Summary of Consolidated Financial Statements for the Fiscal Year Ended December 31, 2017 (IFRS)

February 9, 2018

Name of listed company: Nabtesco Corporation
Stock listed on: First Section of the Tokyo Stock Exchange
Code number: 6268
URL: http://www.nabtesco.com
Representative: Title: President and CEO
Name: Katsuhiro Teramoto
Inquiries: Title: General Manager, Corporate Communication Div.
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TEL: +81-3-5213-1134
Scheduled Date of Annual Shareholders Meeting: March 27, 2018
Scheduled Date of Dividend Payment: March 28, 2018
Scheduled Date of Issue of Financial Report: March 28, 2018
Availability of supplementary information: Yes
Organization of financial result briefing meeting: Yes (for institutional investors and financial analysts)

(Amounts less than 1 million yen have been rounded down)

1. Consolidated Results for FY 2017 (January 1, 2017 to December 31, 2017)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Net sales		Operating income		Income before tax		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2017	282,422	15.3	29,468	13.4	34,907	30.4	26,569	40.3	25,146	35.1	29,464	96.5
FY 2016	244,968	–	25,982	–	26,779	–	18,936	–	18,606	–	14,993	–

(Note) The day of transition to IFRS was January 1, 2016; therefore the rate of year-on-year change (percentage) has been omitted in the tables above.

	Total basic earnings per share	Diluted earnings per share	Return on net income attributable to owners of the parent	Ratio of income before tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2017	203.85	203.48	15.9	12.5	10.4
FY 2016	150.64	150.38	13.0	11.0	10.6

(Reference) Equity in earnings of affiliates:
FY 2017: 4,915 million yen FY 2016: 1,034 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
FY 2017	301,557	177,002	167,537	55.6	1,355.72
FY 2016	256,973	155,904	147,929	57.6	1,193.79

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at fiscal year-end
	Million yen	Million yen	Million yen	Million yen
FY 2017	23,071	(20,186)	(950)	44,121
FY 2016	27,730	(14,989)	(4,808)	41,780

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Year end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2016	–	24.00	–	26.00	50.00	6,209	33.2	4.3
FY 2017	–	34.00	–	38.00	72.00	8,942	35.3	5.6
FY 2018 (Forecast)	–	36.00	–	37.00	73.00		–	

3. Forecast of Consolidated Operating Results for FY 2018 (January 1, 2018 to December 31, 2018)

(Percentages indicate the year-on-year changes)

	Net sales		Operating income		Income before tax		Net income attributable to owners of the parent		Total basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending June 2018	150,000	12.5	14,500	5.4	15,700	(7.6)	10,500	(16.0)	85.12
FY 2018	308,000	9.1	32,600	10.6	35,900	2.8	25,700	2.2	208.34

* Matters of note:
(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in a change in the scope of consolidation): None
Newly added: 0 (Company name: –) Excluded: 0 (Company name: –)

(2) Changes in accounting policies and accounting estimates
1) Changes in accounting policies required by IFRS: None
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None

(3) Shares outstanding (Common shares)
1) Number of shares outstanding (including treasury stock) as of the end of the term
2) Amount of treasury stock
3) Average number of shares during the term

1)	As of December 31, 2017	125,133,799	As of December 31, 2016	125,133,799
2)	As of December 31, 2017	1,888,247	As of December 31, 2016	1,608,476
3)	FY 2017	123,355,964	FY 2016	123,518,357

[Reference] Overview of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for FY 2017 (January 1, 2017 to December 31, 2017)

(1) Non-Consolidated Operating Results (Percentages indicate the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2017	164,992	12.8	17,490	6.1	21,713	10.5	16,134	19.8
FY 2016	146,241	–	16,480	–	19,642	–	13,465	–

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY 2017	130.10	129.86
FY 2016	108.44	108.25

(Note) Since the consolidated fiscal year ended December 2015 was a transitional period for the change in accounting period, the percentage of year-on-year changes has been omitted in the table above.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2017 (as of December 31, 2017)	210,073	114,992	54.5	924.43
FY 2016 (as of December 31, 2016)	183,105	106,842	58.1	856.59

(Reference) Shareholders' equity:
As of December 31, 2017: 114,542 million yen As of December 31, 2016: 106,376 million yen

2. Forecast of Non-Consolidated Operating Results for FY 2018 (January 1, 2018 to December 31, 2018)

(Percentages indicate the year-on-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending June 2018	87,000	12.0	11,800	(3.6)	8,900	(7.4)	71.76
Fiscal year ending December 2018	178,000	7.9	21,800	0.4	16,500	2.3	133.05

Notes:

The Summary of Consolidated Financial Statements is not subject to audit.

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

Descriptions in this document concerning future figures including forecasts for operating results, etc. are based on currently available information and certain assumptions that the Company considers reasonable. Actual results may vary significantly from such forecasts due to a variety of factors. Please refer to "1. Overview of Consolidated Operating Results, etc. (4) Future Outlook" for earning forecast assumptions and notes upon the use of earnings forecasts.

The Company will hold a financial results presentation meeting on February 16, 2018 for institutional investors and financial analysts. Images and details of the meeting (audio) together with the financial materials distributed at the meeting will be posted on the website immediately after the meeting.

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1. Overview of Consolidated Operating Results, etc.

(1) Overview of Consolidated Operating Results of the Period under Review

The consolidated operating results of the Group for the current fiscal year recorded net sales of ¥282,422 million and operating income of ¥29,468 million, mostly reflecting the robust demand for industrial robots, strong demand for construction machinery in China, and the conversion of a domestic sales company of automatic doors into a consolidated subsidiary. Income before tax was ¥34,907 million, due to an increase in equity in earnings of affiliates. Net income attributable to owners of the parent amounted to ¥25,146 million.

1) Amount of orders received, net sales and operating income
The amount of orders received for the current fiscal year increased 16.1% year-on-year to ¥297,618 million. Net sales and operating income increased 15.3% and 13.4% year-on-year to ¥282,422 million and ¥29,468 million, respectively. Operating margin was 10.4%.

Operating results by business segment were as follows:
[Amount of orders received]

(Million yen)

	Previous fiscal year (ended December 2016) (Consolidated basis)	Current fiscal year (ended December 2017) (Consolidated basis)	Change (%)
Component Solutions	89,755	119,471	33.1
Transport Solutions	76,843	80,149	4.3
Accessibility Solutions	73,584	79,395	7.9
Others	16,074	18,602	15.7
Total	256,256	297,618	16.1

[Net sales]

(Million yen)

	Previous fiscal year (ended December 2016) (Consolidated basis)	Current fiscal year (ended December 2017) (Consolidated basis)	Change (%)
Component Solutions	82,473	113,885	38.1
Transport Solutions	81,426	79,134	(2.8)
Accessibility Solutions	64,634	72,374	12.0
Others	16,435	17,029	3.6
Total	244,968	282,422	15.3

[Core operating income]

(Million yen)

	Previous fiscal year (ended December 2016) (Consolidated basis)	Current fiscal year (ended December 2017) (Consolidated basis)	Change (%)
Component Solutions	11,187	20,431	82.6
Transport Solutions	13,491	8,380	(37.9)
Accessibility Solutions	4,758	4,852	2.0
Others	1,692	1,994	17.8
Elimination or Corporate	(5,963)	(6,502)	–
Total	25,165	29,155	15.9

Note: 1. Core operating income is net sales less cost of sales and selling, general and administrative expenses.

[Operating income]

(Million yen)

	Previous fiscal year (ended December 2016) (Consolidated basis)	Current fiscal year (ended December 2017) (Consolidated basis)	Change (%)
Component Solutions	11,231	20,432	81.9
Transport Solutions	13,269	8,383	(36.8)
Accessibility Solutions	5,087	5,168	1.6
Others	1,507	1,983	31.6
Elimination or Corporate	(5,112)	(6,498)	–
Total	25,982	29,468	13.4

[Component solutions business]
The amount of orders received for component solutions increased 33.1% year-on-year to ¥119,471 million. Net sales rose 38.1% to ¥113,885 million, while operating income increased 81.9% to ¥20,432 million.

Sales of precision reduction gears increased from the previous year, mainly reflecting robust demand for industrial robots and automation needs in production facilities. Sales of hydraulic equipment saw a year-on-year increase due to the strong demand for construction machinery in the Chinese market.

