The Group purchases raw materials and components, etc. from a wide range of trading partners. However, if the supply of certain parts were to become insufficient and alternative suppliers could not be found, the Group's performance and financial standing could be adversely impacted by lower sales margins on products and loss of business opportunities.

5) Risks relevant to product quality

The Group manufactures a full lineup of products in line with carefully designed quality control standards to prevent defects. However, in case of significant product defects leading to a recall or product liability issues occurring, the potentially massive costs arising from such a situation could adversely impact the Group's performance and financial standing.

6) Risks relevant to competition

The Group has a wide lineup of products with high market shares in the domestic and overseas markets. If the market shares of its products were to fall, the Group's performance and financial standing could be adversely impacted.

2. Status of the Nabtesco Group

The Nabtesco Group consists of the Company, 33 subsidiaries and eight affiliates. Each company under the respective segment by business category is listed below.

(1) Relationship of the Company, subsidiaries and affiliates with the respective segments by business category

Segment by business category	Japan	Overseas
Precision Equipment Business	Nabtesco Corporation	Nabtesco Precision Europe GmbH *1
	Diavac Limited *1	Nabtesco Motion Control Inc. *1
	TS Heatronics Co., Ltd. *1	Shanghai Nabtesco Motion-equipment Trading Co., Ltd. *1
	CMET, Inc. *1	Harmonic Drive L.L.C. *2
	Harmonic Drive Systems Inc. *2, 4	
Transport Equipment Business	Nabtesco Corporation	NABMIC B.V. *1
	Nabtesco Automotive Corporation *1	Nabtesco Marine Service Singapore Pte Ltd *1
	Nabtesco Service Co., Ltd. *1	Nabtesco Marinotec Co., Ltd. *1
	Nabtesco Marine Service Co., Ltd. *1	Nabtesco Automotive Products (Thailand) Co., Ltd. *1
	Shikoku Marine Customer Service Co., Ltd. *1	Nabtesco Railroad Products (Beijing) Co., Ltd. *1
	NABTEC Co., Ltd. *1	Nabtesco Marine Control Systems (Shanghai) Co., Ltd. *1
	Dairiki Tekko Co., Ltd. *2	Taiwan Nabtesco Service Co., Ltd. *1
	Koto Electronics Co., Ltd. *2	NS Autotech Co., Ltd. *2
Aircraft and Hydraulic Equipment Business	Nabtesco Corporation	Jiangsu Nabtesco KTK Railroad Products Co., Ltd. *1
		Nabtesco Aerospace Inc. *1
		Nabtesco USA Inc. *1
		Shanghai Nabtesco Hydraulic Co., Ltd. *1
Industrial Equipment Business	Nabtesco Corporation	Nabtesco Power Control (Thailand) Co., Ltd. *1
	Toyo Jidoki Co., Ltd. *1	NABCO ENTRANCES, INC. *1
	TS Precision Co., Ltd. *1	NABCO ENGINEERING LIMITED *1
	TSTM Co., Ltd. *1	NABCO Auto Door (Beijing) Co., Ltd. *1
	T.S. Mechatech Co., Ltd. *1	Dalian Toyo Jidoki Co., Ltd. *1
	Aishin Kikoo Co., Ltd. *1	
	NABCO DOOR Ltd. *1, 3	
	TMT Machinery Co., Ltd. *2	
	Nabco System Co., Ltd. *2	
Kyokko Denki Co., Ltd. *2		
Total of subsidiaries and affiliates: 41	Japan: 20 companies	Overseas: 21 companies

*1 Consolidated subsidiary

*2 Equity method-applied affiliate

*3 Shares of NABCO DOOR Ltd. are listed on the Second Section of the Osaka Securities Exchange.

*4 Shares of Harmonic Drive Systems Inc. are listed on the JASDAQ Section of the Osaka Securities Exchange.

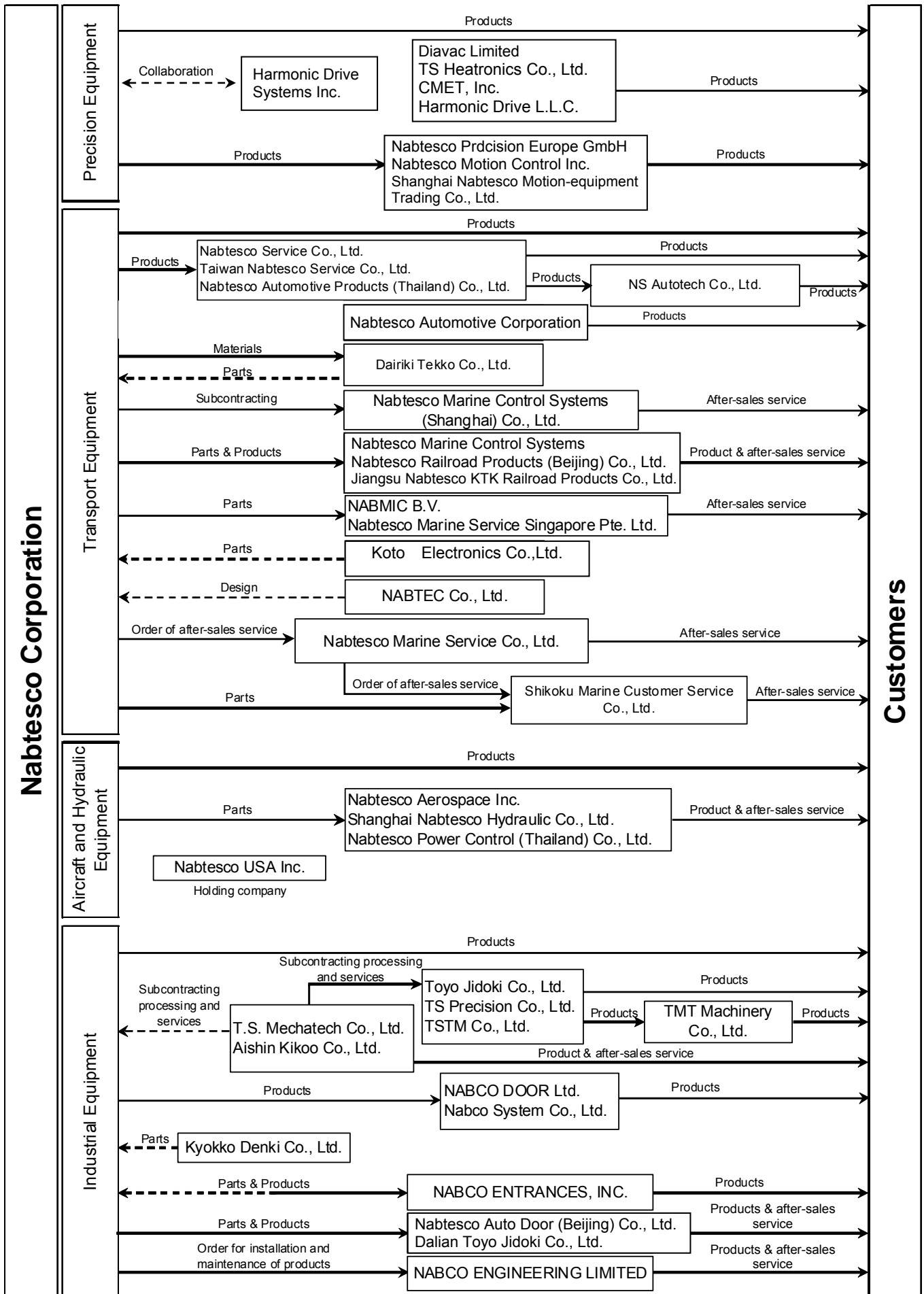
Notes: 1. Shanghai Nabtesco Motion-equipment Trading Co., Ltd. was established in April 2010.

