This document is a translation of the Japanese financial statements and is not in conformity with the accounting principles of the United States.

Summary of Consolidated Financial Statements for the Fiscal Year ended March 31, 2015 (Japanese GAAP)

May 8, 2015

Name of Listed Company: Nabtesco Corporation
Stock listed on: the First Section of the Tokyo Stock Exchange
Code Number: 6268
URL: http://www.nabtesco.com
Representative: Title: President and CEO
Name: Kazuaki Kotani
Inquiries: Title: General Manager, General Administration Div.
Name: Toshihiro Matsumoto TEL: +81-3-5213-1133
Scheduled Date of Annual Shareholders Meeting: June 23, 2015
Scheduled Date of Dividend Payment: June 24, 2015
Scheduled Date of Issue of Financial Report: June 24, 2015
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 Operating Results for FY 2014 (From April 1, 2014 to March 31, 2015)

(1) 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 2014	219,657	8.6	23,615	17.5	27,193	12.2	17,746	18.5
FY 2013	202,292	12.7	20,092	33.8	24,227	35.4	14,978	12.9

Note: Comprehensive income:
FY 2014: ¥24,241 million [(5.3%)] FY 2013: ¥25,603 million [37.2%]

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2014	140.24	139.99	12.6	11.3	10.8
FY 2013	117.95	117.78	12.2	11.1	9.9

Reference: Investment profit/loss on equity method:
FY 2014: ¥2,116 million FY 2013: ¥3,225 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2014 (as of March 31, 2015)	245,992	158,664	60.9	1,184.17
FY 2013 (as of March 31, 2014)	233,984	139,471	56.0	1,035.68

Reference: Shareholders' equity:
As of March 31, 2015: ¥149,862 million As of March 31, 2014: ¥131,043 million

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at fiscal year-end
	Million yen	Million yen	Million yen	Million yen
FY 2014	19,949	(7,880)	(15,888)	50,455
FY 2013	27,597	(8,064)	(8,175)	53,052

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
(Base date: as of end of the period)	First Quarter	Second Quarter	Third Quarter	Year End	Full Year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2013	–	18.00	–	20.00	38.00	4,851	32.2	3.9
FY 2014	–	20.00	–	24.00	44.00	5,597	31.4	4.0
FY ending December 31, 2015 (Forecast)	–	22.00	–	22.00	44.00		41.6	

3. Forecast of Consolidated Operating Results for FY 2015 (From April 1, 2015 to December 31, 2015)

(Percentages indicate the year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending September 2015	135,000	–	10,100	–	11,100	–	7,600	–	60.05
FY 2015	200,000	–	17,900	–	19,700	–	13,400	–	105.88

The Company will change the closing date from March 31 to December 31 effective from the next fiscal year. Accordingly, the consolidated fiscal year ending December 2015 is a transitional period, in which the forecast for the consolidated operating results covers nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, in contrast to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December. With respect to the 1st half period of the consolidated fiscal year, the consolidated forecast covers a six-month period (April 1, 2015 to September 30, 2015) for companies that close their accounts in March, and a nine-month period (January 1, 2015 to September 30, 2015) for companies that close their accounts in December.

* 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, accounting estimates and restatement of corrections

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
2) Other changes in accounting policies : Yes
3) Changes in accounting estimates : Yes
4) Restatement of corrections : None

Note: For further information, please refer to "(5) Notes to Consolidated Financial Statements (Change in Accounting Policies)" on page 22 of the attached document.

(3) Shares outstanding (Common shares)

1) Number of shares outstanding (including treasury stock) as of the end of the term
As of March 31, 2015: 128,265,799 shares As of March 31, 2014: 128,265,799 shares
2) Amount of treasury stock
As of March 31, 2015: 1,710,998 shares As of March 31, 2014: 1,736,737 shares
3) Average number of shares during the term
FY 2014: 126,541,932 shares FY 2013: 126,983,173 shares

[Reference] Overview of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for FY 2014 (From April 1, 2014 to March 31, 2015)

(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 2014	141,158	9.9	18,061	25.7	23,656	28.8	16,970	46.0
FY 2013	128,399	10.8	14,369	44.3	18,360	54.7	11,624	39.4

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2014	133.41	133.18
FY 2013	91.07	90.94

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2014 (as of March 31, 2015)	174,106	104,468	59.8	818.12
FY 2013 (as of March 31, 2014)	168,617	90,192	53.3	706.71

Reference: Shareholders' equity:
As of March 31, 2015: ¥104,077 million As of March 31, 2014: ¥89,886 million

2. Forecast of Non-Consolidated Operating Results for FY 2015 (From April 1, 2015 to December 31, 2015)

(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 September 2015	73,000	–	10,600	–	8,300	–	65.24
Fiscal year ending December 2015	111,000	–	16,300	–	12,700	–	99.83

* Current Status of Audit Procedures

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

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

・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. Analysis of Consolidated Operating Results and Financial Position (1) Analysis of Consolidated Operating Results (Projection for the consolidated fiscal year ending December 31, 2015)” on page 4 of the attached document.

・The Company will hold a financial results presentation meeting on May 13, 2015 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.

Table of Contents of the Attached Documents

1. Analysis of Consolidated Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

(Consolidated Operating Results for FY 2014)

During consolidated FY 2014 the global economy witnessed a moderate recovery trend overall on the back of the gradual turnaround of the European economy as well as relatively strong U.S. economy which was boosted by robust employment conditions and consumer spending. This was despite some signs of weakness in emerging markets as observed in the disparity in strength by market in China whose economy continued to decelerate and the stagnant economies in Southeast Asian countries.

In the Japanese economy, a trend of recovery continued with an increase in capital expenditure as corporate earnings expanded thanks to the effects of the economic policy of the government, the financial policy of the Bank of Japan, and an improvement in the export environment due to the depreciation of the yen.

Under these circumstances, the consolidated operating results of the Group for the period under review recorded not only year-on-year growth in net sales in the precision reduction gears, railroad vehicle equipment, marine vessel equipment, and packaging machine businesses, but also a favorable foreign exchange effect in the automatic doors and aircraft equipment businesses. Sales in the hydraulic equipment business, however, decreased and the commercial vehicle equipment businesses remained flat on a year-on-year basis. As a result, operating income, ordinary income, and net income also increased.

1) Amount of orders received, net sales, and operating income

For the consolidated fiscal year under review, orders received increased by ¥17,894 million (up 8.4% year-on-year) to ¥231,575 million. Net sales grew by ¥17,365 million (up 8.6%) to ¥219,657 million, and operating income rose by ¥3,522 million (up 17.5%) to ¥23,615 million. At the same time, the operating margin edged up 0.9 percentage points to 10.8%. Operating results by business segment were as follows:

Operating results by business segment

[Amount of orders received]

(Million yen)

	Previous fiscal year (ended March 2014) (Consolidated basis)	Current fiscal year (ended March 2015) (Consolidated basis)	Change (%)
Precision equipment	44,469	54,960	23.6
Transport equipment	57,031	64,749	13.5
Aircraft and hydraulic equipment	53,026	51,327	(3.2)
Industrial equipment	59,154	60,537	2.3
Total	213,681	231,575	8.4

Note: As the balance sheet date of overseas consolidated subsidiaries is December 31, there has been a cut-off error for three months.

[Net sales]

(Million yen)

	Previous fiscal year (ended March 2014) (Consolidated basis)	Current fiscal year (ended March 2015) (Consolidated basis)	Change (%)
Precision equipment	42,853	51,547	20.3
Transport equipment	52,641	61,388	16.6
Aircraft and hydraulic equipment	52,533	47,857	(8.9)
Industrial equipment	54,264	58,863	8.5
Total	202,292	219,657	8.6

Note: As the balance sheet date of overseas consolidated subsidiaries is December 31, there has been a cut-off error for three months.

[Operating income]

(Million yen)

	Previous fiscal year (ended March 2014) (Consolidated basis)	Current fiscal year (ended March 2015) (Consolidated basis)	Change (%)
Precision equipment	6,359	8,356	31.4
Transport equipment	6,344	11,355	79.0
Aircraft and hydraulic equipment	3,862	995	(74.2)
Industrial equipment	3,526	2,908	(17.5)
Total	20,092	23,615	17.5

Note: As the balance sheet date of overseas consolidated subsidiaries is December 31, there has been a cut-off error for three months.

