

These documents have been translated from Japanese originals for reference purposes only.  
In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

(Securities code: 6268)  
March 2, 2016

**To Shareholders with Voting Rights:**

Kazuaki Kotani  
Representative Director and  
President & CEO  
Nabtesco Corporation  
7-9, Hirakawa-cho 2-chome,  
Chiyoda-ku, Tokyo, Japan

**NOTICE OF CONVOCATION OF  
THE 13TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

You are cordially invited to attend the 13th Annual General Meeting of Shareholders of Nabtesco Corporation (the "Company").

If you are unable to attend the meeting, you may exercise your voting rights in writing (by mail), via the Internet or other appropriate means. Please read the Reference Documents for the General Meeting of Shareholders (described hereinafter), and cast your vote by 6:00 p.m. on Wednesday, March 23, 2016 (JST) by (1) indicating your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it, or (2) visiting the Company's designated voting rights exercise website (<http://www.web54.net>).

- 1. Date and Time:** Thursday, March 24, 2016 at 10:00 a.m. (JST)  
(Reception begins at 9:00 a.m. (JST))  
The date that the meeting is to be held differs from a date corresponding to the previous Annual General Meeting of Shareholders (June 23, 2015) due to a change in the Company's business year-end from March 31 to December 31, beginning with the 13th fiscal year (the fiscal year under review).
- 2. Venue:** Conference Hall of JA Kyosai Building, located at  
7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 13th Fiscal Year (from April 1, 2015 to December 31, 2015) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company's 13th Fiscal Year (from April 1, 2015 to December 31, 2015)

**Proposals to be resolved:**

- Proposal No. 1:** Distribution of Surplus  
**Proposal No. 2:** Election of Ten Directors  
**Proposal No. 3:** Election of Three Corporate Auditors

**4. Decisions Concerning the Convocation:**

Handling of Duplicate Votes

- (1) Should multiple votes be submitted via the Internet, only the last vote will be deemed valid.
- (2) Should a vote be submitted both in writing and via the Internet, only the vote cast via the Internet will be deemed valid.

Notes:

- 1) When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- 2) If exercising voting rights by proxy, one shareholder with voting rights may attend the General Meeting of Shareholders as your proxy. However, please note that the submission of a document certifying said individual's proxy will be required.
- 3) Any updates to the attached documents and/or the Reference Documents for the General Meeting of Shareholders will be posted on the Company's website (<http://www.nabtesco.com>).

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal No. 1: Distribution of Surplus

The Company's basic policy is to appropriately distribute its corporate earnings to maintain stable dividends and an appropriate balance between strategic investment for supporting business growth, securing of a sound financial position and return of profits to shareholders, based on the business performance of the Company and the entire Nabtesco Group.

Based on this basic policy, the Company hereby proposes its year-end dividends for the fiscal year ended December 31, 2015 as follows:

Matters concerning year-end dividends

1. Type of assets to be paid as dividends

Cash

2. Matters concerning allotment of property dividends to shareholders and the total amount

Divided per share of common stock: 22 yen

Total amount of dividends: 2,731,399,638 yen

3. Effective date for distribution of surplus

March 25, 2016

Because an interim dividend of 22 yen per share was paid out, the annual dividend for the fiscal year ended December 31, 2015 will be 44 yen per share.

**Proposal No. 2: Election of Ten Directors**

The terms of office of all ten Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of ten Directors is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held
1	Kazuaki Kotani (Sep. 15, 1951) Re-elected Term of office: 5 years and 9 months	Sep. 2003	Vice President of P.T. Pamindo Tiga T	16,700 shares
		May 2008	General Manager, Sales Department, Power Control Company of Nabtesco Corporation	
1		Jun. 2009	Executive Officer of Nabtesco Corporation	
		Jun. 2010	Director of Nabtesco Corporation and General Manager, Corporate Planning Division	
2	Nobutaka Osada (Sep. 14, 1953) Re-elected Term of office: 4 years and 9 months	Jun. 2011	Representative Director, President & CEO of Nabtesco Corporation (to present)	19,400 Shares
		Feb. 2005	President of Nabtesco Aerospace Inc.	
2		Jun. 2007	General Manager, Gifu Plant, Aerospace Company of Nabtesco Corporation	
		Jun. 2009	Executive Officer of Nabtesco Corporation	
2		Jun. 2010	President, Aerospace Company of Nabtesco Corporation (to present)	
		Jun. 2011	Director of Nabtesco Corporation	
2		Jun. 2013	Director and Managing Executive Officer of Nabtesco Corporation	
		Jun. 2015	Representative Director and Senior Managing Executive Officer of Nabtesco Corporation (to present)	
Reasons for appointment				
<p>Mr. Kazuaki Kotani has served as Representative Director, President &amp; CEO from June 2011, has appropriately led and supervised management, and demonstrated capability as top management. As the chairperson of the Board of Directors, he has worked to create an environment for free and constructive dialogue and exchange of ideas and improved the decision-making functions of the Board of Directors. Additionally, through his experiences as Vice President of P.T. Pamindo Tiga T, General Manager of the Sales Department, Power Control Company, and General Manager of the Corporate Planning Division, etc., he currently serves as the President, a position bearing the highest responsibilities for business execution, and has broad experience at the Company and extensive insight concerning global business. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Kazuaki Kotani as Director.</p>				
Reasons for appointment				
<p>Mr. Nobutaka Osada has served as Representative Director from June 2015, and has appropriately led and supervised management. Additionally, through his experiences as President of Nabtesco Aerospace Inc. and General Manager of the Gifu Plant, Aerospace Company, etc., he currently serves as President of the Aerospace Company, and has broad experience and extensive insight concerning the aircraft equipment business. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Nobutaka Osada as Director.</p>				

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held	
3	Katsuhiro Teramoto (Dec. 13, 1955) Re-elected Term of office: 9 months	Jun.	2007	General Manager, Sales Department No. 1, Precision Equipment Company of Nabtesco Corporation	5,000 shares
		Jul.	2008	General Manager, Overseas Sales Department, Precision Equipment Company of Nabtesco Corporation	
		Jun.	2009	General Manager, Planning Department, Accessibility Innovations Company of Nabtesco Corporation	
		Jun.	2011	Executive Officer of Nabtesco Corporation	
		Oct.	2011	Vice President and General Manager of Planning Department, Accessibility Innovations Company of Nabtesco Corporation	
		Feb.	2013	Deputy General Manager, Corporate Planning Division, and General Manager, Corporate Planning Department of Nabtesco Corporation	
		Jun.	2015	Representative Director, Managing Executive Officer (to present) and General Manager of Corporate Planning Division of Nabtesco Corporation (to present)	
<p>Reasons for appointment</p> <p>Mr. Katsuhiro Teramoto has served as Representative Director from June 2015, and has appropriately led and supervised management. Additionally, through his experiences as Vice President and General Manager of the Planning Department, Accessibility Innovations Company, Deputy General Manager of the Corporate Planning Division, and General Manager of the Corporate Planning Department, etc., he currently serves as General Manager of the Corporate Planning Division, and based on broad experience in business sectors, he has taken a leading role in debates at Board of Directors meetings from the viewpoint of overall business promotion. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Katsuhiro Teramoto as Director.</p>					
4	Hiroaki Sakai (Jul. 10, 1953) Re-elected Term of office: 1 year and 9 months	Oct.	2004	General Manager, Manufacturing Department, Seishin Plant, Power Control Company of Nabtesco Corporation	10,400 shares
		Jun.	2006	General Manager, Seishin Plant, Power Control Company of Nabtesco Corporation	
		Jun.	2008	General Manager, Tarui Plant, Power Control Company of Nabtesco Corporation	
		Jan.	2011	General Manager, Shanghai Nabtesco Hydraulic Co., Ltd.	
		Jun.	2011	Executive Officer of Nabtesco Corporation	
		Jun.	2013	Managing Executive Officer of Nabtesco Corporation (to present) and President of Power Control Company of Nabtesco Corporation (to present)	
		Jun.	2014	Director of Nabtesco Corporation (to present)	
<p>Reasons for appointment</p> <p>Mr. Hiroaki Sakai has engaged in corporate management as Director from June 2014, and has effectively fulfilled its roles and duties. Additionally, through his experiences as General Manager of the Seishin Plant, Power Control Company and General Manager of Shanghai Nabtesco Hydraulic Co., Ltd., etc., he currently serves as President of the Power Control Company, and has broad experience and extensive insight concerning the hydraulic equipment business. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Hiroaki Sakai as Director.</p>					

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held	
5	Toshio Yoshikawa (Nov. 14, 1954) Re-elected Term of office: 1 year and 9 months	Oct.	2004	General Manager, Sales Department No. 2, Precision Equipment Company of Nabtesco Corporation	8,500 shares
		Jun.	2007	General Manager, Planning Department, Precision Equipment Company of Nabtesco Corporation	
		Aug.	2009	Assistant to General Manager, General Administration & Human Resources Division and General Manager, General Administration Department of Nabtesco Corporation	
		Jun.	2010	President of Precision Equipment Company of Nabtesco Corporation	
		Jun.	2011	Executive Officer of Nabtesco Corporation	
		Jun.	2014	Director and General Manager, Technology Division of Nabtesco Corporation (to present)	
		Jun.	2015	Director and Managing Executive Officer of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Toshio Yoshikawa has engaged in corporate management as Director from June 2014, and has effectively fulfilled its roles and duties. Additionally, through his experiences as President of Precision Equipment Company, etc., he currently serves as General Manager of the Technology Division, and has broad experience and extensive insight concerning the precision equipment business and technology overall. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Toshio Yoshikawa as Director.					
6	Goro Hashimoto (Feb. 7, 1957) Re-elected Term of office: 9 months	Jan.	2009	General Manager, Legal Department of Nabtesco Corporation	1,100 shares
		Jun.	2015	Director, Executive Officer (to present) and General Manager, Compliance Division of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Goro Hashimoto has engaged in corporate management as Director from June 2015, and has effectively fulfilled its roles and duties. Additionally, through his experiences as General Manager of the Legal Department, he currently serves as General Manager of the Compliance Division, and has broad experience and extensive insight concerning legal matters, compliance, and risk management. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Goro Hashimoto as Director.					

