



Nabtesco Group
CSR Report 2012

Nabtesco

“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”—The Nabtesco Group conducts business activities based on this Corporate Philosophy.

To report all these activities and express our views on corporate social responsibility (CSR) in one single document, we are publishing a CSR Report annually starting from 2011.

In this Nabtesco Group CSR Report 2012, the second issue of the report, Kazuaki Kotani, President & CEO of Nabtesco, explains our management views and policies based on our Corporate Philosophy, Long-term Vision, and Our Promises. In addition to reporting the activities of the Group for our stakeholders and toward attaining the management views and policies under the five themes—Offering Products and Services with High Value; Securing Transparency of Management; Consideration for Employees; Environmental Protection; and Management Systems, this year’s report also gives details of our CSR activities conducted in cooperation with our business partners in a new section, “Fair and Proper Corporate Activities.”

September 2012



Scope of the report

The activities reported in this report are mostly those conducted by Nabtesco Corporation except some activities that were conducted by its Group companies in and outside Japan.

Period reported

The period covered by this report is basically FY2011 (April 1, 2011 to March 31, 2012), although some activities conducted in previous fiscal years and in FY2012 are also included.

Guidelines referenced

G3 Guidelines published by the Global Reporting Initiative (GRI)

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Message from the President



Kazuaki Kotani
Representative Director,
President & CEO
Nabtesco Corporation

Globally, the growth in China and other emerging countries which were driving the global economy has slowed down, and the Eurozone debt crisis is becoming increasingly serious. Japan too is experiencing various difficulties, including the adverse impact of the lingering strong yen on exporting companies, concern over electricity shortages, and sluggish personal consumption.

Amid this unpredictable economic situation, the Nabtesco Group drew up a Long-term Vision in FY2012, and stated that we aspire to become a “Global Partner with Best Solutions” by FY2020. Through this new Long-term Vision which defines goals for FY2020, and by offering new solutions (products, services, business models) that will help solve global social issues, we aim to contribute to the further development of the economy and society.

Implementing CSR through business activities

We are engaged in a wide variety of corporate activities in accordance with our Corporate Philosophy of providing “safety, comfort and a sense of security in daily lives as well as any form of transportation” based on the recognition that realizing the philosophy will lead to the best CSR practices. These activities include not only business activities—such as the development of electronically-controlled engines for ships and drive units for wind turbines for environmental protection and railway platform doors for passenger safety—but also various commitments in the areas of the environment and welfare which we are actively promoting.

Environmental commitments

Nabtesco regards “consideration for the global environment” and “harmony with local communities and cultures” as the top priority management challenges, and to meet these challenges, has formulated the Environmental Philosophy and the Environmental Action Plan as specific group-wide action guidelines. Under these guidelines, we proactively work toward reducing the environmental impact of our products and business activities and improving the environment to help realize a sustainable society.

Social contributions

Nabtesco also develops and offers equipment for use in welfare and long-term care, which are designed with careful consideration to the user’s convenience. Under the Long-term Vision of “Global company group growing with society,” we will continue to strive to enhance our corporate value and promote CSR by delivering highly reliable technologies and products.

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.

Our Promises

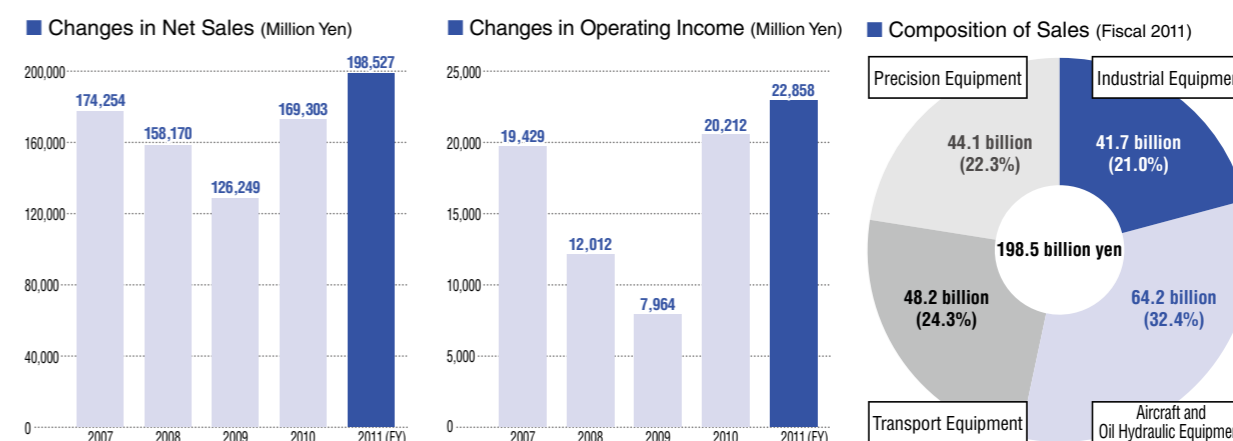
1. Value close communications with our customers worldwide
2. Value each individual’s spirit of challenge and innovation
3. Continue to expand our business and profit
4. Continue to reinforce our sense of ethics and highly transparent business activities
5. Value the environment and promote harmony with local communities and cultures

New Long-term Vision (Status on FY2020)

“Global Partner with Best Solutions”

- Continue to provide society with new innovative solutions (products, services and business models).
- Pursue excellence through continuous technological innovation, thereby enhancing rapport and trust with customers.
- Value open communication and creative thinking regardless of language and cultural differences.
- Encourage each employee to proactively take on challenges from the slogan, “Enjoy the Challenge.”

Business Performance Data (Consolidated)



01

Offering Products and Services

As a company creating a part of social infrastructure, we deliver products and services which provide maximum safety, comfort and a sense of security to win the trust of customers.

with High Value



01 Offering Products and Services with High Value

Incorporating safety, comfort, and a sense of security into products

The Nabtesco Group has established long-term relationships of trust with our customers, and has worked together with them to create markets, develop new products, and ensure the safety of products. In addition to the safety of products themselves, we also ensure safety, comfort, and a sense of security for customers who purchase our products as well as for end users by collecting and analyzing information on the actual conditions and environment in which products are used. We then use this information to define the safety, reliability, and stability required, as well as the functionality and performance necessary for realizing maximum comfort, and reflect these data in the production of products. As a result, we have grown and can now offer products and services with high value based on our unique motion control technology—many of which command the top market share—in various technologically demanding fields. We will continue making maximum effort to ensure safety, comfort and a sense of security throughout the lifecycle of our products.

Nabtesco Group Quality & PL (Product Liability) Policy

The Nabtesco Group has established the Nabtesco Group Quality & PL (Product Liability) Policy based on the belief that one of the most important CSR missions for the Group, which provides highly technical products to a wide range of fields and markets, is to deliver products with maximum safety and sense of security, as well as with maximum comfort resulting from the functionality and performance of products.

To fulfill our corporate social responsibility (CSR) by delivering products with maximum safety, comfort, sense of security, and reliability, we will:

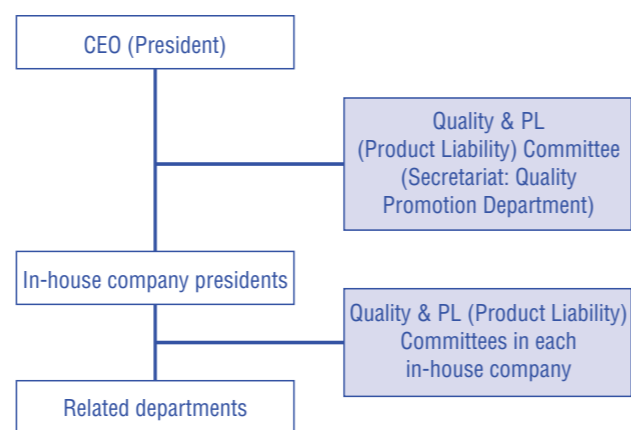
1. give priority to safety over anything else based on the principle of respect for people;
2. meet safety and other quality needs of products through the integration of business activities and quality and PL activities; and
3. realize product quality that satisfies market demand by conducting safety and other quality evaluations prior to releasing products to the market.

Safety promotion by the Quality & PL (Product Liability) Committee

The Quality & PL (Product Liability) Committee promotes the safety of products by listening to opinions of customers and end users to meet the ever-changing needs of society as well as by incorporating quality engineering and stringent quality control and PL management processes (including those for product safety management) into the production of products.

1. The Quality & PL (Product Liability) Committee has been established within the company. (Secretariat: Quality Promotion Department)
2. The objective of the committee is to formulate the standards of quality control and product liability and safety management for the Nabtesco Group, to establish standard processes to prevent any instances of compromised quality, such as safety defects, and to respond appropriately to any quality or product liability problem should it occur, so as to maintain and improve the quality and safety of products. The committee thus strives to help the Group to win the trust of customers and continue to grow.
3. The committee also reviews activities conducted during the previous fiscal year according to the prescribed rules, and discusses such matters as annual policies and priority issues. The annual policies and priority issues decided are communicated to each in-house company.

Structure of the Quality & PL Committee



Products used in transportation and daily life

Products produced by the Nabtesco Group are used for various aspects of social infrastructure, and prove beneficial for many people. Particularly, products combining mechanical/hydraulic/pneumatic technologies with electrical machinery, electronics, and system control technologies have become popular in recent years.

[Transportation of people and goods]

Our products contribute to safe, secure, and comfortable means of transportation by land (railroad vehicles, automobiles), air (aircraft), and sea (cargo and passenger boats).

[Production and construction]

Our products help ensure safe, smooth, comfortable, precise, and powerful operations, as well as safety of workers and energy conservation, in automated factories, dangerous and demanding workplaces, and construction and public works sites.

[People's daily life]

Our products help create a safe, secure, and comfortable daily life, and support people's everyday activities, safety, and energy conservation.

[Packaging and filling of food products]

Our products help customers to save energy and resources and to develop and produce environmentally friendly products.

Products with maximum safety, comfort, and sense of security

[Transportation of people and goods]

The product line-up includes side door and interior door operators that meet the demands of a wide range of applications from ultra-low floor light rail vehicles to commuter trains and super high-speed trains. Both air- and electric-driven systems and pocket sliding type, externally mounted type, plug type, and airtight doors are available for high-speed trains.

An air-driven system, which is one of the most popular door operators used for railroad vehicles, is increasingly automated. Our automated system helps avoid injury to passengers who may become trapped in a door thanks to its gentle closing force. The system

quickly detects any trapping of a passenger in a door, automatically opens and closes only the relevant door to help protect the passenger and enables the train to return to operation quickly.

This function eliminates the need to open and close all the doors of the train, thus making train services more punctual.