[Transport solutions business]
The amount of orders received for transport solutions increased 4.3% year-on-year to ¥80,149 million. Net sales dropped 2.8% year-on-year to ¥79,134 million, and operating income decreased 36.8% to ¥8,383 million.

Railroad vehicle equipment saw net sales decrease from the previous year due to a drop in sales for the Chinese high-speed railway. Sales of aircraft equipment decreased year-on-year in light of an off-season in demand for private-sector aircraft due to the switch from B777 to B777X. Sales of commercial vehicle equipment increased year-on-year, reflecting the robust domestic market and favorable effects of an acquisition. Marine vessel equipment saw net sales decrease year-on-year due to sluggishness in the shipbuilding market.

[Accessibility solutions business]
The amount of orders received for accessibility solutions increased 7.9% year-on-year to ¥79,395 million. Net sales increased 12.0% year-on-year to ¥72,374 million, while operating income increased 1.6% year-on-year to ¥5,168 million.

Sales of automatic doors increased compared to the previous year, reflecting the conversion of a domestic sales company into a consolidated subsidiary, which was conducted in April 2016.

[Others]
The amount of orders received for others increased 15.7% year-on-year to ¥18,602 million. Net sales increased 3.6% year-on-year to ¥17,029 million, while operating income rose by 31.6% year-on-year to ¥1,983 million.

Sales of packaging machinery increased from the previous year due to robust sales to the domestic market as well as to overseas markets, Southeast Asia in particular, on the back of demand for labor saving.

Reference: Information by region
[Net sales]

(Million yen)

	Previous fiscal year (ended December 2016) (Consolidated basis)	Current fiscal year (ended December 2017) (Consolidated basis)	Change (%)
Japan	141,439	156,800	10.9
China	27,837	40,273	44.7
Other Asia	17,101	19,751	15.5
North America	20,706	19,315	(6.7)
Europe	37,229	45,785	23.0
Other areas	656	498	(24.1)
Total	244,968	282,422	15.3

Notes:
1. Net sales are classified by country or region based on the location of the buyer.
2. The increase in net sales to Japan was mainly due to the increase in sales of automatic doors and precision reduction gears.
3. The increase in net sales to China and other Asia mainly reflected the increase in sales of hydraulic equipment.
4. The decrease in net sales to North America was mainly due to the drop in sales of aircraft equipment.
5. The increase in net sales to Europe is due to an increase in sales of precision reduction gears and favorable effects of an acquisition.

2) Income before tax
Income before tax was ¥34,907 million, an increase of 30.4% year-on-year, reflecting financial income of ¥632 million, financial costs of ¥109 million, and equity in earnings of affiliates of ¥4,915 million, a 375.2% year-on-year increase.

3) Net income attributable to owners of the parent
In sum, net income attributable to owners of the parent was ¥25,146 million, an increase of 35.1% year-on-year, net of expenses of income tax of ¥8,338 million and net profit attributable to non-controlling interests of ¥1,423 million.

Total basic earnings per share were ¥203.85, an increase of ¥53.21 year-on-year.

(2) Overview of Financial Position for the Period under Review

	As of the end of the previous consolidated fiscal year (December 31, 2016)	As of the end of the current consolidated fiscal year (December 31, 2017)	Change
Total assets (million yen)	256,973	301,557	44,584
Liabilities (million yen)	101,070	124,556	23,486
Equities (million yen)	155,904	177,002	21,098
Ratio of equity attributable to owners of the parent (%)	57.6	55.6	(2.0)
ROA (%)	7.6	9.0	1.4
ROE (%)	13.0	15.9	2.9

[Assets]
Total assets as of December 31, 2017 were ¥301,557 million, an increase of ¥44,584 million from December 31, 2016, consisting of ¥165,695 million in current assets and ¥135,863 million in non-current assets. Key contributing positive factors included increases of ¥11,305 million in operating receivables, ¥7,594 million in inventories, ¥7,545 million in property, plant and equipment, and ¥6,949 million in goodwill.

[Liabilities]
Total liabilities as of December 31, 2017 were ¥124,556 million, an increase of ¥23,486 million from December 31, 2016, reflecting ¥96,934 million in current liabilities and ¥27,621 million in non-current liabilities. The main contributing positive factors were increases of ¥10,772 million in bonds and borrowings and of ¥9,069 million in operating payables.

[Equities]
Total equities as of December 31, 2017 stood at ¥177,002 million. Equity attributable to owners of the parent was ¥167,537 million, an increase of ¥19,607 million from December 31, 2016. The key contributing positive factor was the increase in retained earnings due to net income attributable to owners of the parent of ¥25,146 million, while the main contributing negative factor was the decrease of ¥7,452 million in retained earnings due to dividend payment.

As a result of the above, the ratio of equity attributable to owners of the parent was 55.6%, and equity attributable to owners of the parent per share was ¥1,355.72.

(3) Overview of Cash Flows for the Period under Review

(Million yen)

	Previous fiscal year (ended December 2016) (Consolidated basis)	Current fiscal year (ended December 2017) (Consolidated basis)
Cash flows from operating activities	27,730	23,071
Cash flows from investing activities	(14,989)	(20,186)
Free cash flow	12,740	2,885
Cash flows from financing activities	(4,808)	(950)

Cash and cash equivalents (hereinafter, “capital”) as of December 31, 2017 stood at ¥44,121 million, an increase of ¥2,341 million from December 31, 2016, reflecting ¥23,071 million in capital generated from operating activities, which were mainly used for capital expenditure, acquisition of a subsidiary, and dividend payments.

[Cash flows from operating activities]
Net cash generated from operating activities for the current fiscal year totaled ¥23,071 million. Principal positive factors included increases in net income, depreciation and amortization, and operating payables. Meanwhile, the main negative factors included increases in trade receivables and inventories, and the income taxes paid.

[Cash flows from investing activities]
Net cash used in investing activities for the current fiscal year amounted to ¥20,186 million, mainly due to the purchases of tangible fixed assets and shares of subsidiaries.

[Cash flows from financing activities]
Net cash used in financing activities for the current fiscal year totaled ¥950 million. The main positive factor was proceeds from loans payable, while the main negative factor was dividends paid.

(4) Future Outlook

The Group expects net sales for the next fiscal year to be ¥308,000 million, a 9.1% year-on-year increase and operating income of ¥32,600 million, a 10.6% year-on-year increase on the back of robust demand for precision reduction gears for industrial robots and for construction machinery, as well as favorable environments for other businesses.

Overview by segment is as follows.

Forecasts for the fiscal year ending December 2018 by business segment
[Net sales]

(Million yen)

Reportable segment	Result for the current fiscal year (ended December 2017)	Forecast for the next fiscal year (ending December 2018)	Change (%)
Component Solutions	113,885	129,500	13.7
Transport Solutions	79,134	83,600	5.6
Accessibility Solutions	72,374	75,500	4.3
Others	17,029	19,400	13.9
Total	282,422	308,000	9.1

Reportable segment	Forecast for the first six-month period of the next fiscal year (January 1, 2018 to June 30, 2018)		Forecast for the next fiscal year (January 1, 2018 to December 31, 2018)	
	Amount (Million yen)	Composition ratio (%)	Amount (Million yen)	Composition ratio (%)
Component Solutions	64,000	42.7	129,500	42.0
Transport Solutions	39,700	26.5	83,600	27.2
Accessibility Solutions	37,200	24.8	75,500	24.5
Others	9,100	6.0	19,400	6.3
Total	150,000	100.0	308,000	100.0

[Operating income]

(Million yen)

Reportable segment	Result for the current fiscal year (ended December 2017)	Forecast for the next fiscal year (ending December 2018)	Change (%)
Component Solutions	20,432	23,800	16.5
Transport Solutions	8,383	9,300	10.9
Accessibility Solutions	5,168	6,000	16.1
Others	1,983	2,300	16.0
Corporate or Elimination	(6,498)	(8,800)	–
Total	29,468	32,600	10.6

Reportable segment	Forecast for the first six-month period of the next fiscal year (January 1, 2018 to June 30, 2018)		Forecast for the next fiscal year (January 1, 2018 to December 31, 2018)	
	Amount (Million yen)	Operating margin (%)	Amount (Million yen)	Operating margin (%)
Component Solutions	11,500	18.0	23,800	18.4
Transport Solutions	3,700	9.3	9,300	11.1
Accessibility Solutions	2,700	7.3	6,000	7.9
Others	1,000	11.0	2,300	11.9
Corporate or Elimination	(4,400)	–	(8,800)	–
Total	14,500	9.7	32,600	10.6

[Component solutions business]
Net sales and operating income in the component solutions business are expected to amount to ¥129,500 million (up 13.7% year-on-year) and ¥23,800 million (up 16.5% year-on-year), respectively.