[Precision Equipment]
The amount of orders received for precision equipment increased by 23.6% year-on-year to ¥54,960 million. Net sales rose by 20.3% to ¥51,547 million, and operating income grew by 31.4% to ¥8,356 million.

Sales of precision reduction gears increased reflecting a growth in demand for manufacturers of industrial robots, machine tools and other factory automation.

[Transport Equipment]
The amount of orders received for transport equipment saw a year-on-year growth of 13.5% to ¥64,749 million. Net sales advanced 16.6% to ¥61,388 million, and operating income soared by 79.0%, to ¥11,355 million.

In the railroad vehicle equipment business, sales rose owing to a growth in sales for overseas and demand for repair parts. In the commercial vehicle equipment business, sales remained flat, reflecting strong demand in Japan despite a decrease in overseas demand for trucks. Similarly, in the marine vessel equipment business, sales increased on the back of the large volume of orders received for new vessels at home and abroad.

[Aircraft and Hydraulic Equipment]
The amount of orders received for aircraft and hydraulic equipment decreased by 3.2% year-on-year to ¥51,327 million. Reflecting this, sales fell by 8.9% to ¥47,857 million, and operating income shrank by 74.2% to ¥995 million.

In the aircraft equipment business, sales advanced due to the expansion of demand for aircraft in the private sector and benefits from foreign exchange translation effects. In the hydraulic equipment business, sales dropped, due to a decline in demand for construction machinery in China.

[Industrial Equipment]
The amount of orders received for industrial equipment increased by 2.3% year-on-year to ¥60,537 million. Sales rose by 8.5% to ¥58,863 million while operating income fell by17.5% to ¥2,908 million.

In the automatic door business, sales were boosted as a result of continued strong demand in the Japanese and overseas markets as well as foreign exchange translation effects. In the automatic packaging machinery business, sales rose owing to robust sales at home and abroad.

Reference: Information by region

[Net sales]

(Million yen)

	Previous fiscal year (ended March 2014) (Consolidated basis)	Current fiscal year (ended March 2015) (Consolidated basis)	Change (%)
Japan	114,527	121,915	6.5
Asia	41,291	43,094	4.4
North America	15,560	18,888	21.4
Europe	30,364	35,058	15.5
Other areas	549	700	27.4
Total	202,292	219,657	8.6

Notes: 1. Net sales are classified by country or region based on the location of the buyer.
2. The growth in sales to Asia consists mainly of the increases in precision reduction gears, railroad vehicle equipment and marine vessels equipment.
3. The increase in net sales for North America largely reflects the growth of precision reduction gears, aircraft equipment, and automatic doors.
4. The increase in net sales in Europe is mainly attributable to a rise in sales of precision reduction gears and automatic doors.

2) Ordinary income

Ordinary income for the consolidated fiscal year under review grew by ¥2,966 million (up 12.2%) on a year-on-year basis to ¥27,193 million.

The main growth factor was the increase in operating income, as mentioned earlier. At the same time, non-operating income fell by ¥679 million to ¥3,963 million, reflecting a decrease in investment gains from equity-method affiliates, and non-operating expenses stood at ¥385 million, a decrease of ¥123 million from the previous fiscal year, due to a decline in interest expenses, etc.

3) Net income

Net income for the consolidated fiscal year under review increased by ¥2,768 million (up 18.5%) year-on-year to ¥17,746 million.

Extraordinary gains shrank by ¥318 million year-on-year to ¥24 million, primarily attributable to a decrease in gains on sales of fixed assets. At the same time, extraordinary losses decreased by ¥856 million to ¥191 million, mainly reflecting an absence of loss on revisions to the retirement benefit plan during the fiscal year under review.

Extrapolating from these factors, income before income taxes and adjustments increased by ¥3,504 million year-on-year to ¥27,026 million. Corporate taxes grew by ¥1,114 million from the same period a year earlier to ¥9,254 million, and minority interests in income came to ¥25 million, a year-on-year decrease of ¥378 million.

(Projection for the consolidated fiscal year ending December 31, 2015)

The global economy, as a whole, is expected to continue to show moderate upward trends amid situations about which is difficult to be optimistic as observed in the continuing slower growth of the Chinese economy, and the Chinese government's announcement to focus on the quality of the economy while switching to "the new normal" that tolerates the deceleration of growth. In addition, the recurrence of the Greek debt crisis in Europe and the impact on the economy of the emerging markets of the interest-rate hike in the United States, which is expected to be implemented in the second half of this year, could be other negative factors.

The Group expects an increase in net sales mainly in the hydraulic equipment business as a result of the acquisition of Hyest Corporation Co., Ltd., and expansions of demand for precision reduction gears for industrial robots, as well as demand for equipment for railroad vehicles for Chinese high-speed railways.

The Company will change its accounts closing date from March 31 to December 31 effective from the next fiscal year. Accordingly, the consolidated fiscal year ending December 2015 is a transitional period, in which the forecast for the consolidated operating results covers nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, in contrast to 12 months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December. With respect to the 1st half period of the consolidated fiscal year, the consolidated forecast covers a six-month period (April 1, 2015 to September 30, 2015) for companies that close their accounts in March, and a nine-month period (January 1, 2015 to September 30, 2015) for companies that close their accounts in December.

In summary, the Company forecasts net sales and operating income will reach ¥200,000 million and ¥17,900 million, respectively, for the next consolidated fiscal year.

Forecasts for operating results by business segment are as follows:

Forecasts for the fiscal year ending December 2015 by business segment

[Net sales]

(Million yen)

Reportable segment	Actual result for the current fiscal year (ended March 2015)	Forecast for the next fiscal year (ending December 2015)	Change (%)
Precision equipment	51,547	46,300	–
Transport equipment	61,388	51,700	–
Aircraft and hydraulic equipment	47,857	45,700	–
Industrial equipment	58,863	56,300	–
Total	219,657	200,000	–

Note: Rates of change are omitted due to fiscal year ending December 2015 being a transitional period following the change in the accounting period.

Reportable segment	Forecast for the first six-month period of the next fiscal year (April 1, 2015 to September 30, 2015)		Forecast for the next fiscal year (April 1, 2015 to December 31, 2015)	
	Amount (Million yen)	Composition ratio (%)	Amount (Million yen)	Composition ratio (%)
Precision equipment	31,800	23.6	46,300	23.1
Transport equipment	34,000	25.2	51,700	25.9
Aircraft and hydraulic equipment	31,200	23.1	45,700	22.9
Industrial equipment	38,000	28.1	56,300	28.1
Total	135,000	100.0	200,000	100.0

[Operating income]

(Million yen)

Reportable segment	Actual result for the current fiscal year (ended March 2015)	Forecast for the next fiscal year (ending December 2015)	Change (%)
Precision equipment	8,356	6,500	–
Transport equipment	11,355	9,200	–
Aircraft and hydraulic equipment	995	0	–
Industrial equipment	2,908	2,200	–
Total	23,615	17,900	–

Note: Rates of change are omitted due to fiscal year ending December 2015 being a transitional period following the change in the accounting period.

Reportable segment	Forecast for the first six-month period of the next fiscal year (April 1, 2015 to September 30, 2015)		Forecast for the next fiscal year (April 1, 2015 to December 31, 2015)	
	Amount (Million yen)	Composition ratio (%)	Amount (Million yen)	Composition ratio (%)
Precision equipment	4,300	13.5	6,500	14.0
Transport equipment	5,500	16.2	9,200	17.8
Aircraft and hydraulic equipment	(300)	(1.0)	0	0.0
Industrial equipment	600	1.6	2,200	3.9
Total	10,100	7.5	17,900	9.0

(2) Analysis of Financial Position

(Million yen)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total assets	180,729	208,092	203,056	233,984	245,992
Liabilities	84,197	100,625	82,198	94,513	87,327
Net assets	96,531	107,466	120,857	139,471	158,664
Cash flow from operating activities	27,997	15,104	12,952	27,597	19,949
Cash flow from investing activities	(4,419)	(27,464)	(13,693)	(8,064)	(7,880)
Free cash flow	23,577	(12,359)	(741)	19,533	12,068
Cash flow from financing activities	(1,849)	6,035	(10,090)	(8,175)	(15,888)
ROA (%)	8.1	7.6	6.5	6.9	7.4
ROE (%)	15.8	15.6	12.5	12.2	12.6

Note: ROA (Return on Assets): Net income/Average total assets from the beginning of the period to the end of the period
ROE (Return on Equity): Net income/Average shareholder equity from the beginning of the period to the end of the period
* Each of the above indicators has been calculated based on the financial values on a consolidated basis.

