# Summary of Consolidated Financial Statements for the Fiscal Year Ended December 31, 2018 (IFRS)

February 8, 2019

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.
Name: Akihito Kurosu
TEL: +81-3-5213-1134
Scheduled Date of Annual Shareholders Meeting: March 26, 2019
Scheduled Date of Dividend Payment: March 27, 2019
Scheduled Date of Issue of Financial Report: March 27, 2019
Availability of supplementary information: Yes
Organization of financial result briefing meeting: Yes (for institutional investors and financial analysts)

(Amounts rounded to the nearest million)

## 1. Consolidated Results for FY 2018 (January 1, 2018 to December 31, 2018)

### (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 2018 | 294,626 | 4.3 | 21,889 | (25.7) | 29,962 | (14.2) | 22,965 | (13.6) | 21,029 | (16.4) | 20,980 | (28.8) |
| 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 |

| | 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 2018 | 169.65 | 169.42 | 12.1 | 9.5 | 7.4 |
| FY 2017 | 203.85 | 203.48 | 15.9 | 12.5 | 10.4 |

(Reference) Equity in earnings of affiliates:
FY 2018: 9,181 million yen FY 2017: 4,915 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 2018 | 328,568 | 189,255 | 178,702 | 54.4 | 1,438.64 |
| FY 2017 | 301,557 | 177,002 | 167,537 | 55.6 | 1,355.72 |

### (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 2018 | 24,165 | (21,823) | 8,396 | 54,039 |
| FY 2017 | 23,071 | (20,186) | (950) | 44,121 |

## 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 2017 | – | 34.00 | – | 38.00 | 72.00 | 8,942 | 35.3 | 5.6 |
| FY 2018 | – | 36.00 | – | 37.00 | 73.00 | 9,071 | 43.0 | 5.2 |
| FY 2019 (Forecast) | – | 36.00 | – | 37.00 | 73.00 | | 39.5 | |

## 3. Forecast of Consolidated Operating Results for FY 2019 (January 1, 2019 to December 31, 2019)

(Percentages indicate 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 2019 | 146,000 | 2.4 | 10,300 | 61.3 | 12,300 | (5.7) | 7,600 | (3.6) | 61.31 |
| FY 2019 | 313,000 | 6.2 | 30,000 | 37.1 | 33,600 | 12.1 | 22,900 | 8.9 | 184.74 |

* Matters of note:
(1) Changes in significant subsidiaries during the FY 2018 (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: Yes
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, 2018 | 125,133,799 | As of December 31, 2017 | 125,133,799 |
| 2) | As of December 31, 2018 | 1,154,403 | As of December 31, 2017 | 1,888,247 |
| 3) | FY2018, 2018 | 123,960,443 | FY2017 | 123,355,964 |

[Reference] Overview of Non-Consolidated Operating Results

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

(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 2018 | 168,761 | 2.3 | 13,948 | (20.3) | 17,745 | (18.3) | 15,852 | (1.7) |
| FY 2017 | 164,992 | 12.8 | 17,490 | 6.1 | 21,713 | 10.5 | 16,134 | 19.8 |

| | Net income per share | Fully diluted net income per share |
|---|---|---|
| | Yen | Yen |
| FY 2018 | 127.88 | 127.71 |
| FY 2017 | 130.10 | 129.86 |

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| FY 2018 (as of December 31, 2018) | 228,370 | 121,607 | 53.1 | 978.12 |
| FY 2017 (as of December 31, 2017) | 209,874 | 114,992 | 54.6 | 924.43 |

(Reference) Shareholders' equity:
As of December 31, 2018: 121,267 million yen As of December 31, 2017: 114,542 million yen

2. Forecast of Non-Consolidated Operating Results for FY 2019 (January 1, 2019 to December 31, 2019)

(Percentages indicate 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 2019 | 80,000 | (2.7) | 8,600 | (8.1) | 6,800 | (8.7) | 54.86 |
| Fiscal year ending December 2019 | 174,000 | 3.1 | 18,800 | 5.9 | 14,600 | (7.9) | 117.78 |

Notes:

The Summary of Consolidated Financial Statements is not subject to audit by a certified public accountant or an audit firm.

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 18, 2019 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 Attached Documents

# 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 an increase in revenue year-on-year, with net sales amounting to ¥294,626 million and operating income ending at ¥21,889 million, reflecting the robust demand for construction machinery in China and emerging countries, strong demand for products for the subway in China, and the favorable automatic door business mainly in Japan. Income before tax was ¥29,962 million, due to an increase in equity in earnings of affiliates. Net income attributable to owners of the parent amounted to ¥21,029 million.

1) Amount of orders received, net sales and operating income
The amount of orders received for the current fiscal year decreased 0.9% year-on-year to ¥294,827 million. Net sales increased 4.3% to ¥294,626 million, while operating income decreased 25.7% year-on-year to ¥21,889 million as a result of booking impairment loss on goodwill related to a consolidated subsidiary. Ratio of operating income to net sales was 7.4%.