Door operators for railroad vehicles

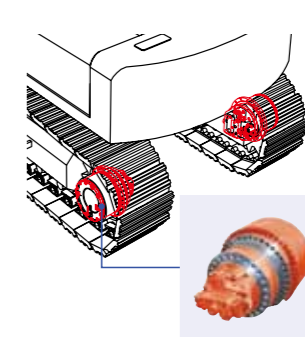


[Production and construction]

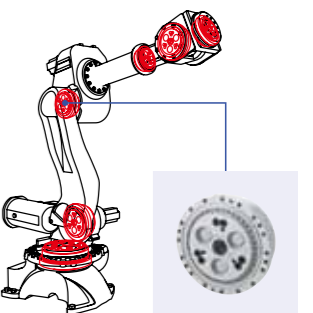
Traveling motors were previously larger than the width of a crawler and tended to be damaged easily. We have succeeded in downsizing traveling motors by using precision reduction gears developed by Nabtesco. Because these traveling motors are so robust, they have become very popular with construction and public works companies and are used for the most demanding work.

Our technology developed for traveling motors is also used for industrial articulated robots, which used to be damaged easily by an operating error or overload. Our precision reduction gears incorporating this technology give industrial robots greater robustness and positioning accuracy. Industrial robots equipped with our precision reduction gears are now combined with various applications and used fully in factories to undertake hard work and save manpower.

Traveling motor for crawlers



Precision reduction gears for industrial robots



[People's daily life]

Our automatic doors are found in hospitals, office buildings, supermarkets, railway platforms, and other facilities used in daily life, to help protect people from injury and save energy.

In recent years there have been many accidents in which passengers fell from a platform or came in contact with a moving train; this has become a serious social issue. To protect passengers, Nabtesco's automatic platform gates are beginning to be installed at many stations of railway companies mainly in the Tokyo metropolitan area.

Nabtesco also supplies electric wheelchairs, stair lifts for wheelchairs, and microprocessor-controlled prosthetic knee joints for people with difficulty in walking due to old age or injury and for those who provide nursing care. These products are essential for people who need support in daily life and help maintain their quality of life.

Automatic doors for buildings and industrial applications



Welfare equipment



Automatic platform gates/doors



[Packaging and filling of food products]

Nabtesco's automatic prepouch filler/sealer is capable of measuring, filling, and packing various types of food products, such as liquids, solids and liquid-solid mixtures.

Our automatic prepouch filler/sealer is used for producing a wide variety of food products, including curry, stew and other retort-pouched foods, pickled vegetables, caramels, chocolate, salt, sugar, spout-pouch beverages, jellies, sauce, soup, *furikake* (dried seasoning sprinkled over rice), *nori* (dried seaweed), and cough drops.

By facilitating pouching, which is an alternative package to a can, the automatic prepouch filler/sealer also helps to reduce the food ingredients and packaging materials used for each food product

and to make food products easier to handle, while meeting food safety requirements. Furthermore, thanks to its ability of accurate measuring, filling, and sealing of detergent refill packs and beverage containers that replace glass bottles, the filler/sealer also helps to save energy during transportation and improve safety during use.

Automatic prepouch filler/sealer



02 Securing Transparency of Management

We disclose our corporate information in an accurate, easy-to-understand, and timely manner to ensure the transparency of our activities.

Efforts to encourage participation in the General Meeting of Shareholders and increase shareholders' understanding of our business activities

Nabtesco regards the General Meeting of Shareholders as a precious opportunity to meet shareholders, and take various measures—such as the early dispatch of notice of convocation (three weeks prior to the date of the meeting), the selection of a date on which other shareholders' meetings are not concentrated, and the adoption of a visually easy-to-understand format for explanatory materials—to encourage as many shareholders as possible to attend the meeting. Since the shareholders' meeting in June 2009, we also make it a rule to hold a meeting to explain the Group's business

activities after the shareholders' meeting.

We will make further efforts to make it possible for shareholders who cannot attend the shareholders' meeting to actively exercise their rights by introducing an online voting system and other arrangements.

To further promote our shareholders' full understanding of our corporate activities, we make sure that our *Kabunushi Tsushin*, business reports sent to shareholders biannually, give clear explanations about our business using photos, illustrations, and figures.

Investor relations (IR) activities for institutional and individual investors

With regard to institutional investors, we organize a meeting after the second and fourth quarters to enable the CEO to report the financial results, hold one-on-one/small meetings, participate in IR conferences, and conduct overseas roadshows. In FY2011, we met more than 500 investors in one-on-one meetings, and conducted IR activities in Hong Kong and Chinese mainland for the first time, in addition to the usual destinations of Europe, the U.S.A., and Singapore. We also offer plant tours in and outside Japan whenever necessary.

As for individual investors, in addition to the upgrading of our website reported below, we organize meetings to provide information on our company for investors in various locations

across Japan, as well as for retail sales personnel at securities companies who are in direct contact with investors. In FY2011, we met more than 500 investors.

We also ran video ads on trains of JR-EAST and JR-WEST for the purpose of increasing individual investor and public awareness of the company.



Active communication with socially responsible investors

Thanks to its active CSR activities and improved corporate governance which are regarded highly, Nabtesco has been included in the FTSE4Good Japan Index, the globally recognized socially responsible investment (SRI) index, for six consecutive times since September 2009. Although only a few socially responsible investors have contacted us directly to date, we make sure to respond

promptly to questionnaire surveys of SRI research firms—such as Dow Jones Sustainability Indexes (DJSI) and Carbon Disclosure Project (CDP)—to communicate the status of the company.



Information sharing on the website

Nabtesco is a typical business-to-business company, and its products consisting mainly of components are generally not known to the public. Our website is, therefore, designed to provide a variety of accessible and easy-to-understand content that even general consumers can enjoy.

Even with IR information, we not only disclose information in a timely manner but also try to make the financial results and

other data easy to understand even for individual investors by using graphs and charts and including explanations of technical terms. When meetings are held to report financial results to institutional investors, we make sure that the meetings are video-recorded and delivered online, and that documents handed out at the meetings can be downloaded from the website, to ensure all investors get a fair chance to access our information.

Recognition of our IR activities

1. Added to MSCI Japan Index in November 2009
2. Received Internet IR awards from Daiwa Investor Relations Co., Ltd. for six consecutive years since 2006
Received Internet IR Excellent Company Award in 2011
3. Named by Nikko Investor Relations Co., Ltd. as one of the best companies in the Listed Company Website Quality Ranking for six consecutive years since 2006
Fourth place in the Machinery Section and 161st place overall in 2011



Internet IR Awards Daiwa Investor Relations

03 Consideration for Employees

Based on respect for human rights, we create a workplace where maximum attention is paid to employee safety, disaster protection, and health, and where every employee can fully express their individuality and strengths.

Efforts to protect human rights

[Policy regarding human rights]

Respecting human rights in all corporate activities is the basis of corporate social responsibility.

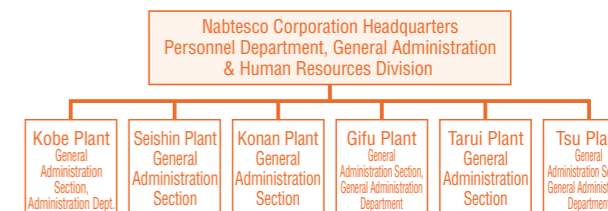
The Nabtesco Group Code of Conduct includes a clause guaranteeing basic human rights, providing guidelines that all the directors and employees across the Group and other workers working at each Group company are expected to observe.

[Human rights monitoring system]

The recruitment of employees is conducted not only at the Headquarters but also at each plant. Therefore, Human Rights Promotion Officers are appointed at each plant to ensure that the recruitment process is fair and properly carried out. We currently employ seven Human Rights Promotion Officers, and also conduct training for job interviewers every year. We have never received complaints regarding human rights as of FY2011.

We respect basic human rights, and make sure that no discrimination based on race, beliefs, sex, age, social status, nationality, ethnic origin, religion, or disability; sexual and other forms of harassment; or any act that may insult personal dignity is conducted, allowed to be conducted, or overlooked.

Plants in which Human Rights Promotion Officers are appointed to monitor the fair recruitment process



Health and safety management

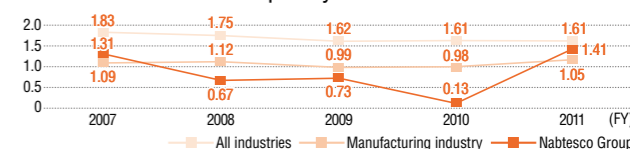
The Nabtesco Group is committed to creating a workplace where maximum attention is paid to employee safety, disaster protection, and health, and where every employee can fully display their personality and strengths.

In FY2011, although we continued to promote close call reporting, hazard prediction training, and risk assessments, and reinforced safety patrols, the number of accidents increased significantly over the previous year, pushing up the accident frequency rate to 1.41.

This was mainly due to the rapid increase in new recruits, and many accidents involved inexperienced young workers. We will continue to implement preventive safety management through risk assessments of each workplace to create inherently safe workplaces,

while improving the quality of the newcomer training program, providing more intensive education to enhance employees' hazard awareness, and reinforcing safety patrols, in order to create a culture in which employees feel rewarded.

Industrial accident frequency rate



The data of the previous fiscal year are used for the frequency rates for "all industries" and "manufacturing industry" in FY2011.

Health management

Ensuring the physical and mental health of employees, who are irreplaceable resources for companies, is an essential factor for vitalizing organizations and maintaining business operations.

[Efforts to eliminate mental health problems]

Mental health problems are addressed across the Nabtesco Group. Even if only one employee experiences a mental health problem, it can seriously hinder the work flow depending on the size of the Group company. To prevent mental health problems before they occur, it is important to notice any signs among staff in each workplace, control the workload, and monitor the condition of the person. We therefore organize various seminars and lectures, and invite the company's industrial physician or experts from other organizations to give presentations.

Furthermore, our two nurses—one in charge of the sites in the Kansai region and the other in charge of those of the regions east

from Tokai—are on standby to take care of employees experiencing mental health problems, offer counseling whenever necessary and help them return to work. For employees whose workload may be considered high, each site and the industrial physician cooperate with each other to conduct an interview regularly to protect the employees' mental health.

In order to promote the mental health of employees more proactively, we introduced an Employee Assistance Program (EAP) in FY2011 and established a consultation contact outside the company as well so that employees can seek advice on matters that they hesitate to disclose to the company.



Countermeasures against metabolic syndrome

Improving the lifestyles of employees who are suffering or at risk of suffering from metabolic syndrome, one of the causes of lifestyle-related diseases, is important not only for safeguarding the health of those employees but also for reducing future medical costs.

At Nabtesco, employees who are identified as needing to improve their lifestyles are encouraged to receive health guidance from a public health nurse or a registered dietitian from the institution designated by the Nabtesco Group Health Insurance Society.

We also support all employees who need to improve their lifestyles in their efforts to achieve their goals in cooperation with a registered dietitian who conducts dietary checks and offers advice and an instructor who sincerely encourages each employee, as well as by delivering to each such employee a report called "Healthy Support," which specifies their numerical goals and actions to be taken. Through these efforts, we aim to reduce the number of employees suffering or at risk of metabolic syndrome to zero.

03 Consideration for Employees

Work-life balance

Well-balanced fulfilling work and a satisfying private life is a source of new values and conceptions, and will help each employee to perform

high-quality work. Based on this belief, we have a wide spectrum of schemes in place to promote a healthy work-life balance.