1) Status of assets, liabilities and net assets

(Assets)
Total assets as of March 31, 2015, were ¥245,992 million, an increase of ¥12,007 million from March 31, 2014, consisting of ¥139,321 million in current assets and ¥106,670 million in fixed assets. Key contributing positive factors included increases of ¥8,431 million in cash and time deposits, ¥4,275 million in notes and accounts receivable, ¥4,246 million in investment securities, and ¥2,931 million in inventory assets. Meanwhile, the key contributing negative factor was a decrease of ¥10,999 million in marketable securities.

(Liabilities)
Total liabilities as of March 31, 2015, were ¥87,327 million, a decrease of ¥7,185 million from March 31, 2014, consisting of ¥64,830 million in current liabilities, and ¥22,497 million in long-term liabilities. The increase was mainly attributable to increases of ¥2,342 million in trade notes and accounts payable, and ¥1,988 million in deferred tax liabilities. On the other hand, key contributing positive factors included decreases of ¥10,034 million in the current portion of long-term loans payable, and ¥1,196 million in income taxes payable.

(Net assets)
Total net assets as of March 31, 2015, stood at ¥158,664 million, including shareholders' equity of ¥149,862 million, an increase of ¥18,818 million from March 31, 2014. The increase was mainly attributable to a rise in earned surplus arising from net income of ¥17,746 million, ¥3,656 million in translation adjustments due to changes in foreign exchange at overseas subsidiaries, and ¥1,663 million in net unrealized gains on securities. Primary negative contributing factors included a ¥5,088 million decrease in earned surplus due to dividend payments.

2) Status of cash flows

Cash and cash equivalents (hereinafter, "funds") as of March 31, 2015, were ¥50,455 million, a decrease of ¥2,597 million from a year earlier, as a result of having applied ¥19,949 million generated from operating activities, mainly to the repayment of long-term loans payable, capital expenditure, and dividend payments, etc.

(Cash flow from operating activities)
Net cash generated from operating activities for the current consolidated fiscal year totaled ¥19,949 million. Principal positive factors included increases in income before income taxes. The main negative factor was the increase in income taxes paid.

(Cash flow from investing activities)
Net cash used in investing activities for the current consolidated year amounted to ¥7,880 million, mainly due to the acquisition of tangible fixed assets.

(Cash flow from financing activities)
Net cash used in financing activities for the current consolidated fiscal year stood at ¥15,888 million, mainly reflecting the negative factors of repayment of long-term loans payable and dividend payments.

Cash flow indicators on a consolidated basis were as follows.

Reference: Cash flow indicators

	FY 2010 (From April 1, 2010 to March 31, 2011)	FY 2011 (From April 1, 2011 to March 31, 2012)	FY 2012 (From April 1, 2012 to March 31, 2013)	FY 2013 (From April 1, 2013 to March 31, 2014)	FY 2014 (From April 1, 2014 to March 31, 2015)
Shareholders' equity ratio (%)	49.9	47.6	56.2	56.0	60.9
Shareholders' equity ratio on a market value basis (%)	146.3	103.1	121.4	128.4	179.0
Ratio of interest-bearing debt to cash flow (%)	0.7	2.1	2.0	0.9	0.8
Interest coverage ratio (times)	372.3	81.1	53.3	116.0	96.4

Notes: Shareholders' equity ratio: capital/total assets
Shareholders' equity ratio on market value basis: total market value of shares/total assets
Ratio of interest-bearing debt to cash flow: interest-bearing debt/cash flow
Interest coverage ratio: cash flow/interest payments

* All indicators are calculated using consolidated financial figures.
* Total market value of shares is calculated using multiplying the closing market prices at term-end by the number of outstanding shares (excluding treasury stock) at term-end.
* Cash flow utilizes the cash flow from operating activities posted in the consolidated cash flow statement.
Interest-bearing debt covers all debts in the consolidated balance sheet on which interest is being paid.
The amount of interest paid listed in the consolidated cash flow statement is used for interest payments.

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

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

As for cash dividends for the current fiscal year, the total annual amount will be ¥44 per share, bringing the pay-out ratio on a consolidated basis to 31.4%. As the interim dividend of ¥20 per share was already paid, the term-end cash dividend will be ¥24 per share. In the new Medium-Term Management Plan, "Think Global! Act Local! For the Second Decade," which commenced in April 2014, the Group has set a new dividend policy that the target pay-out ratio shall be 30% or higher on a consolidated basis and that dividends will not be cut unless the pay-out ratio exceeds 40% on a consolidated basis. Based on the above, the annual cash dividend for the next fiscal year will be ¥44 per share (interim dividend of ¥22 plus term-end dividend of ¥22 per share), the same amount paid for the current fiscal year, although the accounting period will be shortened due to the change in the closing date. The Company will continue to pay cash dividends twice yearly, of which the base dates will be September 30 and December 31 of each year.

(4) Operational Risk

Principal risks relevant to the business activities of the Group and deemed significant are as follows. Note that the risks regarding future contents included in the matters described below were based on the judgment of the Company as of the end of the current consolidated fiscal year.

1) Risks relevant to the economy and markets

The Group's businesses are directly or indirectly related to a number of industries, including automobile, construction machinery, railroad, construction, and industrial machinery, in Japan and overseas. Market fluctuations and trends in capital expenditure in these industries may affect the operating results and financial position of the Group.

2) Risks relevant to overseas operations

In pursuit of further growth and profitability, the Group actively conducts business mainly in Asia, North America, and Europe. Therefore, the Group is subject not only to economic and market risks but also to political turmoil and unforeseeable amendments to laws and regulations in various countries, which may affect the markets for particular products. Such events are likely to impact the operating results of the Group.

3) Risks relevant to large-scale disasters

With the aim of minimizing damage and losses arising from disasters such as typhoons, earthquakes, floods, and pandemics, the Group has implemented the formulation of a business continuity plan along with the establishment of an emergency contact system, and has also been conducting training drills. However, the business activities of the Group that center on production may be affected by the occurrence of disasters causing human casualties and physical damage, stagnation in procurement of materials, and disruption of distribution networks. Furthermore, there is no guarantee that any loss from disasters will be fully covered through property and/or other insurance.

4) Risks relevant to exchange rate fluctuations

The Group's overseas sales have been increasing every year. The Group also relies on imports of raw materials from overseas and, though it hedges its risks in foreign currency-denominated transactions through forward-exchange contracts, the Group's performance is nonetheless affected by exchange rate fluctuations. The performance of overseas subsidiaries is also impacted by exchange rate fluctuations when converting to Japanese yen.

5) Risks relevant to procurement

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

6) Risks relevant to product quality

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

7) Risks relevant to competition

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

8) Risks relevant to information security

The Group obtains personal information and confidential information of its customers and trading partners through business activities, and holds confidential information of its business and technologies. The Group implements the enhancement of control systems and employee education for the management of such information, and takes appropriate security measures, including both the hardware and software of information systems. However, in the event of a leakage of information, or destruction or falsification of important data, or system halt due to the unexpected levels of cyber attacks, unauthorized access, or intrusion of computer viruses, etc., the Group's credibility could suffer or its business performance and financial position could be adversely impacted.

9) Risks relevant to intellectual property

The Group protects internally developed technologies under intellectual property rights, including patents, and holds such intellectual property rights under strict management, while paying close attention not to infringe the intellectual property rights of third parties. If, however, a third party infringes the intellectual property rights of the Group, or the Group faces any infringement alleged by a third party, the Group's business performance and financial position could be adversely affected.