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

(Million yen)

| | Previous fiscal year (ended December 2017) (Consolidated basis) | Current fiscal year (ended December 2018) (Consolidated basis) | Change (%) |
|---|---|---|---|
| Component Solutions | 119,471 | 114,716 | (4.0) |
| Transport Solutions | 80,149 | 86,790 | 8.3 |
| Accessibility Solutions | 79,395 | 74,906 | (5.7) |
| Others | 18,602 | 18,416 | (1.0) |
| Total | 297,618 | 294,827 | (0.9) |

[Net sales]

(Million yen)

| | Previous fiscal year (ended December 2017) (Consolidated basis) | Current fiscal year (ended December 2018) (Consolidated basis) | Change (%) |
|---|---|---|---|
| Component Solutions | 113,885 | 119,280 | 4.7 |
| Transport Solutions | 79,134 | 81,863 | 3.4 |
| Accessibility Solutions | 72,374 | 75,957 | 4.9 |
| Others | 17,029 | 17,527 | 2.9 |
| Total | 282,422 | 294,626 | 4.3 |

[Core operating income]

(Million yen)

| | Previous fiscal year (ended December 2017) (Consolidated basis) | Current fiscal year (ended December 2018) (Consolidated basis) | Change (%) |
|---|---|---|---|
| Component Solutions | 20,431 | 20,132 | (1.5) |
| Transport Solutions | 8,380 | 6,877 | (17.9) |
| Accessibility Solutions | 4,852 | 4,744 | (2.2) |
| Others | 1,994 | 2,338 | 17.3 |
| Corporate or Elimination | (6,502) | (7,692) | – |
| Total | 29,155 | 26,399 | (9.5) |

Note: 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 2017) (Consolidated basis) | Current fiscal year (ended December 2018) (Consolidated basis) | Change (%) |
|---|---|---|---|
| Component Solutions | 20,432 | 20,197 | (1.1) |
| Transport Solutions | 8,383 | 2,007 | (76.1) |
| Accessibility Solutions | 5,168 | 4,625 | (10.5) |
| Others | 1,983 | 2,458 | 23.9 |
| Corporate or Elimination | (6,498) | (7,400) | – |
| Total | 29,468 | 21,889 | (25.7) |

[Component solutions business]
The amount of orders received for component solutions decreased 4.0% year-on-year to ¥114,716 million. Net sales rose 4.7% to ¥119,280 million, while operating income decreased 1.1% to ¥20,197 million.

Sales of precision reduction gears decreased from the previous year due in part to the postponement of capital investment for automobiles in and after the second quarter, despite robust performance in the first quarter owing to automation and labor-saving needs in production facilities.

Sales of hydraulic equipment saw a year-on-year increase due to the continued strong demand for construction machinery in the Chinese and emerging markets.

[Transport solutions business]
The amount of orders received for transport solutions increased by 8.3% year-on-year to ¥86,790 million. Net sales rose 3.4% year-on-year to ¥81,863 million, and operating income dropped 76.1% to ¥2,007 million, mainly reflecting an impairment loss of ¥5,223 million on goodwill related to consolidated subsidiary, OVALO GmbH.

Railroad vehicle equipment saw net sales increase year-on-year due to an increase in demand for products for the subway in China and an increase in MRO (Maintenance Repair Overhaul) in and outside of Japan, offsetting the decline in sales in Japan.

Sales of aircraft equipment decreased year-on-year, reflecting a drop in sales to the Ministry of Defense.

Sales of commercial vehicle equipment increased year-on-year, due to robust sales in the domestic market and the recovery of the Southeast Asian market.

Marine vessel equipment saw net sales increase year-on-year due to the mild recovery trend in the marine transport market.

[Accessibility solutions business]
The amount of orders received for accessibility solutions decreased 5.7% year-on-year to ¥74,906 million. Net sales increased 4.9% year-on-year to ¥75,957 million, while operating income decreased 10.5% year-on-year to ¥4,625 million.

Sales of automatic doors increased compared to the previous year, reflecting strong sales of platform doors.

[Others]
The amount of orders received for others decreased 1.0% year-on-year to ¥18,416 million. Net sales increased 2.9% year-on-year to ¥17,527 million, while operating income rose by 23.9% year-on-year to ¥2,458 million.

Sales of packaging machinery increased year-on-year due to robust domestic and overseas demand from the food industry.