2. Jiangsu Nabtesco KTK Railroad Products Co., Ltd. is a company established in January 2011 jointly with KTK Group Co., Ltd.

3. NABCO Engineering Limited changed its name to Nabtesco Gilgen (Hong Kong) Limited on April 1, 2011.

4. On April 1, 2011, the Company acquired the automatic door business of Kaba Holding AG of Switzerland, whose seven companies were included in the scope of consolidation of the Company: Gilgen Door Systems AG, Gilgen Door Systems UK Limited, Gilgen Door Systems Germany GmbH, Gilgen Door Systems Austria GmbH, Gilgen Door Systems France S.A.S., Gilgen Door Systems Italy srl and Gilgen Door Systems (Suzhou) Co., Ltd.
5. Dalian Toyo Jidoki Co., Ltd. was established in January 2011 by Toyo Jidoki Co., Ltd., one of the Company's subsidiaries.

(2) Diagram of Businesses of Nabtesco Group



3. Management Policy

(1) Basic Policy of the Management of the Company

The Group established its "Corporate Philosophy" in May 2005, under which the "Long-term Vision" was formulated. "Global Challenge 2010," a three-year mid-term management plan starting from the consolidated fiscal year ended March 31, 2009 was set up and announced as a plan for implementing the second step for achieving the long-term vision. Under the plan, targets for FY 2010 were set at ¥210 billion in net sales, ¥26 billion in operating income (operating margin of 12.4%), ¥15.5 billion in net income, 7.8% in ROA, and 15.2 % in ROE.

Compared with the plan, actual results for FY 2010 were ¥169.3 billion in net sales, ¥20.2 billion in operating income (operating margin of 11.9%), ¥13.3 billion in net income, 8.1% in ROA and 15.8% in ROE. While net sales and other incomes failed to achieve the respective targets, ROA and ROE exceeded the numerical targets of the mid-term management plan.

(Billion yen)

	Actual results for FY 2008	Actual results for FY 2009	Actual results for FY 2010	Plan for FY 2010
Net sales	158.1	126.2	169.3	210.0
Operating income	12.0	7.9	20.2	26.0
Operating margin (%)	7.6%	6.3%	11.9%	12.4%
Net income	4.4	4.0	13.3	15.5
ROA (%)	2.9%	2.7%	8.1%	7.8%
ROE (%)	5.8%	5.2%	15.8%	15.2%

The Group formulated "Global Challenge: Advance to the Next Stage," another 3-year mid-term management plan starting from the consolidated fiscal year ending March 31, 2012, as a plan for implementing the third step for achieving the long-term vision.

[Corporate Philosophy]

The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.

[Long-term Vision]

A global company group growing with society
—Challenge, creation and progress to higher stages—
[Management targets for fiscal 2014]
Net Sales: ¥260.0 billion
Operating income: ¥36.0 billion

[Mid-term Management Plan]

"Global Challenge: Advance to the Next Stage"
—In pursuit of further development in overseas growth markets—
Commitment to increase lasting corporate value by strengthening and expanding overseas operations, promoting global management, and solidifying our domestic business base to survive the era of global mega-competition.

1. Develop and reinforce global human resources
2. Develop emerging markets (Further enhance and expand overseas businesses)
3. Reinforce the stable domestic business bases
4. Promote new businesses in response to structural change (in industries and society)
5. Establish the global consolidated management system

(2) Target Management Indices

The Group has set mid-term management targets spanning FY 2011 through 2013, as follows:

1) Further expand business scale and pursue profitability

- Targets for FY 2013: ¥240.0 billion in net sales; ¥31.3 billion in operating income (13.0% in operating margin); and ¥20.3 billion in net income.
- 3-year accumulated numerical targets: ¥38.0 billion in capital expenditure; ¥15.0 billion in R&D; and ¥30.0 billion in investments in business expansion.

(Investments in establishment of Group companies, M&A, business alliances, etc.)

2) Promote management focusing on ROA and ROE

- Achieve 9.5% in ROA and 17.0% in ROE for FY 2012.

3) Implement well-balanced and appropriate allocation of corporate profits

Based on the appropriate allocation of corporate profits taking into consideration the balance between the strategic growth investments, maintaining financial soundness and shareholder return, we aim to continue stable dividend payments during the period of the new mid-term management plan, with the target payout ratio of 30% on a consolidated basis.

(3) Mid- to Long-Term Management Strategies

Under the current economic environment, while the economic recovery in developed countries such as Japan, the U.S. and Europe continues to be slow, the economy is expected to continue to grow rapidly in emerging countries including China, India, and ASEAN nations on the back of the strong infrastructure investment and an increase in consumer spending. In addition, industries have been experiencing mid- to long-term transformation on a significant scale, including a shift from the internal-combustion engine to the electric motor, as well as the development and permeation of green energy against the backdrop of international efforts toward the low-carbon society with the aim of reducing dependency on finite resources such as fossil fuels and cutting greenhouse gas emissions. In light of these developments, the Group has defined "Achieving growth potential and profitability through business portfolio management," "Strengthening comprehensive technological capabilities," and "Optimally utilizing human resources and strengthening personnel capabilities" as its top priorities from the mid- to long-term perspectives. Toward this end, the Company will implement the following measures:

1) Achieving growth potential and profitability through business portfolio management

The Group will proactively invest resources toward further business expansion in growth areas, develop new markets, and utilize core technology to enhance new product development.

