

Nabtesco Group
CSR Report 2011

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 have decided to publish an annual CSR Report from 2011.

In this first CSR Report, Kazuaki Kotani, the President & CEO of Nabtesco, explains our management views and policies based on our Corporate Philosophy, Long-term Vision, and Our Promises. This report also gives details of activities performed by the Group for our stakeholders and to realize the management views and policies under five themes: Offering Products and Services with High Value; Securing Transparency of Management; Consideration for Employees; Environmental Protection; and Management Systems.

In order to make it easier to find which part of this report corresponds to which standard disclosure specified in the Global Reporting Initiative’s (GRI) G3 Guidelines, the standard global guidelines regarding sustainability reports, we include the G3 Guidelines Comparison Table at the end of the report.

August 2011



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 FY2010 (April 1, 2010 to March 31, 2011), although some activities conducted in previous fiscal years and in FY2011 are also included.

Guidelines referenced

G3 Guidelines published by the Global Reporting Initiative (GRI)

Inquiries regarding this report

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Message from the President



Kazuaki Kotani
Representative Director,
President & CEO
Nabtesco Corporation

I would first like to express our deepest sympathy and condolences to all those who have been affected by the 2011 Great East Japan Earthquake and hope for the speedy recovery of the devastated area.

The Nabtesco Group will make the utmost efforts to support the swift recovery of the stricken area, mainly through donations.

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 through donations
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

Long-term Vision (Status on FY2014)

“Global company group growing with society — Challenge, Creation and Progress to the higher stage —”

Become a professional group for solving problem

- Each individual is aggressive and challenge-oriented, setting the highest standards in the industry.
- Each employee is proud of working for the company and has a feeling of satisfaction.

Have a corporate culture and organization which values flexibility and speed

- Responding to changes in business environment, we make decisions and take actions in a timely manner.
- Everyone can easily bring creative ideas and imagination into practice.

Offer products created by the combination of our unique motion control as a corporate core system integration ability

- Always anticipating customers’ needs and wants, we keep creating new products by improving or developing new unique technologies.

Company Overview

Corporate Profile

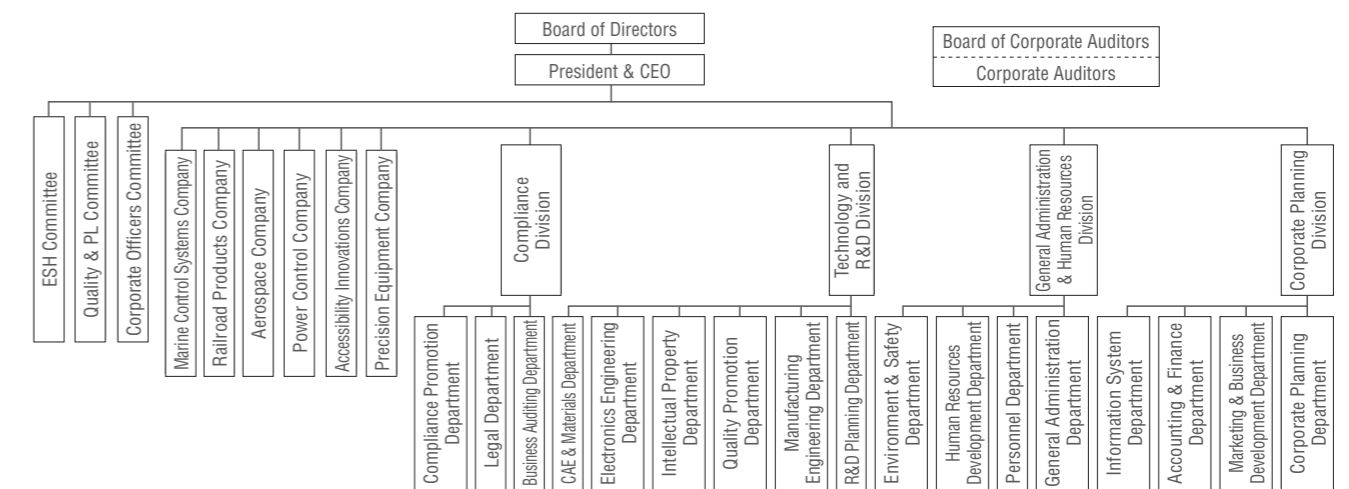
Company Name	Nabtesco Corporation
Established	September 29, 2003
Address	JA Kyosai Bldg., 7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo 102-0093, Japan TEL: +81-3-5213-1133 FAX: +81-3-5213-1171
Capital	10 billion yen
Issued number of shares	127,212,607
Employees	Non-consolidated: 1,989 Consolidated: 4,057 (as of March 31, 2011)
Consolidated subsidiaries	In Japan: 14 (6 equity method affiliates) Overseas: 19 (2 equity method affiliates)

Directors

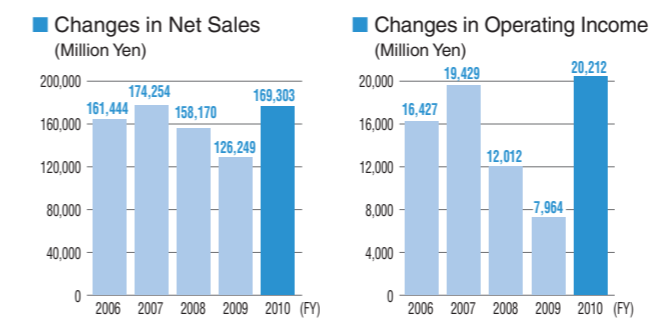
(as of June 24, 2011)

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	Masao IMAMURA
Director	Hiroyuki AOI
Director	Tsutomu SAKAMOTO
Director	Nobutaka OSADA
Outside Director	Kazuhide NARAKI (part-time)
Corporate Auditor	Shuichi NAKAMURA
Corporate Auditor	Nobuhiko TAKAHASHI
Outside Corporate Auditor	Tetsuya ISHIMARU (part-time)
Outside Corporate Auditor	Masahiko YAMADA (part-time)
Outside Corporate Auditor	Hiroshi MITANI (part-time)

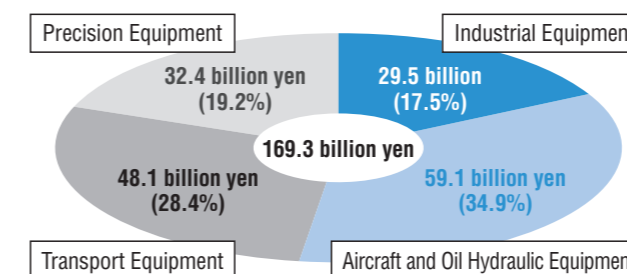
Management Structure



Business Performance Data (Consolidated)



Composition of Sales (Fiscal 2010)



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).
- February 2004: Nabtesco Automotive Products (Thailand) Co., Ltd. established as an automotive products manufacturing subsidiary in Thailand.
- October 2004: Nabtesco consolidates Teijin Seiki Co., Ltd. and NABCO Ltd. and becomes an operating holding company.
- November 2005: Nabtesco Railroad Products (Beijing) Co., Ltd. established (manufacturing and sales of Railway Vehicle Equipment).
- 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).
- April 2010: Shanghai Nabtesco Motion-equipment Trading Co., Ltd. established (sales and service of precision reduction gears).