10) Risks relevant to laws, ordinances and regulations

The Group operates its businesses globally, and is subject to the laws and regulations of the relevant countries and regions. In addition to thorough compliance with laws and regulations relating to its businesses, the Company has established a Code of Corporate Ethics of an even higher standard to reinforce its compliance system. Despite these intense efforts, however, it is impossible to completely eliminate risks concerning compliance, including individual illegal acts. In case of a material violation against laws and regulations, the Group's business performance and financial position could be adversely affected.

11) Risks relevant to environment

Recognizing the impacts of business activities on the global environment, the Group exerts efforts to improve energy efficiency, save resources, reduce hazardous substances and raise recycling efficiency in planning, developing, and designing its products. Furthermore, in manufacturing, selling, and distributing products, and providing services, the Group strives to cut down environmental burdens by positively introducing and applying advanced environmental technologies in pursuit of the reduction of CO_2 emissions, effective use of resources, and challenges to zero emission. However, in the case of environmental pollution caused by the Group's business activities, the Group's business performance and financial position could be adversely affected due to decontamination costs and compensation for damage, etc. and the loss of credibility.

2. Status of the Nabtesco Group

The Nabtesco Group consists of the Company, 48 subsidiaries and 10 affiliates. Each company under the respective segment by business category is listed below.

(1) Relationship of the Company, Subsidiaries and Affiliates with the Respective Segments by Business Category

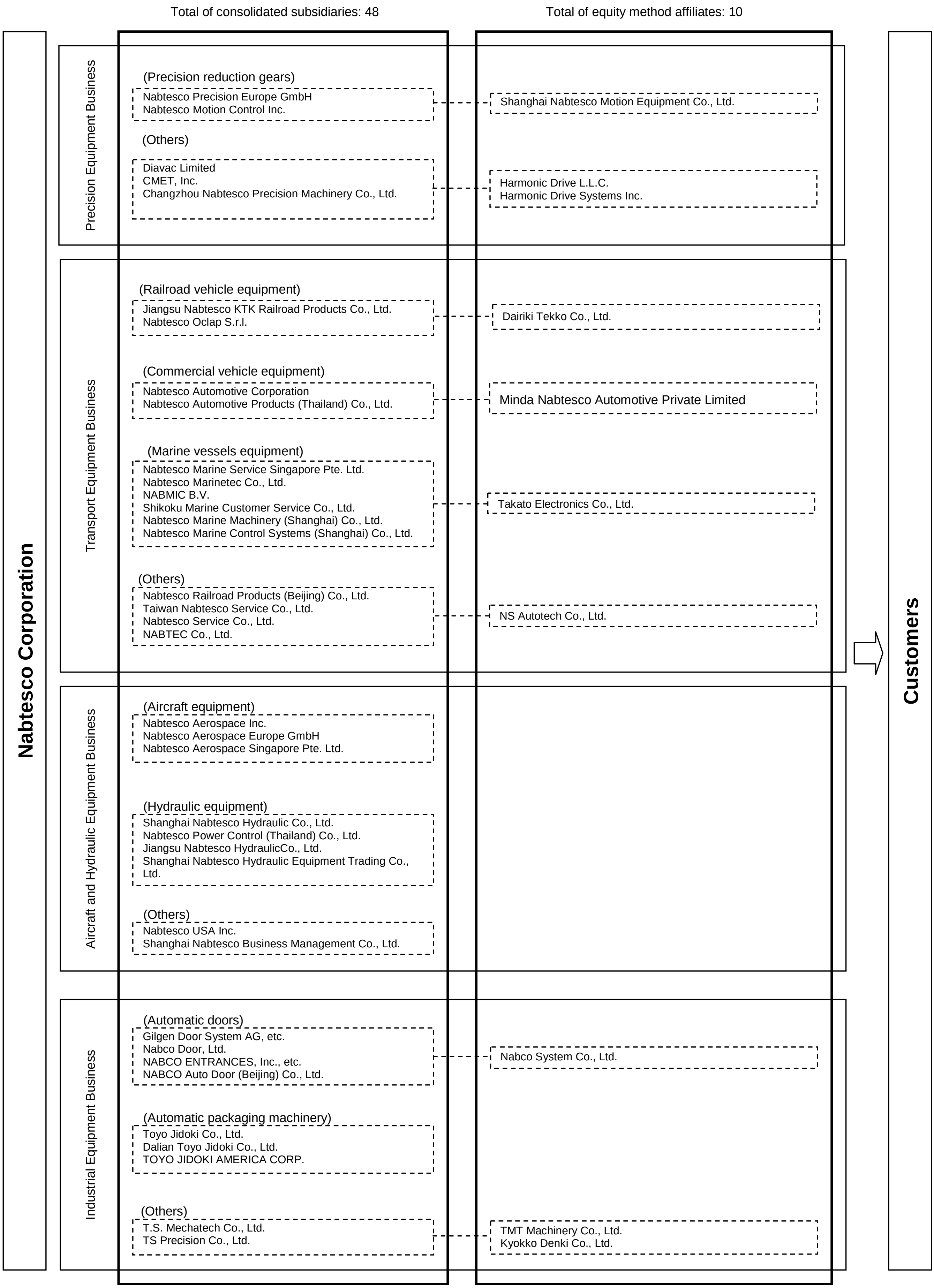
As of March 31, 2015

Segment by business category	Japan		Overseas	
Precision Equipment Business	Nabtesco Corporation		Nabtesco Precision Europe GmbH	*1
	Diavac Limited	*1	Nabtesco Motion Control Inc.	*1
	CMET, Inc.	*1	Shanghai Nabtesco Motion Equipment Co., Ltd.	*2
	Harmonic Drive Systems Inc.	*2, 3	Harmonic Drive L.L.C.	*2
			Changzhou Nabtesco Precision Machinery Co., Ltd.	*1
Transport Equipment Business	Nabtesco Corporation		NABMIC B.V.	*1
	Nabtesco Automotive Corporation	*1	Nabtesco Marine Service Singapore Pte Ltd	*1
	Nabtesco Service Co., Ltd.	*1	Nabtesco Marinetec Co., Ltd.	*1
	Shikoku Marine Customer Service Co., Ltd.	*1	Nabtesco Automotive Products (Thailand) Co., Ltd.	*1
	NABTEC Co., Ltd.	*1	Nabtesco Railroad Products (Beijing) Co., Ltd.	*1
	Dairiki Tekko Co., Ltd.	*2	Nabtesco Marine Control Systems (Shanghai) Co., Ltd.	*1
	Takato Electronics Co., Ltd.	*2	Taiwan Nabtesco Service Co., Ltd.	*1
			NS Autotech Co., Ltd.	*2
			Jiangsu Nabtesco KTK Railroad Products Co., Ltd.	*1
			Minda Nabtesco Automotive Private Limited	*2
			Nabtesco Marine Machinery (Shanghai) Co., Ltd.	*1
			Nabtesco Oclap S.r.l	*1
Aircraft and Hydraulic Equipment Business	Nabtesco Corporation		Nabtesco Aerospace Inc.	*1
			Nabtesco USA Inc.	*1
			Shanghai Nabtesco Hydraulic Co., Ltd.	*1
			Jiangsu Nabtesco Hydraulic Co., Ltd.	*1
			Nabtesco Power Control (Thailand) Co., Ltd.	*1
			Shanghai Nabtesco Business Management Co., Ltd.	*1
			Nabtesco Aerospace Europe GmbH	*1
			Nabtesco Aerospace Singapore Pte. Ltd.	*1
			Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd.	*1
Industrial Equipment Business	Nabtesco Corporation		NABCO ENTRANCES, INC.	*1
	Toyo Jidoki Co., Ltd.	*1	NABCO Auto Door (Beijing) Co., Ltd.	*1
	TS Precision Co., Ltd.	*1	Gilgen Nabtesco (Hong Kong) Limited	*1
	T.S. Mechatech Co., Ltd.	*1	Gilgen Door Systems AG	*1
	NABCO DOOR Ltd.	*1	Gilgen Door Systems UK Limited	*1
	TMT Machinery Co., Ltd.	*2	Gilgen Door Systems Germany GmbH	*1
	Nabco System Co., Ltd.	*2	Gilgen Door Systems Austria GmbH	*1
	Kyokko Denki Co., Ltd.	*2	Gilgen Door Systems France S.A.S.	*1
			Gilgen Door Systems Italy srl	*1
			Gilgen Door Systems (Suzhou) Co., Ltd.	*1
			Dalian Toyo Jidoki Co., Ltd.	*1
			Porta Service Inc.	*1
			NABCO ENTRANCES OF WESTERN CANADA INC.	*1
			NABCO CANADA INC.	*1
			ROYAL DOORS LTD.	*1
			TOYO JIDOKI AMERICA CORP.	*1
Total of subsidiaries and affiliates: 58	Japan: 16 companies		Overseas: 42 companies	

*1 Consolidated subsidiary
*2 Equity method-applied affiliate
*3 Shares of Harmonic Drive Systems Inc. are listed on the JASDAQ Section of the Tokyo Stock Exchange.