- Further reinforcement and expansion of overseas operations in infrastructure improvement-related businesses (railroad business-related equipment and hydraulic equipment for construction machinery) mainly in China and other emerging Asian countries
- Further reinforcement and expansion of the environment-related business (wind power generator-related equipment, solar power generator-related equipment, etc.)
- Reinforcement and expansion of the door business for construction and railroad vehicles both in the domestic and overseas markets
- Further reinforcement and expansion of the precision equipment business and the commercial vehicle equipment business in China and other Asian emerging countries

2) Strengthening comprehensive technological capabilities

Together with strengthening comprehensive technological capabilities across all areas of development, manufacture, and quality assurance to provide outstanding products to customers, the Group will endeavor to maintain and improve its superiority in performance, quality, and cost vis-à-vis competitor companies.

- Promoting new product development while securing competitive advantages from prior art development and comprehensive technological capabilities combined
- Maintaining and improving cost competitiveness by reinforcing production technology capabilities
- Strengthening quality improvement systems

3) Optimally utilizing human resources and strengthening personnel capabilities

Recognizing that human resources constitute the foundation of business, the Group will seek to optimally utilize human resources, and develop and strengthen global personnel amid the progress of globalization.

- Intensively dedicating human resources to priority strategic businesses
- Strengthening global human resources programs

(4) Challenges Facing the Company

“Business Development”

We position the achievement of the newly formulated mid-term management plan as our top priority issue, and will focus on addressing the following challenges facing the Company in the foreseeable future:

- Steady reinforcement and expansion of overseas business, and the development and reinforcement of the global human resources who serve as the base of the business.
- Strengthening of management and administrative capabilities of overseas operations.
- Strengthening of information gathering in response to changes in market environment, and the realization of timely decision making systems.
- Deepen the search for new businesses.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	FY 2009 (As of March 31, 2010)	FY 2010 (As of March 31, 2011)
(Million yen)		
Assets		
Current assets		
Cash and time deposits	11,040	41,705
Notes and accounts receivable	36,117	40,894
Marketable securities	24,499	14,999
Goods and products	3,160	3,572
Products in progress	5,473	6,279
Raw materials and stored goods	6,632	7,165
Deferred income taxes	2,115	3,288
Other current assets	926	1,167
Allowance for doubtful accounts	(73)	(70)
Total current assets	89,893	119,003
Fixed assets		
Tangible fixed assets		
Buildings and structures	41,738	41,359
Accumulated depreciation	(24,416)	(24,915)
Buildings and structures (net)	17,322	16,444
Machinery and equipment	46,043	48,091
Accumulated depreciation	(35,941)	(36,549)
Machinery and equipment (net)	10,101	11,541
Tools, furniture and fixtures	16,807	17,224
Accumulated depreciation	(14,998)	(15,605)
Tools, furniture and fixtures (net)	1,808	1,618
Land	14,393	14,341
Construction in progress	475	496
Total tangible fixed assets	44,102	44,442
Intangible fixed assets	1,192	1,073
Investments and other assets		
Investments in securities	*1 12,302	*1 14,549
Deferred tax assets	490	404
Other investments and other assets	1,687	1,426
Allowance for doubtful accounts	(187)	(169)
Total investments and other assets	14,292	16,210
Total fixed assets	59,587	61,726
Total assets	149,480	180,729

(Million yen)

	FY 2009 (As of March 31, 2010)	FY 2010 (As of March 31, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	24,447	33,591
Short-term loans payable	8,920	9,157
Current portion of bonds	–	11,000
Income taxes payable	851	7,094
Reserve for product guarantee	822	1,847
Other current liabilities	8,569	12,200
Total current liabilities	43,610	74,891
Long-term liabilities		
Corporate bonds	11,000	–
Retirement allowance	8,000	7,550
Reserve for directors' retirement accounts	143	133
Reserve for environmental measures	572	320
Deferred tax liabilities	232	655
Negative goodwill	144	72
Other long-term liabilities	608	572
Total long-term liabilities	20,702	9,306
Total liabilities	64,313	84,197
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	17,467	17,448
Earned surplus	52,662	64,263
Treasury stock	(695)	(645)
Total shareholders' equity	79,434	91,066
Accumulated other comprehensive income		
Net unrealized gains on securities	1,290	1,512
Deferred gains or losses on hedges	(1)	(0)
Translation adjustments	(1,319)	(2,336)
Total accumulated other comprehensive income	(30)	(824)
Subscription rights to shares	73	159
Minority interests	5,689	6,130
Total net assets	85,167	96,531
Total liabilities and net assets	149,480	180,729

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Net sales	126,249	169,303
Cost of sales	*1,*3 97,817	*1,*3 127,712
Gross profit	28,432	41,591
Selling, general and administrative expenses	*2,*3 20,467	*2,*3 21,379
Operating income	7,964	20,212
Non-operating income		
Interest income	92	83
Dividends income	96	83
Rent income	273	245
Equity in earnings of an affiliate	756	2,218
Foreign exchange gains	97	-
Other non-operating income	306	299
Total non-operating income	1,623	2,929
Non-operating expenses		
Interest expenses	109	93
Foreign exchange losses	-	490
Other non-operating expenses	140	191
Total non-operating expenses	250	776
Ordinary income	9,337	22,365
Extraordinary gains		
Gain on sales of fixed assets	*4 82	*4 80
Gain on sale of investment in securities	189	0
Reversal of allowance for doubtful accounts	26	23
Total extraordinary gains	298	103
Extraordinary losses		
Loss on disposal of fixed assets	*5 143	*5 196
Impairment loss	*6 401	-
Loss on sales of investment securities	4	-
Revaluation loss on investment securities	40	0
Loss on sales of golf club memberships	-	1
Write-down of golf membership rights	1	2
Provision for reserve for environmental measures	64	64
Business structure improvement expenses	*7 970	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	26
Cancellation compensation	-	221
Total extraordinary losses	1,625	514
Income before income taxes	8,011	21,954
Income taxes	1,916	8,312
Adjustment for corporate and other taxes	1,354	(826)
Total corporate and other taxes	3,271	7,485
Income before minority interests	-	14,468
Minority interest	722	1,080
Net income	4,017	13,387