Sales of precision reduction gears are expected to increase reflecting the continued expansion of demand due to further penetration of automation and labor saving. Hydraulic equipment is also expected to record an increase in sales driven by robust demand for construction machinery on a global basis.

[Transport solutions business]
Net sales and operating income in the transport solutions business are expected to reach ¥83,600 million (up 5.6% year-on-year) and ¥9,300 million (up 10.9% year-on-year), respectively.

Sales of railroad vehicle equipment are expected to increase on the back of robust demand in Japan as well as a rise in demand for subways in China. Sales of aircraft equipment are expected to be flat due to the continued off-season in preparation for mass production for private-sector aircraft. Sales of commercial vehicle equipment are also expected to be flat owing to the continued robust demand in the Japanese market. Marine vessel equipment is expected to see an increase in sales due to a mild recovery in the marine transport market.

[Accessibility solutions business]
Net sales and operating income in the accessibility solutions business are expected to amount to ¥75,500 million (up 4.3% year-on-year) and ¥6,000 million (up 16.1% year-on-year), respectively.

Sales of automatic doors are expected to increase reflecting robust demand in both the Japanese and overseas markets.

[Others]
Net sales and operating income in other businesses are expected to reach ¥19,400 million (up 13.9% year-on-year) and ¥2,300 million (up 16.0% year-on-year), respectively.

Packaging machines are expected to see an increase in sales due to continued strong demand in Japan.

2. Management Policy

(1) Basic Policy of the Management of the Company

The Company and its group companies have exerted efforts under the corporate philosophy mentioned below to achieve the long-term vision ending FY 2020. Considering, however, changes in business environment surrounding the Company, the Company has formulated a four-year Medium-term Management Plan titled “Move forward! Challenge the future! Create ‘New Value 2020’” starting in FY 2017.

[Corporate Philosophy]

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

[Long-term Vision] Status on FY 2020

> “Global Partner with Best Solutions”

[Basic Policy of the Medium-term Management Plan]

To realize the ideal image towards FY 2020, the Company will implement its strategies under the following policy.

> “Move forward! Challenge the future!”
> – Create “New Value 2020” –

(2) Commitment in the Medium-term Plan

The Group has set medium-term management targets spanning FY 2017 through FY 2020 as follows:

Commitment:

Achieve and maintain 15% in ROE by FY 2020.
Consolidated pay-out ratio is set at 35% or higher during the period of this Medium-term Management Plan.
Focus on solving ESG issues.

(Reference values for FY 2020)

Other management indices assumed when 15% in ROE is achieved.

Net sales:	¥330.0 billion
Operating margin:	12.5%
Net income:	¥30.0 billion (Net income attributable to owners of the parent)
ROA:	9.0%

(3) Medium- to Long-term Management Strategies

During the Medium-term Management Plan period, we will implement strategies towards the realization of our long-term vision "Global Partner with Best Solutions" by combining three basic policies consisting of "Market Creation," "Technology Innovation" and "Operational Excellence."

1) Creating new businesses through "Market Creation"
- Overseas businesses will be further developed including through effective use of M&A.
- The after-sales-services business (MRO) will be further enhanced and expanded by utilizing ICT, IoT and other cutting-edge technologies.

2) Creating new solutions through "Technology Innovation"
- Business domains will be expanded from the provision of components to system solutions.
- New competitive advantages in products will be established through "Innovations in manufacturing" including the development of new engineering processes.
- Highly efficient production, highly environmental capabilities and a comfortable working environment will be realized by introducing modernization and smart solutions to domestic plants.

3) Raising corporate value by improving profitability and efficiency through "Operational Excellence"
- Reinforce the operation bases through production reforms and operational reforms to improve profitability.
- Improvement of efficiency in business operations and the generation of inter-business synergies will be pursued.
- As an additional internal management indicator, ROIC (Return on Invested Capital) will be introduced to raise capital efficiency and generate cash steadily.
- The payout ratio will be maintained stably at 35% or higher on a consolidated basis to flexibly implement shareholder return.
- Investments for future growth will focus on 1) the modernization of domestic plants to increase production; 2) the promotion of R&D; and 3) the preparation of funds for strategic M&A.

(4) Challenges Facing the Company

We position the achievement of the Medium-term Management Plan as our top priority issue, and will focus on addressing the following challenges facing the Company in order to respond to the rapidly changing and diversifying global market.
- Establish business models that match the market; expand overseas businesses; and enhance their profitability.
- Develop products that respond to customer needs; develop products that differentiate themselves by taking advantage of wide-ranging technologies.
- Establish decision-making and management systems that can respond flexibly and swiftly.
- Secure and cultivate human resources to address global expansion of the Company.
- Reinforce governance and improve risk management capabilities.

3. Basic Concept on the Selection of Accounting Standards

The Group has applied IFRS on a voluntary basis from the first quarter of the consolidated fiscal year ended December 31, 2017 to enhance the comparability of financial information in the capital markets on a global basis, as well as improving the accuracy of management administration within the Group by unifying the accounting standards and accounting periods.

4. Consolidated Financial Statements and Notes on the Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Million yen)

	Note No.	Day of transition (January 1, 2016)	End of consolidated FY 2016 (as of December 31, 2016)	End of consolidated FY 2017 (as of December 31, 2017)
Assets				
Current assets				
Cash and cash equivalents		34,710	41,780	44,121
Trade receivables		59,790	65,569	76,874
Other receivables		1,361	1,264	1,216
Inventories		28,760	32,704	40,298
Other financial assets		385	166	190
Other current assets		1,742	2,309	2,996
Total current assets		126,747	143,792	165,695
Non-current assets				
Property, plant and equipment		52,677	63,155	70,700
Intangible assets		3,429	2,671	5,850
Goodwill		15,098	14,361	21,310
Investment property		4,527	5,486	5,404
Investments accounted for using the equity method		18,195	15,952	20,184
Other financial assets		7,075	8,487	8,547
Deferred tax assets		1,142	1,602	1,633
Other non-current assets		1,523	1,468	2,236
Total non-current assets		103,665	113,181	135,863
Total assets		230,412	256,973	301,557

(Million yen)

	Note No.	Day of transition (January 1, 2016)	End of consolidated FY 2016 (as of December 31, 2016)	End of consolidated FY 2017 (as of December 31, 2017)
Liabilities and equities				
Liabilities				
Current liabilities				
Operating payables		42,500	48,078	57,148
Bonds and borrowings		15,334	5,794	16,365
Other payables		10,064	10,450	12,492
Income taxes payable		1,057	5,408	4,550
Provisions		617	723	732
Other financial liabilities		–	–	7
Other current liabilities		3,579	4,423	5,641
Total current liabilities		73,151	74,876	96,934
Non-current liabilities				
Bonds and borrowings		–	11,155	11,355
Liabilities concerning retirement benefit		7,340	9,343	9,339
Deferred tax liabilities		3,153	3,518	4,801
Other non-current liabilities		2,022	2,177	2,127
Total non-current liabilities		12,516	26,194	27,621
Total liabilities		85,666	101,070	124,556
Equities				
Capital stock		10,000	10,000	10,000
Share premium		14,616	14,703	14,956
Retained earnings		113,406	125,493	143,349
Treasury shares		(2,718)	(2,649)	(3,600)
Other components of equities		2,966	382	2,831
Equity attributable to owners of the parent		138,271	147,929	167,537
Non-controlling interests		6,475	7,974	9,465
Total equities		144,745	155,904	177,002
Total liabilities and equities		230,412	256,973	301,557

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

Consolidated Statements of Income

(Million yen)

	Note No.	FY 2016 (January 1, 2016 to December 31, 2016)	FY 2017 (January 1, 2017 to December 31, 2017)
Net sales	2	244,968	282,422
Cost of sales		(175,508)	(201,982)
Gross profit		69,460	80,440
Other income		2,495	1,351
Selling, general and administrative expense		(44,294)	(51,285)
Other expenses		(1,679)	(1,038)
Operating income	2	25,982	29,468
Financial income		188	632
Financial costs		(425)	(109)
Equity in earnings of affiliates		1,034	4,915
Profit (loss) before tax		26,779	34,907
Expenses of income tax		(7,843)	(8,338)
Net income		18,936	26,569