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held
7	Daisuke Hakoda (Oct. 25, 1957) Re-elected Term of office: 9 months	Jun. 2007	President of Nabtesco Aerospace, Inc.	14,021 shares
		Jun. 2009	General Manager, Accounting & Finance Department of Nabtesco Corporation	
		Jun. 2010	General Manager, Corporate Planning Department of Nabtesco Corporation	
		May 2013	General Manager of Shanghai Nabtesco Hydraulic Co., Ltd.	
		Jun. 2013	Executive Officer of Nabtesco Corporation (to present)	
		Jun. 2015	Director (to present) and General Manager, General Administration & Human Resources Division of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Daisuke Hakoda has engaged in corporate management as Director from June 2015, and has effectively fulfilled its roles and duties. Additionally, through his experiences as General Manager of the Accounting & Finance Department, General Manager of the Corporate Planning Department, and General Manager of Shanghai Nabtesco Hydraulic Co., Ltd., etc., he currently serves as General Manager of the General Administration & Human Resources Division, and has broad experience and extensive insight concerning overall management, supervision, and operations. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Daisuke Hakoda as Director.				
8	Yutaka Fujiwara (Apr. 20, 1951) Re-elected Candidate for Outside Director Term of office: 2 years and 9 months	Apr. 1974	Joined MODEC, Inc.	0 shares
		Nov. 1987	Joined The Yasuda Trust & Banking Co., Ltd. (current Mizuho Trust & Banking Co., Ltd.)	
		Aug. 1994	Deputy General Manager, New York Branch of Yasuda Trust & Banking Co., Ltd.	
		Jun. 1996	General Manager, Chicago Branch of Yasuda Trust & Banking Co., Ltd.	
		Jul. 1998	Retired from Yasuda Trust & Banking Co., Ltd.	
		Aug. 1998	Joined OMRON Corporation	
		Jul. 2001	General Manager, Corporate Planning Department, Corporate Strategic Planning Group, Kyoto Head Office of OMRON Corporation	
		Oct. 2002	General Manager, Corporate IR Department, Corporate Planning Division of OMRON Corporation	
		Jun. 2005	Executive Officer and General Manager, Financial IR Department of OMRON Corporation	
		Mar. 2007	Executive Officer and General Manager, Group Strategy Department of OMRON Corporation	
		Jun. 2008	Managing Officer and General Manager, Group Strategy Department of OMRON Corporation	
		Dec. 2008	Managing Officer and General Manager, IR & Corporate Information Department of OMRON Corporation	
		Jun. 2011	Retired from OMRON Corporation	
		Aug. 2011	President & CEO of Cross-Border Bridge Corporation (to present)	
		Jun. 2013	Director of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Yutaka Fujiwara has worked overseas for a number of years and has a wide range of experiences and extensive knowledge and insight on global business. He also has expertise in advanced corporate strategies and financial affairs, having been in charge of the financial affairs and investor relations sectors of a listed company, and as an Outside Director from June 2013, has appropriately supervised management. The Company, having high regards for his experience and insight, requests the continued appointment of Mr. Yutaka Fujiwara as Outside Director, so that he provides supervision and advice utilizing his knowledge.				

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held	Number of shares of the Company held
9	<p>Norio Uchida (Oct. 22, 1950) Re-elected Candidate for Outside Director Term of office: 9 months</p>	<p>Apr. 1973    Joined Tokyo Optical Co., Ltd. (current TOPCON CORPORATION)  Jun. 1980    General Manager of Topcon Singapore Pte. Ltd.  Feb. 1989    President of Topcon Australia Pty Ltd.  Oct. 1994    Senior Vice President of Topcon Laser Systems, Inc. (current Topcon Positioning Systems, Inc.)  Jun. 2003    Executive Officer of TOPCON CORPORATION  Jul. 2003    President and Director of Topcon Sales Co., Ltd.  Jun. 2005    Director and Executive Officer of TOPCON CORPORATION  Jun. 2007    Director, Managing Executive Officer, Supervising Sales Promotion Group, and Chief of Positioning Business Unit of TOPCON CORPORATION  Jun. 2010    Director, Senior Managing Executive Director and Supervising Corporate Planning Group of TOPCON CORPORATION  Jun. 2011    President &amp; Representative Director of TOPCON CORPORATION  Jun. 2013    Advisor of TOPCON CORPORATION  Jun. 2015    Director of Nabtesco Corporation (to present)  Sep. 2015    External Director of ULVAC, Inc. (to present)</p>	<p>0 shares</p>
<p>Reasons for appointment  Mr. Norio Uchida has served as Representative Director of Topcon Corporation and has broad experience and extensive knowledge and insight as a corporate executive, and as an Outside Director from June 2015, has appropriately supervised management. The Company, having high regards for his experience and insight, requests the continued appointment of Mr. Norio Uchida as Outside Director, so that we may seek his supervision and advice on technical development and global business overall.</p>			



No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held	Number of shares of the Company held
10	Naoko Yamazaki (Dec. 27, 1970) New Candidate for Outside Director	<p>Apr. 1996 Joined the National Space Development Agency of Japan (currently Japan Aerospace Exploration Agency (JAXA))</p> <p>Sep. 2001 Certified as International Space Station (ISS) onboard astronaut</p> <p>May 2004 Acquired certification for Flight Engineer, Soyuz Spacecraft</p> <p>Feb. 2006 Acquired certification for Mission Specialist, Space Shuttle</p> <p>Apr. 2010 Crew Member of Space Shuttle Discovery as Mission Specialist, participated in Construction and Supply for ISS</p> <p>Aug. 2011 Retired from JAXA</p> <p>Sep. 2011 Honorary Chairperson of the National Soroban Education Association (to present)</p> <p>Apr. 2012 Visiting Professor of Ritsumeikan University (to present)</p> <p>Jul. 2012 Member of Committee on National Space Policy, Cabinet Office (to present)</p> <p>May 2013 Visiting Professor of Joshibi University of Art and Design (to present)</p> <p>Jul. 2015 President of Japanese Rocket Society (to present) and Chairperson of Sorajo Committee (to present)</p> <p>Dec. 2015 Advisory Board Member of International Robot Competition Executive Committee (to present)</p> <p>Jan. 2016 Specialist Member of Council on Science Technology and Academics (Marine Resource Development Subcommittee) (to present)</p>	0 shares
<p>Reasons for appointment</p> <p>Although Ms. Naoko Yamazaki has not been directly involved in corporate management, she has a broad insight as an engineer regarding the latest aerospace engineering and the field of manned space machinery systems including robotic arms. Additionally, she has served as an astronaut, has experience in conducting crisis management in the harsh, resource-limited environment of spacecraft, etc., and has accumulated broad skills in risk management. The Company, having high regards for her experience and insight, requests the appointment of Ms. Naoko Yamazaki as Outside Director, so that we may seek her supervision and advice from decisions based on an objective and fair viewpoint.</p>			

(Notes)

1. No conflict of interest exists between the Company and the above candidates for Directors.
2. Each candidate for Director was chosen by the Board of Directors upon receipt of reports from the Nomination Committee, which acts as an advisory body to the Board of Directors.
3. The term of office of each candidate refers to the term of office as of the closing of this Annual General Meeting of Shareholders.
4. Messrs. Yutaka Fujiwara, Norio Uchida, and Ms. Naoko Yamazaki are candidates for Outside Directors.
5. Messrs. Yutaka Fujiwara, Norio Uchida, and Ms. Naoko Yamazaki satisfy the conditions defined by the Company in "Criteria for the impartiality of Outside Directors and Outside Corporate Auditors" (please refer to page12). The Company has already designated both Messrs. Yutaka Fujiwara and Norio Uchida as independent director under the provisions set forth by the Tokyo Stock Exchange, and likewise plans to designate Ms. Naoko Yamazaki as an independent director.
6. Article 27 of the Company's Articles of Incorporation permits the Company to conclude an agreement limiting the liability of an Outside Director for damages in order to allow the Outside Director to fully perform the roles expected thereof. Accordingly, the Company has concluded a limited liability agreement with Messrs. Yutaka Fujiwara and Norio Uchida and plans to retain the agreement, if their reappointments are approved. The Company likewise plans to conclude the aforementioned limited liability agreement with Ms. Naoko Yamazaki if her appointment is approved. The agreement will limit their liability for damages, as set forth in Article 423, Paragraph 1 of the Companies Act, to 10 million yen or the amount set forth by laws and regulations, whichever is higher.