Consolidated Statements of Comprehensive Income

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Income before minority interests	–	14,468
Other comprehensive income	–	
Valuation difference on available-for-sale securities		215
Deferred gains or losses on hedges	–	1
Foreign currency translation adjustment	–	(1,208)
Share of other comprehensive income of equity-method companies	–	(79)
Total other comprehensive income	–	^{*2} (1,070)
Comprehensive income	–	^{*1} 13,398
Comprehensive income attributable to:		
Comprehensive income attributable to shareholders of the parent company	–	12,593
Comprehensive income attributable to minority interests	–	804

(3) Consolidated Statements of Change in Net Assets

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at end of the previous term	10,000	10,000
Change during the term		
Total change during the term	–	–
Balance at end of the term	10,000	10,000
Capital surplus		
Balance at end of the previous term	17,477	17,467
Change during the term		
Disposal of treasury stock	(9)	(19)
Total change during the term	(9)	(19)
Balance at end of the term	17,467	17,448
Earned surplus		
Balance at end of the previous term	49,668	52,662
Change during the term		
Cash dividends	(1,016)	(1,779)
Net income	4,017	13,387
Employees' welfare fund for overseas subsidiaries	(7)	(7)
Total change during the term	2,993	11,601
Balance at end of the term	52,662	64,263
Treasury stock		
Balance at end of the previous term	(146)	(695)
Change during the term		
Acquisition of treasury stock	(89)	(31)
Disposal of treasury stock	33	81
Increase (decrease) in treasury stock resulted from the change in holding ratio of equity-method companies	(492)	–
Total change during the term	(548)	49
Balance at end of the term	(695)	(645)
Total shareholders' equity		
Balance at end of the previous term	76,999	79,434
Change during the term		
Cash dividends	(1,016)	(1,779)
Net income	4,017	13,387
Acquisition of treasury stock	(89)	(31)
Disposal of treasury stock	23	61
Increase (decrease) in treasury stock resulted from the change in holding ratio of equity-method companies	(492)	–
Employees' welfare fund for overseas subsidiaries	(7)	(7)
Total change during the term	2,435	11,631
Balance at end of the term	79,434	91,066

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Accumulated other comprehensive income		
Net unrealized gains on securities		
Balance at end of the previous term	1,047	1,290
Change during the term		
Changes in items other than shareholders' equity during the term (net)	243	222
Total change during the term	243	222
Balance at end of the term	1,290	1,512
Unrealized deferred gain or loss on hedges		
Balance at end of the previous term	(14)	(1)
Change during the term		
Changes in items other than shareholders' equity during the term (net)	13	1
Total change during the term	13	1
Balance at end of the term	(1)	(0)
Translation adjustments		
Balance at end of the previous term	(1,554)	(1,319)
Change during the term		
Changes in items other than shareholders' equity during the term (net)	235	(1,017)
Total change during the term	235	(1,017)
Balance at end of the term	(1,319)	(2,336)
Total accumulated other comprehensive income		
Balance at end of the previous term	(522)	(30)
Change during the term		
Changes in items other than shareholders' equity during the term (net)	491	(794)
Total change during the term	491	(794)
Balance at end of the term	(30)	(824)
Subscription rights to shares		
Balance at end of the previous term	-	73
Change during the term		
Changes in items other than shareholders' equity during the term (net)	73	85
Total change during the term	73	85
Balance at end of the term	73	159
Minority interests		
Balance at end of the previous term	5,239	5,689
Change during the term		
Changes in items other than shareholders' equity during the term (net)	449	441
Total change during the term	449	441
Balance at end of the term	5,689	6,130

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Total net assets		
Balance at end of the previous term	81,716	85,167
Change during the term		
Cash dividends	(1,016)	(1,779)
Net income	4,017	13,387
Acquisition of treasury stock	(89)	(31)
Disposal of treasury stock	23	61
Increase (decrease) in treasury stock resulted from the change in holding ratio of equity-method companies	(492)	–
Employees' welfare fund for overseas subsidiaries	(7)	(7)
Changes in items other than shareholders' equity during the term (net)	1,014	(267)
Total change during the term	3,450	11,364
Balance at end of the term	85,167	96,531

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Cash flows from operating activities		
Income before income taxes	8,011	21,954
Depreciation and amortization	5,485	5,391
Amortization of goodwill	(72)	(72)
Share-based compensation expenses	73	93
Increase (decrease) in allowance for doubtful accounts	(66)	(16)
Increase (decrease) in retirement allowance	(1,256)	(449)
Increase (decrease) in reserve for directors' retirement accounts	(117)	(9)
Interest and dividend income	(189)	(166)
Interest expenses	109	93
Foreign exchange loss (gain)	0	0
Equity loss (gain) in earnings of an affiliate	(756)	(2,218)
Loss (gain) on sales of fixed assets	(82)	(80)
Loss (gain) on disposal of fixed assets	143	196
Impairment loss	401	-
Loss (gain) on sales of marketable securities and investments in securities	(185)	(0)
Loss (gain) on revaluation of marketable securities and investments in securities	40	0
Loss (gain) on sales of golf club memberships	-	1
Write-down of golf membership rights	1	2
Business structure improvement expenses	970	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	26
Cancellation compensation	-	221
Decrease (increase) in notes and accounts receivable	(1,037)	(4,666)
Decrease (increase) in inventories	1,345	(2,096)
Decrease (increase) in other assets	(59)	(326)
Increase (decrease) in notes and accounts payable	2,041	9,772
Increase (decrease) in consumption taxes payable	458	(483)
Increase (decrease) in other liabilities	(13)	2,587
Subtotal	15,244	29,756
Interest and dividend received	329	571
Interest paid	(102)	(75)
Business reorganization costs	(533)	-
Cancellation compensation	-	(184)
Income taxes refunded (paid)	(46)	(2,070)
Net cash and cash equivalents provided by operating activities	14,892	27,997