Notes:
1. NABCO CANADA INC. was established on June 9, 2014.
2. TS Precision Co., Ltd. merged and absorbed Aishin Kikoo Co., Ltd. on July 1, 2014.
3. ROYAL DOORS LTD. was converted into a subsidiary through an acquisition of shares effective August 29, 2014.
4. Changzhou Nabtesco Kusaka Precision Machinery Co., Ltd. was converted into a wholly owned subsidiary effective January 14, 2015, changing its name to Changzhou Nabtesco Precision Machinery Co., Ltd.
5. Hyest Corporation was converted into a subsidiary through the acquisition of shares effective April 1, 2015.

(2) Diagram of Businesses of Nabtesco Group



3. Management Policy

(1) Basic Policy of the Management of the Company

In May 2014, the Group formulated a New Medium-Term Management Plan “Think Global! Act Local! For the Second Decade” for the next three-year period starting in FY 2014 with the aim of steadily stepping forward to the achievement of its long-term visions toward FY 2020 based on the corporate philosophy as described below.

In FY 2014, the first year of the plan, the Group successfully achieved its goals. In FY 2015, the Group will implement investments for future growth toward the final fiscal year of the Medium-Term Management Plan.

[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”
Targeted Financial Figures for FY 2020
Sales: 400 billion yen
Operating profit: 60 billion yen

[Mid-Term Management Plan]

“Think Global! Act Local! For the Second Decade”
— Challenge & Creation —

- Endless pursuit of customer satisfaction
- Further expansion of international businesses
- Development of new technologies and open innovations
- Establishment of global production system
- Improvement of shareholders’ value and corporate value

(2) Target Management Indices

The Group has set medium-term management targets spanning FY 2014 through FY 2016 as follows:

1) Further expansion of business scale and pursuance of profitability
- Targets for FY 2016: ¥280.0 billion (±5%) in net sales; ¥34.0 billion in operating income (12.0% in operating margin); and ¥24.0 billion in net income.
- Net income per share: ¥190

2) Promoting management with the conscious of assets and capital efficiency (ROA and ROE)
- Achieve 7.5% in ROA and 15.0% in ROE for FY 2016.

3) Distribution of business earnings with the conscious of corporate growth

Allocation of business earnings, taking into consideration the balance among strategic growth investments, maintaining financial soundness, and shareholder return
- Accumulated amount of capital expenditure for the three-year period: ¥45.0 billion
- Accumulated amount of R&D expenses for the three-year period: ¥23.0 billion
- Continuation of stable dividend payments (target pay-out ratio of 30% or higher; no dividend cuts unless the payment ratio exceeds 40%)

(3) Mid- to Long-Term Management Strategies

During the new medium-term management plan period, we will implement strategic investments toward future growth based on the allocation of corporate profits in light of growth potential with the aim of achieving the long-term vision.

In order to generate new businesses and expand operations in new markets, we will vigorously promote “Market Creation,” and engage in “Technology Innovation” to support and accelerate such efforts, and by leveraging these two key strategies, realize steady business growth through our “Financial Strategy.”

1) Growing business through “Market Creation” and generating new businesses

- As a Best Solution Partner that provides “safety, comfort, and a sense of security,” the Group will launch highly value-added new products in the market (precision reduction gears, railroad vehicle equipment, aircraft equipment, hydraulic equipment, etc.)
- By further promoting overseas business expansion, the Group will enhance its presence in new markets, in particular, emerging countries.
- In order to secure stable profits, the Group will aim to establish and reinforce the maintenance, repair, and overhaul (MRO) system in promising markets.
- The Group will take measures for the strengthening and penetration of the “Nabtesco” brand.

2) Promoting product development through “Technology Innovation” and establishing a global production system

- The Group will promote in-house development and joint development in order to provide products that meet wide-ranging needs in a speedy manner.
- By establishing a global production system, the Group will establish a system to promote “local production for local consumption.”
- The Group will promote the conversion of domestic plants into mother plants and their modernization.

3) Generating cash income to sustain strategic investment based on the “Financial Strategy” and realizing stable returns for shareholders

- The Group will endeavor to enhance asset efficiency.
- As for fund raising, the Group will aim to maintain its credit rating by using debt issuance as the principle funding method.
- With the aim of increasing dividends by continuously expanding net income per share, the Group will set a new dividend policy in which the target pay-out ratio is 30% or higher on a consolidated basis and that dividends will not be cut unless the pay-out ratio exceeds 40% on a consolidated basis.
- 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 fund for strategic M&A.

(4) Challenges Facing the Company

“Business Development”

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 the foreseeable future:

- Establish business models to match the needs of each market; Enhance the profitability of overseas businesses.
- Develop products that respond to wide-ranging market needs; Develop products that differentiate themselves by taking advantage of superior general technologies.
- Establish a swift decision-making system that responds to globalization; Strengthen risk management capabilities.
- Secure, cultivate, and strengthen global human resources to serve as the base of our global business.
- Maintain and reinforce management systems in order to prevent information security risks.

4. Basic Concept on the Selection of Accounting Standards

The Group has been considering the application of the IFRS for the purpose of improving the comparability of financial information in the capital markets on a global basis and facilitating the comparison of operating results within the Group by unifying the accounting standards and accounting periods.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	End of consolidated FY 2013 (as of March 31, 2014)	End of consolidated FY 2014 (as of March 31, 2015)
Assets		
Current assets		
Cash and time deposits	25,726	34,157
Notes and accounts receivable	52,840	57,115
Marketable securities	27,999	17,000
Goods and products	5,366	5,770
Products in progress	7,906	9,473
Raw materials and stored goods	8,961	9,921
Deferred tax assets	2,904	3,020
Other current assets	2,664	3,058
Allowance for doubtful accounts	(209)	(194)
Total current assets	134,159	139,321
Fixed assets		
Tangible fixed assets		
Buildings and structures	47,047	48,842
Accumulated depreciation	(28,890)	(30,227)
Buildings and structures (net)	18,157	18,614
Machinery and transport equipment	65,009	67,531
Accumulated depreciation	(46,189)	(48,621)
Machinery and transport equipment (net)	18,820	18,909
Tools, apparatus and furniture	23,384	24,857
Accumulated depreciation	(20,709)	(21,457)
Tools, apparatus and furniture (net)	2,675	3,399
Land	14,634	14,713
Construction in progress	937	1,240
Total tangible fixed assets	55,225	56,877
Intangible fixed assets		
Goodwill	18,538	17,987
Other	2,854	4,118
Total intangible fixed assets	21,393	22,105
Investments and other assets		
Investments in securities	21,184	25,431
Assets concerning retirement benefits	-	231
Deferred tax assets	556	455
Other investments and other assets	1,657	1,659
Allowance for doubtful accounts	(192)	(90)
Total investments in securities and other assets	23,205	27,687
Total fixed assets	99,824	106,670
Total assets	233,984	245,992

(Million yen)