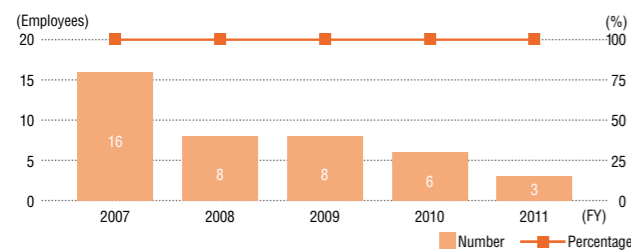
[Support for childcare and long-term care]

1. Parental leave: Up to two years. This leave can be taken even when the spouse is devoted to full-time child-rearing.
2. Nursing care leave: Up to a total of 180 days per family member who needs long-term care
3. Shorter working hours for childcare: Working hours can be reduced by two hours per day until the beginning of the child's fourth grade elementary school year.
4. Sick/injured child care leave: This leave is available until the beginning of the child's fourth grade elementary school year. Seven days (unpaid) or any necessary number of days that can be covered by the number of days of accumulated expired paid leave (paid)
5. Paternity leave: This leave can be taken when the employee's wife gives birth to a child. Five days (paid)
6. Shorter working hours for long-term care: Working hours can be reduced by two hours per day.
7. Financing by the *Kyosaikai* employee cooperative society to support employees taking childcare/nursing care leave
8. Consideration for employees who are engaged in childcare/long-term care when transferred (avoiding change of workplace, etc.)

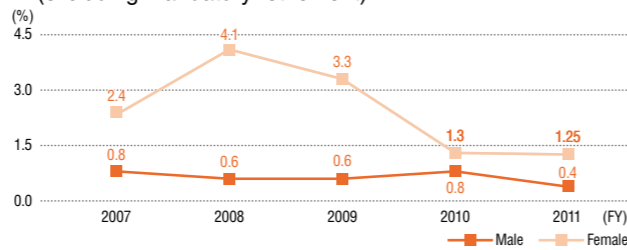
[Other support]

1. Integrated benefits program (WELBOX)
2. Nabtesco correspondence education program
3. Qualification support program
4. English lessons at each site
5. Support for club activities

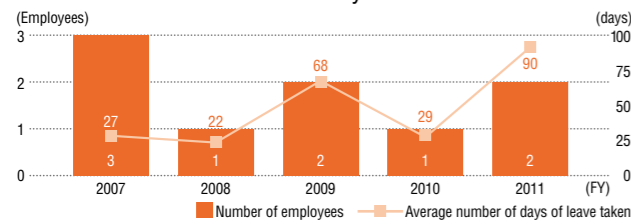
Parental leave—the number/percentage of employees who took the leave



Turnover rate of male/female employees (excluding mandatory retirement)



Nursing care leave—the number of employees who took the leave and the number of days of leave taken



Efforts to maintain equal employment

In light of the declining birthrate, ageing population and globalization, Nabtesco Corporation is actively promoting the employment of non-Japanese nationals and women.

1 Attracting female graduates

As a machinery manufacturer, traditionally Nabtesco has employed few new female graduates. To correct this situation, we began to hold meetings specifically for female college student job seekers from FY2011 as part of our new graduate recruitment campaign.

In these meetings, our female employees are responsible for explaining the company's businesses and answering students' questions. The meetings thus provide the students with an opportunity to directly listen to female employees' experiences regarding available childcare schemes and work-life balance. The FY2011 campaign aimed at new graduates who are to join the

company in April 2012 was successful, with the number of new female employees recruited exceeding the initial goal of six (20% of the total number of new recruits).

2 Active employment of non-Japanese nationals including foreign students studying in Japan

Due to the maturity of economy and the fact that the Japanese population is decreasing as a result of the declining birthrate, we can no longer expect significant economic growth to take place in the domestic market, and therefore need to promote further globalization. Non-Japanese employees have a different way of looking at



things and an active attitude toward work, and are expected to have a good effect on other personnel.

Through such measures as holding meetings to provide information on our company targeted specifically at foreign students studying in Japan and conducting recruiting activities at overseas colleges, we aim to increase the share of non-Japanese nationals to about 30% of all newly recruited personnel.

3 Promotion of employment of seniors

Upon enforcement of the revised Act on Stabilization of Employment of Elderly Persons, we introduced a continuous employment system, and have since been steadily increasing the re-employment rate. The rate is expected to reach as high as 90 to 100% in the near future. Experienced workers have expertise, knowledge, and skills built up over many years, and are encouraged to fully display their abilities even after retirement. At each production site, we encourage experienced workers to share their skills with their successors, and promote activities to turn their tacit knowledge into explicit knowledge. These skilled workers and their knowledge are an invaluable asset for maintaining our technological excellence.

4 Promotion of employment of people with disabilities

Nabtesco's employment rate of people with disabilities has increased for four consecutive years. Because the statutory employment quota will be raised in FY2013, we will continue to actively promote the employment of people with disabilities in FY2012 and beyond.

At some sites, we cooperated with local schools for special needs education and developed communication with their students through such activities as the display and sales of works created by the students, internship programs for the students, and invitation to events organized at the sites.

Monitoring of personnel management

Nabtesco regularly investigates and gathers data on human resources to keep track of the current status of personnel management.

The investigation results as of the end of March in FY2012 are as shown in the "Data on human resources" table on the right.

Approximately 80% of all employees who retired from the company in FY2011 were mandatory retirees. This situation will remain more or less the same for another four years, but we will reinforce the continuous employment system (re-employment system) to maintain the workforce. In FY2011, the number of mid-career employees hired by Nabtesco exceeded that of new graduates, making the workforce even more powerful.

Although the number of employees who took childcare/nursing care leave decreased in FY2011 compared with the previous year, the childcare/nursing care leave scheme upgraded in June 2011 has made it easier for employees to take leave and has been made more convenient.

Labor-management relations

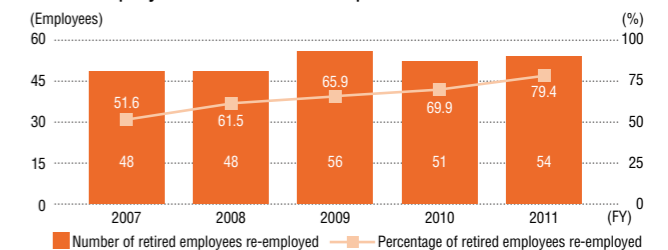
Nabtesco Corporation was established following the integration of TEIJIN SEIKI Co., Ltd. and NABCO Ltd. in October 2004, and the labor unions of the two companies were united on October 30, 2010.

The union is a union shop, and currently has about 1,700 members. The labor and management of Nabtesco maintain good relations by jointly discussing ways to improve the company's various systems, as well as salaries and bonuses, and by meeting

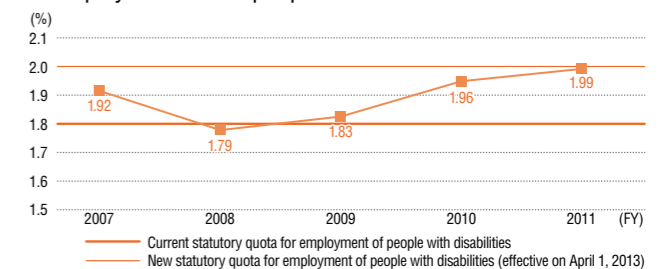
The number/percentage of female new graduates and non-Japanese nationals recruited for our main career track



Re-employment rate of retired personnel



Employment rate of people with disabilities



Data on human resources

Only regular employees of Nabtesco Corporation (as of the end of March 2012)

| | 1) No. of regular employees | No. of managers included in 1) | 2) No. of new hires | No. of new graduates included in 2) |
|--------|-----------------------------|--------------------------------|---------------------|-------------------------------------|
| Male | 1,797 | 262 | 111 | 38 |
| Female | 161 | 1 | 8 | 2 |
| Total | 1,958 | 263 | 119 | 40 |

| | 3) No. of employees who retired | No. of mandatory retirees included in 3) | No. of employees who retired due to the company's reason included in 3) | No. of employees who retired due to their own reason included in 3) |
|-----------------|---------------------------------|------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------|
| Managers | 20 | 17 | 0 | 0 |
| General workers | 67 | 53 | 0 | 11 |
| Total | 87 | 70 | 0 | 11 |

| | No. of employees who took childcare leave | No. of employees who took nursing care leave | Average age | Average length of service |
|--------|-------------------------------------------|----------------------------------------------|-------------|---------------------------|
| Male | 0 | 0 | 42.1 | 17.8 |
| Female | 3 | 0 | 39.8 | 16.5 |
| Total | 3 | 0 | 41.9 | 17.7 |

* The difference between the sum of "No. of mandatory retirees" and "No. of employees who retired due to their own reason" and "No. of employees who retired" represents the number of retired employees due to death.

regularly to exchange opinions regarding business management.

The written agreement with the union includes prescriptions concerning the no overtime day system and the company's efforts to encourage employees to take planned annual paid leave. Labor and management thus cooperate with each other to help maintain the work-life balance of employees.

03 Consideration for Employees

Human resources development

[Basic Policy on Human Resources Development]

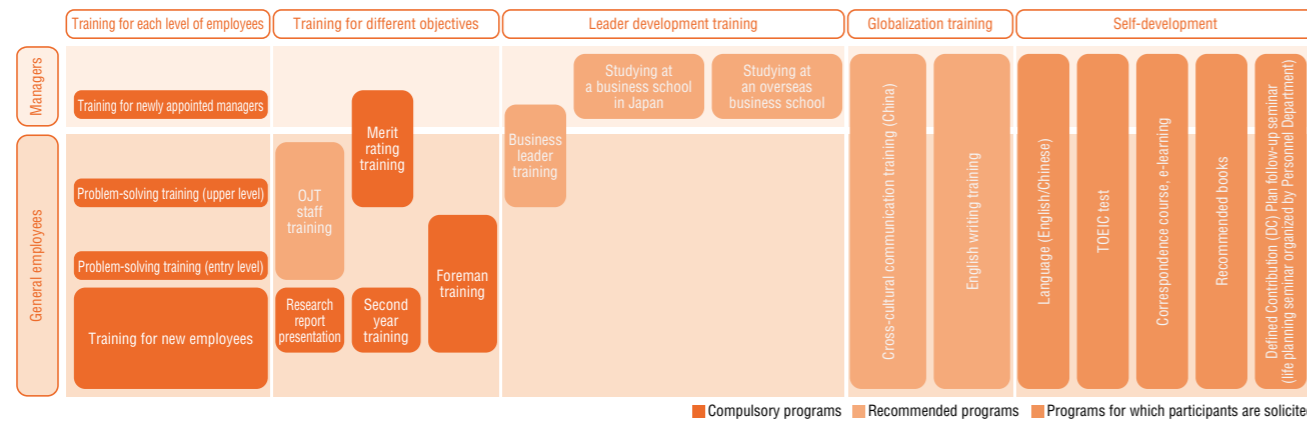
In order to identify an ideal image of the human resources that the company would like its employees to develop into, and to define the direction that all employees should face, the Nabtesco Group established the Basic Policy of Human Resources Development in October 2010, which declares the company's determination to "develop personnel who can think and learn on their own at all times as members of a global corporate group, as well as to create a

culture that values and supports learning."