### Proposal No. 3: Election of Three Corporate Auditors

On August 31, 2015, Mr. Masao Imamura will resign as Corporate Auditor, and the terms of office of both Corporate Auditors Tetsuya Ishimaru and Hiroshi Mitani will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of three Corporate Auditors is proposed.

The candidates for Corporate Auditors are as follows:

The Board of Auditors has already approved this Proposal.

No.	Name (Date of birth)	Career summary, position and significant positions concurrently held		Number of shares of the Company held
1	Kensuke Ioku (Jan. 30, 1954) New Candidate	Mar. 2006	General Manager, Product Development Department, Power Control Company of Nabtesco Corporation	4,300 shares
		Nov. 2007	General Manager, Technology Department, Power Control Company of Nabtesco Corporation	
		Jun. 2010	General Manager, Manufacturing Department, Tarui Plant, Power Control Company of Nabtesco Corporation	
		Jun. 2012	General Manager, Production Management Department and General Manager, Tarui Plant, Power Control Company of Nabtesco Corporation	
		Jun. 2013	Executive Officer of Nabtesco Corporation (to present)	
		Jun. 2014	General Manager, Production Innovation Division (to present) and General Manager, Purchasing Planning Department of Nabtesco Corporation	
Reasons for appointment Mr. Kensuke Ioku, through his experiences as General Manager of the Product Development Department, General Manager of the Technology Department, and General Manager of the Production Management Department at the Power Control Company and General Manager of the Tarui Plant, currently serves as General Manager of the Production Innovation Division, in addition to the Chairperson of the ESH (Environment, Safety & Health) Committee, and has broad experience and extensive insight regarding production (monozukuri), labor, safety, and hygiene management. The Company has determined that his experience and insights qualify him for the duties of Corporate Auditor, and requests the appointment of Mr. Kensuke Ioku as Corporate Auditor.				
2	Zenzo Sasaki (Nov. 1, 1952) New Candidate for Outside Corporate Auditor	Apr. 1979	Appointed Public Prosecutor	0 shares
		Apr. 2000	Deputy General Manager, Special Investigation Department of Tokyo District Public Prosecutor's Office	
		Sep. 2002	Manager, Facilities Division, Minister's Secretariat of Ministry of Justice	
		Jan. 2004	General Manager, Public Safety Department and General Manager, Transportation Department of Tokyo District Public Prosecutor's Office	
		Aug. 2006	Chief Public Prosecutor of Wakayama District Public Prosecutor's Office	
		Jan. 2008	Public Prosecutor of Supreme Public Prosecutor's Office	
		Oct. 2008	Chief Public Prosecutor of Mito District Public Prosecutor's Office	
		Jul. 2010	Chief Public Prosecutor of Sendai District Public Prosecutor's Office	
		Aug. 2011	Chief Public Prosecutor of Kyoto District Public Prosecutor's Office	
		Nov. 2012	Retired as Public Prosecutor	
		Feb. 2013	Registered with Tokyo Bar Association, Joined Harumi-kyowa Law Offices (to present)	
Reasons for appointment Although Mr. Zenzo Sasaki has not been directly involved in corporate management, he has many years of service as a public prosecutor, with a high level of legal knowledge, along with extensive insights and abilities regarding organizational management overall. The Company, having high regards for his experience and abilities, requests the appointment of Mr. Zenzo Sasaki as Outside Corporate Auditor, so that we may seek his fair decisions based on the above, and objectiveness and neutrality toward management to strengthen the Company's corporate governance and maintain and improve compliance.				

No.	Name (Date of birth)	Career summary, position and significant positions concurrently held	Number of shares of the Company held
3	Takemi Nagasaka (Jan. 24, 1956) New Candidate for Outside Corporate Auditor	Oct. 1978 Joined Musashi Audit Corporation (currently Ernst & Young ShinNihon LLC) Aug. 1981 Joined Sony Corporation Sep. 1986 Sony Corporation of America / Director, Tax Department Apr. 2004 Statutory Auditor of Sony Financial Holdings Inc. Jun. 2004 General Manager, Accounting Department of Sony Corporation Jun. 2004 Statutory Auditor of Sony Computer Entertainment Inc. Jun. 2006 Auditor of Sony Music Entertainment (Japan) Inc. Apr. 2007 Senior General Manager, Accounting Division of Sony Corporation Jun. 2010 Senior Vice President, Corporate Executive, Senior General Manager, Accounting Division of Sony Corporation Jun. 2013 Director of Sony Financial Holdings Inc. Jun. 2015 Senior Advisor of Sony Corporation (to present)	0 shares
Reasons for appointment Mr. Takemi Nagasaka has specialized knowledge regarding accounting and finance and experience in management, and the Company requests the appointment of Mr. Takemi Nagasaka as Outside Corporate Auditor, so that we may seek his fair decisions based on the above, and objectiveness and neutrality toward management to strengthen the Company's corporate governance.			

(Notes)

1. No conflict of interest exists between the Company and the above candidates for Corporate Auditor.
2. Each candidate for Corporate Auditor was chosen by the Board of Directors upon receipt of reports from the Nomination Committee, which acts as an advisory body to the Board of Directors.
3. Messrs. Zenzo Sasaki and Takemi Nagasaka are candidates for Outside Corporate Auditor.
4. Messrs. Zenzo Sasaki and Takemi Nagasaka satisfy the conditions defined by the Company in "Criteria for the impartiality of Outside Directors and Outside Corporate Auditors," and the Company plans to designate both as independent auditors under the provisions set forth by the Tokyo Stock Exchange.
5. Article 36 of the Company's Articles of Incorporation permits the Company to conclude an agreement limiting the liability of an Outside Corporate Auditor for damages in order to allow the Outside Corporate Auditor to fully perform the roles expected thereof. The Company plans to conclude the aforementioned limited liability agreement with Messrs. Zenzo Sasaki and Takemi Nagasaka if their appointments are approved.  
The agreement will limit their liability for damages, as set forth in Article 423, Paragraph 1 of the Companies Act, to 10 million yen or the amount set forth by laws and regulations, whichever is higher.

(Reference)

“Criteria for the impartiality of Outside Directors and Outside Corporate Auditors”

**The Company considers an Outside Director/Corporate Auditor to be impartial, if all of the following requirements are met.**

- 1) The Outside Director/Corporate Auditor is not a person who executes business of the Company or an affiliate thereof (hereinafter collectively referred to as “the Group”);
- 2) The Outside Director/Corporate Auditor is not a current major shareholder (\*) of the Company or a person who executes its business;  
\*Person who directly or indirectly holds more than 5% of all voting rights or a person who is listed among the top 10 shareholders in the most recent shareholder registry;
- 3) The Outside Director/Corporate Auditor is not a person who executes business of a major lender (\*) of the Group;  
\*A financial institution group (person who belongs to the consolidated group to which the Group’s direct lender belongs) from which the Group borrows funds and the Group’s total amount of borrowing from such financial institution group exceeds 2% of the Group’s consolidated total assets as of the end of the previous fiscal year;
- 4) The Outside Director/Corporate Auditor is not a major business partner (yearly transaction amount exceeds 5% of consolidated net sales) or a person who executes its business;
- 5) The Outside Director/Corporate Auditor is not a person for whom the Group is a major business partner (yearly transaction amount exceeds 5% of the counterparty’s consolidated net sales) or a person who executes its business;
- 6) The Outside Director/Corporate Auditor is not a consultant, accounting professional, or a legal professional who receives a large amount of money (more than ¥6 million yearly) other than the remuneration for directorship/auditorship from the Group (including cases where the organizations such as corporation and association to which such Outside Director/Corporate Auditor belongs receive the remuneration);
- 7) The Outside Director/Corporate Auditor is not a spouse or a relative within the second degree of consanguinity of a person who executes business of the Group;
- 8) The Outside Director/Corporate Auditor has not fallen under requirements 1) through 6) for the past three years.

(P15)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

The Company changed the closing date of the fiscal year from March 31 to December 31 by a resolution of the 12th Annual General Meeting of Shareholders held on June 23, 2015.

In accordance with this change, the current 13th fiscal year (Note) consists of the nine months from April 1, 2015 to December 31, 2015. We therefore ask you to understand that year-on-year changes of operating results have been omitted in the Business Report for the current consolidated fiscal year.

(Note) The current 13th fiscal year is a transitional period for a change in accounting period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, as opposed to twelve months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December.

## 1. Overview of Consolidated Business Activities

### (1) Developments and results of business activities

In consolidated FY 2015, the growth of the global economy remained moderate as a whole, represented on the one hand by the robust pace of growth in the United States and a continued gradual recovery trend in Europe, and on the other hand by the economic deceleration in emerging countries as observed in the slower growth of the Chinese economy as well as the stagnant economies of the Southeast Asian countries.

In the Japanese economy, while a recovery trend persisted as observed in the increased capital expenditure in addition to the improvement of personal consumption and employment conditions, signs of weakening exports and production were seen on the back of the deceleration of the economies of emerging countries.