Reference: Information by region
[Net sales]

(Million yen)

| | Previous fiscal year (ended December 2017) (Consolidated basis) | Current fiscal year (ended December 2018) (Consolidated basis) | Change (%) |
|---|---|---|---|
| Japan | 156,800 | 161,458 | 3.0 |
| China | 40,273 | 47,647 | 18.3 |
| Other Asia | 19,751 | 20,465 | 3.6 |
| North America | 19,315 | 19,738 | 2.2 |
| Europe | 45,785 | 43,913 | (4.1) |
| Other areas | 498 | 1,405 | 182.3 |
| Total | 282,422 | 294,626 | 4.3 |

Notes: 1. Net sales are classified by country or region based on the location of the buyer.
2. The increase in sales to China was mainly due to the increase in sales of hydraulic equipment.

2) Income before tax

Income before tax was ¥29,962 million, a decrease of 14.2% year-on-year, reflecting finance income of ¥366 million, finance costs of ¥1,473 million, mainly due to foreign exchange loss, and equity in earnings of affiliates of ¥9,181 million, a 86.8% year-on-year increase, reflecting a decrease in the equity ratio in an equity method affiliate of the Group due to the issuance of new shares and disposal of treasury shares thereby, and a significant increase in net assets.

3) Net income attributable to owners of the parent

In sum, net income attributable to owners of the parent was ¥21,029 million, a decrease of 16.4% year-on-year, net of expenses of income tax of ¥6,997 million and net profit attributable to non-controlling interests of ¥1,935 million.

Total basic earnings per share were ¥169.65, a decrease of ¥34.20 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, 2017) | As of the end of the current consolidated fiscal year (December 31, 2018) | Change |
|---|---|---|---|
| Total assets (million yen) | 301,557 | 328,568 | 27,010 |
| Liabilities (million yen) | 124,556 | 139,313 | 14,757 |
| Equity (million yen) | 177,002 | 189,255 | 12,253 |
| Ratio of equity attributable to owners of the parent (%) | 55.6 | 54.4 | (1.2) |
| ROA (%) | 9.0 | 6.7 | (2.3) |
| ROE (%) | 15.9 | 12.1 | (3.8) |

[Assets]
Total assets as of December 31, 2018 were ¥328,568 million, an increase of ¥27,010 million from December 31, 2017, consisting of ¥179,124 million in current assets and ¥149,443 million in non-current assets. Key contributing positive factors included increases of ¥9,918 million in cash and cash equivalents, ¥3,293 million in inventories, ¥9,873 million in property, plant and equipment, and ¥9,457 million in investments accounted for by the equity method. The key contributing negative factor was a decrease of ¥5,797 million in goodwill.

[Liabilities]
Total liabilities as of December 31, 2018 were ¥139,313million, an increase of ¥14,757 million from December 31, 2017, reflecting ¥112,558 million in current liabilities and ¥26,755 million in non-current liabilities. The main contributing positive factor was an increase of ¥17,590 million in bonds and borrowings. The main contributing negative factor was a decrease of ¥1,071 million in income taxes payable.

[Equity]
Total equity as of December 31, 2018 stood at ¥189,255million. Equity attributable to owners of the parent was ¥178,702 million, an increase of ¥11,165 million from December 31, 2017. The key contributing positive factor was an increase in retained earnings due to net income attributable to owners of the parent of ¥21,029 million, while the main contributing negative factor was a decrease of ¥9,193 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 54.4%, and equity attributable to owners of the parent per share was ¥1,438.64.

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

(Million yen)

| | Previous fiscal year (ended December 2017) (Consolidated basis) | Current fiscal year (ended December 2018) (Consolidated basis) |
|---|---|---|
| Cash flows from operating activities | 23,071 | 24,165 |
| Cash flows from investing activities | (20,186) | (21,823) |
| Free cash flow | 2,885 | 2,342 |
| Cash flows from financing activities | (950) | 8,396 |

Cash and cash equivalents (hereinafter, "capital") on a consolidated basis as of December 31, 2018 stood at ¥54,039 million, an increase of ¥9,918 million from December 31, 2017, reflecting ¥24,165 million in capital gained from operating activities, which was mainly used for capital expenditure and dividend payments.

[Cash flows from operating activities]
Net cash generated from operating activities for the current fiscal year totaled ¥24,165 million. Principal positive factors included net income and depreciation and amortization. Meanwhile, the main negative factors included an increase in inventories and the payment of income taxes.

[Cash flows from investing activities]
Net cash used in investing activities for the current fiscal year amounted to ¥21,823 million, mainly due to the purchase of property, plant and equipment.

[Cash flows from financing activities]
Net cash generated from financing activities for the current fiscal year totaled ¥8,396 million. The main positive factor was proceeds from loans payable, while the main negative factor was payment of dividends.

## (4) Future Outlook

The Group expects net sales for the next fiscal year to be ¥313,000 million, a 6.2% year-on-year increase and operating income of ¥30,000 million, a 37.1% year-on-year increase on the back of continued robust demand for construction machinery and the strong automatic doors business, as well as solid demand for private-sector aircraft.

Overview by segment is as follows.