01

Offering Products and Services

As a company creating a part of social infrastructure, we deliver products and services which provide

with High Value

maximum safety, comfort and a sense of security to win the trust of customers.



Transportation of people and goods



Flight control actuation systems



Brake operating units for railroad vehicles



Door operators for railroad vehicles



Platform screen doors



Automatic door for buildings



Electric wheelchair

People's daily lives
Welfare/medical care



Stair-climbing device



Intelligent prosthetic knee joint



Wedge chambers for commercial vehicles



Air dryers for commercial vehicles



Main engine remote control systems

Marine vessels equipment

Automotive equipment

Aircraft equipment

Brake operating units for railroad vehicles

Door operators for railroad vehicles

Automatic door for buildings

Equipment for welfare and long-term care

Corporate Philosophy

The Nabtesco Group, with our will provide safety, comfort in daily lives as well as

unique motion control technology, and a sense of security any form of transportation.

Safety, comfort and a sense of security in the area of transportation

Safety, comfort and a sense of security in the area of daily lives



Industrial automatic doors

Industrial automatic doors

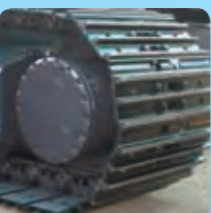
Hydraulic valves for construction machinery



Control valve for mini excavator



Winch motors for cranes



Traveling motors for hydraulic excavators and other construction machinery



RV Series precision reduction gears for industrial robots



Drive unit for wind turbine generators

Hydraulic/pneumatic equipment

Electrical equipment

Vacuum equipment

Engineering business

Machine tools

Packaging machines

Stereo lithography systems



Automatic pre-pouch filler/sealer



Stereo lithography systems



Intelligent foaming machines



Glove box with gas purification system

Manufacture
Urban development



Production of daily commodities



01 Offering Products and Services with High Value

Promoting product safety

The Nabtesco Group has established and maintained 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. As a result of this cooperation, we have grown into a company that offers products and services with high value based on our motion control technology—many of which command the top market share—in various technologically demanding fields.

We are also currently placing particular focus on quality engineering, quality control, and product liability (PL) management (including product safety management) during the R&D process mainly through the Quality & PL (Product Liability) Committee to ensure that products can be used safely, even in fast-changing requirements, operating environments or for new applications.

We will continue making efforts to ensure providing safety, comfort and a sense of security throughout the products' lifecycle.

Our motion control technology is also utilized in our welfare equipment. In order to make it easier for seniors and other users who are in need of long-term care to go out, rather than only staying at home, we develop user-friendly products where attention is paid especially to (1) inherently safe design measure, (2) safeguard protective measure, and (3) communication of information for use. By taking these risk measures, we support our customers in their efforts to solve their problems.

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

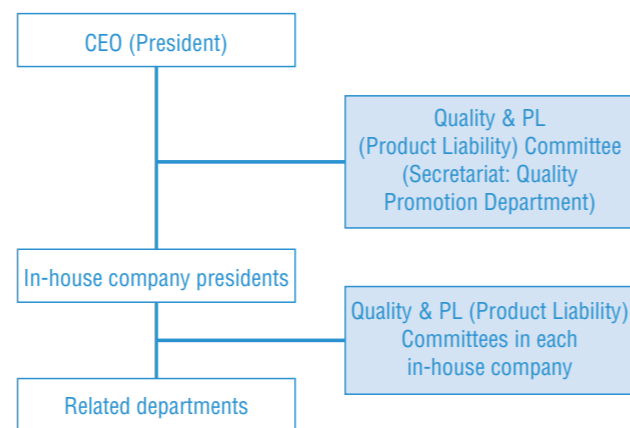
- The Quality & PL (Product Liability) Committee has been established within the company. (Secretariat: Quality Promotion Department)
- The objective of the committee is to formulate the standards of quality control and product liability and safety management for the Nabtesco Group, to establish standard 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.
- 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.

Nabtesco Group Quality & PL (Product Liability) Policy

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

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

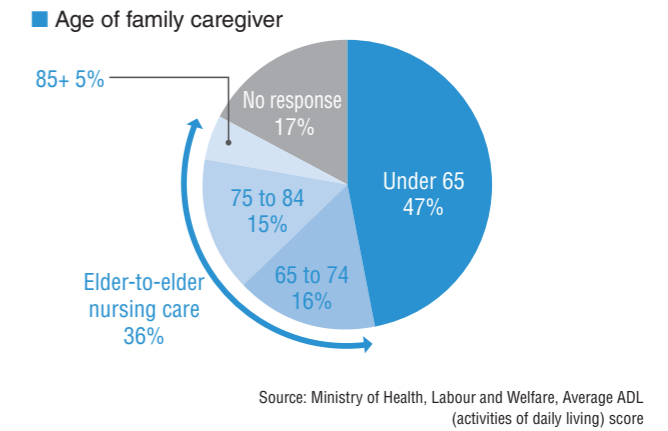
Structure of the Quality & PL Committee



Our views on the product safety of welfare equipment

According to the population estimates published by the Statistics Bureau of the Ministry of Internal Affairs and Communications in May 2011, seniors aged 60 or over account for more than 30% of the total population. Furthermore, as of October 2010, the percentage of family caregivers caring for a senior family member who are themselves 65 years old or over ("elder-to-elder nursing care") exceeds 36% of all family caregivers. In this situation, the number of accidents caused by misuse of welfare equipment is also increasing. For Nabtesco, ensuring product safety is a matter of course. After making sure that the product is absolutely safe, we then go a step further to meet the requests of caregivers and those needing care who wish to use the product with peace of mind and comfort. We are thus continuously striving to satisfy the needs of customers.

Let's see some of our efforts toward product safety by taking our stair-climbing device with a wheelchair as an example.



1 Inherently safe design

To prevent possible hazard, the stair-climbing device is ergonomically designed to prevent any misoperation by caregivers, and equipped with a control system which prevents or corrects any misoperation. Safety is secured in the design stage.