Net income attributable to			
Owners of the parent		18,606	25,146
Non-controlling interests		330	1,423
Net income		18,936	26,569

Net income per share			
Basic earnings per share (yen)	4	150.64	203.85
Diluted earnings per share (yen)	4	150.38	203.48

Consolidated Statements of Comprehensive Income

(Million yen)

	Note No.	FY 2016 (January 1, 2016 to December 31, 2016)	FY 2017 (January 1, 2017 to December 31, 2017)
Net income		18,936	26,569
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability (asset)		(850)	180
Net changes in financial assets measured at fair value through other comprehensive income		255	419
Share of other comprehensive income for equity method affiliates		34	19
Total components that will not be reclassified to profit or loss		(562)	618
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations		(3,382)	2,278
Total components that will be reclassified to profit or loss		(3,382)	2,278
Other comprehensive income after taxes		(3,944)	2,896
Total comprehensive income		14,993	29,464

Comprehensive income attributable to			
Owners of the parent		15,229	27,761
Non-controlling interests		(237)	1,704
Total comprehensive income		14,993	29,464

(3) Consolidated Statement of Changes in Equity

FY 2016 (January 1, 2016 to December 31, 2016)

(Million yen)

	Note	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equities	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2016		10,000	14,616	113,406	(2,718)	–	2,966
Net income		–	–	18,606	–	–	–
Other comprehensive income		–	–	–	–	(2,788)	207
Total comprehensive income		–	–	18,606	–	(2,788)	207
Acquisition, sales, etc. of treasury shares		–	–	(15)	70	–	–
Acquisition, sales, etc. of non-controlling interests		–	–	–	–	–	–
Dividends		–	–	(5,712)	–	–	–
Transfer from other components of equities to retained earnings		–	–	(793)	–	–	(4)
Share-based compensation transactions		–	87	–	–	–	–
Total transactions with owners, etc.		–	87	(6,520)	70	–	(4)
Balance as of December 31, 2016		10,000	14,703	125,493	(2,649)	(2,788)	3,169

	Note	Other components of equities		Total equity attributable to owners of the parent	Non-controlling interests	Total equities
		Remeasure-ments of net defined benefit liability (asset)	Total			
Balance as of January 1, 2016		–	2,966	138,271	6,475	144,745
Net income		–	–	18,606	330	18,936
Other comprehensive income		(797)	(3,377)	(3,377)	(566)	(3,944)
Total comprehensive income		(797)	(3,377)	15,229	(237)	14,993
Acquisition, sales, etc. of treasury shares		–	–	55	–	55
Acquisition, sales, etc. of non-controlling interests		–	–	–	1,750	1,750
Dividends		–	–	(5,712)	(14)	(5,726)
Transfer from other components of equities to retained earnings		797	793	–	–	–
Share-based compensation transactions		–	–	87	–	87
Total transactions with owners, etc.		797	793	(5,570)	1,736	(3,834)
Balance as of December 31, 2016		–	382	147,929	7,974	155,904

FY 2017 (January 1, 2017 to December 31, 2017)

(Million yen)

	Note	Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equities	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2017		10,000	14,703	125,493	(2,649)	(2,788)	3,169
Net income		–	–	25,146	–	–	–
Other comprehensive income		–	–	–	–	2,015	448
Total comprehensive income		–	–	25,146	–	2,015	448
Acquisition, sales, etc. of treasury shares		–	–	(4)	(951)	–	–
Acquisition, sales, etc. of non-controlling interests		–	–	–	–	–	–
Dividends		–	–	(7,452)	–	–	–
Transfer from other components of equities to retained earnings		–	–	166	–	–	(14)
Share-based compensation transactions		–	253	–	–	–	–
Total transactions with owners, etc.		–	253	(7,290)	(951)	–	(14)
Balance as of December 31, 2017		10,000	14,956	143,349	(3,600)	(773)	3,604

	Note	Other components of equities		Total equity attributable to owners of the parent	Non-controlling interests	Total equities
		Remeasure-ments of net defined benefit liability (asset)	Total			
Balance as of January 1, 2017		–	382	147,929	7,974	155,904
Net income		–	–	25,146	1,423	26,569
Other comprehensive income		152	2,615	2,615	281	2,896
Total comprehensive income		152	2,615	27,761	1,704	29,464
Acquisition, sales, etc. of treasury shares		–	–	(955)	–	(955)
Acquisition, sales, etc. of non-controlling interests		–	–	–	51	51
Dividends		–	–	(7,452)	(264)	(7,715)
Transfer from other components of equities to retained earnings		(152)	(166)	–	–	–
Share-based compensation transactions		–	–	253	–	253
Total transactions with owners, etc.		(152)	(166)	(8,154)	(213)	(8,367)
Balance as of December 31, 2017		–	2,831	167,537	9,465	177,002

(4) Consolidated Statements of Cash Flows

(Million yen)

	Note No.	FY 2016 (January 1, 2016 to December 31, 2016)	FY 2017 (January 1, 2017 to December 31, 2017)
Cash flows from operating activities			
Net income		18,936	26,569
Depreciation and amortization		7,422	8,974
Impairment loss		974	192
Gain on bargain purchase		(353)	–
Share-based compensation expenses		143	286
Increase (decrease) in liabilities concerning retirement benefits		(169)	336
Interest and dividend income		(188)	(185)
Interest expenses		153	110
Loss (gain) on step acquisitions		(786)	–
Equity loss (gain) in earnings of affiliates		(1,034)	(4,915)
Loss (gain) on sales of fixed assets		(638)	294
Expenses of income tax		7,843	8,338
Decrease (increase) in trade receivables		(773)	(9,681)
Decrease (increase) in inventories		(845)	(5,735)
Decrease (increase) in operating payables		(261)	7,904
Increase (decrease) in other liabilities		599	(347)
Subtotal		31,025	32,140
Interest and dividend received		980	888
Interest paid		(106)	(171)
Income taxes refunded (paid)		(4,169)	(9,786)
Net cash and cash equivalents provided by operating activities		27,730	23,071
Cash flows from investing activities			
Increase (decrease) in time deposits (Increase)		172	(0)
Purchases of tangible fixed assets		(14,474)	(11,375)
Proceeds from sales of tangible fixed assets		1,314	193
Purchases of intangible fixed assets		(920)	(818)
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(778)	(8,203)
Other		(302)	17
Cash flows from investing activities		(14,989)	(20,186)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans		(289)	7,474
Proceeds from long-term loans payable		1,254	471
Repayment of long-term loans payable		(206)	(198)
Proceeds from issuance of bonds		10,000	–
Redemption of bonds		(10,000)	–
Proceeds from stock issuance to minority shareholders		275	–
Increase in treasury shares		(2)	(987)
Cash dividends paid		(5,826)	(7,447)
Cash dividends paid to minority shareholders		(14)	(264)
Cash flows from financing activities		(4,808)	(950)
Effect of exchange rate changes on cash and cash equivalents		(862)	407
Increase (decrease) in cash and cash equivalents		7,070	2,341
Cash and cash equivalents at beginning of term		34,710	41,780
Cash and cash equivalents at end of term		41,780	44,121

(5) Notes on the Summary of Consolidated Financial Statements

1. Notes Relating to the Going Concern Assumption
   None

2. Business Segments

   (1) Summary of reportable segments

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

   The Group classifies its business segments into the following three reportable segments, based on the similarity of business models: 1) the "Component Solutions Business;" 2) the "Transport Solutions Business;" and 3) the "Accessibility Solutions Business."

   The main lines of business of each reportable segment are as below.

Business segment	Main lines of business
Component Solutions Business	The design, manufacture, sale, maintenance and repair of industrial robot components and equipment for construction machinery and its components
Transport Solutions Business	The design, manufacture, sale, maintenance and repair of brake systems and automatic door operating systems for railroad vehicles, aircraft components, brake systems and drive control units for vehicles, control systems for marine vessels, and components thereof
Accessibility Solutions Business	The design, manufacture, sale, installation, maintenance and repair of automatic door operating systems for buildings and general industry, platform safety systems, and components thereof

In line with the new Medium-term Management Plan starting from FY 2017 and for the purpose of improving the efficiency of business management by further promoting synergetic effects between businesses, the Company has changed the previous classification of four reportable segments "classified based on the similarity of the application technologies" to three reportable segments "classified based on the similarity of business models" as follows: "Precision equipment business," "Transport equipment business," "Aircraft and hydraulic equipment business" and "Industrial equipment business" has been changed to "Component solutions business," "Transport solutions business" and "Accessibility solutions business." Figures for the previous fiscal year have been adjusted to reflect the new segment classifications.