Under these circumstances, the consolidated operating results of the Group for FY 2015 recorded net sales of ¥187.0 billion, operating income of ¥15.2 billion, ordinary income of ¥16.4 billion and net income attributable to owners of the parent of ¥11.0 billion mostly reflecting the sluggish hydraulic equipment business in China despite robust performance in the Japanese market.

(P16)

(2) Segment information

(Million yen)

Segment	Precision Equipment	Transport Equipment	Aircraft and Hydraulic Equipment	Industrial Equipment	Total
Net sales (Million yen)	45,327	46,848	39,524	55,299	187,000
Operating income (Million yen)	6,824	7,890	(2,029)	2,610	15,294

(Note) The current 13th fiscal year consists of the nine months from April 1, 2015 to December 31, 2015, in accordance with the change in accounting period.

Operating results by segment were as follows.

(Billion yen)

	FY2014 The 12th fiscal year		FY2015 (9 month) The 13th fiscal year (Current consolidated fiscal year)	
	Net sales	Operating income	Net sales (Net sales composition)	Operating income
Precision Equipment	51.5	8.3	45.3 (24.2%)	6.8
Transport Equipment	61.3	11.3	46.8 (25.1%)	7.8
Aircraft and Hydraulic Equipment	47.8	0.9	39.5 (21.1%)	(2)
Industrial Equipment	58.8	2.9	55.2 (29.6%)	2.6
Total	219.6	23.6	187 (100%)	15.2

**[Precision Equipment]**

Main products

Precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, vacuum equipment, solar tracking equipment, and drive units for wind turbine generators

The amount of orders received for precision equipment was ¥45.1 billion. Net sales and operating income were ¥45.3 billion and ¥6.8 billion, respectively.

Though sales of precision reduction gears grew steadily on the back of strong demand for industrial robots, machine tools and other FA applications, net sales in precision equipment were slightly lower than the estimate at the beginning of the fiscal year, reflecting production decreases at some of the robot manufacturers in the third quarter (October 1, 2015 to December 31, 2015).

**[Transport Equipment]**

Main products

Brake systems and door operating systems for railway vehicles, main propulsion control systems for marine vessels, air braking systems for commercial vehicles

The amount of orders received for transport equipment was ¥46.7 billion. Net sales and operating income were ¥46.8 billion and ¥7.8 billion, respectively.

The railroad vehicle equipment business was negatively affected by the delayed Chinese high-speed railway project despite brisk domestic demand for new cars and expanded repair parts business. The commercial vehicle equipment business faced continued decline in demand from ASEAN countries despite

favorable growth in domestic demand for trucks. In the marine vessel equipment business, there were partial cancellations of shipbuilding works in hand due to the deteriorating Chinese market. As a result of these factors, net sales in transport equipment fell short of the estimate at the beginning of the fiscal year.

(P17)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

**[Aircraft and Hydraulic Equipment]**

Main products

Aircraft equipment, traveling motors for construction machinery

The amount of orders received for aircraft equipment and hydraulic equipment was ¥40.8 billion. Net sales and operating loss were ¥39.5 billion and ¥2.0 billion, respectively.

In the hydraulic equipment business, sales fell significantly due to decreased demand for construction machinery in China. In the aircraft equipment business, meanwhile, sales advanced on the back of brisk sales of aircraft in the private sector and demand from the Ministry of Defense. As a result, net sales in aircraft and hydraulic equipment fell significantly below the estimate at the beginning of the fiscal year.

**[Industrial Equipment]**

Main products

Automatic doors for buildings, platform doors for railways, automatic food sealers, special-purpose machine tools

The amount of orders received for industrial equipment was ¥54.4 billion. Net sales and operating income were ¥55.2 billion and ¥2.6 billion, respectively.

In the automatic doors business, sales grew steadily in both domestic and overseas markets, along with higher sales overall boosted by the effect of foreign exchange. In the packaging machinery business, meanwhile, demand in overseas markets was sluggish. As a result, net sales in industrial equipment were slightly lower than the estimate at the beginning of the fiscal year.



(P18)

(3) Capital investment and financing

(i) Capital investment

The total amount of capital investment by the Group in FY 2015 was ¥8.9 billion. The Group promoted capital investment mainly for increasing its production capacity and rationalizing production in precision equipment.

(ii) Financing

None to be mentioned.

(4) Issues to be addressed

Looking into the future, China is proceeding with structural changes to shift from investment-oriented growth to consumption-oriented growth, as clarified in its new five-year plan. The Chinese economy is not expected to return to its high growth rates of the past, which raises concerns that sluggish demand for capital investment will negatively affect the global economy. Moderate growth is expected in the U.S. economy, driven by firmer domestic demand and steadily rising employment in spite of the declining corporate earnings due to the slowdown in the emerging economies and stronger U.S. dollar. Meanwhile, the European economy is projected to progress steadily thanks to additional monetary easing by the ECB, though unstable factors such as the refugee issue and successive terrorist incidents are taking their toll.

The Group expects robust demand for precision reduction gears for industrial robots, growing demand in China for railroad vehicle equipment, and expanding sales of automatic doors.

Based on the above, the Company forecasts net sales for the next fiscal year of ¥250.0 billion and operating income of ¥25.5 billion.

The Company changed its account closing dates from March 31 to December 31, starting from the current fiscal year. Because the fiscal year ended December 31, 2015 is a transitional period for a change in accounting period, year-on-year changes of operating results have been omitted in our forecasts for the next fiscal year.

(P19)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

(i) 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.

[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 FY2020  
Sales: 400 billion yen  
Operating profit: 60 billion yen

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

(P20)

[Medium-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

(ii) 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 ( $\pm 5\%$ ) in net sales
- \* ¥34.0 billion in operating income (12.0% in operating margin)
- \* ¥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 end of March 2017.

3) Distribution of business earnings 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%)

(Note) This medium-term management target was announced in May 2014 in advance of the change in the accounting period, and was formulated to end in the fiscal year ending March 31, 2017. For the plan for FY 2016 (the fiscal year ending December 31, 2016), please see the “Forecast of Consolidated Operating Results for FY 2016” in the “Summary of Consolidated Financial Statements for the Fiscal Year ended December 31, 2015” announced on February 12, 2016 and the materials attached to the Summary of Consolidated Financial Statements.

(P21)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

(iii) 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 markets (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.

(P22)

(iv) 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.

(P23-P24)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

(5) Financial highlights

Classification	FY2012 The 10th fiscal year	FY2013 The 11th fiscal year	FY2014 The 12th fiscal year	FY2015 The 13th fiscal year (Current consolidated fiscal year)
Net sales (Million yen)	179,543	202,292	219,657	187,000
Operating income (Million yen)	15,013	20,092	23,615	15,294
Operating margin	8.4%	9.9%	10.8%	8.2%
Ordinary income (Million yen)	17,890	24,227	27,193	16,418
Net income attributable to shareholders of the parent company (Million yen)	13,269	14,978	17,746	11,059
Net income per share (Yen)	104.57	117.95	140.24	88.85
Net assets (Million yen)	120,857	139,471	158,664	148,924
Net assets per share (Yen)	894.86	1,035.68	1,184.17	1,150.41
Total assets (Million yen)	203,056	233,984	245,992	233,381
Return on equity (ROE)	12.5%	12.2%	12.6%	7.6%
Return on assets (ROA)	6.5%	6.9%	7.4%	4.6%

(Notes)

1. Net income per share is calculated based on the average number of shares outstanding during the fiscal year. The average number of shares outstanding during the fiscal year is calculated after deducting the number of shares of treasury stock from the total number of shares issued.
2. The current 13th fiscal year is a transitional period for a change in accounting period, in which the consolidated operating results cover nine months (April 1, 2015 to December 31, 2015) for companies that close their accounts in March, as opposed to twelve months (January 1, 2015 to December 31, 2015) for companies that close their accounts in December.

(P25)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

(6) Major subsidiaries

(i) Major subsidiaries

Corporate name	Capital stock (Millions)	Equity ratio of the Company (%)	Main business
NABCO DOOR Ltd.	¥848	100.0	Sales, installation, and after sales service of automatic door systems, etc.
Nabtesco Automotive Corporation	¥450	100.0	Manufacturing and sales of commercial vehicle equipment
Nabtesco Service Co., Ltd.	¥300	100.0	Sales, installation, and after sales service of transport equipment
Toyo Jidoki Co., Ltd.	¥245	100.0	Manufacturing and sales of various types of integrated packaging systems
Gilgen Door Systems AG	CHF2	100.0	Manufacturing, sales, and after sales service of automatic doors for buildings and platform doors for railways
Nabtesco Precision Europe GmbH	EUR0.051	100.0	Sales of precision reduction gears
Nabtesco Aerospace, Inc.	US\$1	100.0 (100.0)	Manufacture, sales and after sales service of aircraft equipment
NABCO Entrances, Inc.	US\$4.46	100.0 (100.0)	Manufacturing and sales of automatic doors
Shanghai Nabtesco Hydraulic Co., Ltd.	US\$14.5	55.0	Manufacturing, sales and after sales service of hydraulic equipment
Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd.	¥100	67.0	Sales of hydraulic equipment
Jiangsu Nabtesco KTK Railroad Products Co., Ltd.	¥1,800	50.0	Manufacturing and sales of a brake systems and door operating systems for railroad vehicles
Nabtesco Power Control (Thailand) Co., Ltd.	THB700	70.0	Manufacturing and sales of hydraulic equipment
Nabtesco (China) Precision Equipment Co., Ltd.	US\$50	67.0	Manufacturing and sales of precision reduction gears

(Notes)

1. Figures in parenthesis under “Equity ratio of the Company” indicate indirect investment ratios.
2. In the current 13th fiscal year, NABCO Entrances, Inc. was included in the scope of significant subsidiaries.
3. Jiangsu Nabtesco Hydraulic Co., Ltd. changed its name to Nabtesco (China) Precision Equipment Co., Ltd., effective from October 22, 2015.