► Drive system

Two electronically controlled wheels and two robot arms move alternately like the legs of a walking person to carry the wheelchair up or down the stairs.

► Safety brake system

A safety brake is automatically applied at the edge of each stair to prevent the stair-climbing device from falling.

2 Safeguards

Even when the stair-climbing device is designed with optimum safety in mind, there is still a possibility that an unexpected event could take place. The device is equipped with various safeguards for extra safety.

3 Communication of usage instructions

Cautions to be observed in the use of the stair-climbing device and training on the proper use are provided to users to promote the correct and safe use of the product.



Notifying correct angle

Angle sensor

The appropriate angle at which the stair-climbing device should be operated is notified by vibration.

Increasing stability

L-shaped foot

The L-shaped foot increases the stability of operation. The wheelchair can be carried up or down in perfect balance.

Enhancing safety

Safety arms

Should an unexpected event happen, the safety arms hold the stair-climbing device and prevent it from falling forward. The wheelchair can be carried on the stairs safely.



Training on the use of the stair-climbing device



The stair-climbing device can be used even on steep and narrow stairs like this.

Our product safety quality management system also covers outsource manufacturers

Although we outsource production of much of our welfare equipment to other companies, our unique Total Quality Management System for Safety Welfare Products (SWTQM) covers these outsource manufacturers to ensure that our products will provide safety, comfort and a sense of security to customers at all times. We also implement the plan-do-check-act (PDCA) cycle to continuously improve this system. These efforts led us receiving the Recognition of TQM

Achievement under the Japan Quality Recognition Award 2008.

We also promote awareness of the importance of safety and risk management of welfare equipment among other member companies of the trade association. We will continue to work hard to serve everyone who is in need of our products under the slogan of "All for your life," "All for your smile," "All for your style."

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

We regard 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 our 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 FY2010, we met more than 400 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 FY2010, 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 Index Series, the globally recognized socially responsible investment (SRI) index, for four consecutive times since

September 2009. Although there are still only few cases in which socially responsible investors have contacted us directly, we make sure that we respond to questionnaire surveys of SRI research firms earnestly to communicate the actual 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 2010
2. Received Internet IR awards from Daiwa Investor Relations Co., Ltd. for five consecutive years since 2006
Received Internet IR Excellent Company Award in 2010
3. Named by Nikko Investor Relations Co., Ltd. as one of the best companies in the Listed Company Website Quality Ranking for five consecutive years since 2006
Third place in the Machinery Section and 130th place overall in 2010

03

Consideration for Employees

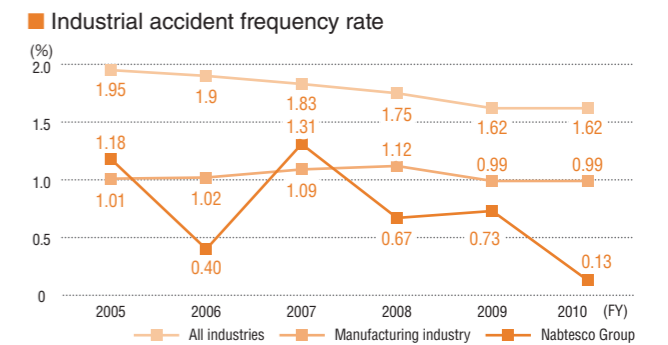
Based on respect for human rights, we create a workplace where maximum attention is paid to employee safety, disaster protection, and health, and where every employee can fully express their individuality and strengths.

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 FY2010, we continued to promote close call reporting, hazard prediction training, and risk assessments. This resulted in the significant decrease of the number of accidents over the previous year, driving down the accident frequency rate to 0.13.

We will continue to implement preventive safety management through risk assessments of each workplace to create inherently safe workplaces, while reinforcing safety patrols, enhancing employees' hazard awareness, and creating a culture in which employees feel rewarded.



The data of the previous fiscal year are used for the frequency rates for "all industries" and "manufacturing industry" in FY2010.

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.

To prevent mental health problems in particular, it is important for managers to notice any abnormality in their staff, control workload, and follow up the condition of the staff, as well as for employees to learn more about mental health. Based on this understanding, we organize various seminars and lectures by inviting the company's industrial physician or experts of outside organizations as lecturers.

Furthermore, our two nurses—one in charge of the sites in the Kansai region and the other in charge of those of the regions eastward from Tokai—are on standby to take care of employees experiencing mental health problems, offering counseling whenever necessary and supporting their return to work.

Working hour management is also implemented at each site in cooperation with the industrial physician, and interviews are conducted with employees whose workload may be considered high.

[Working to eliminate mental health problems]

Mental health problems will be addressed across the Nabtesco Group. Even when it is only one employee who experiences a mental health problem, it can cause a serious impediment to work flow depending on the size of the Group company. However, the reality is that the problems are not dealt with properly on a Group company level.

To make up for the shortcomings of the current system, the Nabtesco Group will consider introducing a group-wide health management system to create a work environment where every employee can work comfortably.

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 will continue to support all employees who need to improve their lifestyles in cooperation with a registered dietitian who conducts dietary checks and offers advice and an instructor who encourages each of those employees with heartfelt messages, both from the designated institution, as well as by delivering to each of those employees 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 suffering from metabolic syndrome to zero.

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)

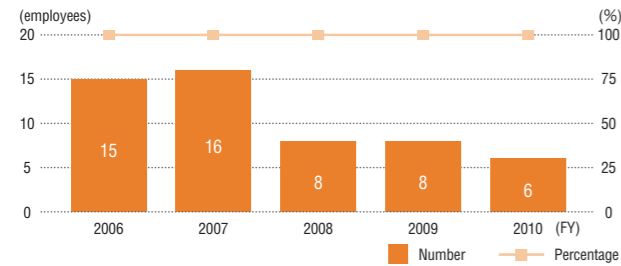
03 Consideration for Employees

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.)

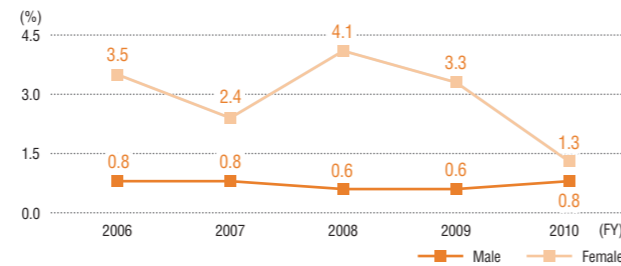
[Other support]

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

The number/percentage of employees who took parental leave



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



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

Due to its nature as a machinery manufacturer, Nabtesco traditionally has not employed many new female graduates. To correct this situation, we have begun to hold meetings specifically for female college student job hunters for the first time as part of our FY2012 new graduate recruitment campaign.