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Cash flows from investing activities		
Increase in time deposits	(25)	(30)
Proceeds from withdrawal from time deposits	2	7
Purchases of tangible fixed assets	(5,880)	(4,386)
Proceeds from sales of tangible fixed assets	114	197
Purchases of intangible fixed assets	(171)	(263)
Purchases of investments in securities	(539)	(12)
Proceeds from sale of investment in securities	465	0
Purchase of stocks of subsidiaries and affiliates	–	(150)
Proceeds from repayment of short-term loans	31	3
Other payments	(380)	(279)
Other proceeds	228	492
Net cash and cash equivalents used in investing activities	(6,155)	(4,419)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans	752	263
Payments for purchases of treasury stock	(89)	(31)
Proceeds from sales of treasury stock	23	54
Cash dividends paid	(1,016)	(1,779)
Cash dividends paid to minority shareholders	(354)	(356)
Net cash and cash equivalents used in financing activities	(684)	(1,849)
Effect exchange rate changes on cash and cash equivalents	74	(582)
Increase (decrease) in cash and cash equivalents	8,126	21,145
Cash and cash equivalents at beginning of term	27,299	35,425
Cash and cash equivalents at end of term	*1 35,425	*1 56,570

(Segment Information)1 Segment Information by Business Category
FY 2009 (From April 1, 2009 to March 31, 2010)

(Million yen)

	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total	Eliminations and General Corporate Assets	Consolidated
I Net sales and operating income							
Net sales							
(1) External sales	15,278	41,888	41,492	27,589	126,249	–	126,249
(2) Intersegment net sales or transfer	12	239	273	171	697	[697]	–
Total	15,290	42,128	41,765	27,761	126,946	[697]	126,249
Operating expenses	14,687	38,474	39,961	25,858	118,981	[697]	118,284
Operating income	603	3,654	1,804	1,902	7,964	–	7,964
II Assets, Depreciation and amortization, loss of impaired assets and capital expenditure							
Assets	17,401	28,497	37,278	25,971	109,150	40,330	149,480
Depreciation and amortization	1,038	1,395	2,006	481	4,920	565	5,485
Loss of impaired assets	–	401	–	–	401	–	401
Capital expenditure	258	1,565	2,364	318	4,506	302	4,809

(Notes) 1. Business segments above are based on the grouping used internally.

2. Each segment includes the following products:

- (1) Precision equipment business Precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, vacuum pumps, vacuum equipment and high-performance heat transfer device.
- (2) Transport equipment business Railway brake systems, door operating system for railway vehicles, braking systems for commercial vehicles and marine main propulsion control systems.
- (3) Aircraft and hydraulic equipment business Aircraft equipment, hydraulic motors with reduction gears, yaw drives for wind turbines.
- (4) Industrial equipment business Automatic door for buildings, automatic fillers/sealers, forming machines, machine tools, automotive parts, mould and jigs.

3. All common expenses of operating expenses are allocated to each segment.

4. Total assets in "Eliminations and General Corporate Assets" are ¥41,146 million. These include surplus operating fund in the Company (cash and deposits) and long-term investments (investment securities, etc.).

5. (Change in accounting standard)

As described in "Change in accounting standard," loss on disposal of inventories was formerly stated separately under non-operating expenses. However, the Company and its consolidated subsidiaries have recognized the amount under cost of sales from this consolidated fiscal year. As a result of reinforced monitoring of lower profitability of inventories throughout the previous consolidated fiscal year, we have improved the system to promptly determine the necessity of disposal of inventories since the first quarter of consolidated fiscal year ended March 31, 2010, and also enhanced the system to recognize valuation loss on a timely basis. Therefore, we have ensured consistency with the existing accounting practice by which loss on revaluation of inventory due to downward revision of the book value as a result of lower profitability is recognized as cost of sales. This change resulted in reductions in operating income of ¥94 million in the precision equipment business, ¥198 million in the transport equipment business, ¥36 million in the aircraft and hydraulic equipment business, and ¥75 million in the industrial equipment business in comparison with figures calculated using the previous method.

2 Segment Information by Region
FY 2009 (From April 1, 2009 to March 31, 2010)

(Million yen)

	Japan	Asia	North America	Europe	Total	Eliminations and General Corporate Assets	Consolidated
I Net sales and operating income							
Net sales							
(1) External sales	99,759	16,471	6,804	3,213	126,249	–	126,249
(2) Intersegment net sales or transfer	11,371	1,266	1,323	60	14,022	[14,022]	–
Total	111,131	17,737	8,128	3,273	140,271	[14,022]	126,249
Operating expenses	105,486	15,773	7,741	3,305	132,307	[14,022]	118,284
Operating income	5,645	1,964	387	(32)	7,964	–	7,964
II Assets	96,690	13,227	4,201	1,768	115,887	33,593	149,480

(Notes) 1. Grouping of countries and regions is based on geographic adjacency.

2. Each geographic segment except Japan covers the following countries or regions:

(1) Asia China, Thailand, South Korea and Singapore

(2) North America U.S.A.

(3) Europe Germany, the Netherlands

3. All common expenses of operating expenses are allocated to each segment.

4. Total assets in "Eliminations and General Corporate Assets" are ¥41,146 million. These include surplus operating fund in the Company (cash and deposits) and long-term investments (investment securities, etc.).

5. (Change in accounting standard)

As described in "Change in accounting standard," loss on disposal of inventories was formerly stated separately under non-operating expenses. However, the Company and its consolidated subsidiaries have recognized the amount under cost of sales from this consolidated fiscal year. As a result of reinforced monitoring of lower profitability of inventories throughout the previous consolidated fiscal year, we have improved the system to promptly determine the necessity of disposal of inventories since the first quarter of consolidated fiscal year ended March 31, 2010, and also enhanced the system to recognize valuation loss on a timely basis. Therefore, we have ensured consistency with the existing accounting practice by which loss on revaluation of inventory due to downward revision of the book value as a result of lower profitability is recognized as cost of sales. This change resulted in reductions in operating incomes of ¥396 million in the geographic segment of "Japan" and ¥7 million in the geographic segment of "Asia," in comparison with figures calculated using the previous method.

3 Overseas Sales

FY 2009 (From April 1, 2009 to March 31, 2010)

(Million yen)

	Asia	North America	Europe	Other regions	Total
I Overseas Sales	24,574	8,656	4,264	374	37,870
II Consolidated net sales					126,249
III Composition to consolidated net sale (%)	19.5	6.8	3.4	0.3	30.0

(Notes) 1. Grouping of countries and regions is based on geographic adjacency.