(2) Information on reportable segments

I. FY 2016 (From January 1, 2016 to December 31, 2016)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in consolidated statements of income
	Component	Transport	Accessibility	Total				
Net sales								
Sales to external customers	82,473	81,426	64,634	228,533	16,435	244,968	–	244,968
Inter-segment sales	1,982	294	3	2,279	178	2,457	(2,457)	–
Total sales	84,455	81,719	64,637	230,812	16,613	247,424	(2,457)	244,968
Segment income (Operating income)	11,231	13,269	5,087	29,587	1,507	31,094	(5,112)	25,982
Financial income	–							188
Financial costs	–							(425)
Equity in earnings of affiliates	–							1,034
Income before tax	–							26,779
Other items								
Depreciation and amortization	3,183	2,046	1,204	6,433	255	6,687	735	7,422
Gain on step acquisitions	–	–	786	786	–	786	–	786
Gain on bargain purchase	–	–	353	353	–	353	–	353
Impairment loss	–	–	974	974	–	974	–	974
Segment assets	69,545	69,890	65,571	205,005	13,194	218,198	38,775	256,973
Increases in tangible fixed assets and intangible fixed assets	5,047	5,877	2,854	13,779	290	14,069	462	14,531

Notes:
1. "Others" is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machinery, three-dimensional model production device, vacuum equipment, machine tools, and components thereof.
2. Adjustment to sales is as a result of eliminations of inter-segment transactions.
3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.
4. Adjustment to depreciation and amortizations is total depreciation and amortization that are not allocated to the respective segments.
5. Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥38,775 million, consisting mainly of surplus operating funds in the Company (cash and cash equivalents) and long-term investments (investment securities, etc.).
6. Adjustment to increase in tangible fixed assets and intangible fixed assets is total capex that are not allocated to the respective segments.

II. FY 2017 (From January 1, 2017 to December 31, 2017)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in consolidated statements of income
	Component	Transport	Accessibility	Total				
Net sales								
Sales to external customers	113,885	79,134	72,374	265,393	17,029	282,422	–	282,422
Inter-segment sales	2,056	418	5	2,479	309	2,787	(2,787)	–
Total sales	115,941	79,552	72,379	267,872	17,337	285,209	(2,787)	282,422
Segment income (Operating income)	20,432	8,383	5,168	33,984	1,983	35,967	(6,498)	29,468
Financial income	–							632
Financial costs	–							(109)
Equity in earnings of affiliates	–							4,915
Income before tax	–							34,907
Other items								
Depreciation and amortization	3,565	3,192	1,234	7,991	273	8,264	710	8,974
Impairment loss	–	192	–	192	–	192	–	192
Segment assets	90,372	77,950	71,138	239,461	15,989	255,450	46,107	301,557
Increases in tangible fixed assets and intangible fixed assets	6,835	9,367	1,897	18,099	239	18,338	494	18,832

Notes: 1. “Others” is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machinery, three-dimensional model production device, vacuum equipment, machine tools, and components thereof.

2. Adjustment to sales is as a result of eliminations of inter-segment transactions.
3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.
4. Adjustment to depreciation and amortizations is total depreciation and amortization that are not allocated to the respective segments.
5. Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥46,107 million, consisting mainly of surplus operating funds in the Company (cash and cash equivalents) and long-term investments (investment securities, etc.).
6. Adjustment to increase in tangible fixed assets and intangible fixed assets is total capex that are not allocated to the respective segments.

3. Business Combinations

Previous fiscal year (January 1, 2016 through December 31, 2016)

(Acquisition of additional shares in Nabco Systems Co., Ltd.)
Effective April 1, 2016, the Company acquired additional shares in Nabco Systems Co., Ltd. (hereinafter, "Nabco Systems"), converting the company into the Company's consolidated subsidiary.

(1) Outline of Business Combination

1) Name and business line of the acquired company
Name of the acquired company: Nabco Systems Co., Ltd.
Business line: Sale, design, construction and maintenance of construction-related products centered on automatic doors.

2) Principal reasons for business combination
Nabco Systems was one of the equity-method affiliates of the Company. The Company decided to convert Nabco Systems into a consolidated subsidiary by acquiring additional shares in Nabco Systems with a view to further strengthening the business relationship between the two companies and accelerating the movement of unification of value chains across the country. Based on the view that such measures will contribute to further development of the automatic doors business, the agreement was reached between the Company and Mr. Taizo Yamamura, as a major shareholder of Nabco Systems., and Taiei Limited Liability Company, of which Mr. Taizo Yamamura is a major shareholder, and six other companies to the effect that shares in Nabco Systems will be transferred to the Company.

3) Method of obtaining control of the acquired company
Acquisition of shares in exchange of cash.

4) Date of acquisition
April 1, 2016

5) Equity ratio acquired

Percentage of voting rights immediately before the acquisition:	37.9%
Percentage of voting rights additionally acquired on the date of business combination:	48.0%
Percentage of voting rights held after the acquisition:	85.9%

(2) Consideration of Acquisition and its Breakdown

Fair value of the equity interest held immediately prior to the date of acquisition:	¥3,184 million
Cash:	¥3,681 million
Total consideration of acquisition:	¥6,865 million

(3) Acquisition-related Expenses
Acquisition-related expenses were ¥51 million (of which ¥18 million was incurred in the previous fiscal year), and are included in "Selling, general and administrative expenses" of the consolidated statements of income.

(4) Acquired Assets and Assumed Liabilities

The fair value of assets acquired and liabilities assumed on the date of the acquisition is as follows:

(Million yen)

	Amount
Fair value of compensation paid (Note 1)	6,865
Non-controlling interests (Note 2)	1,352
Total	8,217

Current assets (Note 3)	12,483
Non-current assets	7,460
Current liabilities	(8,525)
Non-current liabilities	(2,848)
Negative goodwill (Note 4)	(353)
Total	8,217

Notes:
1. There is no contingent compensation.
2. Non-controlling interests are measured by the percentage of equity to fair value of the acquired company's identifiable net assets.
3. Includes ¥3,454 million of cash and cash equivalents.
4. Negative goodwill occurred since the fair value of net assets that were acquired exceeded the consideration of acquisition. It is recorded under "Other income" in the consolidated statements of income.

(5) Gain on Step Acquisitions

As a result of re-measuring the Company's equity interest in Nabco Systems prior to the date of acquisition with fair value of the acquisition date, the Company recognizes gain on step acquisitions of ¥786 million due to this business combination. This gain is recorded under "Other income" in the consolidated statements of income.

(6) Impact on the Group's Earnings

Net sales of businesses acquired after the date of the acquisition recognized in the consolidated statements of income for the current fiscal year are ¥17,232 million. Net income is not indicated since its amount is immaterial.

Net sales in the consolidated statements of income presuming that the business combination occurred on January 1, 2016, the beginning of the current fiscal year, are ¥249,924 million. The impact on net income in the consolidated statements of income is not indicated since it is immaterial. This figure has not received audit certification.

Current fiscal year (January 1, 2017 through December 31, 2017)

(Acquisition of equity interest in OVALO GmbH)
Effective March 1, 2017, the Company acquired a 100% equity interest in OVALO GmbH (hereinafter, “OVALO”), converting the company into the Company’s consolidated subsidiary.

(1) Outline of Business Combination

1) Name and business line of the acquired company
Name of the acquired company: OVALO GmbH
Business line: Development, manufacture and sale of system products with strain wave gears for automobile manufacturers

2) Principal reasons for business combination
The Company decided this acquisition with the aim of “Profitable growth” by reinforcing its competitive base in the European market and enhancing its position in the mechatronics field as the foundation of systematization.

The Company is confident that through the acquisition of OVALO, the systematization and mechatronization of the Company’s products will be accelerated by utilizing OVALO’s capability to develop combined products of motor and control units.

Furthermore, given that there is room for expansion within OVALO’s existing plant, the Company will consider the possibility of using such surplus space for establishing new development and production facilities to further reinforce its competitive base in the European market.

3) Method of obtaining control of the acquired company
Acquisition of equity interest in exchange of cash.