In these meetings, all the responsibility for explaining the company's businesses and answering the student's questions is taken by our female employees. The meetings thus provide the students with an opportunity to directly listen to female employees' experiences regarding available childcare schemes and work-life balance. We aim to increase the share of female graduates to about 10 to 20% of all newly recruited personnel.



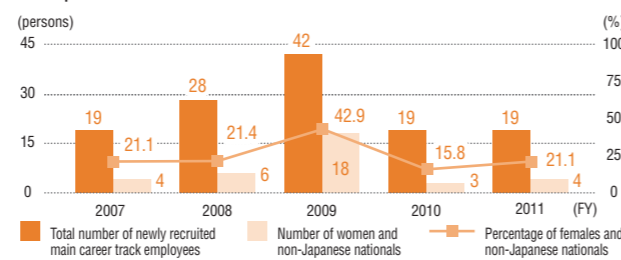
2 Active employment of non-Japanese nationals

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 conceiving matters and different attitudes toward work, and are expected to stimulate existing personnel in a favorable manner. Nabtesco Corporation is actively recruiting non-Japanese employees from among the foreign students studying in Japan and directly from overseas colleges.

Through such measures as holding meetings to provide information on our company targeted specifically at foreign students studying in

Japan, we aim to increase the share of non-Japanese nationals to about 30% of all newly recruited personnel.

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

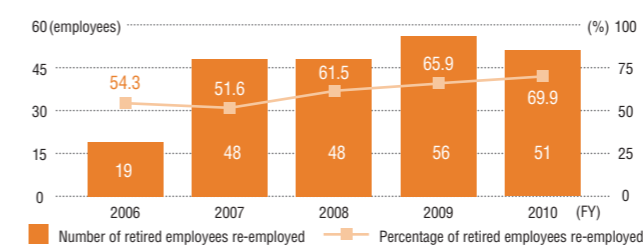


3 Promotion of employment of seniors and people with disabilities

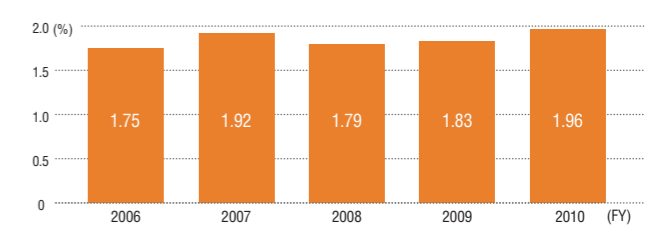
Upon enforcement of the revised Act on Stabilization of Employment of Elderly Persons, we introduced a continuous employment system, and have since been steadily increasing the re-employment rate. It is expected that the rate will reach as high as 90 to 100% in the near future. Experienced workers have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

We actively promoted the employment of people with disabilities in 2009 and 2010. 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.

Re-employment rate of retired personnel



Employment rate of people with disabilities



Monitoring of personnel management

Nabtesco investigates and gathers data on human resources every month and at regular intervals to keep track of the current status of personnel management.

The investigation results as of the end of March in FY2011 are as shown in the "Data on human resources" table on the right.

Approximately 78% of all employees who retired from the company in FY2010 were mandatory retirees. This situation will remain more or less the same for about another five years, however, we will reinforce the continuous employment system (re-employment system) to maintain the workforce. Furthermore, although most of the employees newly recruited in FY2010 were new graduates, we will promote mid-career recruitment more actively in FY2011.

In FY2010, we also introduced an upgraded childcare/nursing care leave scheme and made it available from June 2011. We will continue to make improvements to the scheme to make it easier to utilize.

Data on human resources

Only regular employees of Nabtesco Corporation (as of the end of March 2011)

	1) No. of regular employees	No. of managers included in 1)	2) No. of new hires	No. of new graduates included in 2)
Male	1756	261	37	33
Female	160	1	2	2
Total	1916	262	39	35

	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	25	21	0	4
General workers	69	52	0	17
Total	94	73	0	21

	No. of employees who took childcare leave	No. of employees who took nursing care leave	Average age	Average length of service
Male	0	1	42.5	18.7
Female	6	0	38.9	16.3
Total	6	1	42.2	18.5

Efforts to protect human rights

[Policy regarding human rights]

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

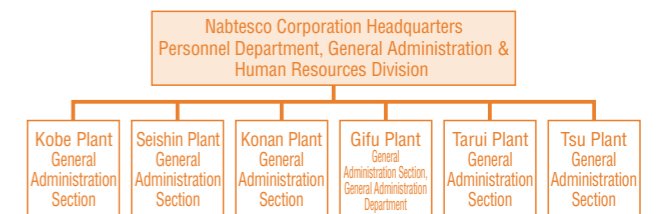
The Nabtesco Group Code of Conduct includes a clause guaranteeing basic human rights, providing guidelines that all the directors and employees across the Group and other workers working at each Group company are expected to observe.

[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 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



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 1,680 members. The labor and management of Nabtesco maintain a good relationship by deliberating together on the improvement of the company's various systems, as well as on salaries and bonuses,

and meeting 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 annual paid leave. Labor and management thereby cooperate with each other to help maintain the work-life balance of employees.

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.

Environment policy

[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.

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

[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.

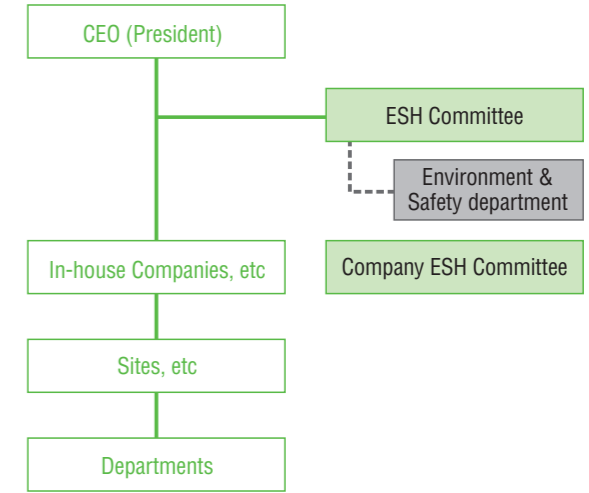
ESH promotion framework

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 management organization



Environmental management system

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

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



■ Situation regarding obtaining of ISO 14001 certification

	Name of obtained certification standard	Date when credit rating is decided	Last Review Date	Certification agency
Konan Plant	ISO14001:1999	Oct 22, 1999	-	LRQA
	ISO14001:2004	Nov 11, 2005	Nov 1, 2008	
Seishin Plant	ISO14001:1999	Nov 30, 2003	-	LRQA
	ISO14001:2004	Jul 6, 2005	Nov 30, 2009	
Kobe Plant	ISO14001:1999	Mar 26, 2004	-	JQA
	ISO14001:2004	Apr 28, 2006	Mar 26, 2010	
Tsu Plant	ISO14001:1999	Mar 28, 2000	-	ISC
	ISO14001:2004	Oct 1, 2004	Mar 28, 2009	
Gifu Plant	ISO14001:1999	Jun 1, 2001	-	LRQA
	ISO14001:2004	Jul 1, 2005	Jul 1, 2010	
Tarui Plant	ISO14001:1999	Jun 1, 2001	-	LRQA
	ISO14001:2004	Jul 1, 2005	Jul 1, 2010	

04 Environmental Protection

[Environmental education]

The Nabtesco Group provides newcomers with environmental education as part of its new employee training curriculum 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.