2. Each geographic segment except Japan covers the following countries or regions:

- (1) Asia China, Thailand, South Korea, India and Singapore
- (2) North America U.S.A.
- (3) Europe Germany, Great Britain, France, Italy and the Netherlands
- (4) Other regions Australia and New Zealand

3. Overseas sales refer to the Company and its Group's sales in countries or regions other than Japan.

4 Segment Information

(Additional information)

Starting from the consolidated fiscal year under review, the Company is applying the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 issued on March 27, 2009) and Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 issued on March 21, 2008).

(1) Summary of Reportable Segments

The Company's reportable segments are components of the Company about which separate financial statement is available that is evaluated regularly at the Board of Directors' meetings in deciding how to allocate the management resources and in assessing performance.

The Group is engaged in manufacturing and sale of products based mainly on motion-control technology, consisting of four reportable segments: Precision equipment, transport equipment, aircraft and hydraulic equipment and industrial equipment.

In the precision equipment business, precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, vacuum equipment, high-performance heat transfer device, etc. are manufactured. Products in the transport equipment business include railway brake systems, door operating system for railway vehicles, air-braking systems for commercial vehicles, marine main propulsion control systems, etc. In the aircraft and hydraulic equipment business, aircraft equipment, traveling motors for construction machinery, yaw drives for wind turbines, etc. are manufactured. Our products in the industrial equipment business include automatic doors for buildings, automatic food sealers, special-purpose machine tools, etc.

(2) Calculation method of sales, income or loss, assets, liabilities and other accounting items by reportable segment

Accounting method of business segments reported is almost the same as that described in the "Significant matters providing the basis for preparing consolidated financial statements."

(3) Information on the amounts of sales, income or loss, assets, liabilities and other accounting items by reportable segment

FY 2009 (April 1, 2009 to March 31, 2010)

	Reportable segment					Adjustments (Note 1)	Consolidated statements of income amount
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Net sales							
Sales to external customers	15,278	41,888	41,492	27,589	126,249	-	126,249
Intersegment sales or transfer	12	239	273	171	697	[697]	-
Total	15,290	42,128	41,765	27,761	126,946	[697]	126,249
Segment incomes	603	3,654	1,804	1,902	7,964	-	7,964
Segment assets	17,401	28,497	37,278	25,971	109,150	40,330	149,480
Segment liabilities	6,641	11,528	14,424	8,612	41,206	23,106	64,313
Other items							
Depreciation and amortization	1,038	1,395	2,006	481	4,920	565	5,485
Increases in tangible fixed assets and intangible fixed assets	258	1,565	2,364	318	4,506	302	4,809

(Notes 1) Details of adjustments are as follows:

- (1) Adjustment to intersegment sales or transfer is a negative ¥697 million as a result of eliminations.
- (2) Total assets of the Company included in adjustment to segment assets amount to ¥41,146 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).
- (3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.
- (4) Adjustments of ¥302 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

FY 2010 (April 1, 2010 to March 31, 2011)

(Million yen)

	Reportable segment					Adjustments (Note 1)	Consolidated statements of income amount
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Net sales							
Sales to external customers	32,438	48,182	59,106	29,575	169,303	–	169,303
Intersegment sales or transfer	29	230	438	670	1,369	[1,369]	–
Total	32,467	48,413	59,545	30,246	170,673	[1,369]	169,303
Segment income	6,466	5,915	5,609	2,220	20,212	–	20,212
Segment assets	22,037	30,761	42,260	26,904	121,964	58,765	180,729
Segment liabilities	11,735	15,301	19,699	9,824	56,560	27,637	84,197
Other items							
Depreciation and amortization	1,097	1,452	1,859	450	4,860	530	5,391
Increases in tangible fixed assets and intangible fixed assets	1,379	1,192	3,279	247	6,098	239	6,337

(Notes 1) Details of adjustments are as follows:

- (1) Adjustment to intersegment sales or transfer is a negative ¥1,369 million as a result of eliminations.
- (2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥60,289 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).
- (3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.
- (4) Adjustments of ¥239 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

	(Million yen)	
	FY 2009 (As of March 31, 2010)	FY 2010 (As of March 31, 2011)
Assets		
Current assets		
Cash and time deposits	3,111	32,836
Notes receivable	1,420	1,644
Accounts receivable	**1 25,462	**1 29,596
Marketable securities	24,499	14,999
Goods and products	1,295	1,500
Work in progress	4,056	4,401
Raw materials and stored goods	3,929	4,021
Deferred income taxes	1,456	2,478
Short-term loans receivable	**1 3,214	**1 1,219
Other receivables	459	618
Other current assets	755	231
Allowance for doubtful accounts	(1,352)	(1,175)
Total current assets	68,309	92,373
Fixed assets		
Tangible fixed assets		
Buildings	30,377	30,124
Accumulated depreciation	(17,490)	(17,743)
Buildings (net)	12,886	12,381
Structures	2,408	2,446
Accumulated depreciation	(1,875)	(1,939)
Structures (net)	533	507
Machinery and equipment	36,154	37,421
Accumulated depreciation	(29,790)	(30,098)
Machinery and equipment (net)	6,363	7,322
Vehicles and transportation equipment	172	190
Accumulated depreciation	(147)	(161)
Vehicles and transportation equipment (net)	24	28
Tools, furniture and fixtures	12,736	12,998
Accumulated depreciation	(11,500)	(11,929)
Tools, furniture and fixtures (net)	1,235	1,068
Land	10,367	10,333
Construction in progress	105	177
Total tangible fixed assets	31,518	31,818
Intangible fixed assets		
Software	916	760
Other intangible fixed assets	43	42
Total intangible fixed assets	960	803

(Million yen)