4) Date of acquisition
March 1, 2017

5) Equity ratio acquired
100%

(2) Consideration of Acquisition and its Breakdown

Cash:	¥8,307 million
Total consideration of acquisition:	¥8,307 million

(3) Acquisition-related Expenses
Acquisition-related expenses were ¥139 million (of which ¥80 million was incurred in the previous fiscal year), and are included in “Selling, general and administrative expenses” of the consolidated statements of income.

(4) Claimable Assets Acquired
The principal breakdown of claimable assets acquired is loans receivable, none of which is expected to be irrecoverable, with a fair value of ¥1,428 million and contractual amount of ¥1,428 million.

(5) Acquired Assets and Assumed Liabilities

The fair value of assets acquired and liabilities assumed on the date of the acquisition is as follows:

(Million yen)

	Amount
Fair value of compensation paid (Note 1)	8,307
Non-controlling interests (Note 2)	51
Total	8,357

Current assets (Note 3)	2,412
Non-current assets (Note 4)	4,398
Current liabilities	(3,358)
Non-current liabilities	(1,110)
Goodwill (Note 5)	6,016
Total	8,357

Notes:
1. There is no contingent compensation.
2. Non-controlling interests are measured by the percentage of equity to fair value of the acquired company's identifiable net assets.
3. Includes ¥142 million of cash and cash equivalents.
4. Intangible assets include ¥2,321 million of customer-related assets (useful life of 3–8 years), ¥407 million of technological assets (useful life of 7–20 years) and ¥582 million of other intangible assets (useful life of 8 years) that were not recognized at the acquired company.
5. Goodwill is mainly a reflection of excess earning power and will not be deductible for tax purposes.

(6) Impact on the Group's Earnings

Profit and loss information after the date of the acquisition recognized in the consolidated statements of income for the current fiscal year and the approximate amount of the impact of the business combination on the consolidated financial statements presuming that such business combination was carried out on January 1, 2017, the beginning of the current fiscal year, are not indicated due to their immateriality.

4. Per Share Information

	FY 2016 (Consolidated basis) (January 1, 2016 to December 31, 2016)	FY 2017 (Consolidated basis) (January 1, 2017 to December 31, 2017)
Total basic earnings per share	150.64 yen	203.85 yen
Diluted earnings per share	150.38 yen	203.48 yen
Equity attributable to owners of the parent per share	1,193.79 yen	1,355.72 yen

Notes: 1. Total basic earnings per share and diluted earnings per share were calculated on the basis of the following data.

	FY 2016 (Consolidated basis) (January 1, 2016 to December 31, 2016)	FY 2017 (Consolidated basis) (January 1, 2017 to December 31, 2017)
Total basic earnings per share		
Net income attributable to owners of the parent (million yen)	18,606	25,146
Amount not attributable to shareholders of common stock (million yen)	–	–
Net income used to calculate total basic earnings per share (million yen)	18,606	25,146
Average number of common shares during the term	123,518,357	123,355,964
Diluted earnings per share		
Adjustment to net income attributable to owners of the parent (million yen)	–	–
Number of additional common stock shares	212,936	222,269
(Of which, share acquisition rights)	(212,936)	(222,269)
Outline of dilutive shares not included in the calculation of diluted earnings per share due to lack of dilutive effect	–	–

2. Equity attributable to owners of the parent per share was calculated on the basis of the following data.

	As of December 31, 2016	As of December 31, 2017
Total equities (million yen)	155,904	177,002
Amounts deducted from total equities (million yen)	8,440	9,915
(Of which, share acquisition rights)	(466)	(450)
(Of which, non-controlling interests)	(7,974)	(9,465)
Equities used to calculate equity attributable to owners of the parent per share (million yen)	147,463	167,086
Number of shares of common stock as of end of the term used to calculate equity attributable to owners of the parent per share	123,525,323	123,245,552

5. Material Subsequent Events

(Issuance of new shares, etc. by equity method affiliate)

At the Board of Directors' meeting held on January 5, 2018, Harmonic Drive Systems Inc. (hereinafter, "Harmonic"), an equity-method affiliate of the Company, resolved to issue new shares and dispose of its treasury stock, and conduct secondary offerings of its own shares (hereinafter, "Global Offering"), as well as issue No. 1 share options (hereinafter, "the Share Options") by third party allotment to the Company.

The Company subscribed to the Share Options and completed payment on February 6, 2018.

The impact of the issuance of new shares, etc. on the Group's consolidated financial statements for the fiscal year ending December 31, 2018 cannot be estimated since the Global Offering has not been completed at the current moment and the financial position of Harmonic not fixed.

Following the Global Offering, the Company's percentage of ownership of voting rights in Harmonic will change. However, since the Company holds 20% or more of voting rights, including potential voting rights through the underwriting of the Share Options, Harmonic will continue to be an equity-method affiliate of the Company.

6. First-time Adoption

The Nabtesco Group prepared its first consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) from the current fiscal year. The Nabtesco Group's latest financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan (Japanese GAAP) are those for the year ended December 31, 2016. The date of transition to IFRS is January 1, 2016.

IFRS 1 Exemption from Retrospective Application

Under IFRS, entities adopting IFRS for the first time must, in principle, apply the standards required under IFRS retrospectively. However, IFRS 1 - First-time Adoption of IFRS provides optional exemptions from retrospective application and mandatory exceptions prohibiting retrospective application of some requirements of IFRS. The Group mainly applies the following exemptions.

1) Exchange differences on foreign operations
Under IFRS 1, the exchange differences on all foreign operations may be deemed to be zero at the transitional date. The Group has elected to reset the exchange differences to zero at the transitional date.

2) Business combinations
Under IFRS 1, entities may elect to either retrospectively apply or prospectively apply IFRS 3 - Business Combinations (hereinafter, "IFRS 3"). The Group has elected not to retrospectively apply IFRS to past business combinations that occurred before the transition date.
The Group retrospectively applies IFRS to business combinations that occurred after the transition date and during the parallel disclosure period. Also, goodwill under IFRS is different from under Japanese GAAP, which is disclosed during the period. Goodwill is tested for impairment at the transition date.

3) Designation of financial instruments recognized before the transition date
Under IFRS 1, entities may elect to determine the classifications under IFRS 9 based not on facts and circumstances that exist at initial recognition but on facts and circumstances as of the transition date. Furthermore, entities may elect to designate equity instruments as a financial instrument measured at fair value through other comprehensive income, based on facts and circumstances that exist as of the transition date. The Group determines the classifications under IFRS 9 based on facts and circumstances that exist as of the transition date, and designates equity instruments, with few exceptions, as financial instruments measured at fair value through other comprehensive income.

The table below presents reconciliations requiring disclosure in first-time adoption of IFRS.
In the table, items that do not affect retained earnings and comprehensive income are included in the "Reclassification" column and items that affect retained earnings and comprehensive income are included in the "Effects of differences in recognition and measurement" column.

(1) Day of transition to IFRS (January 1, 2016) Adjustments to current equity

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	22,068	12,642	–	34,710		Cash and cash equivalents
Notes and accounts receivable	59,751	252	(213)	59,790		Trade receivables
Marketable securities	13,000	(13,000)	–	–		
Goods and products	5,579	22,842	338	28,760		Inventories
Products in progress	11,622	(11,622)	–	–		
Raw materials and stored goods	11,220	(11,220)	–	–		
Deferred tax assets	1,976	(1,976)	–	–		
Other current assets	3,598	(2,237)	1	1,361		Other receivables
	–	364	21	385		Other financial assets
	–	1,742	–	1,742		Other current assets
Allowance for doubtful accounts	(238)	238	–	–		
Total current assets	128,576	(1,976)	147	126,747		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	55,916	(3,240)	–	52,677		Property, plant and equipment
Goodwill	19,424	–	(4,326)	15,098	A	Goodwill
Other intangible fixed assets	4,234	(805)	–	3,429		Intangible assets
Investments in securities	23,058	(4,899)	36	18,195		Investments accounted for using the equity method
Assets concerning retirement benefits	205	(205)	–	–		
Deferred tax assets	466	676	–	1,142		Deferred tax assets
Investments in securities and other assets	1,586	4,303	1,186	7,075	C	Other financial assets
	–	1,523	–	1,523		Other non-current assets
	–	3,240	1,287	4,527	B	Investment property
Allowance for doubtful accounts	(83)	83	–	–		
Total fixed assets	104,805	676	(1,816)	103,665		Total non-current assets
Total assets	233,381	(1,300)	(1,670)	230,412		Total assets