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.

■ FY2010 results

CO ₂ emissions	Target	Actual results *1	Status
Per unit of sales in FY2010	Reduce by at least 1% over the previous year	Reduced by 16.3%	Achieved
Per unit of sales in the long-term	Reduce by at least 6% over FY2004	Reduced by 23.0%	Achieved

*1: The CO₂ conversion factor used to calculate actual results is the same as in the past years.

[CO₂ emissions in FY2010]

46,100 CO₂-ton (40,900 CO₂-ton in FY2009)

We promoted company-wide efforts to upgrade facilities and equipment and improve processes. While withdrawing from the casting business at Nabtesco Automotive caused some reduction of CO₂ emissions, the easing of the global recession triggered by the U.S. subprime mortgage crisis led to the significant recovery of our production, resulting in the increase of CO₂ emissions by about 12.7% over the previous fiscal year. As regards electricity, the CO₂ emissions calculated using the actual and adjusted CO₂ conversion factors published by each electric power company are as follows:
37,600 CO₂-ton (based on the actual emission factor)
33,900 CO₂-ton (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 picked up in FY2010 and increased by about 34% compared with FY2009. While this increased production brought about the increase in CO₂ emissions, it also resulted in the significant reduction of CO₂ emissions per unit of sales, allowing us to achieve the long-term target.

[Violation of environmental regulations]

There were no penalties or sanctions against Nabtesco for the violation of any environmental regulation during the period covered by this report.

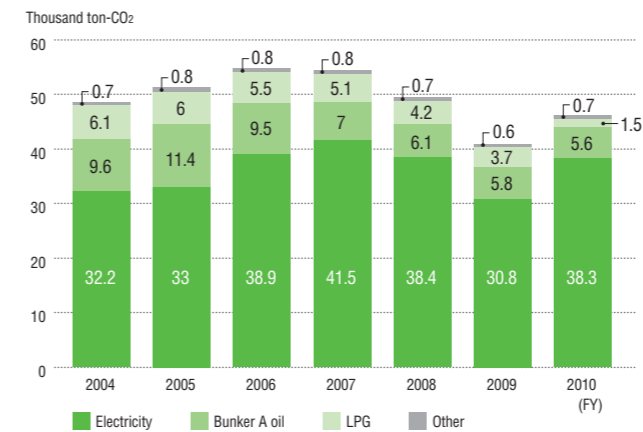
However, there was a case where one of the Group companies initially failed to apply for permission to manufacture a preparation containing a deleterious substance. As soon as this came to light, the company made the application to the authorities necessary to register as a manufacturer of the preparation.

In fiscal 2010, thanks to the easing of the global recession triggered by the U.S. subprime mortgage crisis, as well as the robust Chinese market, our production began to recover. Consequently, the CO₂ emissions per unit of sales decreased by 16.3% compared with the previous year, and by 23% from the FY2004 level, both exceeding the targets by a wide margin.

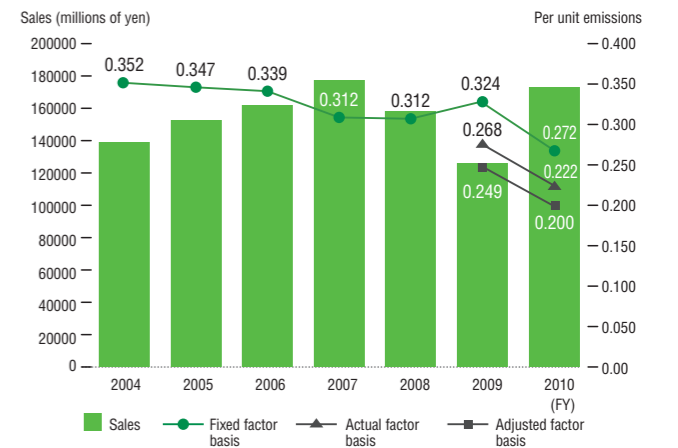
■ Major recent energy-saving activities

1. Renewal of air compressors, leak inspection of pressurized air piping
2. Replacement of air conditioning equipment and boilers with high efficiency models
3. Intermittent operation of air conditioner refrigerating systems
4. Suspension of water cooling for testing machines when not in use
5. Higher temperature setting of cooling water in testing machines
6. Switching to LED and Hf lighting
7. Equipping of once-through boilers with feed water heaters

■ CO₂ emissions



■ CO₂ emissions per unit of sales (one million yen)



Development of environmentally conscious products

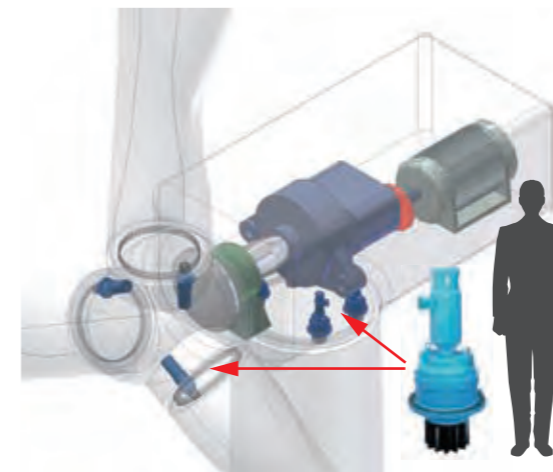
In accordance with the Nabtesco Group Corporate Philosophy, we are committed to ensuring mobility and the lives of people are safer, more secure and more comfortable by fully taking advantage of our unique motion control technology. The stage of product life cycles that is most likely to affect the environment is the product usage stage.

For this reason, we ensure that energy and resource conservation, minimization of environmentally hazardous substances and other environmental considerations are taken into account and further enhanced from the development and design stage of product life cycles. We do this while promoting functional upgrading, downsizing, weight reduction, safety and comfort of products during their commercialization to meet the needs of both customers and society. Our efforts to date in this regard have won high praise and recognition in the market.