	FY 2009 (As of March 31, 2010)	FY 2010 (As of March 31, 2011)
Investments and other assets		
Investments in securities	5,190	5,556
Investments in stock of affiliated companies	10,672	10,822
Capital contribution for affiliated companies	1,483	1,602
Long-term prepaid expenses	273	43
Deferred income taxes	266	–
Other investments and other assets	682	720
Allowance for doubtful accounts	(79)	(69)
Total investments and other assets	18,489	18,676
Total fixed assets	50,967	51,298
Total assets	119,277	143,671
Liabilities		
Current liabilities		
Trade notes payable	141	227
Accounts payable	*1 18,082	*1 24,959
Short-term loans payable	7,800	7,800
Current portion of bonds	–	11,000
Accounts payable-other	2,587	4,082
Income taxes payable	184	5,748
Accrued expenses	2,494	3,229
Advance received	150	205
Deposits received	*1 5,145	*1 6,246
Reserve for product guarantee	782	1,786
Other current liabilities	17	13
Total current liabilities	37,386	65,299
Long-term liabilities		
Corporate bonds	11,000	–
Retirement allowance	6,713	6,447
Reserve for environmental measures	572	320
Deferred tax liabilities	–	28
Negative goodwill	144	72
Other long-term liabilities	589	547
Total long-term liabilities	19,019	7,416
Total liabilities	56,405	72,716

(Million yen)

	FY 2009 (As of March 31, 2010)	FY 2010 (As of March 31, 2011)
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus		
Capital reserve	24,690	24,690
Other capital surplus	4,813	4,794
Total capital surplus	29,504	29,484
Earned surplus		
Profit reserve	1,076	1,076
Other earned surplus		
Reserve for compression of assets	16	15
Earned surplus brought forward	22,271	29,919
Total earned surplus	23,363	31,011
Treasury stock	(197)	(147)
Total shareholders' equity	62,670	70,348
Valuation and translation adjustments		
Net unrealized gains on securities	128	447
Deferred gains or losses on hedges	(1)	(0)
Total valuation and translation adjustments	126	447
Subscription rights to shares	73	159
Total net assets	62,871	70,955
Total liabilities and net assets	119,277	143,671

(2) Non-consolidated Statements of Income

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Net sales	*1 90,984	*1 117,383
Cost of sales		
Inventories of products at beginning of the term	1,193	1,295
Production cost during the term	*2, *4 74,318	*2, *4 91,664
Subtotal	75,511	92,960
Inventories of products at end of the term	1,295	1,500
Patent royalties paid	327	475
Total cost of sales	74,543	91,935
Gross profit	16,441	25,447
Selling, general and administrative expenses	*3, *4 11,892	*3, *4 12,041
Operating income	4,549	13,406
Non-operating income		
Interest income	61	51
Dividend income	*1 1,304	*1 1,563
Rent income	*1 304	*1 271
Other non-operating income	176	161
Total non-operating income	1,847	2,048
Non-operating expenses		
Interest expenses	110	78
Foreign exchange losses	11	268
Other non-operating expenses	96	122
Total non-operating expenses	219	469
Ordinary income	6,177	14,985
Extraordinary gains		
Gain on sales of fixed assets	*5 81	*5 74
Gain on sales of investment securities	41	0
Reversal of allowance for doubtful accounts	22	189
Total extraordinary gains	145	264
Extraordinary losses		
Loss on disposal of fixed assets	*6 123	*6 149
Impairment loss	*7 401	-
Loss on sale of investment securities	4	0
Revaluation loss on investment securities	70	105
Loss on sales of golf club memberships	-	1
Write-down of golf membership rights	0	2
Loss on valuation of investments in capital of subsidiaries and affiliates	-	201
Business structure improvement expenses	*8 972	-
Loss on business transfer	*9 117	-
Provision for reserve for doubtful accounts from affiliates	20	-
Provision for reserve for environmental measures	64	64
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	22
Cancellation compensation	-	221
Total extraordinary losses	1,774	768

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Income before income taxes	4,548	14,481
Income taxes	338	5,929
Adjustment for corporate and other taxes	1,374	(874)
Total corporate and other taxes	1,712	5,055
Net income	2,835	9,426

(3) Non-consolidated Statements of Change in Net Assets

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at end of the previous term	10,000	10,000
Change during the term		
Total change during the term	-	-
Balance at end of the term	10,000	10,000
Capital surplus		
Capital reserve		
Balance at end of the previous term	24,690	24,690
Change during the term		
Total change during the term	-	-
Balance at end of the term	24,690	24,690
Other capital surplus		
Balance at end of the previous term	4,823	4,813
Change during the term		
Disposal of treasury stock	(9)	(19)
Total change during the term	(9)	(19)
Balance at end of the term	4,813	4,794
Total capital surplus		
Balance at end of the previous term	29,513	29,504
Change during the term		
Disposal of treasury stock	(9)	(19)
Total change during the term	(9)	(19)
Balance at end of the term	29,504	29,484
Earned surplus		
Profit reserve		
Balance at end of the previous term	1,076	1,076
Change during the term		
Total change during the term	-	-
Balance at end of the term	1,076	1,076
Other earned surplus		
Reserve for special depreciation		
Balance at end of the previous term	3	-
Change during the term		
Transfer from reserve for special depreciation	(3)	-
Total change during the term	(3)	-
Balance at end of the term	-	-
Reserve for compression of assets		
Balance at end of the previous term	16	16
Change during the term		
Transfer from reserve for compression of assets	(0)	(0)
Total change during the term	(0)	(0)
Balance at end of the term	16	15

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Earned surplus brought forward		
Balance at end of the previous term	20,448	22,271
Change during the term		
Cash dividends	(1,016)	(1,779)
Transfer from reserve for special depreciation	3	–
Transfer from reserve for compression of assets	0	0
Net income	2,835	9,426
Total change during the term	1,823	7,647
Balance at end of the term	22,271	29,919
Total earned surplus		
Balance at end of the previous term	21,544	23,363
Change during the term		
Cash dividends	(1,016)	(1,779)
Transfer from reserve for special depreciation	–	–
Transfer from reserve for compression of assets	–	–
Net income	2,835	9,426
Total change during the term	1,818	7,647
Balance at end of the term	23,363	31,011
Treasury stock		
Balance at end of the previous term	(141)	(197)
Change during the term		
Purchase of treasury stock	(89)	(30)
Disposal of treasury stock	33	81
Total change during the term	(55)	50
Balance at end of the term	(197)	(147)
Total shareholders' equity		
Balance at end of the previous term	60,917	62,670
Change during the term		
Cash dividends	(1,016)	(1,779)
Net income	2,835	9,426
Purchase of treasury stock	(89)	(30)
Disposal of treasury stock	23	61
Total change during the term	1,753	7,677
Balance at end of the term	62,670	70,348