Forecasts for the fiscal year ending December 2019 by business segment
[Net sales]

(Million yen)

| Reportable segment | Result for the current fiscal year (ended December 2018) | Forecast for the next fiscal year (ending December 2019) | Change (%) |
|---|---|---|---|
| Component Solutions | 119,280 | 125,800 | 5.5 |
| Transport Solutions | 81,863 | 89,600 | 9.5 |
| Accessibility Solutions | 75,957 | 77,400 | 1.9 |
| Others | 17,527 | 20,200 | 15.3 |
| Total | 294,626 | 313,000 | 6.2 |

| Reportable segment | Forecast for the first six-month period of the next fiscal year (January 1, 2019 to June 30, 2019) | | Forecast for the next fiscal year (January 1, 2019 to December 31, 2019) | |
|---|---|---|---|---|
| | Amount (Million yen) | Composition ratio (%) | Amount (Million yen) | Composition ratio (%) |
| Component Solutions | 56,400 | 38.6 | 125,800 | 40.2 |
| Transport Solutions | 42,100 | 28.8 | 89,600 | 28.6 |
| Accessibility Solutions | 38,200 | 26.2 | 77,400 | 24.7 |
| Others | 9,300 | 6.4 | 20,200 | 6.5 |
| Total | 146,000 | 100.0 | 313,000 | 100.0 |

[Operating income]

(Million yen)

| Reportable segment | Result for the current fiscal year (ended December 2018) | Forecast for the next fiscal year (ending December 2019) | Change (%) |
|---|---|---|---|
| Component Solutions | 20,197 | 21,600 | 6.9 |
| Transport Solutions | 2,007 | 8,100 | 303.5 |
| Accessibility Solutions | 4,625 | 6,500 | 40.5 |
| Others | 2,458 | 2,700 | 9.8 |
| Corporate or Elimination | (7,400) | (8,900) | – |
| Total | 21,889 | 30,000 | 37.1 |

| Reportable segment | Forecast for the first six-month period of the next fiscal year (January 1, 2019 to June 30, 2019) | | Forecast for the next fiscal year (January 1, 2019 to December 31, 2019) | |
|---|---|---|---|---|
| | Amount (Million yen) | Operating margin (%) | Amount (Million yen) | Operating margin (%) |
| Component Solutions | 7,800 | 13.8 | 21,600 | 17.2 |
| Transport Solutions | 3,200 | 7.6 | 8,100 | 9.0 |
| Accessibility Solutions | 2,600 | 6.8 | 6,500 | 8.4 |
| Others | 1,100 | 11.8 | 2,700 | 13.4 |
| Corporate or Elimination | (4,400) | – | (8,900) | – |
| Total | 10,300 | 7.1 | 30,000 | 9.6 |

[Component solutions business]
Net sales and operating income in the component solutions business are expected to amount to ¥125,800 million (up 5.5% year-on-year) and ¥21,600 million (up 6.9% year-on-year), respectively.

Sales of precision reduction gears are expected to be sluggish during the first half of 2019 reflecting the downturn in the investment mindset for automobiles and semiconductors on the back of US-China trade tensions. On the other hand, in the second half of the year we expect, although there are many uncertainties, demand for products for robots and manufacturing equipment to recover as automobiles and semiconductors pick up, and we expect full-year sales to reach the same level as the previous year.

We expect sales of hydraulic equipment to increase, driven by robust demand for construction machinery due to investment in infrastructure in different countries, although there is uncertainty in the outlook of the global economy.

[Transport solutions business]
Net sales and operating income in the transport solutions business are expected to reach ¥89,600 million (up 9.5% year-on-year) and ¥8,100 million (up 303.5% year-on-year), respectively.

Sales of railroad vehicle equipment are expected to see a slight decrease as the domestic market enters an off-season in vehicle production, although sales of products for the subway in China are expected to increase.

Sales of aircraft equipment are expected to increase following the start of mass production of B777X for private-sector aircraft.

Sales of commercial vehicle equipment are also expected to increase owing to robust demand in the Japanese market as well as strong sales in Southeast Asia.

Marine vessel equipment is expected to see an increase in sales due to a mild recovery in the marine transport and shipbuilding markets.

[Accessibility solutions business]
Net sales and operating income in the accessibility solutions business are expected to amount to ¥77,400 million (up 1.9% year-on-year) and ¥6,500 million (up 40.5% 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 ¥20,200 million (up 15.3% year-on-year) and ¥2,700 million (up 9.8% 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,<br>will provide safety, comfort and a sense of security in daily lives<br>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!”<br>– 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:<br>Achieve and maintain 15% in ROE by FY 2020.<br>Consolidated pay-out ratio is set at 35% or higher during the period of this Medium-term Management Plan.<br>Focus on solving ESG issues. |

### (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.
- The acquisition of new technology will be aimed for by searching for startups through Corporate Venture Capital.