Employees need to think and learn on their own to keep up with the changing times, and to implement this at all times to develop themselves into valuable assets. When "a culture that values and supports learning" is created, it will cause a positive chain reaction that will transform all the employees from "resources" to "assets," which in turn will become the greatest strength of the company.

FY2011 education scheme (training provided by Human Resources Development Department)

Training to build specialized skills and knowledge in technological, legal, compliance-related and other areas are provided separately by relevant divisions.



[Education]

1 Globalization of employees

As overseas business is expected to continue to expand, it is becoming increasingly important to develop internationally competitive human resources. In order to reinforce expatriates' capabilities, we have started to register expatriate candidates and give them systematic pre-assignment training to ensure a smooth transition into a new work environment abroad. In order to facilitate employees working in Japan to accept diversity and improve their skills to communicate with non-Japanese nationals, we provide such programs as cross-cultural communication and English writing, and have included globalization training in the training program for new employees.



■ Cross-cultural communication training

2 Improvement of basic skills of young employees to develop them rapidly into an effective workforce

Young employees absorb knowledge and skills quickly during the first three years after joining the company, and therefore this period is the best timing to provide intensive, systematic training to enhance their basic abilities. If young employees fail to build basic skills during this period, it will be very difficult for them to keep growing in the future. In order for young employees to gain sufficient basic skills within three years, we have developed a training scheme that includes the training for new employees, second year training, and research report presentation. We also ensure that systematic training is provided in each workplace where young employees are working, by appointing an on-the-job training (OJT) staff member for each young employee to help them develop rapidly into effective workers.



■ Training for new employees

Number of trainees (FY2011 training provided by Human Resources Development Department)

| Training program | No. of trainees | Training program | No. of trainees |
|----------------------------------------|-----------------|-----------------------------------------------|-----------------|
| Training for new employees | 42 | Merit rating training | 33 |
| Problem-solving training (entry level) | 54 | Foreman training | 21 |
| Problem-solving training (upper level) | 36 | Business leader training | 19 |
| Training for newly appointed managers | 26 | Studying at a business school in Japan | 11 |
| Research report presentation | 14 | Studying at an overseas business school | 3 |
| Second year training | 15 | Cross-cultural communication training (China) | 63 |
| OJT staff training | 19 | English writing training | 59 |

The number of trainees above includes those from subsidiaries.

3 Reinforcement of organizations

We analyzed the strengths and weaknesses of Nabtesco and some of its Group companies, and, based on the results, identified the causes of problems discovered for each division and in-house company and shared them among all employees, from the top management to the most junior workers. To help solve the problems, we are seeking to reinforce middle management, which is the backbone of each organization, by reviewing the training curriculum for newly appointed managers and upgrading the leadership and coaching training to improve their ability to communicate with and listen to their staff. In other training programs aimed at different levels of employees, we are also promoting a stronger link between superiors and subordinates by adding a comment column to the post-training assignment sheets submitted by subordinates, where superiors can describe in detail the support they can offer and their expectations toward their subordinates.

04 Environmental Protection

We care for the global environment in every aspect of our business activities to be at the leading edge in environmental performance and safety.

Although various activities are being conducted worldwide for the preservation of the global environment, global warming environmental contamination, the depletion of natural resources and other cases of natural environmental degradation continue to grow increasingly severe. As one offshoot, environmental preservation is now considered a very important issue that companies must tackle as part of their responsibility to society.

Global warming in particular is—as the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report* reveals—causing the global average temperature and sea level to rise. It is thereby accelerating changes in the environment and ecosystem, such as increased heavy rains, floods, droughts and other abnormal climate phenomena, northward expansion of habitat areas of creatures, increased number of vermin that can winter over, and proliferated coral bleaching.

People around the world are aware of these problems, and now seriously discussing not only how to achieve the numerical emission targets set in the Kyoto Protocol, but also how they can organize efforts on a global scale to realize a low-carbon society.

While focusing on "consideration for the global environment" and achieving "harmony with local communities and cultures" as important priorities for management, the Nabtesco Group will continue to actively participate in social activities for the environment and local communities. We will work even harder to reduce the environmental impact of our products and business operations, as well as for the improvement of the environment.

* IPCC Fourth Assessment Report: The report on the results of the 27th session of IPCC, held in Spain between November 12 and 16, 2007

Environment policy

We formulated our Environmental Philosophy and Environmental Action Plan in May 2005 to promote activities reflecting our strong

sense of social responsibility and to help realize a sustainable society.

[Nabtesco Group Environmental Philosophy]

At all times, we acknowledge the impact of our business activities on the global environment; we strive to produce products and an environment which are both people-friendly and nature-friendly; and we aim to achieve a future society which is enriched and comfortable.

Nabtesco Group Environmental Action Plan

1. We acknowledge that the preservation of the global environment is a crucial issue that is common to humankind. With participation by all employees, we will actively promote the establishment of targets which aim to improve the results of our environmental preservation activities, and we will actively promote initiatives for sustainable improvements.
2. We will strive to improve energy, resource and recycling efficiency during the planning, development and design stages of each product, by understanding the impact on the environment throughout the lifecycle of the product.
3. We will strive to reduce the burden on the environment during the production, sales, distribution and servicing of each product, by actively employing or engineering advanced environmental technology, such as the conservation of energy, the effective use of resources, and the challenge of zero emissions.
4. We are committed to voluntary activities designed to realize environmental targets. We will comply with environment-related laws and regulations, as well as with social norms, and we will set independent control standards as necessary.
5. We will actively promote exchange and links with society, and strive to gain wider understanding and trust, through such action as the disclosure of environment-related information, and participation in social activities.

ESH promotion framework

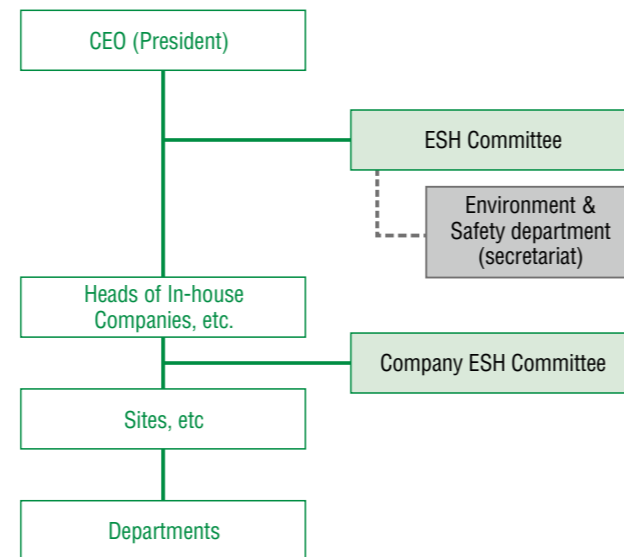
The Nabtesco Group works toward environmental preservation under the combined efforts of the individual ESH* systems of each in-house company and Group company (see figure on the right).

The major duty of the ESH Committee is to establish basic policies on environmental conservation, disaster prevention, health, and others in connection with all business activities conducted by the Group ranging from R&D to the distribution and sales of products, as well as standards of group-wide control over various issues, such as the compliance with relevant Japanese and overseas legislation. With these policies and standards, the committee aims to assure environmental conservation of local communities, maintain safety and health of our employees and workers working together with our employees, and keep in harmony with the global environment, so as to fulfill our corporate social responsibility.

The Group ESH Committee Chairperson conducts ESH audits at all sites, checks the progress of action plans and also provides guidance. At the end of each fiscal year, the Group management reviews the ESH Management System, based on the results of the audits, follow-up measures undertaken and other reported conditions of ESH activities.

* ESH: Environment, Safety & Health

ESH management organization



Environmental management system

The Nabtesco Group acknowledges that the ISO 14001 international standard is an effective tool for environmental management, and uses it in the building and operation of our environmental management system. Since the Accessibility Innovation Company first obtained ISO 14001 certification in October 1999, all Nabtesco plants, as well as five plants operated by major Group companies, have become accredited under ISO 14001.

The Nabtesco Group is also working hard to maintain consistency in our environmental activities across the entire Group by promoting alignment, information sharing and collaboration between our sites, in order to realize effective environmental performance. We are also aiming to establish a sustainable system that integrates ecology and economy.



Situation regarding obtaining of ISO 14001 certification

| | Date when credit rating is decided | Last updated | Certification agency |
|-----------------------------|------------------------------------|-------------------|----------------------|
| Konan Plant (Hyogo Pref.) | October 22, 1999 | November 1, 2011 | LRQA |
| Seishin Plant (Hyogo Pref.) | November 30, 2003 | November 30, 2009 | LRQA |
| Kobe Plant (Hyogo Pref.) | March 26, 2004 | March 26, 2010 | JQA |
| Tsu Plant (Mie Pref.) | March 28, 2000 | March 28, 2012 | ISC |
| Gifu Plant (Gifu Pref.) | June 1, 2001 | July 1, 2010 | LRQA |
| Tarui Plant (Gifu Pref.) | June 1, 2001 | July 1, 2010 | LRQA |

[Environmental education]

The Nabtesco Group provides its employees with diverse environmental education to raise their awareness toward environmental protection, safety and health.

In this environmental education for newcomers, we explain the environmental activities conducted by the company and achievements, and stress that every small step made by each employee will eventually result in a great stride in the reduction of our environmental impact.

We also organize ESH training for ESH managers and their staff at each site to share such information as the latest ESH trends and revisions of important laws and regulations.

[Violation of environmental regulations]

In FY2011, the Nabtesco Group identified and documented a list of laws and regulations applied to prevent legal violations, and confirmed the company's compliance with them. There were no penalties or sanctions against Nabtesco for the violation of any environmental regulation during the period covered by this report.

Development of environmentally conscious products

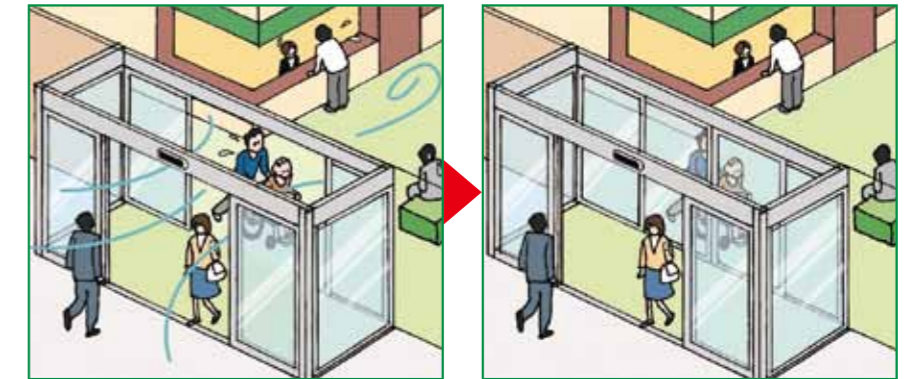
The Nabtesco Group is committed to ensuring mobility and the lives of people are safer and more comfortable by taking full advantage of our unique motion control technology. The stage of product life cycles that is most likely to affect the environment is that of product

usage. We ensure during the development and design stage that our products will meet the needs of both customers and society by promoting functional upgrading, downsizing, weight reduction, safety and convenience of products.