(ii) Specific wholly owned subsidiaries at the closing date of the fiscal year

Not applicable

(P26)

(7) Principal offices

(i) Nabtesco Corporation

Office name	Location
Head Office	Chiyoda-ku, Tokyo
Gifu Plant	Tarui-cho, Fuwa-gun, Gifu
Tarui Plant	Tarui-cho, Fuwa-gun, Gifu
Tsu Plant	Tsu, Mie
Kobe Plant	Kobe, Hyogo
Konan Plant	Kobe, Hyogo
Seishin Plant	Kobe, Hyogo
Nagoya Office	Nagoya, Aichi

(ii) Subsidiaries

Corporate name	Location
NABCO DOOR Ltd.	Osaka, Osaka
Nabtesco Automotive Corporation	Chiyoda-ku, Tokyo
Nabtesco Service Co., Ltd.	Shinagawa-ku, Tokyo
Toyo Jidoki Co., Ltd.	Minato-ku, Tokyo
Gilgen Door Systems AG	Schwarzenburg, Kanton Bern, Switzerland
Nabtesco Precision Europe GmbH	Duesseldorf, Germany
Nabtesco Aerospace, Inc.	WA, U.S.A.
NABCO Entrances, Inc.	WI, U.S.A.
Shanghai Nabtesco Hydraulic Co., Ltd.	Shanghai, China
Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd.	Shanghai, China
Jiangsu Nabtesco KTK Railroad Products Co., Ltd.	Jiangsu, China
Nabtesco Power Control (Thailand) Co., Ltd.	Chonburi, Thailand
Nabtesco (China) Precision Equipment Co., Ltd.	Jiangsu, China



(P27)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

(8) Employees

Number of employees	Year-on-year change
5,839	+287

(Note) The number of employees includes only full-time employees. The number of temporary employees is omitted since it is less than 10% of the total.

(9) Principal lenders

Lender	Outstanding loans payable (Million yen)
Berner Kantonalbank	1,521
Mizuho Bank, Ltd.	1,020
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000

(P28)

## 2. Stock Information

- (1) Total number of shares authorized to be issued 400,000,000 shares  
(2) Total number of shares issued 125,133,799 shares  
(including 979,270 shares of treasury stock)  
(3) Number of shareholders 19,695  
(4) Major shareholders (Top 10)

Shareholders	Number of shares held (thousand shares)	Stockholding ratio (%)
BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC / ABERDEEN GLOBAL CLIENT ASSETS	8,565	6.90
Central Japan Railway Company	5,171	4.16
Japan Trustee Services Bank, Ltd. (Trust Account)	5,061	4.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,752	3.02
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	3,563	2.87
Harmonic Drive Systems Inc.	3,265	2.63
FANUC CORPORATION	2,480	2.00
THE BANK OF NEW YORK 133972	2,155	1.74
SAJAP	2,007	1.62
BNP PARIBAS SEC SVC LONDON/ JAS / ABERDEEN INVESTMENT FUNDS ICVC/AGENCY LENDING	1,996	1.61

(Notes)

1. The numbers of shares held less than 1,000 shares have been truncated.
2. The stockholding ratio is calculated after deducting the number of shares of treasury stock (979,270 shares).

### (5) Other important matters relating to stock

To improve the value per share for shareholders through the flexible return of profits to shareholders and contribute to the improvement of capital efficiency, the Company purchased its own shares from the market based on a resolution of the meeting of the Board of Directors of the Company held on May 28, 2015 and retired the purchased treasury stock effective on December 28, 2015.

As a result, the total number of shares issued decreased by 3,132,000.

### ■ Shareholder composition (as of December 31, 2015)

	Number of shares held (thousand shares)	Stockholding ratio (%)
Other Domestic Legal Entities	13,880	11.09
Financial institutions & Securities Firm	23,722	18.96
Foreign Legal Entities	70,124	56.04
Individuals & Others	15,042	12.02
Securities companies	1,384	1.11
Own Shares	979	0.78

(P29)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

### 3. Subscription Rights to Shares

(1) Subscription rights to shares held by Directors of the Company as of the closing date of the fiscal year  
Subscription rights to shares as stock compensation-type stock options

(i) Number of subscription rights to shares: 1,383

(ii) Type and number of shares to be issued upon exercise: 138,300 shares of common stock (100 shares per subscription right to shares)

(iii) Details of subscription rights to shares:

Order	Exercise price	Exercise period	Classification	Number of persons holding subscription rights to shares	Number of subscription rights to shares held
No. 1 Subscription Right to Shares as Stock-based Compensation (FY 2009)	¥1	From August 22, 2009 to August 21, 2034	Director	3	120
No. 2 Subscription Right to Shares as Stock-based Compensation (FY 2010)	¥1	From August 21, 2010 to August 20, 2035	Director	3	90
No. 3 Subscription Right to Shares as Stock-based Compensation (FY 2011)	¥1	From August 20, 2011 to August 19, 2036	Director	6	234
No. 4 Subscription Rights to Shares as Stock-based Compensation (FY 2012)	¥1	From August 21, 2012 to August 20, 2037	Director	6	245
No. 5 Subscription Right to Shares as Stock-based Compensation (FY 2013)	¥1	From August 21, 2013 to August 20, 2038	Director	7	272
No. 6 Subscription Right to Shares as Stock-based Compensation (FY 2014)	¥1	From August 21, 2014 to August 20, 2039	Director	7	243
No. 7 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From June 15, 2018 to June 14, 2025	Director	7	13
No. 8 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From August 21, 2015 to August 20, 2040	Director	8	166

(Notes)

1. No subscription rights to shares were granted to Outside Directors or Corporate Auditors.
2. Since the number of shares constituting one share unit was changed from 1,000 shares to 100 shares effective October 1, 2010, the number of shares issued per Subscription Right to Shares as Stock-based Compensation after the change (No. 3 and later) is 100 shares instead of 1,000 shares. For the purpose of aligning the unit of representation with the No. 3 Subscription Right to Shares as Stock-based Compensation and those issued thereafter, the number of shares per subscription right to shares used for calculating the number of shares of No.1 and No. 2 Subscription Right to Shares as Stock-based Compensation is 100 shares instead of 1,000 shares.

(P30)

(2) Subscription rights to shares granted during the fiscal year

The Company granted subscription rights to shares as stock compensation-type stock options to Directors (excluding Outside Directors) and Executive Officers during the fiscal year as follows. The total number of subscription rights to shares granted was 323 and the total number of shares to be issued upon exercise was 32,300 shares of common stock.

Issuance order	Exercise price	Exercise period	Classification	Number of persons granted	Number of subscription rights
No. 7 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From June 15, 2018 to June 14, 2025	Director	8	17
			Executive Officer	13	13
No. 8 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From August 21, 2015 to August 20, 2040	Director	8	166
			Executive Officer	11	127

(Note) The number of persons granted includes persons who retired as Directors or Executive Officers during the fiscal year.

(3) Other important matters relating to subscription rights to shares

Not applicable

(P31)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

#### 4. Directors and Corporate Auditors

##### (1) Directors and Corporate Auditors (as of December 31, 2015)

Position	Name	Assignment and significant positions concurrently held
Representative Director, President & CEO	Kazuaki Kotani	Chief Executive Officer (CEO)
Representative Director	Yosuke Mishiro	President, Accessibility Innovations Company
Representative Director	Nobutaka Osada	President, Aerospace Company
Representative Director	Katsuhiro Teramoto	General Manager, Corporate Planning Division
Director	Hiroaki Sakai	President, Power Control Company
Director	Toshio Yoshikawa	General Manager, Technology Division
Director	Goro Hashimoto	General Manager, Compliance Division
Director	Daisuke Hakoda	General Manager, General Administration & Human Resources Division
Director	Yutaka Fujiwara	President & CEO, Cross-Border Bridge Corporation
Director	Norio Uchida	External Director, ULVAC, Inc.
Corporate Auditor	Takayuki Onishi	
Outside Corporate Auditor	Tetsuya Ishimaru	
Outside Corporate Auditor	Hiroshi Mitani	Audit & Supervisory Board Member (External) of Fujitsu Limited
Outside Corporate Auditor	Hisao Katayama	Special Advisor of ART METAL MFG. CO., LTD. Outside Director of YUSHIRO CHEMICAL INDUSTRY CO., LTD.