3) Raising corporate value by continuously 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.
- Systematic efforts will be made in a wide range of ESG themes by positioning “ensuring management transparency (Governance)” and “providing safety, security, and comfort (Environment, Society)” as materiality (important CSR issues).

### (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 to enhance the comparability of financial information in the capital markets on a global basis, as well as to improve 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. | End of consolidated FY 2017 (as of December 31, 2017) | End of consolidated FY 2018 (as of December 31, 2018) |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 44,121 | 54,039 |
| Trade receivables | | 76,874 | 74,952 |
| Contract assets | | – | 1,650 |
| Other receivables | | 1,216 | 1,643 |
| Inventories | | 40,298 | 43,592 |
| Other financial assets | | 190 | 280 |
| Other current assets | | 2,996 | 2,969 |
| Total current assets | | 165,695 | 179,124 |
| Non-current assets | | | |
| Property, plant and equipment | | 70,700 | 80,573 |
| Intangible assets | | 5,850 | 5,076 |
| Goodwill | | 21,310 | 15,512 |
| Investment property | | 5,404 | 5,382 |
| Investments accounted for using the equity method | | 20,184 | 29,641 |
| Other financial assets | | 8,547 | 9,558 |
| Deferred tax assets | | 1,633 | 2,012 |
| Other non-current assets | | 2,236 | 1,690 |
| Total non-current assets | | 135,863 | 149,443 |
| Total assets | | 301,557 | 328,568 |

(Million yen)

| | Note No. | End of consolidated FY 2017 (as of December 31, 2017) | End of consolidated FY 2018 (as of December 31, 2018) |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Operating payables | | 57,148 | 50,297 |
| Contract liabilities | | – | 5,232 |
| Bonds and borrowings | | 16,365 | 34,067 |
| Other payables | | 12,492 | 11,809 |
| Income taxes payable | | 4,550 | 3,479 |
| Provisions | | 732 | 1,625 |
| Other financial liabilities | | 7 | – |
| Other current liabilities | | 5,641 | 6,048 |
| Total current liabilities | | 96,934 | 112,558 |
| Non-current liabilities | | | |
| Bonds and borrowings | | 11,355 | 11,243 |
| Liabilities concerning retirement benefit | | 9,339 | 9,142 |
| Deferred tax liabilities | | 4,801 | 4,881 |
| Other non-current liabilities | | 2,127 | 1,490 |
| Total non-current liabilities | | 27,621 | 26,755 |
| Total liabilities | | 124,556 | 139,313 |
| Equity | | | |
| Capital stock | | 10,000 | 10,000 |
| Share premium | | 14,956 | 15,096 |
| Retained earnings | | 143,349 | 155,133 |
| Treasury shares | | (3,600) | (2,903) |
| Other components of equity | | 2,831 | 1,377 |
| Equity attributable to owners of the parent | | 167,537 | 178,702 |
| Non-controlling interests | | 9,465 | 10,553 |
| Total equity | | 177,002 | 189,255 |
| Total liabilities and equity | | 301,557 | 328,568 |

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

Consolidated Statements of Income

(Million yen)

| | Note No. | End of consolidated FY 2017 (as of December 31, 2017) | End of consolidated FY 2018 (as of December 31, 2018) |
|---|---|---|---|
| Net sales | 3 | 282,422 | 294,626 |
| Cost of sales | | (201,982) | (215,043) |
| Gross profit | | 80,440 | 79,583 |
| Other income | | 1,351 | 1,582 |
| Selling, general and administrative expense | | (51,285) | (53,184) |
| Other expenses | | (1,038) | (6,093) |
| Operating income | 3 | 29,468 | 21,889 |
| Financial income | | 632 | 366 |
| Financial costs | | (109) | (1,473) |
| Equity in earnings of affiliates | | 4,915 | 9,181 |
| Profit (loss) before tax | | 34,907 | 29,962 |
| Income tax expense | | (8,338) | (6,997) |
| Net income | | 26,569 | 22,965 |

| | | | |
|---|---|---|---|
| Net income attributable to | | | |
| Owners of the parent | | 25,146 | 21,029 |
| Non-controlling interests | | 1,423 | 1,935 |
| Net income | | 26,569 | 22,965 |