[Prevention of global warming through products]

1 Intelligent Eco Door System

Nabtesco has developed an automatic door system that does not react to passers-by and activates only when people walk through the door. The system helps improve the efficiency of air conditioning inside the building by eliminating unnecessary activation of the door. The system is installed and used for domestic airport terminals and railway station administrative offices, among many other places, and is highly reputed.



With the former system, the inflow of outside air leads to unnecessarily high energy costs.

The Intelligent Eco Door System can help reduce the power consumption of an air conditioner by approximately 20%.

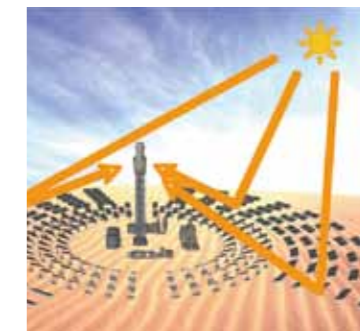
2 Solar tracking drive equipment

Nabtesco has received an order for our solar tracking azimuth drive equipment, which will be installed at the Crescent Dunes Thermosolar Power Plant with a generating capacity of 110 MW in Tonopah, Nevada in the U.S.A.

The plant is a central receiver power plant, and the equipment enables heliostat mirrors to track the sun to collect and reflect the sun's rays to the central receiver.

Nabtesco has a track record as the world's largest supplier of precision reduction gears for industrial robots, and will now take this opportunity to expand its business into the solar thermal market.

Central receiver solar thermal power plant

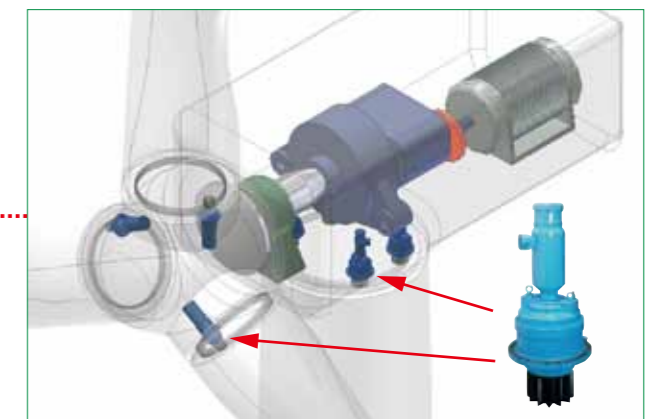


Solar tracking drive equipment



3 High-efficiency drive unit for wind turbine generators

Our yaw drive and pitch drive units boast a market share of 90% in Japan and 7% worldwide, and are highly reputed for their high overload capacity, reduced weight, compactness, and excellent durability of up to 20 years.



04 Environmental Protection

Combating climate change

Prevention of global warming (Energy conservation)

Group long-term target (for FY2014)

- Reduce energy consumption (unit energy consumption) by at least 10% from the FY2004 level

The Nabtesco Group is actively promoting efficient use of energy resources as a means to prevent global warming.

These efforts include the establishment of energy-saving activities, quantitative evaluation of the effects of the activities, and revision of priority activities based on the evaluation results, as well as daily operational management measures such as power saving and equipment inspections.

In FY2011, although the business outlook became uncertain in

the latter half of the year due to the financial crisis in Europe, causing production to slow down, we managed to achieve a greater output than the previous year on an annual average basis. In addition, thanks to efforts to promote the efficient use of energy throughout the year, the CO₂ emissions per unit of sales decreased by 5.4% compared with the previous year, and by 26.8% from the FY2004 level, both exceeding the targets.

FY2011 results

| CO ₂ emissions | Target | Actual results* | Status |
|------------------------------------|----------------------------------------------|------------------|----------|
| Per unit of sales in FY2011 | Reduce by at least 1% over the previous year | Reduced by 5.4% | Achieved |
| Per unit of sales in the long-term | Reduce by at least 7% over FY2004 | Reduced by 26.8% | Achieved |

*The CO₂ conversion factors used to calculate actual results are the FY2008 factors, except the factor for electricity, for which the default value of 0.555 kg-CO₂/kWh is used.

CO₂ emissions in FY2011

51,100 CO₂-ton*¹*²*³*⁴ (46,100 CO₂-ton in FY2010)

Although we made group-wide efforts to upgrade facilities and equipment and improve processes, the increased sales led to a rise in CO₂ emissions of about 10.9%*² over the previous year.

Regarding electricity, the CO₂ emissions calculated using the actual and adjusted CO₂ conversion factors published by each electric power company are as follows:

42,600 CO₂-ton*¹*²*³*⁴ (based on the actual emission factor)

34,000 CO₂-ton*¹*²*³*⁴ (based on the adjusted emission factor)

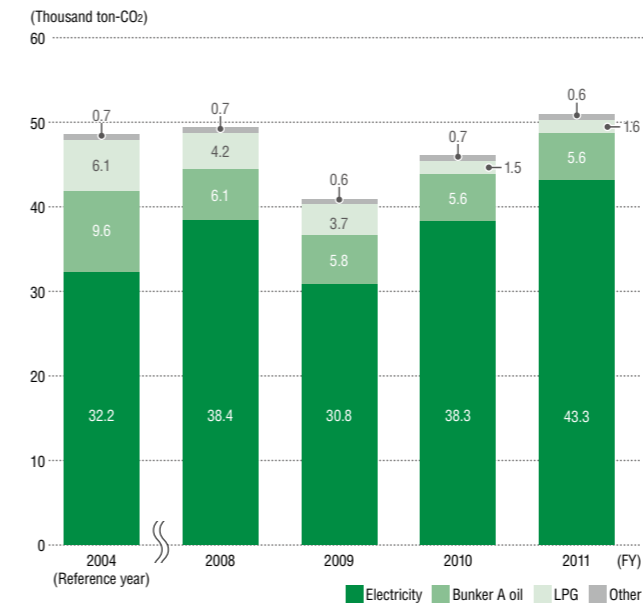
Per unit CO₂ emissions (sales base)

Although the global recession, which became serious in the latter half of FY2008, caused production to plunge significantly in FY2009, production rose again in FY2010 and FY2011, resulting in a 17% growth in production in FY2011 over FY2010. While this increased production led to a rise in CO₂ emissions, we were able to achieve the reduction of CO₂ emissions per unit of sales in FY2011 as well.

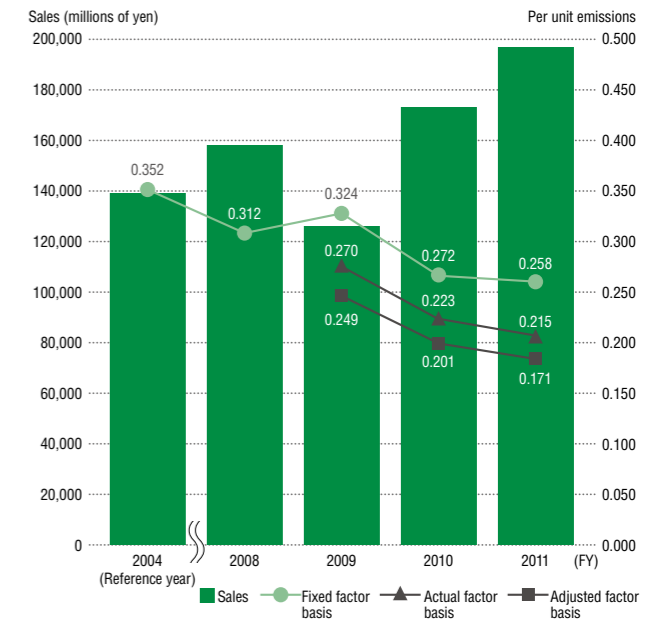
Major recent energy-saving activities

- Renewal of air compressors, leak inspection of pressurized air piping
- Replacement of air conditioning equipment with a high-efficiency model
- Intermittent operation of air conditioner refrigerating systems
- Suspension of water cooling for testing machines when not in use
- Higher temperature setting of cooling water in testing machines
- Switching to high-efficiency lightings (e.g., LEDs)
- Shifting to inverter-controlled hydraulic units
- Installing a power recovery system in durability testing equipment

CO₂ emissions



CO₂ emissions per unit of sales (one million yen)



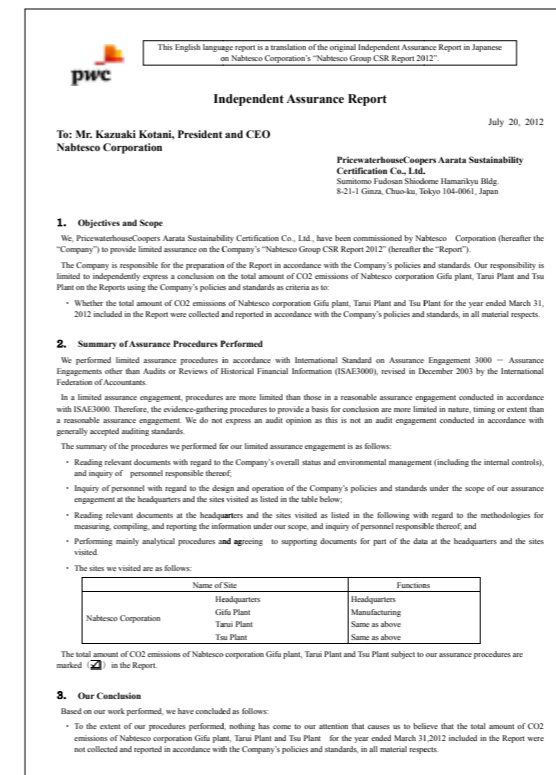
*1: The period subject to calculation is from April 2011 to March 2012.

*2: The policy and standards of the calculation are as per the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. The calculation was made in accordance with Nabtesco's Rules on Environmental Information Management.

The CO₂ emission factors used for the calculation are basically in accordance with the Act on Promotion of Global Warming Countermeasures. However, regarding the factor for electricity, either of the following is used: 1) the default value of 0.555 kg-CO₂/kWh in the case of the fixed factor; 2) the emission factor of each electric power company published by the Ministry of the Environment in the case of the actual emission factor; or 3) the emission factor of each electric power company published by the Ministry of the Environment in the case of the adjusted emission factor.

*3: The scope of the calculation covers only the business sites located in Japan, which are: Nabtesco Corporation (Gifu Plant, Tarui Plant, Tsu Plant, Kobe Plant, Konan Plant, Seishin Plant, Headquarters (including Kawasaki), Nagoya Office, Kobe Office, Kitakyushu Office), Nabtesco Automotive Corporation (Yamagata Plant, Yokosuka Technical Center, Headquarters), Diavac Limited (Head Office and Factory), CMET Inc. (Head Office, Yokohama Resin Development Center), NABCO DOOR Ltd. (Head Office), Nabtesco Service Co., Ltd. (Kobe Techno-Center, Yokohama Techno-Center), Toyo Jidoki Co., Ltd. (Iwakuni Plant), TS Precision Co., Ltd. (Head Office/Plant), Aishin Kikoo Co., Ltd. (Head Office/Plant).