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Liabilities						Liabilities and equities
						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	38,643	3,607	249	42,500		Operating payables
Short-term loans payable	5,257	10,077	–	15,334		Bonds and borrowings
Current portion of bonds	10,000	(10,000)	–	–		
Current portion of long-term loans payable	77	(77)	–	–		
Income taxes payable	1,057	–	–	1,057		Income taxes payable
Allowance for product warranty	612	5	–	617		Provisions
Provision for loss on orders received	5	(5)	–	–		
Current liabilities (Others)	17,350	(7,255)	(30)	10,064		Other payables
	–	3,554	24	3,579		Other current liabilities
Total current liabilities	73,001	(94)	243	73,151		Total current liabilities
Long-term liabilities						Non-current liabilities
Allowance for retirement bonus for directors	180	(180)	–	–		
Liabilities concerning retirement benefit	7,340	–	–	7,340		Liabilities concerning retirement benefit
Deferred tax liabilities	2,094	(1,206)	2,266	3,153	D	Deferred tax liabilities
Other long-term liabilities	1,842	180	–	2,022		Other non-current liabilities
Total long-term liabilities	11,456	(1,206)	2,266	12,516		Total non-current liabilities
Total liabilities	84,457	(1,300)	2,509	85,666		Total liabilities
Net assets						Equities
Capital stock	10,000	–	–	10,000		Capital stock
Capital surplus	14,237	379	–	14,616		Share premium
Earned surplus	107,487	–	5,919	113,406	G	Retained earnings
Treasury stock	(2,718)	–	–	(2,718)		Treasury shares
Accumulated other comprehensive income	13,063	–	(10,096)	2,966	E, F	Other components of equities
Subscription rights to shares	379	(379)	–	–		
	142,448	–	(4,177)	138,271		Total interests attributable to owners of the parent
Non-controlling interests	6,476	–	(2)	6,475		Non-controlling interests
Total net assets	148,924	–	(4,179)	144,745		Total equities
Total liabilities and net assets	233,381	(1,300)	(1,670)	230,412		Total liabilities and equities

(2) End of previous consolidated fiscal year (December 31, 2016) Adjustments to current capital

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	29,946	11,834	–	41,780		Cash and cash equivalents
Notes and accounts receivable	65,712	(134)	(10)	65,569		Trade receivables
Marketable securities	12,000	(12,000)	–	–		
Goods and products	6,368	26,251	85	32,704		Inventories
Products in progress	14,325	(14,325)	–	–		
Raw materials and stored goods	11,926	(11,926)	–	–		
Deferred tax assets	2,274	(2,274)	–	–		
Other current assets	3,759	(2,495)	–	1,264		Other receivables
	–	166	–	166		Other current financial assets
	–	2,309	–	2,309		Other current assets
Allowance for doubtful accounts	(319)	319	–	–		
Total current assets	145,991	(2,274)	75	143,792		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	67,823	(4,214)	(454)	63,155	A	Property, plant and equipment
Goodwill	17,031	–	(2,670)	14,361	A	Goodwill
Other intangible fixed assets	3,896	(652)	(573)	2,671	A	Intangible assets
Investments in securities	20,741	(20,741)	–	–		
Assets concerning retirement benefits	177	(177)	–	–		
	–	15,957	(5)	15,952		Investments accounted for using the equity method
Deferred tax assets	658	1,473	(530)	1,602		Deferred tax assets
Investments in securities and other assets	2,717	4,056	1,714	8,487	C	Other financial assets
	–	1,468	–	1,468		Other non-current assets
	–	4,214	1,272	5,486	B	Investment property
Allowance for doubtful accounts	(89)	89	–	–		
Total fixed assets	112,955	1,473	(1,247)	113,181		Total non-current assets
Total assets	258,947	(801)	(1,172)	256,973		Total assets

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Liabilities						Liabilities and equities
						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	16,926	31,067	86	48,078		Operating payables
Electronically recorded obligations-operating	25,635	(25,635)	–	–		
Short-term loans payable	5,648	146	–	5,794		Bonds and borrowings
Current portion of long-term loans payable	146	(146)	–	–		
Income taxes payable	5,408	–	–	5,408		Income taxes payable
Allowance for product warranty	696	27	–	723		Provisions
Provision for loss on orders received	27	(27)	–	–		
	–	4,380	42	4,423		Other current liabilities
Other current liabilities	20,316	(9,849)	(17)	10,450		Other payables
Total current liabilities	74,802	(38)	112	74,876		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	10,000	1,202	(46)	11,155		Bonds and borrowings
Long-term loans payable	1,202	(1,202)	–	–		
Allowance for retirement bonus for directors	289	(289)	–	–		
Liabilities concerning retirement benefit	9,343	–	–	9,343		Liabilities concerning retirement benefit
Deferred tax liabilities	2,901	(764)	1,380	3,518	D	Deferred tax liabilities
Other long-term liabilities	1,888	289	–	2,177		Other non-current liabilities
Total long-term liabilities	25,623	(764)	1,334	26,194		Total non-current liabilities
Total liabilities	100,425	(801)	1,446	101,070		Total liabilities
Net assets						Equities
Capital stock	10,000	–	–	10,000		Capital stock
Capital surplus	14,237	466	–	14,703		Share premium
Earned surplus	119,345	–	6,148	125,493	G	Retained earnings
Treasury stock	(2,649)	–	–	(2,649)		Treasury shares
Accumulated other comprehensive income	9,188	–	(8,806)	382	E, F	Other components of equities
Subscription rights to shares	466	(466)	–	–		
	150,588	–	(2,658)	147,929		Total interests attributable to owners of the parent
Non-controlling interests	7,933	–	41	7,974		Non-controlling interests
Total net assets	158,521	–	(2,617)	155,904		Total equities
Total liabilities and net assets	258,947	(801)	(1,172)	256,973		Total liabilities and equities

(3) Note on reconciliations of equity
The main items of reconciliations of equity are as below.

1) Reclassifications
Reclassifications are made to comply with the provisions of IFRS. The main reclassifications are as follows:

a. "Marketable securities" classified as current items under Japanese GAAP are included in "Cash and cash equivalents" in current assets under IFRS. Time deposits with deposit terms of more than three months in "Cash and time deposits" under Japanese GAAP are classified as "Other financial assets" in current assets under IFRS.
b. "Goods and products," "Products in progress" and "Raw materials and stored goods" classified as current items under Japanese GAAP are classified as "Inventories" in current assets under IFRS.
c. Property not being rented or not slated for other future usage in current composition in "Tangible fixed assets" under Japanese GAAP is classified as "Investment property" under IFRS.
d. Listed securities and non-listed securities in "Investments in securities" under Japanese GAAP are classified as "Other non-current financial assets," and other securities are classified as "Investments accounted for using the equity method."
e. "Deferred tax assets" and "Deferred tax liabilities" are classified as non-current items.

2) Recognition and measurement adjustment

A. Adjustment of impairment for non-financial assets

Under Japanese GAAP, goodwill is amortized on a straight-line basis over eight to 20 years. If there is any indication that the goodwill may be impaired, the Group compared the book value of the cash generating unit group including goodwill and undiscounted cash flow and recognized impairment loss by recoverable amount, discounted cash flow, when undiscounted cash flow is lower than book value.

Under IFRS, goodwill is not subject to amortization but is tested for impairment once a year notwithstanding any indication that goodwill may be impaired. The group compares the book value of the cash generating unit group including goodwill and recoverable amount, discounted cash flow, and recognize impairment loss by recoverable amount.

Based on the business plan on the transitional date for IFRS, testing for impairment on each cash generating unit group was conducted and recoverable amount, discounted cash flow, was recognized below the book value including goodwill. Recoverable amount impairment loss of JPY 4,326 million for Gilgen Door Systems AG (hereinafter "Gilgen") has been recognized. This impairment loss is recognized in the Accessibility Solutions segment.

Recoverable amount is measured based on use-value. Use-value is reflected in past experience and external information and discounted cash flow, which is based on the four-year business plan approved by management, by present value. The growth ratio after the final year of the business plan is zero. The discount ratio is calculated based on the weighted average cost of capital for Gilgen before tax. Use-value of Gilgen at impairment loss recognition is JPY 21,032 million (discount ratio before tax: 6.9%).