(Yen)

| | | | |
|---|---|---|---|
| Net income per share | | | |
| Basic earnings per share | 5 | 203.85 | 169.65 |
| Diluted earnings per share | 5 | 203.48 | 169.42 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | Note No. | FY 2017 (January 1, 2017 to December 31, 2017) | FY 2018 (January 1, 2018 to December 31, 2018) |
|---|---|---|---|
| Net income | | 26,569 | 22,965 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of net defined benefit liability (asset) | | 180 | (18) |
| Net changes in financial assets measured at fair value through other comprehensive income | | 419 | (16) |
| Share of other comprehensive income for equity method affiliates | | 19 | 677 |
| Total components that will not be reclassified to profit or loss | | 618 | 643 |
| Components that will be reclassified to profit or loss | | | |
| Exchange differences on foreign operations | | 2,278 | (2,628) |
| Total components that will be reclassified to profit or loss | | 2,278 | (2,628) |
| Other comprehensive income after taxes | | 2,896 | (1,984) |
| Total comprehensive income | | 29,464 | 20,980 |

| | | | |
|---|---|---|---|
| Comprehensive income attributable to | | | |
| Owners of the parent | | 27,761 | 19,552 |
| Non-controlling interests | | 1,704 | 1,428 |
| Total comprehensive income | | 29,464 | 20,980 |

## (3) Consolidated Statement of Changes in Equity

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

(Million yen)

| | Note No. | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | |
| | | Capital stock | Share premium | Retained earnings | Treasury shares | 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 equity 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 No. | Equity attributable to owners of the parent | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | | Other components of equity | | | | |
| | | Remeasure-ments of net defined benefit liability (asset) | Total | Total equity attributable to owners of the parent | | |
| 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 share | | – | – | (955) | – | (955) |
| Acquisition, sales, etc. of non-controlling interests | | – | – | – | 51 | 51 |
| Dividends | | – | – | (7,452) | (264) | (7,715) |
| Transfer from other components of equity 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 |

FY 2018 (January 1, 2018 to December 31, 2018)

(Million yen)

| | Note No. | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | |
| | | Capital stock | Share premium | Retained earnings | Treasury shares | Exchange differences on foreign operations | Valuation difference due to change in fair value |
| Balance as of January 1, 2018 | | 10,000 | 14,956 | 143,349 | (3,600) | (773) | 3,604 |
| Net income | | – | – | 21,029 | – | – | – |
| Other comprehensive income | | – | – | – | – | (2,114) | 640 |
| Total comprehensive income | | – | – | 21,029 | – | (2,114) | 640 |
| Acquisition, sales, etc. of treasury shares | | – | – | (30) | 200 | – | – |
| Dividends | | – | – | (9,193) | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | (23) | – | – | 20 |
| Share-based compensation transactions | | – | 140 | – | – | – | – |
| Others | | – | – | – | 496 | – | – |
| Total transactions with owners, etc. | | – | 140 | (9,246) | 697 | – | 20 |
| Balance as of December 31, 2018 | | 10,000 | 15,096 | 155,133 | (2,903) | (2,887) | 4,264 |

| | Note No. | Equity attributable to owners of the parent | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | | Other components of equity | | | | |
| | | Remeasure-ments of net defined benefit liability (asset) | Total | Total equity attributable to owners of the parent | | |
| Balance as of January 1, 2018 | | – | 2,831 | 167,537 | 9,465 | 177,002 |
| Net income | | – | – | 21,029 | 1,935 | 22,965 |
| Other comprehensive income | | (3) | (1,477) | (1,477) | (507) | (1,984) |
| Total comprehensive income | | (3) | (1,477) | 19,552 | 1,428 | 20,980 |
| Acquisition, sales, etc. of treasury shares | | – | – | 170 | – | 170 |
| Dividends | | – | – | (9,193) | (340) | (9,533) |
| Transfer from other components of equity to retained earnings | | 3 | 23 | – | – | – |
| Share-based compensation transactions | | – | – | 140 | – | 140 |
| Others | | – | – | 496 | – | 496 |
| Total transactions with owners, etc. | | 3 | 23 | (8,387) | (340) | (8,727) |
| Balance as of December 31, 2018 | | – | 1,377 | 178,702 | 10,553 | 189,255 |

### (4) Consolidated Statements of Cash Flows

(Million yen)