*4: We have received third-party assurance from PricewaterhouseCoopers Arata Sustainability Certification Co., Ltd. regarding the FY2011 data of total CO₂ emissions of the Gifu, Tarui, and Tsu plants of Nabtesco Corporation (fixed factor: 35,621 tons; actual factor: 30,934 tons; adjusted factor: 23,389 tons).



Renewable energy

Nabtesco installed 400 kW solar panels on the roof of the Tarui Plant and launched operations in August 2012. While annually generating 434 MWh of electricity, the system will reduce CO₂ emissions by 241 tons a year. Power consumption during peak hours is also expected to be cut by about 280 kW.



Energy conservation of transportation

The transportation volume of Nabtesco (unconsolidated) increased by 33% year on year to 17.4 million ton-kilometers. Although the volume has not reached a level that would allow us to be designated as a specified consigner under law, we will continue working hard to improve logistics efficiency through such means as enhancing storage efficiency, minimizing the transportation frequency, reviewing transportation routes, and making effective use of return trips after deliveries.

04 Environmental Protection

Reduction of waste

Zero emissions

Group long-term target (for FY2014)

- Zero emissions ratio* of 1% or less (percentage of landfill waste vs. total emissions)

We promote the reduction of all types of emissions generated in the course of business based on the 3Rs (reduce, reuse, recycle), the basic practice for establishing a recycling-based society, in order to realize zero emissions.

Due to the impact of the Lehman Shock and the subsequent global recession, our emissions had been decreasing since FY2008 due to the reduced production. However, in FY2010, our production recovered significantly, leading to an increase in total emissions.

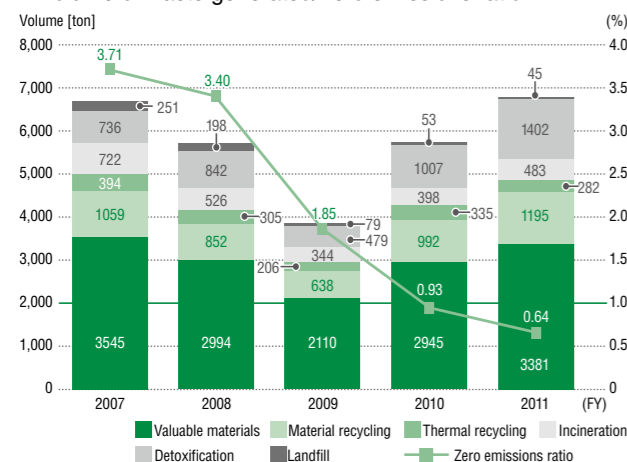
*Zero emissions ratio: Percentage of landfill waste vs. total emissions

As regards landfill waste, we undertook various efforts including the recycling of incinerated ash of brake shoes into roadbed materials, as well as the recycling of waste plastics into refuse paper & plastic fuel (RPF). These efforts resulted in the reduction of landfill waste by 33% compared to the previous fiscal year. The percentage of landfill waste to total emissions thereby decreased to 0.64% (FY2010: 0.93%), meaning that we achieved the FY2014 target of 1% or less for two consecutive years. In addition to making further efforts to reduce landfill waste, we will also focus on the recovery of valuable materials from waste.

Reduction of landfill waste

| Target for FY2014 | FY2011 results | Status |
|---------------------------------|--------------------------|---------------------------|
| 1.0% or less of total emissions | 0.66% of total emissions | Long-term target achieved |

Volume of waste generated/Zero emissions ratio



Breakdown of emissions

Valuable materials: metal, oil, cardboard, etc.

Thermal recycling: packaging, general waste, plastic, etc.

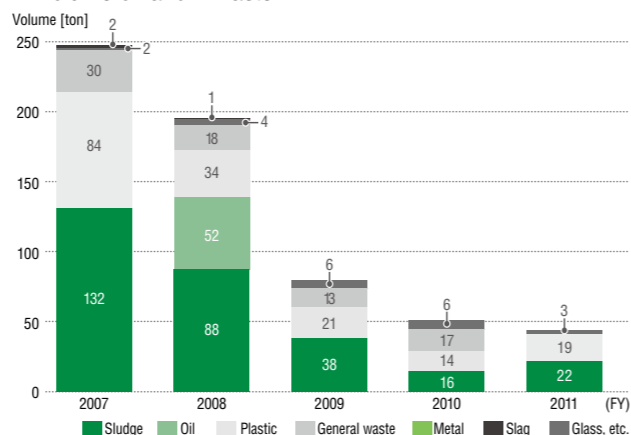
Detoxification: water-soluble oil, alkalis, etc.

Material recycling: oil, sludge, wood, liquid, plastic, etc.

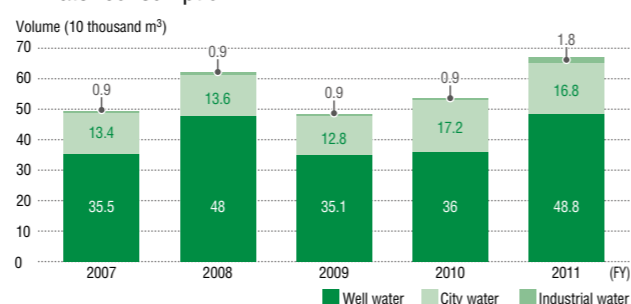
Incineration: general waste, plastic, etc.

Landfill: sludge, plastic, glass, etc.

Volume of landfill waste



Water consumption



Water consumption

In the Nabtesco Group, water is mainly used for the purpose of cooling test stands.

The total volume of water used by the Nabtesco Group in FY2011 increased year-on-year by 24.8% (134,000 m³) to 680,000 m³. The Tarui Plant (Gifu Pref.) is responsible for 90% of the increment in total water consumption over the previous year.

This is because water is not recycled at the Tarui Plant due to the presence of abundant groundwater, and the production of all hydraulic traveling motors was transferred to the plant in FY2010, subsequently increasing the production volume.

Control of chemical substances

1 PRTR substances

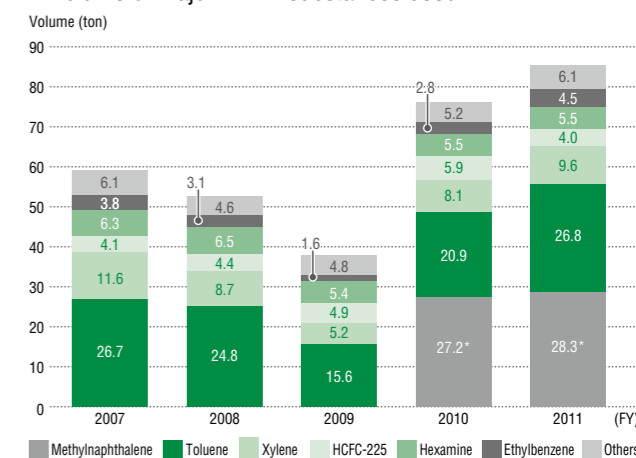
The Nabtesco Group is promoting such activities as the identification of amounts of Pollutant Release and Transfer Register (PRTR) substances handled, as well as the appropriate management and reduction of use of such substances, in accordance with the PRTR Law enforced in March 2003.

The total volume of the PRTR substances used at Nabtesco in FY2011 was 88.4 tons, up by 12.2% over the previous year.

Apart from methylnaphthalene contained in "A" Fuel Oil, toluene, xylene, and hydrochlorofluorocarbon-225 (HCFC-225) account for 48% of the total volume of PRTR substances used. Most of these substances are contained in diluents and cleaning solvents used in coating processes.

In order to help reduce environmental impact, we will work in close cooperation with paint manufacturers and customers to promote a switch to alternative eco-friendly paints, one-coat process, and water-based cleaning solvents.

Volume of major PRTR substances used



*Methylnaphthalene contained in fuel oil was added upon the FY2009 revision of substances subject to the PRTR Law.

2 Waste containing PCBs (electrical facilities)

The Nabtesco Group reports all PCB-containing transformers, capacitors, etc. to the authorities and stores them appropriately in accordance with the Law Concerning Special Measures against PCB Waste (a law established to ensure that polychlorinated biphenyl (PCB) waste is disposed of properly) promulgated in June 2001.

In FY2011, we completed the treatment of PCB waste stored at the Seishin Plant through Japan Environmental Safety Corporation (JESCO). High-concentration PCB waste currently stored at TS Precision, our Group company, is scheduled to be treated in FY2013.

PCB treatment is required by law to be completed by 2016. With regard to waste still stored at the other three plants, we are awaiting notification from JESCO on when it should be delivered for treatment.

3 Soil contamination

Based on the understanding that harmful substances accumulated in soil are a great threat to society, the Nabtesco Group is working hard to prevent contamination of soil and groundwater as one of its most important CSR tasks.

A survey on the soil and groundwater conducted in May 2005 at the site of the former Yokosuka Plant revealed that the site was contaminated by volatile organic solvents and other harmful substances. We reported it to the authorities in accordance with the law, and are currently engaged in soil melioration and groundwater purification in close collaboration with the authorities. The works for soil remediation and groundwater purification were completed in April 2011 and March 2012, respectively, and groundwater monitoring is now underway. The monitoring is scheduled to be conducted until the end of FY2014.

4 Asbestos

The excellent properties of asbestos once made it a convenient material in a wide range of applications in both industrial and consumer uses. The Nabtesco Group has performed extensive investigation on present and past use of asbestos in products, processes, facilities and constructions within the Group, and is implementing appropriate measures based on the results in accordance with the relevant laws and regulations.

At the Nabtesco Group, workers in some workplaces have had some previous contact with asbestos.

We notified and recommended all ex-employees to undergo health checkups in FY2006, and in response to the revision of the Act on Asbestos Health Damage Relief, sent a health checkup notice to ex-employees again in FY2009. The asbestos health checkups have continuously been offered at medical institutions.

We also support ex-employees for whom any abnormality is found during the checkup in their procedure to receive personal health handbook of asbestos from the authorities.

Although we have long adopted every possible measure to discontinue the use of products containing asbestos, we discovered in February 2007 that shipped gaskets containing asbestos had been used in some parts for railroad cars, some repair parts for aircraft, and in limited equipment for construction machinery.

We reported this to the relevant authorities and customers immediately upon discovery, recalled those products and took the necessary corrective actions. We would like to express our deepest apologies for all the inconvenience caused to customers and other parties concerned. We will commit ourselves to further reinforcing the management system in the future.

Since the asbestos used for those products was of a solid type and sealed within the machines, there was no risk the harmful substance would scatter.

05 Fair and Proper Corporate Activities

We will maintain fair, proper, and transparent purchasing practices, and—together with business partners—contribute to the development and maintenance of a sound society.