The cash generating unit group is tested for impairment based on the business plan at the end of fiscal year ended December 31, 2016. Impairment loss of JPY 1,027 million (tangible fixed assets: JPY 454 million, intangible assets: JPY 573 million) for NABCO Entrances Inc. has been recognized due to the decrease of future profit dragging the recoverable amount, discounted cash flow, down to book value. This impairment loss is recognized in the Accessibility Solutions segment. Recoverable amount is measured based on use-value (discount ratio before tax: 19.0%).

B. Adjustment of investment property
Investment property increased by JPY 1,287 million on the IFRS transition date and by JPY 1,272 million at the end of the fiscal year ended December 31, 2016 due to the cancellation of the reduction process under IFRS, which is directly reduced based on the reduction entry method under Japanese GAAP.

C. Adjustment of other financial assets (fixed)
Non-listed securities increased by JPY 1,186 million on the IFRS transition date and by JPY 1,714 million at the end of the fiscal year ended December 31, 2016.

D. Adjustment of deferred tax liability
Tax is estimated when the entity receives future dividends of retained earnings of an affiliate based on its share ratio. Deferred tax liability increased by JPY 2,266 million on the IFRS transition date and by JPY 1,380 million at the end of the fiscal year ended December 31, 2016.

E. Adjustment of retirement benefits
Under Japanese GAAP, actuarial gains and losses relating to retirement benefits were recognized in other comprehensive income as incurred, and amortized over a certain number of years for recognition in profit or loss. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings. Reclassified from other equity component to retained earnings: JPY 698 million on the IFRS transition date and JPY 1,322 million at the end of the fiscal year ended December 31, 2016.

F. Exchange differences on foreign operations
Under IFRS 1, the Nabtesco Group applies the rule that says cumulative exchange differences on all foreign operations may be deemed to be zero at the transition date. JPY 11,598 million was reclassified from other equity component to retained earnings.

G. Adjustment of retained earnings
The main breakdown is as below. (All items except for D. take into consideration tax effect and non-controlling interests.)

(Million yen)

Adjustment	Transition date (January 1, 2016)	FY 2016 (December 31, 2016)
A. Impairment for non-financial asset	(4,326)	(3,672)
B. Investment property	872	883
D. Deferred tax liability	(1,672)	(1,220)
E. Retirement benefits	(698)	(1,322)
F. Exchange differences on foreign operations	11,598	11,598
Others	146	(119)
Total	5,919	6,148

(4) End of previous consolidated fiscal year (from January 1, 2016 to December 31, 2016) Adjustments to net income and comprehensive income

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Net sales	244,619	–	349	244,968	A	Net sales
Cost of sales	(175,380)	–	(128)	(175,508)	A	Cost of sales
Gross profit	69,239	–	220	69,460		Gross profit
	–	2,511	(16)	2,495		Other profit
Selling, general and administrative expenses	(45,767)	–	1,473	(44,294)	B	Selling, general and administrative expenses
	–	(751)	(928)	(1,679)	C	Other expenses
Operating income	23,472	1,760	750	25,982		Operating income
Non-operating income	1,927	(1,927)	–	–		
Non-operating expenses	(667)	667	–	–		
Extraordinary gains	1,890	(1,883)	(6)	–		
Extraordinary losses	(499)	497	2	–		
	–	188	0	188		Financial income
	–	(413)	(12)	(425)		Financial costs
	–	1,111	(77)	1,034		Equity in earnings of affiliates
Income before income taxes and adjustments	26,122	–	657	26,779		Income before income taxes and adjustments
Corporate, resident and business taxes	(8,220)	–	377	(7,843)		Expenses of income tax
Net income	17,902	–	1,034	18,936		Income
Income attributable to non-controlling interests	(317)	–	(13)	(330)		Income attributable to non-controlling owners
Net income attributable to owners of the parent	17,585	–	1,021	18,606		Income attributable to owners of the parent

(Million yen)

Subjects of Japanese GAAP	Japanese GAAP	Reclassification	Effects of differences in recognition and measurement	IFRS	Note	Subjects of IFRS
Net income	17,902	–	1,034	18,936		Income
Other comprehensive income						Other comprehensive income
Adjustments concerning retirement benefits	(641)	–	(210)	(850)		Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	(137)	–	392	255		Net changes in financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(3,579)	(109)	306	(3,382)		Exchange differences on foreign operations
Deferred gains or losses on hedges	(3)	–	3	–		
Share of income for equity method associates	(111)	109	36	34		Share of other comprehensive income for equity method affiliates
Total other comprehensive income	(4,471)	–	528	(3,944)		Total other comprehensive income after tax
Total comprehensive income	13,431	–	1,562	14,993		Total comprehensive income

(5) Notes on reconciliation of profit or loss and comprehensive income

The main items of reconciliation of profit or loss and comprehensive income are as below.

1) Reclassifications

Reclassifications are made to comply with the provisions of IFRS. The main reclassifications are as follows.

Finance-related items in “non-operating income,” “non-operating expenses,” “extraordinary gains” and “extraordinary losses” under Japanese GAAP are classified in “financial income” or “financial costs” and other items not related to finance are classified in “other income” or “other expenses” under IFRS. “Equity in earnings of affiliates” classified as “non-operating income” under Japanese GAAP are included in “equity in earnings of affiliates” under IFRS.

2) Recognition and measurement adjustment

A. Sales and cost of sales

Profit was recognized as shipping basis for a part of sales activities under Japanese GAAP, it was changed to as delivered basis under IFRS, and sales and cost of sales are adjusted under IFRS.

B. Goodwill

Under Japanese GAAP, goodwill is amortized on a straight-line basis over eight to 20 years. Under IFRS, goodwill is not subjected to amortization and is adjusted by JPY 1,424 million at the end of the consolidated fiscal year ended December 31, 2016.

C. Impairment loss

Under Japanese GAAP, if there is any indication that the fixed asset may be impaired, the entity compares the book value of the fixed asset and undiscounted future cash flow, then recognizes impairment loss for the fixed asset in an amount exceeding the recoverable amount if the book value exceeds the undiscounted future cash flow.

Under IFRS, if there is any indication that the fixed asset may be impaired, any excess of the fixed asset compared to the recoverable amount is recognized as impairment loss. As a result, the other expense increases JPY 974 million. Please refer to “(3) Note on reconciliations of equity, 2) Recognition and measurement adjustment, A. Adjustment of impairment for non-financial assets.”

(6) Adjustments to consolidated statements of cash flows

There are no material differences between the consolidated statements of cash flows based on IFRS and the consolidated statements of cash flows based on Japanese GAAP.

5. Other Information

(1) Output and Order Backlog by Business Segment

1) Output

Reportable Segments	FY 2016 (From January 1, 2016 to December 31, 2016)		FY 2017 (From January 1, 2017 to December 31, 2017)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Component Solutions	93,424	38.1	113,191	40.1
Transport Solutions	71,359	29.1	79,562	28.2
Accessibility Solutions	63,408	25.8	72,465	25.7
Others	17,253	7.0	16,800	6.0
Total	245,443	100.0	282,019	100.0

2) Order Backlog

Reportable Segments	FY 2016 (December 31, 2016)		FY 2017 (December 31, 2017)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Component Solutions	22,994	22.1	28,581	23.9
Transport Solutions	50,068	48.1	51,083	42.8
Accessibility Solutions	24,788	23.8	31,808	26.7
Others	6,302	6.0	7,875	6.6
Total	104,151	100.0	119,347	100.0

(2) Status of Capital Expenditure, Financial Account Balance and Employees

(Million yen)

	FY 2016 (From January 1, 2016 to December 31, 2016)		FY 2017 (From January 1, 2017 to December 31, 2017)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Capital expenditure	14,531	9,878	15,522	10,428
[Tangible fixed assets included in the above amount]	[13,610]	[9,237]	[11,710]	[9,830]
2. Depreciation and amortization	7,422	4,671	8,974	5,594
[Tangible fixed assets included in the above amount]	[6,138]	[3,749]	[7,526]	[4,476]
3. R&D expense	7,352	5,296	8,731	5,389
4. Corporate bonds and loans payable	16,949	13,400	27,721	21,350
5. Financial account balance	(237)	3,132	523	3,814
[Dividend income included in the above amount]	[68]	[3,202]	[71]	[3,801]
6. Number of employees at end of the term	7,162	2,222	7,591	2,256