[Prevention of global warming through products]

We have also developed highly efficient wind turbine drive units as part of our efforts to promote alternative energy to halt global warming. Our yaw drives (yaw gear) and pitch drives feature high overload capacity, are lightweight and compact, and have a 20-year design life expectancy. They are highly evaluated in the market with a market share of 90% in Japan and 7% globally.

For the photovoltaic power generation market, which is expected to grow rapidly in the future, we are developing solar tracking systems based on technologies, experience and achievements accumulated with rotary vector (RV) reduction gears for more than 20 years.



[Energy conservation of transportation]

Transportation volume decreased by 28% year on year to 13 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)]

- Achievement of zero emissions: Reduce landfill waste to 1% or less of total waste generated

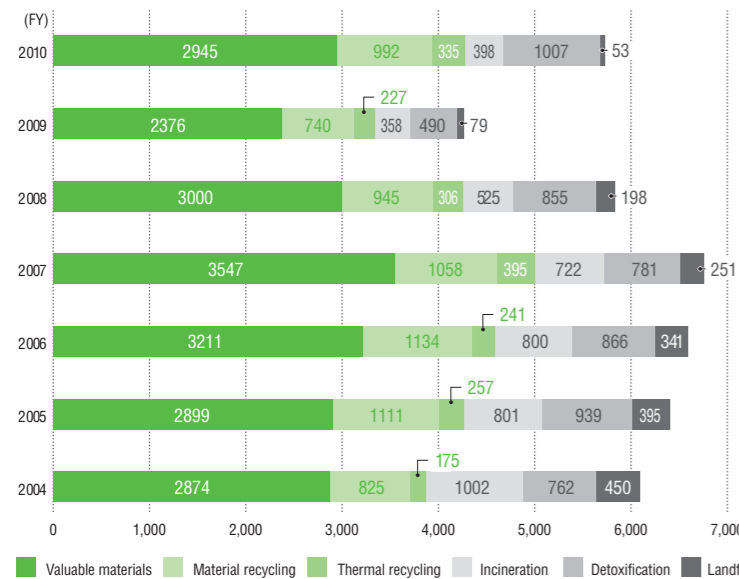
We promote the reduction of all types of emissions generated in the course of business based on the 3Rs (reduce, reuse, recycle), the basic practice for establishing a recycling-based society, in order to realize zero emissions.

Due to the impact of the Lehman Shock and the subsequent global recession, our emissions had been decreasing since FY2008. However, in FY2010, as the recession eased, our production recovered significantly, and this brought about an increase in total emissions.

Reduction of landfill waste

Target for FY 2010	FY 2010 results	Status
1.4% of total emissions	0.93% of total emissions	Long-term target achieved

Volume of waste generated



Breakdown of emissions

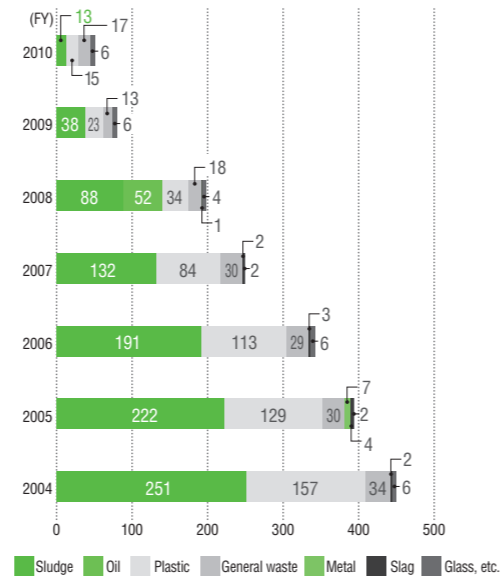
Valuable materials: metal, oil, cardboard, etc.
 Thermal recycling: packaging, general waste, plastic, etc.
 Detoxification: water-soluble oil, alkalis, etc.

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 0.93%, meaning that we achieved the FY2014 target of 1% or less.

In addition to making further efforts to reduce landfill waste, we will also focus on the recovery of valuable materials from waste.

Volume of landfill waste



Material recycling: oil, sludge, wood, liquid, plastic, etc.
 Incineration: general waste, plastic, etc.
 Landfill: sludge, plastic, glass

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.

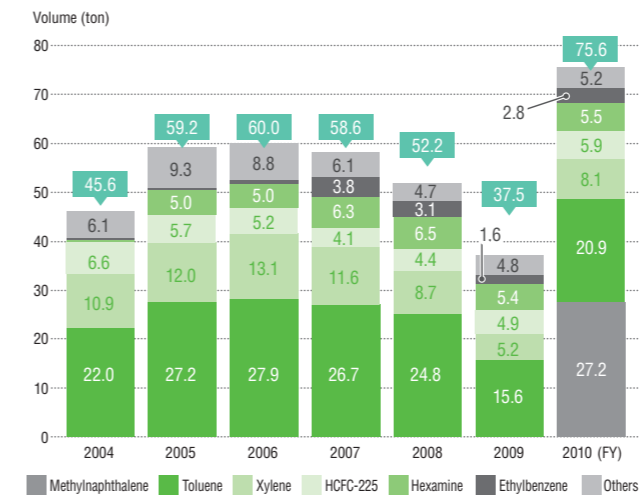
FY2010 saw a revision of the PRTR substances list, classifying methylnaphthalene as a type of heavy oil. This resulted in almost doubling the total volume of PRTR substances used at Nabtesco compared to FY2009. However, even in the case where methylnaphthalene is excluded, the total volume of PRTR substances

used rose by 29% due to increased production.

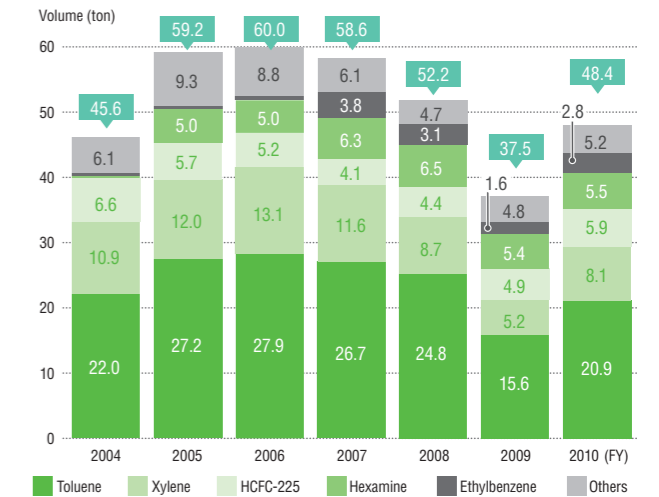
Apart from methylnaphthalene, toluene, xylene, and hydrochlorofluorocarbon (HCFC) 225 account for 47% of the total volume of PRTR substances used. Most of these substances are contained in diluents and cleaning solvents used in the coating process.