(Notes)

1. Messrs. Katsuhiro Teramoto, Goro Hashimoto, Daisuke Hakoda and Norio Uchida were newly elected and assumed office as Directors at the 12th Annual General Meeting of Shareholders held on June 23, 2015.
2. Messrs. Takayuki Onishi and Hisao Katayama were newly elected and assumed office as Corporate Auditors at the 12th Annual General Meeting of Shareholders held on June 23, 2015.
3. Mr. Masao Imamura resigned as Corporate Auditor on August 31, 2015.
4. Messrs. Yutaka Fujiwara and Norio Uchida are Outside Directors.
5. Messrs. Tetsuya Ishimaru, Hiroshi Mitani and Hisao Katayama are Outside Corporate Auditors.
6. Mr. Takayuki Onishi, Corporate Auditor, has a considerable length of experience in the finance and accounting sectors of the Company and broad insight in the fields of finance and accounting.
7. Mr. Tetsuya Ishimaru, Outside Corporate Auditor, has a considerable length experience in the finance and accounting sectors of a first-section listed company and has broad insight in the fields of finance and accounting.
8. The Company designates Outside Directors Messrs. Yutaka Fujiwara and Norio Uchida, and Outside Corporate Auditors Messrs. Tetsuya Ishimaru, Hiroshi Mitani and Hisao Katayama, as independent directors/auditors under the provisions set forth by the Tokyo Stock Exchange.

(P32)

(2) Outline of limited liability agreement

The Company stipulates in the Articles of Incorporation provisions to enable the conclusion of limited liability agreements with Outside Directors and Outside Corporate Auditors. In accordance with the Articles of Incorporation, the Company concluded a limited liability agreement with Outside Directors Messrs. Yutaka Fujiwara and Norio Uchida, and Outside Corporate Auditors Messrs. Tetsuya Ishimaru, Hiroshi Mitani and Hisao Katayama. The details of the agreement are as follows.

Liability for damages under the agreement will be limited to 10 million yen or the amount set forth by laws and regulations, whichever is higher.

It shall be provided, however, that the limitation of liability mentioned above applies only if the Outside Director or Outside Corporate Auditor acts in good faith and without gross negligence when performing their duties.

(3) Total amount of compensation paid to Directors and Corporate Auditors

Directors/Auditors	Number of Directors and Auditors (persons)	Total amount of compensation (million yen)	Types of compensation	
			Monthly compensation (million yen)	Stock compensation-type stock options (million yen)
Directors (including Outside Directors)	14 (3)	241 (12)	181 (12)	59
Corporate Auditors (including Outside Auditors)	7 (4)	44 (14)	44 (14)	
Total	21	286	226	59

(Notes)

1. Compensation to the Company's Directors (excluding Outside Directors) is composed of monthly compensation (fixed compensation and performance-linked compensation) and stock compensation-type stock options. Compensation to Outside Directors and Corporate Auditors (including Outside Corporate Auditors) consists solely of fixed compensation.
2. The number of Directors shown above includes four Directors who retired during the term. The number of Corporate Auditors shown above includes two Corporate Auditors who retired and one Corporate Auditor who resigned during the term.
3. The following upper limit is set for compensation to Directors.  
(1) Monthly and other compensation: 350 million yen per year (of which 30 million yen is allocated to Outside Directors)  
(2) Stock compensation-type stock options: 100 million yen per year  
((1): As resolved at the 9th Annual General Meeting of Shareholders held on June 26, 2012; (2) As resolved at the 6th Annual General Meeting of Shareholders held on June 24, 2009)
4. The following upper limit is set for compensation to the Corporate Auditors.  
Annual limit: 80 million yen (as resolved at the 6th Annual General Meeting of Shareholders held on June 24, 2009)

(P33)

(Attached Documents) Business Report (from April 1, 2015 to December 31, 2015)

(4) Outside Officers

(i) Relation between an entity, for which the Company's officers hold significant concurrent positions, and the Company

- 1) Mr. Yutaka Fujiwara, Outside Director, concurrently serves as President & CEO of Cross-Border Bridge Corporation. No conflict of interest exists between Cross-Border Bridge Corporation and the Company.
- 2) Mr. Norio Uchida, Outside Director, concurrently serves as an External Director of ULVAC, Inc. No conflict of interest exists between ULVAC, Inc. and the Company.
- 3) Mr. Hiroshi Mitani, Outside Corporate Auditor, concurrently serves as an Audit & Supervisory Board Member (External) of Fujitsu Limited. No conflict of interest exists between Fujitsu Limited and the Company.
- 4) Mr. Hisao Katayama, Outside Corporate Auditor, concurrently serves as a Special Advisor of ART METAL MFG. CO., LTD. and an Outside Director of YUSHIRO CHEMICAL INDUSTRY CO., LTD. No conflict of interest exists between ART METAL MFG. CO., LTD. or YUSHIRO CHEMICAL INDUSTRY CO., LTD. and the Company.

(ii) Main activities during the fiscal year

Directors/ Auditors	Name	Attendance rate at the Board of Directors	Attendance rate at the Board of Corporate Auditors	Main activities
Director	Yutaka Fujiwara	100.0%	—	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements from the standpoint of an Outside Director based mainly on his rich experience and deep insight in global business.
Director	Norio Uchida	100.0%	—	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements from the standpoint of an Outside Director based mainly on his rich experience and deep insight as a corporate manager.
Corporate Auditor	Tetsuya Ishimaru	100.0%	100.0%	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements from the standpoint of an Outside Corporate Auditor based mainly on his rich experience and deep insight in accounting and finance.
Corporate Auditor	Hiroshi Mitani	85.7%	100.0%	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements from the standpoint of an Outside Corporate Auditor based mainly on his excellent legal knowledge as an attorney-at-law and deep insight in organizational management as a whole.
Corporate Auditor	Hisao Katayama	80.0%	85.7%	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements from the standpoint of an Outside Corporate Auditor based mainly on his rich experience and deep insight as a corporate manager.

(Notes)

1. The number of Board of Directors meetings and number of Board of Corporate Auditors meetings held in the fiscal year were 14 and 10, respectively.
2. Because Mr. Norio Uchida assumed the office of Outside Director on June 23, 2015, the number of Board of Directors meetings to be attended on and after June 23, 2015 was 10.
3. Because Mr. Hisao Katayama assumed the office of Outside Corporate Auditor on June 23, 2015, the number of Board of Directors meetings and the number of the Board of Corporate Auditors meetings to be attended on and after June 23, 2015 were 10 and 7, respectively.

(P34)

## 5. Accounting Auditor

### (1) Name of the Accounting Auditor

KPMG AZSA LLC

### (2) Remuneration paid or payable to the Accounting Auditor

(i) Total amount of remuneration paid by the Company to the Accounting Auditor	¥60 million
(ii) Total amount of monetary or other property interests paid by the Company and its subsidiaries to the Accounting Auditor	¥95 million

(Notes)

1. The audit agreement between the Company and the Accounting Auditor does not separate remuneration concerning the audit under the Companies Act from remuneration concerning the audit under the Financial Instruments and Exchange Act, and such separation would be impossible to manage in practical terms. Accordingly, the amount described above represents the total amount of these remunerations.
2. The Board of Corporate Auditors checked and reviewed whether the details of the audit results and audit plans for the previous fiscal year, the performance of duties for the accounting audit, and the basis for calculating the estimated remuneration were appropriate, based on the “Practical Guidance for Cooperation with Accounting Auditor” announced by the Japan Audit & Supervisory Board Members Association. As a result, the Board of Corporate Auditors agreed on the remuneration paid to the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.
3. From among major subsidiaries of the Company, Gilgen Door Systems AG, Nabtesco Precision Europe GmbH, Nabtesco Aerospace, Inc., NABCO Entrances, Inc., Shanghai Nabtesco Hydraulic Co., Ltd., Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd., Jiangsu Nabtesco KTK Railroad Products Co., Ltd., Nabtesco Power Control (Thailand) Co., Ltd., and Nabtesco (China) Precision Equipment Co., Ltd. are audited by audit corporations other than the Accounting Auditor of the Company.

### (3) Non-auditing work

The Company entrusts the Accounting Auditor with certain non-auditing works other than the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, such as consultancy services for the IFRS. The Company pays compensation for such services to the Accounting Auditor.

### (4) Policy for determining the dismissal or non-reappointment of the Accounting Auditor

If the Board of Corporate Auditors recognizes any problems with the performance of duties by the Accounting Auditor or otherwise judges it to be necessary, the Board of Corporate Auditors will propose the dismissal or non-reappointment of the Accounting Auditor as an agenda item at the general meeting of shareholders.

In addition, if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors will dismiss the Accounting Auditor subject to the unanimous approval of the Corporate Auditors. In this case, a Corporate Auditor selected by the Board of Corporate Auditors will report the fact of dismissal of the Accounting Auditor and the reasons thereof at the first general meeting of shareholders convened after the dismissal.



(Attached documents) **Business Report** (from April 1, 2015 to December 31, 2015)

## **6. Corporate Governance**

### **(1) Nabtesco Corporate Governance Basic Policy**

Based on the purpose of each principle of the Corporate Governance Code, the Company endeavors to enhance its corporate governance with the aim of realizing its sustainable growth, enhancing its medium- to long-term corporate value and earning the greater trust of its stakeholders. The details of the “Nabtesco Corporate Governance Basic Policy” enacted on October 30, 2015 are as follows.

#### **Preface**

Based on the resolution of the Board of Directors, Nabtesco has enacted the following basic policy to set out the basic approach, framework and policy with regard to corporate governance.