| | Note No. | FY 2017 (January 1, 2017 to December 31, 2017) | FY 2018 (January 1, 2018 to December 31, 2018) |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | | 26,569 | 22,965 |
| Depreciation and amortization | | 8,974 | 10,011 |
| Impairment loss | | 192 | 5,223 |
| Increase (decrease) in assets and liabilities concerning retirement benefits | | 336 | 180 |
| Interest and dividend income | | (185) | (259) |
| Interest expenses | | 109 | 124 |
| Equity loss (gain) in earnings of affiliates | | (4,915) | (9,181) |
| Loss (gain) on sales of fixed assets | | 294 | 185 |
| Expenses of income tax | | 8,338 | 6,997 |
| Decrease (increase) in trade receivables | | (9,681) | (1,496) |
| Decrease (increase) in inventories | | (5,735) | (4,454) |
| Increase (decrease) in operating payables | | 7,904 | 22 |
| Others | | (60) | 104 |
| Subtotal | | 32,140 | 30,421 |
| Interest and dividend received | | 888 | 1,190 |
| Interest paid | | (171) | (112) |
| Income taxes refunded (paid) | | (9,786) | (7,335) |
| Net cash and cash equivalents provided by operating activities | | 23,071 | 24,165 |
| Cash flows from investing activities | | | |
| Increase (decrease) in time deposits (Increase) | | (0) | (73) |
| Purchases of tangible fixed assets | | (11,375) | (20,650) |
| Proceeds from sales of tangible fixed assets | | 193 | 168 |
| Purchases of intangible fixed assets | | (818) | (840) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | | (8,203) | – |
| Purchase of subscription rights to shares | | – | (626) |
| Other | | 17 | 198 |
| Cash flows from investing activities | | (20,186) | (21,823) |
| Cash flows from financing activities | | | |
| Increase (decrease) in short-term bank loans | | 7,474 | 18,023 |
| Proceeds from long-term loans payable | | 471 | 130 |
| Repayment of long-term loans payable | | (198) | (249) |
| Decrease (increase) in treasury shares | | (987) | 17 |
| Cash dividends paid | | (7,447) | (9,184) |
| Cash dividends paid to minority shareholders | | (264) | (340) |
| Cash flows from financing activities | | (950) | 8,396 |
| Increase in cash and cash equivalents | | 1,934 | 10,739 |
| Cash and cash equivalents at beginning of term | | 41,780 | 44,121 |
| Effect of exchange rate changes on cash and cash equivalents | | 407 | (821) |
| Cash and cash equivalents at end of term | | 44,121 | 54,039 |

## (5) Notes on the Summary of Consolidated Financial Statements

1. Notes Relating to the Going Concern Assumption
   None

2. Changes in Accounting Policies
   The Group has applied “revenue from contracts with customers” (IFRS 15) from the period under review. In applying IFRS 15, the Group adopts a method of recognizing the cumulative impact of the application on the day of the start of application, which is accepted as a transitional measure.
   Following the application of IFRS 15, the Group recognizes revenues based on the five-step approach below.

   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

   1) Performance obligations that are satisfied at a point in time
   The Group’s main lines of business are the manufacture and sale of industrial robot components, equipment for construction machinery, 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, automatic door operating systems for buildings and general industry, and platform safety systems. In the sale of such products, the Group recognizes revenue principally at delivery of the product since the Group deems that performance obligation is satisfied when the customer gains control over the product at delivery in most cases. Revenue is measured by deducting discounts, rebates and returns from the compensation promised in the contract with customers.

   2) Performance obligations that are satisfied over time
   The Group satisfies its performance obligations and recognizes revenue over time if one of the following criteria is met, since control over a product or service is transferred over time:

   a. the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs;
   b. the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
   c. the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

   The Group’s revenues concerning performance obligations that are satisfied over time include those for the performance obligation of platform safety systems. The revenue of platform safety systems is recognized by estimating the stage of completion. The stage of completion is calculated by the percentage of the actual cost to the total estimated cost (input method).

   Due to the application of the standard, ¥1,650 million in contract assets that were previously included in trade receivables under current assets and ¥5,232 million in contract liabilities that were included in trade payables under current liabilities are indicated separately. This has no impact on net sales, operating income or net income.

## 3. 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 |

(2) Information on reportable segments

I. FY 2017 (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 | 6,803 | 9,065 | 1,897 | 17,764 | 239 | 18,003 | 494 | 18,497 |

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 deposits, etc.) and long-term investments (investment securities, etc.).
6. The increases in tangible fixed assets and intangible assets include increases in tangible fixed assets and intangible assets due to capital investment, as well as intangible assets identified through business combinations. In addition, adjustment to the increases in tangible fixed assets and intangible assets is the amount of capital investment for company-wide assets that are not allocated to the respective segments.

II. FY 2018 (January 1, 2018 to December 31, 2018)

(Million yen)

| | Reportable segments | | | | Others | Total | Adjustments | Amount stated in consolidated statements of income |
|---|---|---|---|---|---|---|---|---|
| | Component | Transport | Accessibility | Total | | | | |
| Net sales | | | | | | | | |
| Sales to external customers | 119,280 | 81,863 | 75,957 | 277,100 | 17,527 | 294,626 | – | 294,626 |
| Inter-segment sales | 2,388 | 695 | 14 | 3,096 | 291 | 3,387 | (3,387) | – |
| Total sales | 121,668 | 82,558 | 75,970 | 280,196 | 17,817 | 298,013 | (3,387) | 294,626 |
| Segment income (Operating income) | 20,197 | 2,007 | 4,625 | 26,830 | 2,458 | 29,288 | (7,400) | 21,889 |
| Financial income | – | | | | | | | 366 |
| Financial costs | – | | | | | | | (1,473) |
| Equity in earnings of affiliates | – | | | | | | | 9,181 |
| Income before tax | – | | | | | | | 29,962 |
| Other items | | | | | | | | |
| Depreciation and amortization | 4,176 | 3,516 | 1,302 | 8,994 | 262 | 9,256 | 755 | 10,011 |
| Impairment loss | – | 5,223 | – | 5,223 | – | 5,223 | – | 5,223 |
| Segment assets | 107,023 | 83,765 | 74,507 | 265,296 | 16,530 | 281,826 | 46,742 | 328,568 |
| Increases in tangible fixed assets and intangible fixed assets | 11,424 | 6,950 | 945 | 19,319 | 300 | 19,619 | 669 | 20,288 |

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, 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 ¥46,742 million, consisting mainly of surplus operating funds in the Company (cash and deposits, etc.) 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.