	End of consolidated FY 2013 (as of March 31, 2014)	End of consolidated FY 2014 (as of March 31, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	35,265	37,607
Short-term loans payable	5,825	6,491
Current portion of long-term loans payable	10,119	84
Income taxes payable	5,862	4,666
Allowance for product warranty	1,087	884
Provision for loss on order received	–	32
Other current liabilities	15,001	15,064
Total current liabilities	73,161	64,830
Long-term liabilities		
Bonds	10,000	10,000
Long-term loans payable	259	84
Allowance for retirement bonus for directors	207	210
Liabilities concerning retirement benefit	7,111	6,687
Deferred tax liabilities	1,475	3,464
Other long-term liabilities	2,296	2,051
Total long-term liabilities	21,351	22,497
Total liabilities	94,513	87,327
Net assets		
Shareholders’ equity		
Capital stock	10,000	10,000
Capital surplus	19,011	18,989
Earned surplus	94,225	107,554
Treasury stock	(2,987)	(2,928)
Total shareholders’ equity	120,248	133,615
Accumulated other comprehensive income		
Net unrealized gains on securities	1,783	3,447
Deferred gains or losses on hedges	(1)	(2)
Translation adjustments	9,321	12,977
Accumulated adjustments concerning retirement benifits	(309)	(175)
Total accumulated other comprehensive income	10,794	16,246
Subscription rights to shares	306	391
Minority interests	8,121	8,410
Total net assets	139,471	158,664
Total liabilities and net assets	233,984	245,992

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

(Million yen)

	FY 2013 (From April 1, 2013 to March 31, 2014)	FY 2014 (From April 1, 2014 to March 31, 2015)
Net sales	202,292	219,657
Cost of sales	148,321	158,693
Gross profit	53,970	60,963
Selling, general and administrative expenses	33,877	37,347
Operating income	20,092	23,615
Non-operating income		
Interest income	155	198
Dividend income	72	137
Rent income	229	190
Equity in earnings of affiliates	3,225	2,116
Foreign exchange gains	528	915
Other non-operating income	430	404
Total	4,642	3,963
Non-operating expenses		
Interest expenses	225	199
Other non-operating expenses	282	185
Total	508	385
Ordinary income	24,227	27,193
Extraordinary gains		
Gain on sales of fixed assets	200	21
Gain on sales of investment securities	–	0
Gain on negative goodwill	—	3
Gain on sales of investments	38	-
Gain on step acquisitions	104	-
Total	342	24
Extraordinary losses		
Loss on disposal of fixed assets	111	154
Loss on valuation of golf club membership	0	-
Loss on revision of retirement benefit plan	837	36
Loss on environmental measures	65	-
Loss on change in equity	33	-
Total	1,048	191
Income before income taxes and adjustments	23,522	27,026
Corporate, resident and business taxes	8,551	8,699
Adjustment for corporate and other taxes	(411)	555
Total corporate and other taxes	8,140	9,254
Income before minority interests	15,382	17,771
Minority interest in income	404	25
Net income	14,978	17,746

Consolidated Statements of Comprehensive Income

(Million yen)

	FY 2013 (From April 1, 2013 to March 31, 2014)	FY 2014 (From April 1, 2014 to March 31, 2015)
Income before minority interests	15,382	17,771
Other comprehensive income		
Valuation difference on available-for-sale securities	449	1,657
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	9,838	4,408
Adjustments concerning retirement benefits	(309)	133
Share of other comprehensive income of associates accounted for using equity method	242	271
Total other comprehensive income	10,220	6,469
Comprehensive income	25,603	24,241
[Comprehensive income attributable to:]		
Shareholders of parent company	23,628	23,198
Minority interests	1,975	1,043

(3) Consolidated Statements of Cash Flows

(Million yen)

	FY 2013 (From April 1, 2013 to March 31, 2014)	FY 2014 (From April 1, 2014 to March 31, 2015)
Cash flows from operating activities		
Income before income taxes	23,522	27,026
Depreciation and amortization	7,600	6,258
Amortization of goodwill	1,500	1,225
Gain on negative goodwill	–	(3)
Share-based compensation expenses	122	125
Increase (decrease) in allowance for doubtful accounts	60	(132)
Increase (decrease) in liabilities concerning retirement benefits	(431)	656
Increase (decrease) in reserve for directors' retirement accounts	20	2
Interest and dividend income	(228)	(335)
Interest expenses	225	199
Foreign exchange loss (gain)	(0)	(306)
Equity loss (gain) in earnings of affiliates	(3,225)	(2,116)
Loss (gain) on sales of fixed assets	(200)	(21)
Loss (gain) on disposal of fixed assets	111	154
Loss (gain) on sales of marketable securities and investments in securities	–	(0)
Loss (gain) on valuation of gains on sales of investments	(38)	-
Loss (gain) on step acquisitions	(104)	-
Loss (gain) on change in equity	33	-
Loss on valuation of golf club membership	0	-
Decrease (increase) in notes and accounts receivable	(5,026)	(2,775)
Decrease (increase) in inventories	700	(1,605)
Decrease (increase) in other assets	920	55
Increase (decrease) in notes and accounts payable	5,440	1,532
Increase (decrease) in consumption taxes payable	(15)	(20)
Increase (decrease) in other liabilities	2,255	(62)
Subtotal	33,245	29,857
Interest and dividend received	650	928
Interest paid	(237)	(206)
Income taxes refunded (paid)	(6,059)	(10,630)
Net cash and cash equivalents provided by operating activities	27,597	19,949

(Million yen)

	FY 2013 (From April 1, 2013 to March 31, 2014)	FY 2014 (From April 1, 2014 to March 31, 2015)
Cash flows from investing activities		
Increase in time deposits	(144)	(178)
Proceeds from withdrawal from time deposits	311	173
Purchases of tangible fixed assets	(6,330)	(5,416)
Proceeds from sales of tangible fixed assets	364	110
Purchases of intangible fixed assets	(1,290)	(1,190)
Proceeds from sales of intangible assets	16	-
Purchases of investment securities	(135)	(47)
Proceeds from sales of investment securities	10	12
Proceeds from sales of investments	145	-
Purchase of stocks of subsidiaries	–	(68)
Purchase of investments in capital of subsidiaries	(392)	(146)
Purchase of stocks of affiliates	(77)	(73)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(767)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(463)	-
Expenses related to business transfer	–	(213)
Proceeds from loan receivable	0	-
Other payments	(357)	(440)
Other proceeds	278	365
Net cash and cash equivalents used in investing activities	(8,064)	(7,880)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans	(1,254)	(58)
Repayment of long-term loans payable	(121)	(10,228)
Proceeds from stock issuance to minority shareholders	53	-
Payments for purchases of treasury stock	(2,383)	(2)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(4,359)	(5,083)
Cash dividends paid to minority shareholders	(108)	(514)
Net cash and cash equivalents used in financing activities	(8,175)	(15,888)
Effect exchange rate changes on cash and cash equivalents	1,966	1,222
Increase (decrease) in cash and cash equivalents	13,324	(2,597)
Cash and cash equivalents at beginning of term	40,200	53,052
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(472)	-
Cash and cash equivalents at end of term	53,052	50,455

Consolidated Statements of Change in Net Assets

FY 2013 (From April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at beginning of the term	10,000	19,026	83,606	(739)	111,894
Cumulative effect of change in accounting policy					
Balance at beginning of the term after reflecting change in accounting policy	10,000	19,026	83,606	(739)	111,894
Change during the term					
Cash dividends			(4,356)		(4,356)
Net income			14,978		14,978
Acquisition of treasury stock				(2,383)	(2,383)
Disposal of treasury stock		(15)		136	120
Employees' welfare fund for overseas subsidiaries			(3)		(3)
Changes in items other than shareholders' equity during the term (net)					
Total change during the term	–	(15)	10,618	(2,247)	8,354
Balance at end of the term	10,000	19,011	94,225	(2,987)	120,248

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Net unrealized gains on securities	Unrealized deferred gain or loss on hedges	Translation adjustments	Accumulated adjustments concerning retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of the term	1,294	(0)	851	–	2,144	304	6,514	120,857
Cumulative effect of change in accounting policy								
Balance at beginning of the term after reflecting change in accounting policy	1,294	(0)	851	–	2,144	304	6,514	120,857
Change during the term								
Cash dividends								(4,356)
Net income								14,978
Acquisition of treasury stock								(2,383)
Disposal of treasury stock								120
Employees' welfare fund for overseas subsidiaries								(3)
Changes in items other than shareholders' equity during the term (net)	489	(1)	8,470	(309)	8,649	1	1,606	10,258
Total change during the term	489	(1)	8,470	(309)	8,649	1	1,606	18,613
Balance at end of the term	1,783	(1)	9,321	(309)	10,794	306	8,121	139,471