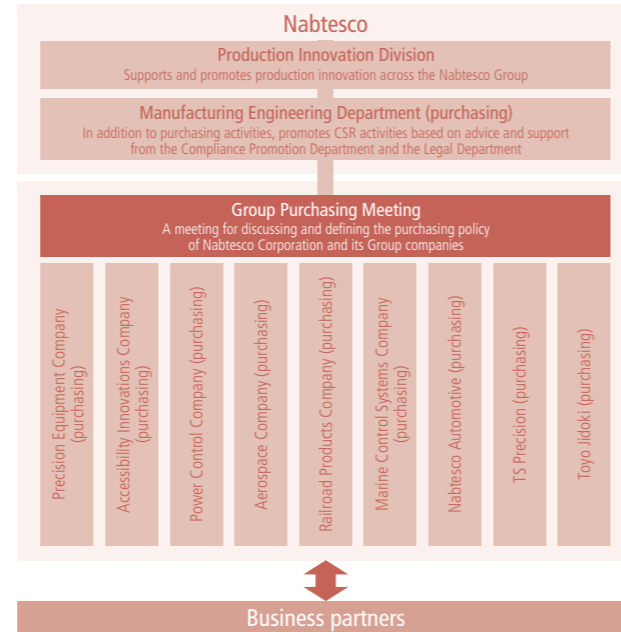
1. Core philosophy

Nabtesco is well aware of the importance of meeting the demands of society, and—by developing mutual trust with business partners through fair, proper, and transparent transactions—is committed

to meeting our social responsibilities not just through the efforts of Nabtesco alone but with the cooperation of the entire supply chain.

2. Promotion framework

Based on advice and support from the Compliance Promotion Department and the Legal Department, and by gaining the consensus of the Nabtesco Group Purchasing Meeting members, the Production Innovation Division and the Manufacturing Engineering Department (purchasing) play a central role in promoting activities to fulfill Nabtesco's social responsibilities across the entire supply chain, gaining the cooperation of business partners through in-house companies.



3. Initiatives undertaken

Based on the philosophy stated above, we included provisions on CSR in the Basic Purchase Agreement in the latter half of FY2010,

and have been working toward signing the agreement with all of our business partners in Japan since FY2011.

- Assurance of health and safety; optimization of working conditions**
Health and safety must be assured and lawful working conditions must be maintained not only at Nabtesco but also at business partners.
- Compliance**
Compliance must be promoted as the basis of CSR.
- Prevention of pollution; environmental management; management of designated hazardous substances**
Pollution must be prevented before it occurs through environmental conservation and the elimination of designated hazardous substances.
- Obligation to prevent accidents**
Efforts must be made to prevent accidents on a daily basis.
- Prohibition of bid rigging and bribery**
Bid rigging and bribery must be prohibited to develop fair, proper, and transparent relationships with business partners.
- Elimination of anti-social forces**
Nabtesco will discontinue transactions with any business partner who is found to be associated with an anti-social force.

4. Future approach

We will promote interactive communication with business partners and maintain and enhance solid, mutually beneficial relationships, while strengthening our CSR activities through the promotion

framework outlined above. We will also expand the framework to include overseas business partners.

06 Management Systems

Nabtesco is conducting business by promoting transparent business management and maintaining high ethical standards, as well as ensuring compliance with laws and regulations, in order to earn the trust and respect of shareholders and other stakeholders.



Corporate governance

Given the content and characteristics of business operations covered by our Group, we have adopted an executive officer system and an in-house company system as a means of expediting decision-making and clarifying who is responsible for executing certain business operations. As a means of controlling these systems, we have established corporate governance under which the Board of Directors, (the Board of) Corporate Auditors, Accounting Auditors, and the Management Committee—an organization tasked with carrying out the deliberation of important issues relating to executing business operations—have been set up to clearly divide the functions of decision-making, control, and execution of business; and the monitoring and supervision of management.

Corporate Auditors are supposed to attend a meeting sponsored by the Management Committee. This committee will deliberate over important issues to be discussed at the Board of Directors and clarify focal points, before presenting these issues to the Board of Directors. The prior deliberations are meant to promote appropriate decision-making and enhance the efficiency of decision-making at the Board of Directors.

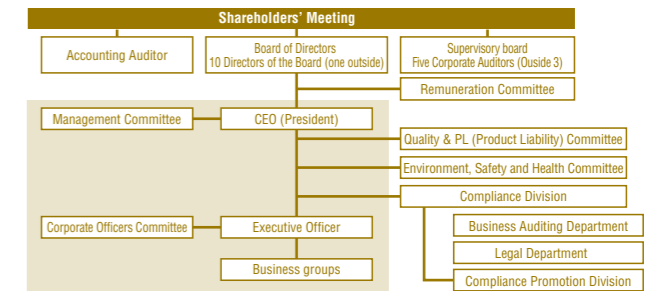
At present, our company's Board of Directors is composed of 10 persons, including two Outside Board Directors. Articles of incorporation stipulate that Board Directors are not allowed to sit on the Board of Directors for more than one year, a rule designed to clarify the management responsibility of Board Directors. Furthermore, the company has set up a "remuneration" which serves as an advisory organization to the Board of Directors. That committee, consisting of three persons including two Outside Board Directors, is supposed to deliberate on guidelines relating to the financial treatment of full-time Board

Directors and Executive Officers, and the implementation of the guidelines. The "remuneration" has been instrumental in achieving the payment of appropriate remuneration to full-time Board Directors and Executive Officers.

The Board of Corporate Auditors of our company is composed of five persons including three Outside Corporate Auditors. Moreover, the Board of Group Corporate Auditors, whose members include Corporate Auditors at Group companies, has been established as a way of strengthening auditing among Group companies.

By improving and reinforcing this corporate governance system, we will speed up and maintain flexibility in business execution, strengthen our overall corporate governance, and clarify where responsibility lies, thus realizing efficient and transparent business management, which is considered helpful in enhancing the corporate value of the Nabtesco Group.

Corporate governance system



Current status of internal control system

Based on its Basic Polices for the Construction of an Internal Control System, the Nabtesco Group is working to enhance all the areas associated with internal control—such as increased efficiency of management, compliance, information management, risk management and collaboration with the Board of Group Corporate Auditors—under the consistent principles, and integrate them to construct an internal control system.

[Outline of Basic Polices for the Construction of an Internal Control System]
Internal control for the Nabtesco Group shall be based on making the Corporate Philosophy, Code of Corporate Ethics, and Group Code of Conduct the

Risk management

The Nabtesco Group has a system in place to ensure that profits and losses, asset efficiency, quality issues, accidents, and other matters concerning the execution of operations are reported to the Board of Directors in a suitable and timely fashion. The system is also designed in such a way that, when any potential hazard that may cause a serious damage to the Group is detected, it will be reported to the (Board of) Directors promptly and precisely. We are thus making efforts to discover risks early to minimize losses. More specifically, we are working to manage and prevent the following types of risks and losses while forming cross-group organizations and developing regulations as needed:

- Opportunity loss risk arising from changes in the business environment or industry structure, or from delays in pursuing new technologies or new market entry, etc.
- Business management risk arising from improper decisions or operational measures, gross negligence or misconduct by Directors or employees
- Country risk and risk of unrecoverable charges/procurement difficulties arising from credit extended to sales agents and suppliers
- Financial risk arising from changes in financial assets held, fluctuations in interest/exchange rates, etc.
- IT risk arising from shutdown/malfunction of mission-critical system,

cornerstones of proper and fair business activities, and ensuring compliance with these by Directors, Corporate Auditors and all Group employees.

The Chief Executive Officer (CEO) shall be the top executive responsible for the promotion of internal control, and a Compliance Division shall be responsible for assisting the CEO in this regard. The Board of Directors shall examine the maintenance of internal control systems on a continual basis in line with changes in the business environment and social needs, revisions to laws and regulations, risk diversification and other factors, and shall conduct a review yearly and whenever else necessary.

- information leakage, etc.
- Litigation risk arising from flaws in agreements, infringements of intellectual property rights, etc.
- ESH (Environment, Safety & Health) risk
- PL (Product Liability) and other quality-based risk
- Other risks deemed extremely serious by the Board of Directors

We also ensure the suitability and legality of decision-making and manage risks through compliance with, and thoroughgoing implementation of, Group regulations for responsibility and authority.

We have also established company regulations that set forth reporting requirements that must be observed in the event of accidents, disasters or critical quality problems, and have introduced a system to ensure that information is conveyed promptly and suitably in accordance with these regulations to facilitate the immediate taking of appropriate contingency measures.

With regard to monitoring, expert members of the Headquarters, particularly in the Business Auditing Department, conduct cross-organizational audits of operational risk management, and offer necessary and appropriate advice with regard to operational improvements.

Strict implementation of compliance

We formulated the Nabtesco Group Code of Corporate Ethics and the Nabtesco Group Code of Conduct in April 2005 to ensure that corporate activities are conducted in accordance with even higher standards of ethics across the Group, and, based on these codes, have been working hard to implement business ethics strictly.

The Compliance Promotion Division, an organization dedicated to addressing compliance issues, plays a central role in promoting the employees' compliance with the Code of Corporate Ethics, as well as with laws and regulations, to help enhance the Group's corporate value over the medium to long-term.

Nabtesco Group Corporate Ethics Code

This code provides principles regarding how to behave during business activities and what we need to pay attention to when pursuing the company's goals.

1. Socially beneficial products and services
2. Improved management transparency
3. Implementation of fair and proper business
4. Coexistence with society
5. Striving for harmony with global environment
6. Focusing on employees' growth and development
7. Pledge

Nabtesco Group Code of Conduct

This code provides judgment standards that need to be observed by all employees from the viewpoints of corporate ethics and legal compliance.

1. The aim of the standard and scope of application
2. General provisions
3. Business activities
 - (1) Pursuit of safety, security and comfort (2) To protect the environment
 - (3) To maintain and promote fair and free dealing
 - (4) Dealing with suppliers and partners (5) Export and import transactions
4. Relationship with shareholders and investors
 - (1) Disclosure of corporate information (2) Prohibition of insider trading
5. Moral and Honest acts
6. Appropriate management of information
 - (1) To properly manage and utilize information (2) Protection of intellectual property rights

Promotion of compliance

[Corporate Ethics Month]

In FY2011, we designated October every year as "Corporate Ethics Month" and decided to conduct an intensive campaign, led by top management, to raise awareness of compliance among employees of Nabtesco Group companies in Japan. In the first year of the campaign, a message from the CEO was distributed, campaign posters were put up, compliance meetings were held, and a compliance declaration was created in each workplace. A total of 4,079 employees took part in the campaign activities.