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



Volume of major PRTR substances used (excluding methylnaphthalene)



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 FY2010, we completed the delivery of capacitors and ballasts stored in the Shikoku region to the Japan Environmental Safety Corporation (JESCO) for treatment. High-concentration PCB waste currently stored at the Seishin Plant and TS Precision, is slated to be delivered to JESCO in FY2011 and 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.

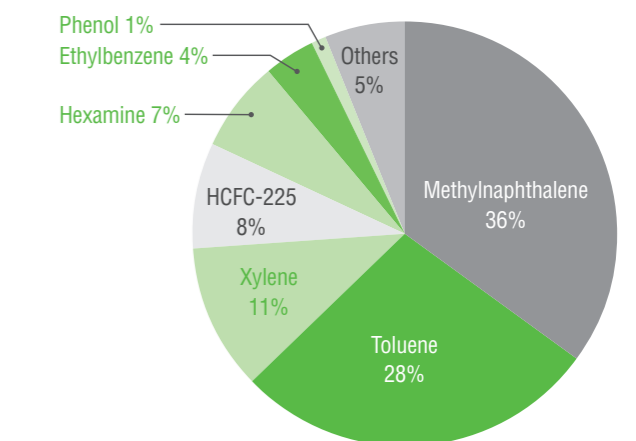
A survey on the soil and groundwater conducted in May 2005 at the site of the former Yokosuka Plant revealed that the site was contaminated by volatile organic solvents and other harmful substances. We reported it to the authorities in accordance with the law, and are currently engaged in soil melioration and groundwater purification in close collaboration with the authorities. The work for soil remediation has already been completed, and the groundwater purification is scheduled to be completed by the end of FY2011.

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.

Seven major chemical substances handled during FY2010



We notified and recommended all ex-employees to undergo health checkups in FY2006, and upon the revision of the Act on Asbestos Health Damage Relief in FY2008, 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.

The Nabtesco Group is conducting business by promoting transparent business management and so that our Group can increase corporate value in a sustainable manner and become a company

maintaining high ethical standards, as well as ensuring the observation of laws and regulations, capable of winning the trust 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.

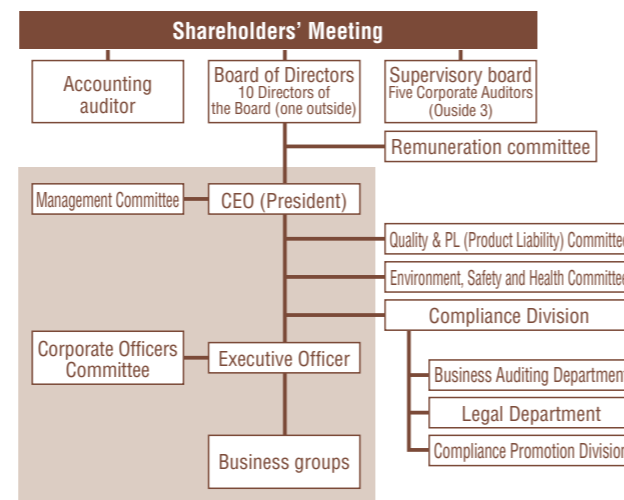
Corporate Auditors are supposed to attend a meeting sponsored by the Management Committee. This committee will deliberate over important issues to be discussed at the Board of Directors and clarify focal points, before presenting these issues to the Board of Directors. The prior deliberations are meant 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 one Outside Board Director. 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 Policies 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 Policies 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 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.

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:

1. 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.
2. Business management risk arising from improper decisions or

operational measures, gross negligence or misconduct by Directors or employees

3. Country risk and risk of unrecoverable charges/procurement difficulties arising from credit extended to sales agents and suppliers
4. Financial risk arising from changes in financial assets held, fluctuations in interest/exchange rates, etc.
5. IT risk arising from shutdown/malfunction of mission-critical system, information leakage, etc.
6. Litigation risk arising from flaws in agreements, infringements of intellectual property rights, etc.
7. ESH (Environment, Safety & Health) risk
8. PL (Product Liability) and other quality-based risk
9. 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

■ 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

Compliance training

The Compliance Promotion Division provides compliance training to employees at Nabtesco Corporation and its Group companies.

New employees and newly appointed managers receive compliance training at the time of their entering the company or promotion to manager as part of the personnel training program. In 2006 and 2007, compliance training was provided to all employees at Nabtesco Corporation including managers. Technical lectures for the directors are also organized as needed by inviting outside experts as lecturers. Furthermore, the training on each law and regulation regarding

anti-trust law, subcontracting, and other matters is also conducted in cooperation with the Legal Department for relevant departments at Nabtesco Corporation and its Group companies in Japan.



Guidebooks of anti-trust law (from left, U.S., Japan, and EU versions)

■ Major compliance training conducted in Japan

Trainee	Frequency	Content
Directors	Whenever necessary	Compliance requiring technical knowledge (outside lecturers)
Newly appointed managers	Once a year	Compliance for managers
New employees	Once a year	Compliance for new employees
All employees (including non-regular employees)	Whenever necessary	Compliance in general
Employees of relevant departments (marketing, business development, purchasing, and export operations)	Whenever necessary	Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act)
		Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors
		Security export control

Security export control

In order to contribute to maintaining international peace and security, we have established the Security Export Control Rules aligned with the Foreign Exchange and Foreign Trade Act and relevant cabinet orders and ministerial ordinances. Under these rules, we conduct strict export control through such means as pre-export examination so as not to allow our products and technologies exported from Japan to be used for weapons of mass

destruction (WMD) or conventional weapons. The Compliance Promotion Division, which serves as the secretariat, is responsible for formulating internal rules, reporting any revisions of relevant laws and regulations, and organizing meetings for sharing knowledge on requirements and procedures with related personnel at Nabtesco Corporation and its Group companies in Japan to ensure thorough security export control.

05 Management Systems

Activities for overseas Group companies

In March 2009, we distributed English, Chinese, and Thai versions of Nabtesco's Corporate Philosophy, Our Promises, and Code of Corporate Ethics to employees at the overseas Group companies.

In October 2009, we also created and distributed a Chinese version of the Code of Conduct, which takes account of the local legislation and customs, to employees at the Group companies in

- 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)



China. Compliance training was also provided at these companies.