FY 2014 (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at beginning of the term	10,000	19,011	94,225	(2,987)	120,248
Cumulative effect of change in accounting policy			677		677
Balance at beginning of the term after reflecting change in accounting policy	10,000	19,011	94,902	(2,987)	120,926
Change during the term					
Cash dividends			(5,088)		(5,088)
Net income			17,746		17,746
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock		(21)		62	40
Employees' welfare fund for overseas subsidiaries			(6)		(6)
Changes in items other than shareholders' equity during the term (net)					
Total change during the term	–	(21)	12,651	59	12,689
Balance at end of the term	10,000	18,989	107,554	(2,928)	133,615

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Net unrealized gains on securities	Unrealized deferred gain or loss on hedges	Translation adjustments	Accumulated adjustments concerning retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of the term	1,783	(1)	9,321	(309)	10,794	306	8,121	139,471
Cumulative effect of change in accounting policy								677
Balance at beginning of the term after reflecting change in accounting policy	1,783	(1)	9,321	(309)	10,794	306	8,121	140,149
Change during the term								
Cash dividends								(5,088)
Net income								17,746
Acquisition of treasury stock								(2)
Disposal of treasury stock								40
Employees' welfare fund for overseas subsidiaries								(6)
Changes in items other than shareholders' equity during the term (net)	1,663	(1)	3,656	133	5,451	84	289	5,825
Total change during the term	1,663	(1)	3,656	133	5,451	84	289	18,515
Balance at end of the term	3,447	(2)	12,977	(175)	16,246	391	8,410	158,664

(2) Notes to Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

None

(Important Matters Concerning Presentation of Consolidated Financial Statements)

With respect to important matters concerning the presentation of consolidated financial statements, the disclosures are omitted as there has been no significant change from the most recent Securities Report (filed on June 24, 2014).

(Change in Accounting Policies)

Concerning the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter, “Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015; hereinafter, “Retirement Benefits Guidance”), the Company has applied the text from Item 35 of the Retirement Benefits Accounting Standard and the text from Item 67 of the Retirement Benefits Guidance from the consolidated fiscal year under review, revising its method of calculating retirement benefit obligations and prior service costs. The method of attributing expected benefit has been changed from a straight-line basis to a benefit formula basis. Also, the method of determining the discount rate has been changed.

Regarding the application of the Retirement Benefits Accounting Standard, in accordance with the transitional treatment stipulated in Item 37, from the beginning of the consolidated fiscal year under review the amount of change resulting from the method of calculating retirement benefit obligations and prior service costs is added to, or deducted from, earned surplus.

As a result, net defined benefit liabilities fell by ¥1,150 million at the beginning of the year ended March 31, 2015, whereas earned surplus increased by ¥677 million. Furthermore, operating income, ordinary income, and income before income taxes decreased by ¥11 million, respectively.

The impact on per-share information is stated in the relevant sections.

(Change in accounting policy that is difficult to distinguish from a change in accounting estimate)

The Company and its domestic consolidated subsidiaries previously applied the declining-balance method for depreciation of tangible fixed assets other than buildings. The accounting method was changed to the straight-line method for all items of tangible fixed assets at the beginning of the consolidated fiscal year under review.

This change in the depreciation method was determined based on our judgment that the adoption of the straight-line method for the depreciation of tangible fixed assets would reflect our status of management more appropriately, as a result of considering an ideal method of depreciation. In formulating the Medium-Term Management Plan starting from the consolidated fiscal year under review, the Company examined the operating conditions of tangible fixed assets of the Company and its consolidated domestic subsidiaries, and it was estimated that future operations of the domestic production facilities were likely to stabilize by further promoting local production in the overseas markets.

Consequently, compared with applying the conventional method, operating income for the consolidated fiscal year under review increased by ¥1,306 million, and each of ordinary income and income before income taxes rose by ¥1,309 million, respectively.

(Accounting Standards, etc. that Are Not Applied)

1. Accounting Standard for Business Combinations

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21; September 13, 2013)
"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; September 13, 2013)
"Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; September 13, 2013)
"Accounting Standards for Earnings per Share" (ASBJ Statement No. 2; September 13, 2013)
"Application Guidance for the Accounting Standards for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10; September 13, 2013)
"Application Guidance for the Accounting Standards for Earnings per Share" (ASBJ Application Guidance No.4; September 13, 2013)

(1) Overview

These accounting standards, etc. are revised versions centering on 1) accounting treatment concerning the change in equity held by a parent company in its subsidiaries which continue to be controlled; 2) accounting treatment concerning acquisition-related expenses; 3) changes in the presentation of net income, and changes in the presentation from minority interests to non-controlling equity investments; and 4) fixing the provisional accounting treatment.

(2) Scheduled application date

To be applied at the beginning of the consolidated fiscal year ending December 2015.

(3) Impacts of the application of these accounting standards, etc.

The amount to be affected is now being evaluated at the time of preparation of the consolidated financial statements for the fiscal year under review.

2. Accounting treatments for overseas subsidiaries

"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (ASBJ PITF No.18; March 26, 2015)

(1) Overview

This represents a response to the accounting standards revised in January 2014 concerning the treatment of goodwill in the United States. Responses to "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22; revised in September 2013) and the accounting treatment of actuarial differences as cost under the accounting standards for retirement benefits have been clarified.

(2) Scheduled application date

To be applied at the beginning of the consolidated fiscal year ending December 2015.

(3) Impacts of the application of these accounting standards, etc.

The amount to be affected is now being evaluated at the time of preparation of the consolidated financial statements for the fiscal year under review.

(Omission of Disclosure)

Disclosures concerning the notes to the following matters are omitted due to the lack of necessity of disclosure in the Financial Summary: Changes to the presentation method; consolidated balance sheets; consolidated statements of income; consolidated statements of comprehensive income; consolidated statements of change in net assets; consolidated statements of cash flow; lease transactions; financial instruments; securities; derivatives transactions; retirement benefits; stock options, etc.; tax effects; corporate combinations; asset retirement obligations; and real properties including rents and other related information.

(Segment Information)

(1) Summary of Reportable Segments

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

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

Principal products in the precision equipment business include precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, and vacuum equipment, etc. Products in the transport equipment segment include brake systems and door operating systems for railway vehicles, air-braking systems for commercial vehicles and main propulsion control systems for marine vessels, etc. The aircraft and hydraulic equipment segment covers aircraft equipment, traveling motors for construction machinery, drive units for wind turbine generators, etc. Our products in the industrial equipment segment include automatic doors for buildings, automatic food sealers, and special-purpose machine tools, etc.

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

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

Intersegment sales or transfer are indicated based on market price.

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

FY 2013 (April 1, 2013 to March 31, 2014)

(Million yen)

	Reportable segment					Adjustments (Note 1)	Amount stated in consolidated financial statements
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Net sales							
Sales to external customers	42,853	52,641	52,533	54,264	202,292	–	202,292
Inter-segment sales or transfer	55	156	1,187	224	1,624	(1,624)	–
Total	42,909	52,797	53,721	54,488	203,916	(1,624)	202,292
Segment income	6,359	6,344	3,862	3,526	20,092	–	20,092
Segment assets	32,677	38,159	50,258	62,695	183,790	50,194	233,984
Segment liabilities	14,179	15,844	16,256	17,772	64,052	30,460	94,513
Other items							
Depreciation and amortization	1,896	1,457	2,921	858	7,133	467	7,600
Amortization of goodwill	–	409	16	1,074	1,500	–	1,500
Increases in tangible fixed assets and intangible fixed assets	918	1,703	2,322	1,229	6,173	586	6,760

Note 1. Details of adjustments are as follows:

(1) Adjustment to inter-segment sales or transfer is a negative ¥1,624 million as a result of eliminations.

(2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥52,831 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).

(3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.