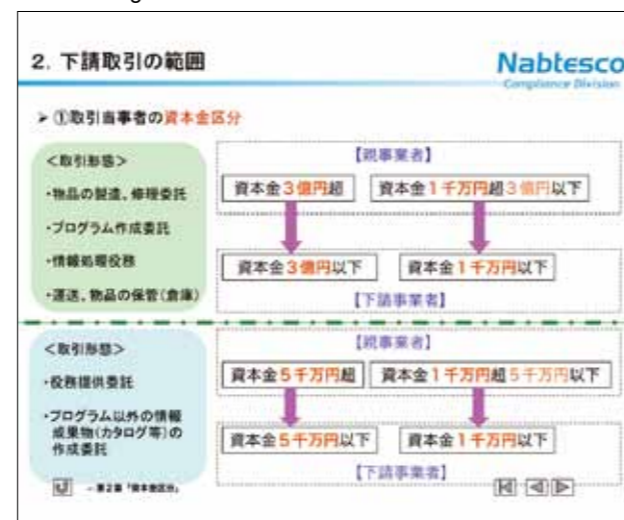
Compliance meeting



Compliance declaration



e-learning screen



[Compliance education through e-learning]

We started an e-learning program for compliance education in FY2011. We offered two courses in FY2011—security export control and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors—which deal with export restrictions and proper transactions with business partners. Many employees undertook and completed the courses.

| Course | Results | No. of employees who undertook the courses | No. of employees who completed the courses | Completion rate |
|-------------------------|---------|--------------------------------------------|--------------------------------------------|-----------------|
| Security export control | | 658 | 535 | 81% |
| Subcontract Act | | 134 | 126 | 94% |

[Compliance awareness survey]

We have conducted a survey on compliance awareness targeted at employees of Group companies in Japan since 2006 to monitor the level of penetration of compliance awareness. The survey has revealed that employees' understanding of compliance is increasing steadily. The fourth survey is due to be conducted during 2012.

[Compliance training at Group companies in Japan]

Compliance training was conducted at Group companies in Japan in July and August 2011. A total of 825 employees from 10 Group companies participated in the training to learn about compliance in general and deepen their understanding of the Nabtesco Group Code of Corporate Ethics and the Nabtesco Group Code of Conduct. We will continue promoting compliance through training and other means to ensure that compliance becomes second nature to every employee.

Compliance training at a Group company



[Ensuring business continuity]

Business continuity planning (BCP) is an effective means of preventing business activities from being interrupted by an accident or a contingency and—even in case of an interruption—enabling business to recover promptly and minimizing the impact on corporate value.

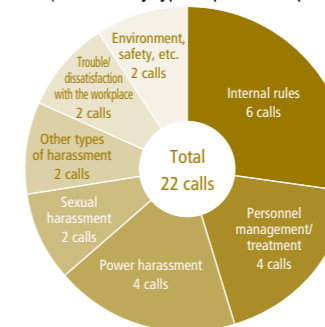
Nabtesco established the BCP Rules in April 2011, and is currently drawing up a business continuity plan that matches the business environment of each in-house company.

Internal hotline system for reporting or consulting from employees

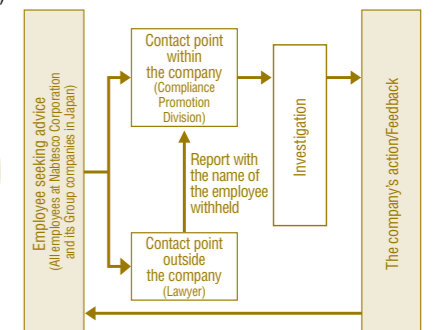
We have established a "hotline" system for the purpose of preventing and discovering legal violations, illegal acts, and scandals at an early stage, enhancing our "self-purifying" function, controlling reputational risk, and maintaining internal mutual trust.

This hotline system, which offers a contact point not only within the company but also outside the company (lawyer), is available to all employees (directors, regular/temporary/part-time employees) at Nabtesco Corporation and its Group companies in Japan. Contact can be made via the dedicated telephone number/e-mail address or written letter.

The number of calls received through the hotline system (classified by type of problem reported)



Hotline flow



Activities for overseas Group companies

[Compliance activities in China]

We met the representatives of local subsidiaries in China in October 2011 and actively discussed compliance activities in the country. As business in China is expanding rapidly, compliance activities are also becoming increasingly important. We are committed to achieving even higher standards of compliance through joint efforts with local subsidiaries.

Pamphlets of the Corporate Philosophy, Our Promises, and Code of Corporate Ethics created for the overseas Group companies (from left, Chinese, English, and Thai versions)



[Research on potential risks in overseas Group companies]

We conducted research on potential risks at Group companies in China in FY2011. The risks identified as having a possibility of damaging business activities were classified based on their possible frequency and impact assessment, and countermeasures were taken against risks rated as particularly important to alleviate their impact or prevent their occurrence. We will expand the scope of research to include Group companies in Thailand in FY2012.

A meeting with local subsidiaries in China



Company Overview

Corporate Profile

(as of March 31, 2012)

| | |
|---------------------------|-----------------------------------------------------------------------------------------------------------------|
| Company Name | Nabtesco Corporation |
| Established | September 29, 2003 |
| Address | 7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo 102-0093, Japan TEL: +81-3-5213-1133 FAX: +81-3-5213-1171 |
| Capital | 10 billion yen |
| Issued number of shares | 127,212,607 |
| Employees | Non-consolidated: 2,020 Consolidated: 4,995 |
| Consolidated subsidiaries | In Japan: 13 (6 equity method affiliates) Overseas: 28 (2 equity method affiliates) |

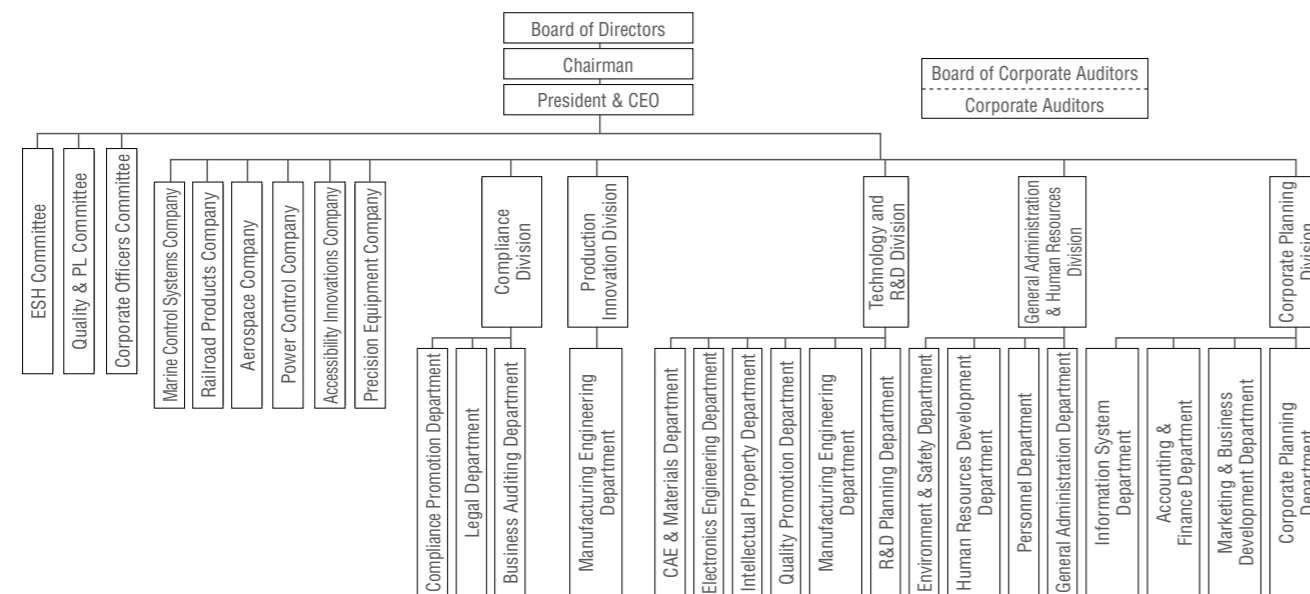
Directors

(as of June 30, 2012)

| | |
|---------------------------------------------------|--------------------------------|
| Chairman | Kazuyuki MATSUMOTO |
| Representative Director, President & CEO | Kazuaki KOTANI |
| Representative Director, Senior Managing Director | Shigeki TSUBOUCHI |
| Managing Director | Yosuke MISHIRO |
| Managing Director | Yujiro IMAMURA |
| Director | Hiroyuki AOI |
| Director | Tsutomu SAKAMOTO |
| Director | Nobutaka OSADA |
| Outside Director | Koji FUJII (part-time) |
| Outside Director | Nobuyoshi YAMANAKA (part-time) |
| Corporate Auditor | Nobuhiko TAKAHASHI |
| Corporate Auditor | Masao IMAMURA |
| Outside Corporate Auditor | Tetsuya ISHIMARU (part-time) |
| Outside Corporate Auditor | Masahiko YAMADA (part-time) |
| Outside Corporate Auditor | Hiroshi MITANI (part-time) |

Management Structure

(as of June 30, 2012)



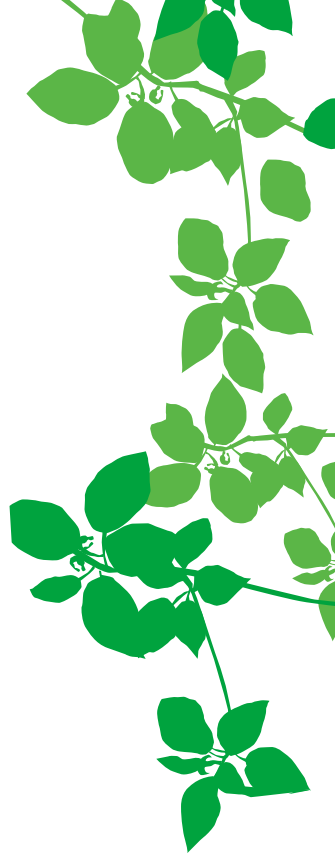
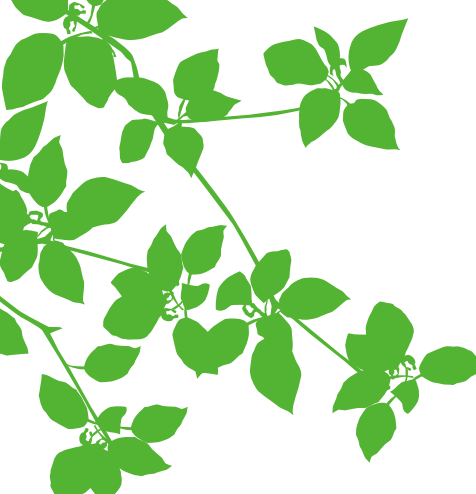
History

| | |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April 2002 | Initiation of hydraulic equipment business alliance between Teijin Seiki Co., Ltd. and NABCO Ltd. |
| September 2003 | Nabtesco Corporation established as a holding company with Teijin Seiki Co., Ltd. and NABCO Ltd. as wholly-owned subsidiaries and listed on the Tokyo Stock Exchange (First section market). |
| October 2004 | Nabtesco consolidates Teijin Seiki Co., Ltd. and NABCO Ltd. and becomes an operating holding company. |
| February 2008 | Nabtesco Power Control (Thailand) Co., Ltd. established (Manufacturing and sales of traveling motors and swing motors for excavator). |
| December 2009 | Nabtesco Automotive Corporation established (manufacturing, sales, and service of automotive equipment). |
| January 2011 | Jiangsu Nabtesco KTK Railroad Products Co., Ltd. established in China (manufacturing and sales of equipment for railroad vehicles). |
| April 2011 | Acquired the automatic door business of Kaba Holding AG of Switzerland and established Gilgen Door Systems AG. |
| October 2011 | Jiangsu Nabtesco Hydraulic Co., Ltd. established in China (manufacturing and sales of traveling motors for excavators). |

GRI Guidelines Comparison Table

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