Furthermore, in FY2010, we created and distributed a Thai version of the Code of Conduct, and organized compliance training for employees at the Group company in Thailand.

We are expanding this activity to our Group companies in other regions.

- Compliance training at a Group company in China



Employee compliance awareness survey

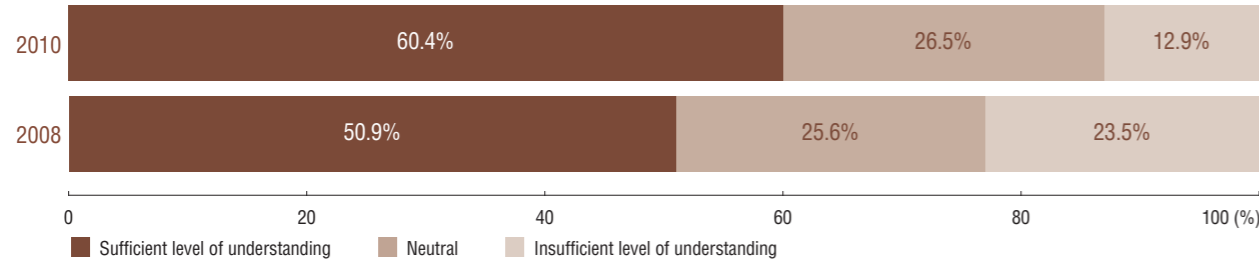
We have conducted a survey on compliance awareness covering all employees, except directors, at Nabtesco Corporation and its Group companies in Japan biennially since 2006.

In the third survey in 2010, we received responses from 85% of the employees, and found that their awareness of the importance of

compliance had increased since the previous survey in 2008.

The graph below shows the employees' level of understanding of compliance revealed in the second and third surveys. Although still not high enough, we can see that the level is steadily increasing.

Level of understanding of compliance

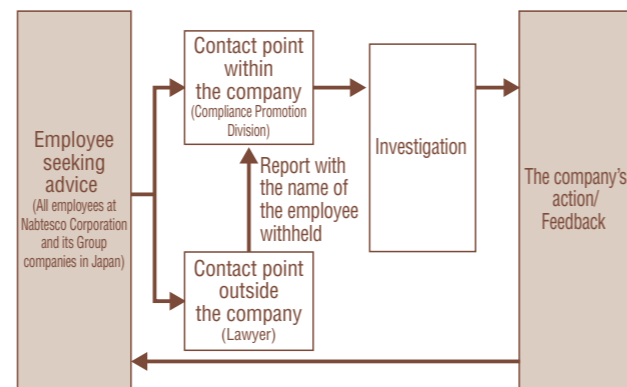


Internal hotline system for reporting or consulting from employees

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.

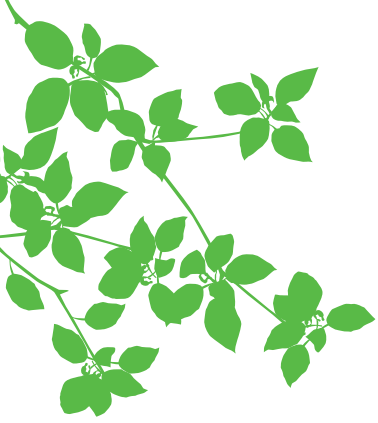
Hotline flow



GRI Guidelines Comparison Table

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1.2	19	Risk management
2. Organizational Profile		
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5. Management Approach and Performance Indicators			
[Environmental]			
Management Approach			
Goals and performance	15, 17	Combating climate change/Reduction of waste	
Policy	13	Environment Policy	
Organizational responsibility	13	ESH promotion framework	
Training and awareness	15	Environmental management system	
Monitoring and follow-up	14	ESH promotion framework	
Performance Indicators			
EN5	15	Combating climate change	Energy saved due to conservation and efficiency improvements.
EN16	16	Combating climate change	Total direct and indirect greenhouse gas emissions by weight.
EN18	15	Combating climate change	Initiatives to reduce greenhouse gas emissions and reductions achieved.
EN20	17, 18	Control of chemical substances	NOx, SOx, and other significant air emissions by type and weight.
EN22	17	Reduction of waste	Total weight of waste by type and disposal method.
EN23	18	Control of chemical substances	Total number and volume of significant spills.
EN26	16	Development of environmental-conscious products	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
EN28	18	Control of chemical substances	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
EN29	16	Development of environmental-conscious products	Significant environmental impacts of transporting products and other goods and materials used for the organizations operations, and transporting members of the workforce.
[Labor Practices and Decent Work]			
Management Approach			
Policy	12	Efforts to protect human rights	
Organizational responsibility	12, 14	Efforts to protect human rights/ESH promotion framework	
Training and awareness	10	Health and safety management/Health management/Countermeasures against metabolic syndrome	
Monitoring and follow-up	10, 12, 14	Health and safety management/Monitoring of personnel management/ESH promotion framework	
Performance Indicators			
LA1	11, 12	Efforts to maintain equal employment/Monitoring of personnel management	Total workforce by employment type, employment contract, and region.
LA2	11, 14	Work-life balance/Monitoring of personnel management	Total number and rate of employee turnover by age group, gender, and region.
LA3	11	Health management/Countermeasures against metabolic syndrome/Work-life balance	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
LA4	12	Labor-management relations	Percentage of employees covered by collective bargaining agreements.
LA7	10	Health and safety management	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.
LA8	10	Health management/Countermeasures against metabolic syndrome	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.
LA9	12	Labor-management relations	Health and safety topics covered in formal agreements with trade unions.
LA11	11	Efforts to maintain equal employment	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
LA13	11, 12	Efforts to maintain equal employment/Monitoring of personnel management	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
[Human Rights]			
Management Approach			
Policy	12	Efforts to protect human rights	
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Monitoring and follow-up	21	Internal hotline system	
[Society]			
Management Approach			
Policy	20	Strict implementation of compliance	
Organizational responsibility	20	Strict implementation of compliance	
Training and awareness	20, 21	Compliance training/Export control/Activities for overseas Group companies	
Monitoring and follow-up	21	Employee compliance awareness survey/Internal hotline system	
[Product responsibility]			
Management approach			
Policy	7	Nabtesco Group Quality & PL (Product Liability) Policy	
Organizational responsibility	7	Safety promotion by the Quality & PL (Product Liability) Committee	
PR1	7, 8	Ensuring the safety of products/Our views on the product safety of welfare equipment	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.
PR3	7, 8	Ensuring the safety of products/Our views on the product safety of welfare equipment	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.
PR6	7, 8	Ensuring the safety of products/Our views on the product safety of welfare equipment	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.



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