## 4. Business Combinations

Previous 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

The estimated impact of profit and loss information after the date of the acquisition and the business combination on consolidated financial statements presuming that it occurred on January 1, 2017, the beginning of the fiscal year in question, are not indicated due to their immateriality.

Current fiscal year (January 1, 2018 through December 31, 2018)

There are no matters to be entered.

5. Per Share Information

| | FY 2017 (Consolidated basis) (January 1, 2017 to December 31, 2017) | FY 2018 (Consolidated basis) (January 1, 2018 to December 31, 2018) |
|---|---|---|
| Total basic earnings per share | 203.85 yen | 169.65 yen |
| Diluted earnings per share | 203.48 yen | 169.42 yen |
| Equity attributable to owners of the parent per share | 1,355.72 yen | 1,438.64 yen |

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

| | FY 2017 (Consolidated basis) (January 1, 2017 to December 31, 2017) | FY 2018 (Consolidated basis) (January 1, 2018 to December 31, 2018) |
|---|---|---|
| Total basic earnings per share | | |
| Net income attributable to owners of the parent (million yen) | 25,146 | 21,029 |
| Amount not attributable to shareholders of common stock (million yen) | – | – |
| Net income used to calculate total basic earnings per share (million yen) | 25,146 | 21,029 |
| Average number of common shares during the term | 123,355,964 | 123,960,443 |
| | | |
| Diluted earnings per share | | |
| Adjustment to net income attributable to owners of the parent (million yen) | – | – |
| Number of additional common stock shares | 222,269 | 166,472 |
| (Of which, share acquisition rights) | (222,269) | (166,472) |
| 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, 2017 | As of December 31, 2018 |
|---|---|---|
| Total equity (million yen) | 177,002 | 189,255 |
| Amounts deducted from total equity (million yen) | 9,915 | 10,893 |
| (Of which, share acquisition rights) | (450) | (340) |
| (Of which, non-controlling interests) | (9,465) | (10,553) |
| Equity used to calculate equity attributable to owners of the parent per share (million yen) | 167,086 | 178,361 |
| Number of shares of common stock as of end of the term used to calculate equity attributable to owners of the parent per share | 123,245,552 | 123,979,396 |

6. Material Subsequent Events

Not applicable.

# 5. Other Information

## (1) Output and Order Backlog by Business Segment

1) Output

| Reportable Segments | FY 2017 (From January 1, 2017 to December 31, 2017) | | FY 2018 (From January 1, 2018 to December 31, 2018) | |
|---|---|---|---|---|
| | Amount (million yen) | % to total | Amount (million yen) | % to total |
| Component Solutions | 113,191 | 40.1 | 119,827 | 40.6 |
| Transport Solutions | 79,562 | 28.2 | 82,267 | 27.9 |
| Accessibility Solutions | 72,465 | 25.7 | 76,123 | 25.8 |
| Others | 16,800 | 6.0 | 17,069 | 5.7 |
| Total | 282,019 | 100.0 | 295,286 | 100.0 |

2) Order Backlog

| Reportable Segments | End of FY 2017 (as of December 31, 2017) | | End of FY 2018 (as of December 31, 2018) | |
|---|---|---|---|---|
| | Amount (million yen) | % to total | Amount (million yen) | % to total |
| Component Solutions | 28,581 | 23.9 | 24,016 | 20.1 |
| Transport Solutions | 51,083 | 42.8 | 56,010 | 46.9 |
| Accessibility Solutions | 31,808 | 26.7 | 30,758 | 25.7 |
| Others | 7,875 | 6.6 | 8,764 | 7.3 |
| Total | 119,347 | 100.0 | 119,548 | 100.0 |

## (2) Status of Capital Expenditure and Employees

(Million yen)

| | FY 2017 (From January 1, 2017 to December 31, 2017) | FY 2018 (From January 1, 2018 to December 31, 2018) |
|---|---|---|
| Capital expenditure | 15,187 | 20,288 |
| Depreciation and amortization | 8,974 | 10,011 |
| R&D expense | 8,731 | 10,214 |
| Number of employees at end of the term | 7,591 | 7,713 |