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)	FY 2010 (From April 1, 2010 to March 31, 2011)
Valuation and translation adjustments		
Net unrealized gains on securities		
Balance at end of the previous term	(315)	128
Change during the term		
Changes in items other than shareholders' equity during the term (net)	444	318
Total change during the term	444	318
Balance at end of the term	128	447
Unrealized deferred gain or loss on hedges		
Balance at end of the previous term	(14)	(1)
Change during the term		
Changes in items other than shareholders' equity during the term (net)	13	1
Total change during the term	13	1
Balance at end of the term	(1)	(0)
Total valuation and translation adjustments		
Balance at end of the previous term	(330)	126
Change during the term		
Changes in items other than shareholders' equity during the term (net)	457	320
Total change during the term	457	320
Balance at end of the term	126	447
Subscription rights to shares		
Balance at end of the previous term	–	73
Change during the term		
Changes in items other than shareholders' equity during the term (net)	73	85
Total change during the term	73	85
Balance at end of the term	73	159
Total net assets		
Balance at end of the previous term	60,586	62,871
Change during the term		
Cash dividends	(1,016)	(1,779)
Net income	2,835	9,426
Purchase of treasury stock	(89)	(30)
Disposal of treasury stock	23	61
Changes in items other than shareholders' equity during the term (net)	531	405
Total change during the term	2,284	8,083
Balance at end of the term	62,871	70,955

6. Other information

(1) Summary Material of Business Results for FY 2010

1) Operating Results

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales	126,249	90,984	169,303	117,383
Operating income	7,964	4,549	20,212	13,406
Ordinary income	9,337	6,177	22,365	14,985
Net income	4,017	2,835	13,387	9,426

2) Consolidated Segment Information

a. Net Sales

Reportable Segments	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	15,278	12.1	32,438	19.2
Transport Equipment	41,888	33.2	48,182	28.4
Aircraft and Hydraulic Equipment	41,492	32.9	59,106	34.9
Industrial Equipment	27,589	21.8	29,575	17.5
Total	126,249	100.0	169,303	100.0

(Note 1) Amounts shown above are stated based on selling price, and do not include consumption or other taxes.

b. Operating Income

Reportable Segments	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Amount (million yen)	Margin (%)	Amount (million yen)	Margin (%)
Precision Equipment	603	3.9	6,466	19.9
Transport Equipment	3,654	8.7	5,915	12.3
Aircraft and Hydraulic Equipment	1,804	4.3	5,609	9.5
Industrial Equipment	1,902	6.9	2,220	7.5
Total	7,964	6.3	20,212	11.9

c. Output

Reportable Segments	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	16,085	12.4	33,254	19.3
Transport Equipment	43,244	33.5	48,876	28.4
Aircraft and Hydraulic Equipment	41,814	32.3	59,910	34.8
Industrial Equipment	28,114	21.8	30,149	17.5
Total	129,259	100.0	172,192	100.0

(Note 1) Amounts shown above are stated based on selling price, and do not include consumption or other taxes.

d. Orders Received

Reportable Segments	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	17,775	13.9	36,702	20.3
Transport Equipment	43,006	33.6	48,261	26.7
Aircraft and Hydraulic Equipment	39,687	31.0	65,238	36.2
Industrial Equipment	27,440	21.5	30,223	16.8
Total	127,909	100.0	180,426	100.0

(Note 1) Amounts shown above are stated based on selling price, and do not include consumption or other taxes.

e. Order Backlog

Reportable Segments	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	5,294	9.1	9,558	13.8
Transport Equipment	22,605	38.9	22,684	32.8
Aircraft and Hydraulic Equipment	22,539	38.8	28,671	41.4
Industrial Equipment	7,671	13.2	8,318	12.0
Total	58,110	100.0	69,232	100.0

(Note 1) Amounts shown above are stated based on selling price, and do not include consumption or other taxes.

3) Investments, Finance and Personnel

(Million yen)

	FY 2009 (From April 1, 2009 to March 31, 2010)		FY 2010 (From April 1, 2010 to March 31, 2011)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Capital expenditure	4,809	3,154	6,337	4,391
[Tangible fixed assets included in the above amount]	[4,637]	[3,032]	[6,073]	[4,226]
2. Depreciation and amortization	5,485	4,466	5,391	4,005
[Tangible fixed assets included in the above amount]	[5,057]	[4,082]	[5,017]	[3,683]
3. R&D expense	3,746	3,319	3,911	3,282
4. Corporate bonds and loans payable	19,920	18,800	20,157	18,800
5. Financial account balance	79	1,254	73	1,536
[Dividend income included in the above amount]	[96]	[1,304]	[83]	[1,563]
6. Number of employees at end of the period	3,998 persons	2,006 persons	4,057 persons	1,989 persons

(2) Forecast of Operating Results for FY 2011

1) Operating Results (Forecast)

(Million yen)

	Forecast for the 1st half of FY 2011 (From April 1, 2011 to September 30, 2011)		Forecast for FY 2011 (From April 1, 2011 to March 31, 2012)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales	91,800	61,800	196,000	135,000
Operating income	9,700	6,800	22,500	16,200
Ordinary income	10,800	7,800	24,700	19,200
Net income	6,800	5,300	15,000	13,000

2) Consolidated Segment Information (Forecast)

a. Net Sales

Reportable Segments	Forecast for the 1st half of FY 2011 (From April 1, 2011 to September 30, 2011)		Forecast for FY 2011 (From April 1, 2011 to March 31, 2012)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	22,000	24.0	44,400	22.6
Transport Equipment	21,100	23.0	48,200	24.6
Aircraft and Hydraulic Equipment	31,300	34.1	63,100	32.2
Industrial Equipment	17,400	18.9	40,300	20.6
Total	91,800	100.0	196,000	100.0

b. Operating Income

Reportable Segments	Forecast for the 1st half of FY 2011 (From April 1, 2011 to September 30, 2011)		Forecast for FY 2011 (From April 1, 2011 to March 31, 2012)	
	Amount (million yen)	Margin (%)	Amount (million yen)	Margin (%)
Precision Equipment	4,400	20.0	8,800	19.8
Transport Equipment	1,750	8.3	5,400	11.2
Aircraft and Hydraulic Equipment	2,950	9.4	6,000	9.5
Industrial Equipment	600	3.4	2,300	5.7
Total	9,700	10.6	22,500	11.5