### **Chapter 1: General Provisions**

(Basic Approach to Corporate Governance) (2-1, 3-1(ii))

#### Article 1

Based on its corporate philosophy, which states, “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,” and through the implementation of “The Nabtesco Way,” Nabtesco endeavors to enhance its corporate governance with the aim of realizing its sustainable growth, enhancing its medium- to long-term corporate value and earning the greater trust of its stakeholders.

### **Chapter 2: Ensuring Shareholder Rights and Equality**

(General Meeting of Shareholders) (Basic Principle 1, 1-2)

#### Article 2

Nabtesco endeavors to develop an environment whereby its shareholders are ensured a sufficient period of time to consider the agenda of the General Meeting of Shareholders and can appropriately exercise their voting rights.

- (i) Nabtesco sends the notice of convocation of the Annual General Meeting of Shareholders three weeks prior to the Meeting.
- (ii) Nabtesco makes the notice of convocation available to the Tokyo Stock Exchange and on its website prior to sending it to shareholders.
- (iii) Nabtesco develops an environment whereby it is ensured all shareholders who cannot attend the General Meeting of Shareholders can appropriately exercise their voting rights through the online voting system and a dedicated platform for exercising voting rights.
- (iv) Nabtesco discloses English translations of reference materials for the General Meeting of Shareholders to the Tokyo Stock Exchange and on the company's website as a reference for its shareholders in Japan and overseas in exercising their voting rights.

(Basic Capital Policy) (1-3, 1-6)

#### Article 3

Nabtesco engages in business management in consideration of return on assets (ROA) and return on equity (ROE) targets in order to maintain and improve shareholder value. It is our policy to maintain high credit ratings and raise capital through debt financing.

2. In implementing capital policies that may result in significant dilution effects, Nabtesco considers the necessity and rationality of such at the Board of Directors' Meeting and provides sufficient explanations to its shareholders to ensure that the interest of existing shareholders is not impaired.
3. Nabtesco pays out dividends by setting a certain consolidated dividend payout ratio.

(Basic Policy on Strategic Shareholdings and Exercising of Voting Rights Concerning Strategic Shareholdings) (1-4)

#### Article 4

With the aim of maintaining and strengthening business relationships with its business partners, etc., Nabtesco holds listed stocks strategically only in cases where such shareholdings contribute to sustaining and enhancing of its corporate value.

2. Nabtesco verifies the benefits and rationality of strategic shareholdings at the Board of Directors' Meeting in light of the risk and return of each key stock every year.
3. With regard to voting rights concerning its strategic shareholdings, Nabtesco examines the details of agenda items and exercises its voting rights after making decisions comprehensively from the viewpoint of whether or not such proposals contribute to the enhancement of the corporate value of the issuers.

(Related Party Transactions) (1-7)

Article 5

Nabtesco shall obtain the approval of its Board of Directors when conducting competing transactions and transactions involving any conflict of interest between its Directors and Executive Officers that are stipulated in laws and regulations. In addition, when conducting such transactions, Nabtesco shall disclose material facts pursuant to laws and regulations.

2. In order to prevent insider trading of Nabtesco shares, etc. by its related parties, the company specifies matters that must be adhered to with regard to the management of its material facts as well as the trading, etc. of Nabtesco shares, etc. by its officers and employees, etc. and ensure strict compliance with them.

(Takeover Defense Measures) (1-5)

Article 6

Nabtesco has not adopted takeover defense measures.

2. In cases where Nabtesco shares become the target of a tender offer, the Board of Directors will request such tender offeror, etc. to provide explanations on measures to realize sustainable growth for the company as well as to enhance its medium- to long-term corporate value.

### **Chapter 3: Appropriate Collaboration with Stakeholders**

(Collaboration with Stakeholders) (Basic Principle 2, 2-1)

Article 7

Nabtesco endeavors to engage in appropriate collaboration with its stakeholders by fully recognizing that its sustainable growth and the generation of medium- to long-term corporate value are the results of resources provided and contributed by stakeholders.

2. Nabtesco considers the interests of a range of stakeholders including customers, employees, shareholders, business partners, local communities, the environment, etc.

(Code of Corporate Ethics and Code of Conduct) (2-2, 2-2(i))

Article 8

Having formulated the Nabtesco Group Code of Corporate Ethics and the Nabtesco Group Code of Conduct with the objective of ensuring that corporate activities are conducted in accordance with a standard of ethics that is higher than the legal standard, Nabtesco thoroughly promotes corporate ethics.

(Sustainability Report) (2-3, 2-3(i))

Article 9

Nabtesco issues its Integrated Report once a year as a means of reporting to its stakeholders information on the Group's management strategies, business situation, management system and financial performance, and CSR initiatives and activities in order to achieve sustainable development in a multifaceted manner.

(Promotion of Diversity) (2-4)

Article 10

Nabtesco endeavors to attain a diverse workforce through non-discriminatory hiring in terms of sex, nationality and disability.

2. Nabtesco makes efforts to develop an environment where each individual employee can fully demonstrate his/her capabilities and unique personal characteristics.

### **Chapter 4: Adequate Information Disclosure and Securing Transparency**

(Criteria for Information Disclosure) (Basic Principle 3)

Article 11

Nabtesco discloses information pursuant to the Companies Act, Financial Instruments and Exchange Act and other laws and regulations as well as the Timely Disclosure Rules stipulated by the Tokyo Stock Exchange, on which Nabtesco shares are listed. In addition, Nabtesco endeavors to disclose both financial and non-financial information that is not necessarily subject to disclosure as per above in cases where such information is deemed to be useful in helping investors make informed decisions.

(External Accounting Auditors) (3-2)

Article 12

At Nabtesco, the Board of Corporate Auditors and the accounting and finance department cooperate with each other in securing an audit schedule and audit structure in order to ensure that audits by Accounting Auditors

are adequately conducted.

## **Chapter 5: Enhancement of Corporate Governance System**

(Organizational Structure) (4-10)

### Article 13

Nabtesco has chosen “Company with Board of Auditors” as its organizational structure under the Companies Act.

(Roles and Responsibilities of the Board of Directors) (Basic Principle 4, 4-1, 4-1(i), 4-2, 4-3, 4-5)

### Article 14

To recognize fiduciary responsibilities to shareholders and enhance its sustainable medium- to long-term corporate value as well as its earnings power, capital efficiency, etc., the Board of Directors has the roles and responsibilities specified in the following items:

- (i) Establish the corporate philosophy, corporate strategy, etc. and determine its strategic directions.
- (ii) Develop an environment to support adequate risk-taking by management.
- (iii) Supervise Directors, Executive Officers, etc. effectively from an independent and objective standpoint.

(Delegation to Management) (4-1(i))

### Article 15

Nabtesco establishes Group regulations for responsibility and authority and specifies matters to be resolved, deliberated and reported at the Board of Directors’ Meeting as well as matter to be delegated to management. Specifically, matters that require resolution by the Board of Directors pursuant to laws and regulations and provisions of the Articles of Incorporation and significant management-related matters shall be determined by the Board of Directors and all other matters shall be delegated to management.

(Composition of the Board of Directors) (3-1(iv), 4-8, 4-11, 4-11(i))

### Article 16

The Board of Directors shall comprise no more than ten Directors, two or more of whom shall be Independent Outside Directors.

2. With the aim of maximizing the functions of Directors in order to fulfill the roles and responsibilities of the Board of Directors, Nabtesco elects candidates who have excellent characters, insights, capabilities, expertise and ethics as well as ample experience both internally and externally to ensure a balance and diversity of insights, capabilities, experiences, etc. on the Board of Directors.

(Operations of the Board of Directors) (4-12, 4-12(i))

### Article 17

The Board of Directors shall endeavor to foster a culture that respects free and open-minded constructive discussions and opinion exchange. Details of its operations are specified in the Regulations of the Board of Directors. In order to ensure that Outside Directors can participate actively in discussions, the Secretariat for the Board of Directors ensures sufficient information provision by determining handouts, deliberation matters, the annual schedule, etc. in advance while ensuring appropriateness in terms of frequency of meetings, deliberation time, the number of items to be deliberated, etc.

(Independent Outside Directors) (4-6, 4-7, 4-8(i), 4-9)

### Article 18

Nabtesco elects two or more Independent Outside Directors who can provide advice that contributes to the enhancement of its sustainable medium- to long-term corporate value as well as to the supervision of management, etc.

2. All Independent Outside Directors shall have ample experience, broad insights and diverse stakeholder perspectives as well as meet all of the in-house “Criteria for the impartiality of Outside Directors and Outside Corporate Auditors.”
3. Independent Outside Directors shall convene and hold meetings comprising only Independent Outside Directors and Outside Corporate Auditors as required and endeavor to exchange information and share awareness through free discussions based on their objective standpoints, which are independent from business execution.

(Roles and Responsibilities of the Board of Corporate Auditors) (4-4, 4-5, 4-13(iii))

### Article 19

The Board of Corporate Auditors recognizes fiduciary responsibilities to shareholders; proactively exercises

its rights concerning audits on the execution of Directors' duties, election and dismissal of External Accounting Auditors and remuneration for audit services from an independent and objective standpoint; and adequately expresses opinions at the Board of Directors' Meeting, etc.