(4) Adjustments of ¥586 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

FY 2014 (April 1, 2014 to March 31, 2015)

(Million yen)

	Reportable segment					Adjustments (Note 1)	Amount stated in consolidated financial statements
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
Net sales							
Sales to external customers	51,547	61,388	47,857	58,863	219,657	–	219,657
Inter-segment sales or transfer	53	204	1,253	189	1,700	(1,700)	–
Total	51,601	61,592	49,111	59,052	221,357	(1,700)	219,657
Segment income	8,356	11,355	995	2,908	23,615	–	23,615
Segment assets	42,768	43,661	49,799	65,411	201,641	44,351	245,992
Segment liabilities	15,393	16,372	12,593	20,314	64,674	22,652	87,327
Other items							
Depreciation and amortization	1,240	1,175	2,453	962	5,832	426	6,258
Amortization of goodwill	–	–	–	1,225	1,225	–	1,225
Profit on negative goodwill	(3)	–	–	–	(3)	–	(3)
Increases in tangible fixed assets and intangible fixed assets	1,011	1,503	1,163	1,899	5,578	1,340	6,918

Notes: 1. Details of adjustments are as follows:

(1) Adjustment to inter-segment sales or transfer is a negative ¥1,700 million as a result of eliminations.

(2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥46,664 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).

(3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.

(4) Adjustments of ¥1,340 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

2. Notes relating to changes in reportable segments etc.

(Application of the “Accounting Standard for Retirement Benefits,” etc.)

As a result of changes in the calculation method of retirement benefit obligations and prior service cost from the consolidated fiscal year under review, as stated in Change in Accounting Policies above, the calculation methods of retirement benefit obligations and prior service cost in the business segments have been changed accordingly.

Due to such changes, segment income for the consolidated fiscal year under review decreased by ¥1 million in “Precision equipment,” ¥3 million in “Transport equipment,” ¥3 million in “Aircraft and hydraulic equipment,” and ¥2 million in “Industrial equipment.”

(Change in the depreciation method)

As stated in "Change in accounting policy that is difficult to distinguish from a change in accounting estimate," above, the Company and its domestic consolidated subsidiaries previously applied the declining-balance method for the depreciation of tangible fixed assets other than buildings. However, the accounting method was changed to the straight-line method for all items of tangible fixed assets at the beginning of the consolidated fiscal year under review.

Consequently, compared with applying the conventional method, segment income for the consolidated fiscal year under review increased by ¥535 million in “Precision equipment,” ¥262 million in “Transport equipment,” ¥419 million in “Aircraft and hydraulic equipment,” and ¥89 million in “Industrial equipment.”

(Information concerning Impairment Loss from Fixed Assets by Reportable Segment)

Not applicable.

(Amortized amount of goodwill and the balance of unamortized amounts by reportable segment)

FY 2013 (April 1, 2013 to March 31, 2014) (Consolidated basis)

(Million yen)

	Reportable segment					Corporate/ Elimination	Total
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
(Goodwill)							
Amortized amount for FY 2013	–	409	16	1,074	1,500	–	1,500
Balance at end of the term	–	–	–	18,538	18,538	–	18,538

FY 2014 (April 1, 2014 to March 31, 2015) (Consolidated basis)

(Million yen)

	Reportable segment					Corporate/ Elimination	Total
	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total		
(Goodwill)							
Amortized amount for FY 2014	–	–	–	1,225	1,225	–	1,225
Balance at end of the term	–	–	–	17,987	17,987	–	17,987
(Negative goodwill)							
Amortized amount for FY 2014	(3)	–	–	–	(3)	–	(3)
Balance at end of the term	–	–	–	–	–	–	–

(Gains on negative goodwill by reportable segment)

FY 2013 (April 1, 2013 to March 31, 2014) (Consolidated basis)
Not applicable.

FY 2014 (April 1, 2014 to March 31, 2015) (Consolidated basis)

In the “Precision equipment business,” Changzhou Nabtesco Kusaka Precision Machinery Co., Ltd. was converted into a wholly owned subsidiary effective January 14, 2015, changing its name to Changzhou Nabtesco Precision Machinery Co., Ltd.

The recorded amount of profit on negative goodwill arising from the said event was ¥3 million in the consolidated fiscal year under review.

(Per Share Information)

	FY 2013 (Consolidated basis) (April 1, 2013 to March 31, 2014)	FY 2014 (Consolidated basis) (April 1, 2014 to March 31, 2015)
Net assets per share	1,035.68 yen	1,184.17 yen
Net income per share	117.95 yen	140.24 yen
Fully diluted net income per share	117.78 yen	139.99 yen

Notes:
1. Net income per share and fully diluted net income per share were calculated on the basis of the following data.
2. As described in “Changes in Accounting Policies,” the Group has adopted the Retirement Benefits Accounting Standard and conformed with the transitional treatment stipulated in Item 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share for the consolidated fiscal year under review increased by 5.35 yen, whereas net income per share and diluted net income per share decreased by 0.09 yen, respectively.

	FY 2013 (Consolidated basis) (April 1, 2013 to March 31, 2014)	FY 2014 (Consolidated basis) (April 1, 2014 to March 31, 2015)
Net income per share		
Net income (million yen)	14,978	17,746
Amount not attributable to shareholders of common stock (million yen)	—	—
Net income related to common stock (million yen)	14,978	17,746
Average number of shares of common stock outstanding during the term	126,983,173	126,541,932

Fully diluted net income per share		
Adjustment to net income (million yen)	–	–
Number of additional common stock shares	189,446	223,431
(Of which, share acquisition rights) (shares)	(189,446)	(223,431)
Outline of the dilutive shares not included in the calculation of fully diluted net income per share due to a lack of dilutive effect	–	—

3. Net assets per share were calculated on the basis of the following data.

	As of March 31, 2014	As of March 31, 2015
Total net assets (million yen)	139,471	158,664
Amounts deducted from total net assets (million yen)		
(Of which, share acquisition rights)	(306)	(391)
(Of which, minority interests)	(8,121)	(8,410)
Net assets as of end of the term related to common stock (million yen)	131,043	149,862
Number of shares of common stock used to calculate net assets per share	126,529,062	126,554,801

6. Other Information

(1) Output and Order Backlog by Business Segment

1) Output

Reportable Segments	FY 2013 (From April 1, 2013 to March 31, 2014)		FY 2014 (From April 1, 2014 to March 31, 2015)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	42,067	20.7	49,563	22.3
Transport Equipment	53,058	26.0	62,966	28.3
Aircraft and Hydraulic Equipment	54,284	26.7	49,859	22.4
Industrial Equipment	54,209	26.6	60,047	27.0
Total	203,619	100.0	222,436	100.0

Note: As the balance sheet date of overseas consolidated subsidiaries is December 31, there has been a cut-off error for three months.

2) Order Backlog

Reportable Segments	FY 2013 (From April 1, 2013 to March 31, 2014)		FY 2014 (From April 1, 2014 to March 31, 2015)	
	Amount (million yen)	% to total	Amount (million yen)	% to total
Precision Equipment	10,463	13.0	13,876	15.0
Transport Equipment	20,759	25.8	24,121	26.1
Aircraft and Hydraulic Equipment	28,198	35.0	31,668	34.3
Industrial Equipment	21,089	26.2	22,763	24.6
Total	80,512	100.0	92,431	100.0

Note: As the balance sheet date of overseas consolidated subsidiaries is December 31, there has been a cut-off error for three months.

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

(Million yen)

	FY 2013 (From April 1, 2013 to March 31, 2014)		FY 2014 (From April 1, 2014 to March 31, 2015)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Capital expenditure	6,760	3,396	6,918	3,923
[Tangible fixed assets included in the above amount]	[5,469]	[2,802]	[5,466]	[3,077]
2. Depreciation and amortization	7,600	4,956	6,258	3,382
[Tangible fixed assets included in the above amount]	[7,074]	[4,610]	[5,482]	[2,987]
3. R&D expense	6,401	4,308	6,876	4,576
4. Corporate bonds and loans payable	26,204	23,400	16,659	13,400
5. Financial account balance	2	3,428	135	4,612
[Dividend income included in the above amount]	[72]	[3,531]	[137]	[4,682]
6. Number of employees at end of the term	5,344 persons	2,092 persons	5,552 persons	2,102 persons