2. The Board of Corporate Auditors aims to collaborate with its internal control department and audit department through the Audit Council, and collaborates with the Independent Outside Directors to exchange information and share awareness as required.
3. The Board of Corporate Auditors fulfills its roles and responsibilities in accordance with procedures and audit criteria, etc. stipulated in the Regulations of the Board of Corporate Auditors and the Criteria for Audits by Corporate Auditors.

(Composition of the Board of Corporate Auditors) (4-4(i), 4-11)

Article 20

The Board of Corporate Auditors comprises no more than five Corporate Auditors, more than half of whom shall be Independent Outside Corporate Auditors.

2. With the aim of maximizing the functions of Corporate Auditors to fulfill the roles and responsibilities of the Board of Corporate Auditors, Nabtesco elects several candidates who have superior characters, insights, capabilities, expertise and ethics as well as ample experience both internally and externally; one or more of whom shall have a considerable degree of knowledge and experience in the fields of finance and accounting.
3. The Board of Corporate Auditors ensures its effectiveness by organically combining the strong independence of Independent Outside Corporate Auditors with the advanced information-gathering capability of Corporate Auditors in order to fulfill the roles and responsibilities of the Board of Corporate Auditors specified in the preceding paragraph.
4. All Independent Outside Corporate Auditors shall meet all of the in-house "Criteria for the impartiality of Outside Directors and Outside Corporate Auditors."

(Nomination Committee) (4-1(iii), 4-10, 4-10(i))

Article 21

Nabtesco has established the Nomination Committee as a consultative body of the Board of Directors to deliberate the nomination of candidates for Director, Corporate Auditor and CEO positions and report to the Board of Directors.

2. The Nomination Committee comprises three members including more than one Independent Outside Director or Outside Corporate Auditor.
3. The Board of Directors establishes fair rules on the operations of the Nomination Committee.

(Remuneration Committee) (3-1(iii), 4-10, 4-10(i))

Article 22

Nabtesco has established the Remuneration Committee as a consultative body of the Board of Directors to deliberate the remuneration, etc. of management personnel and report to the Board of Directors.

2. The Remuneration Committee comprises three members including more than one Independent Outside Director or Outside Corporate Auditor.
3. The Board of Directors establishes fair rules on the operations of the Remuneration Committee.

(Nomination of Directors, Corporate Auditors, etc.) (3-1(iv), 4-3(i), 4-11(i))

Article 23

In electing its management executives and nominating candidates for Director and Corporate Auditor positions, the Board of Directors nominates and elects those who can contribute to the growth of the entire Group and the enhancement of its management in light of their experience and capabilities. With regard to Corporate Auditors, the Board of Directors nominates candidates upon the approval of the Board of Corporate Auditors.

2. The Board of Directors receives reports from the Nomination Committee in order to strengthen the independence, objectivity and accountability of the election, etc. specified in the preceding paragraph.

(Remuneration, etc. of Management Personnel) (3-1(iii), 4-2, 4-2(i))

Article 24

In deciding the remuneration, etc. of management personnel, the Board of Directors in order to strengthen independence, objectivity and accountability receives reports from the Remuneration Committee and makes decisions at its meetings.

2. In order to ensure that remuneration, etc. of management personnel functions as a sound incentive toward

the Group's sustainable growth, the following policy has been set out :

- (i) Remuneration, etc. of management comprises "monthly compensation," which is made up of fixed compensation and short-term performance-linked compensation, and "stock compensation-type stock options," which are offered in consideration of medium- to long-term performance. Net sales, operating profit, ROA and ROE are used as the major performance indicators. However, the compensation standard and its configuration are reviewed as necessary and as appropriate according to changes in the business environment.
  - (ii) Remuneration, etc. of Independent Outside Directors shall be fixed compensation only, due to their roles and from the perspective of upholding independence.
3. Remuneration, etc. of Corporate Auditors shall be decided in consultation with Corporate Auditors. Compensation to Corporate Auditors shall be fixed compensation only, with no performance-based compensation, due to the nature of the audit functions.

(Assessment of Effectiveness of the Board of Directors) (4-11(iii))

Article 25

The Board of Directors conducts analysis and assessment of the effectiveness of the Board of Directors every year based on the self-assessment, etc. of each Director and discloses a summary of such results.

(Information-gathering by Directors and Corporate Auditors and Support System) (4-13, 4-13(i), 4-13(ii))

Article 26

Nabtesco proactively develops a support system for Directors and Corporate Auditors in order to ensure that Directors and Corporate Auditors can fulfill their roles and responsibilities effectively.

2. Directors and Corporate Auditors shall proactively obtain information in the form of information provided by the company and advice, etc. from external specialists in order to fulfill their roles and responsibilities effectively.

(Self-improvement and Training for Directors and Corporate Auditors) (4-14, 4-14(i), 4-14(ii))

Article 27

Prior to joining the Group, newly appointed Directors and Corporate Auditors receive training provided by the company's legal and compliance officers or external training organizations with regard to their roles and responsibilities including corporate governance and legal responsibilities. However, Independent Outside Directors and Outside Corporate Auditors receive such training as necessary in light of their own knowledge, capabilities, expertise, etc.

2. When joining the company, newly appointed Independent Outside Directors and Independent Outside Corporate Auditors are provided with explanations on the Nabtesco Group's corporate philosophy, businesses, finance, organization, etc. in order to deepen their understanding of the Group's business operations. In addition, Nabtesco provides newly appointed Independent Outside Directors and Independent Outside Corporate Auditors with opportunities to visit and inspect its plants or offices, etc. as necessary.
3. All Directors and Corporate Auditors participate in training sessions that are held regularly in order to update their knowledge.

(Internal Control) (4-3(ii))

Article 28

Nabtesco develops the Basic Policies for the Construction of an Internal Control System pursuant to the Companies Act, etc. The Board of Directors regularly checks if such policies are implemented effectively.

## **Chapter 6: Constructive Dialogue with Shareholders**

(Constructive Dialogue) (Basic Principle 3, 5, 5-1, 5-1(i), 5-1(ii))

Article 29

Nabtesco appoints a management personnel in charge of IR to oversee the entirety of communications with shareholders and investors, and endeavors to realize constructive dialogue with its shareholders and investors through collaboration among relevant departments centering on an IR department. Specifically, the company actively offers opportunities for dialogues through the promotion of communications such as individual meetings with shareholders and investor, a range of publications, etc. for complementation of timely information disclosure, presentations by the company, regarding of the result and business, etc.

2. In holding dialogues with shareholders and investors, Nabtesco not only discloses information in a timely and appropriate manner but also announces its efforts to enhance corporate value and shareholder value while aiming to grasp shareholders' and investors' views of the company and share them internally

- through feedback to management and relevant departments.
3. Insider information (undisclosed material facts) shall be managed appropriately in accordance with the internal regulations.

**Chapter 7: Amendments and Abolition of This Basic Policy**

(Amendments and Abolition of This Basic Policy)

Article 30

Amendments and abolition of this Basic Policy shall require a resolution by the Board of Directors.

**(2) The System Ensuring the Appropriateness of the Business**

Details of the matters resolved at the Board of Directors regarding the system to ensure the suitability of operations of the Company are as follows.

The Basic Policies for the Construction of an Internal System for the Nabtesco Group shall be stipulated as follows.

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

**1. The System ensuring that Directors execute their duties in compliance with laws and regulations and the Articles of Incorporation**

- (i) Directors and employees shall comply with the Nabtesco Group Corporate Philosophy, Code of Corporate Ethics, and the Group Code of Conduct as a member of corporation, shall behave in accordance with social norms/ethics as members of society, and shall endeavor to establish and maintain a sound corporate culture.
- (ii) (The Board of) Directors shall make proper decisions on important management matters stipulated in laws and regulations, the Articles of Incorporation, the Regulation of the Board of Directors, and Group regulations for responsibility and authority.
- (iii) Directors shall perform their respectively assigned duties in accordance with proper decisions by the Board of Directors, and shall report on the performance of their duties to the Board of Directors. Should a Director have any doubts on whether the execution of operations by himself/herself or other Directors are in compliance with laws and the Articles of Incorporation, the Director shall report these doubts to the Board of Directors and (the Board of) Corporate Auditors.
- (iv) Directors and employees shall ensure the rationality and legality of their decisions by actively hearing the expert opinions of Expert Staff Members of the Head Office and/or outside the company during decision-making and performance of duties.
- (v) The Board of Directors shall make use of the multifaceted and impartial advice provided by External Directors and External Corporate Auditors to make appropriate decisions.
- (vi) To assist the CEO in promoting compliance, organizations responsible for promoting compliance shall be set up to review compliance systems in accordance with social conditions, revision of laws, etc., and to provide cross-Group compliance education to Directors and employees.
- (vii) Directors and employees shall be obliged to report any misconduct within the Group, and a corporate ethics hotline shall be created and operated as one of the methods to achieve this.

**2. The System for storing and managing information on the execution of duties by Directors**

- (i) Directors shall properly prepare and store/manage the following information (in written form or on electromagnetic record; the same applies hereinafter) on the performance of their duties in keeping with their respective duties and in accordance with laws and company regulations.
  - (a) Minutes of general shareholders' meetings and related documentation
  - (b) Minutes of Board of Directors' meetings and related documentation
  - (c) Records of the proceedings at other important meetings of Directors (e.g., Management Committee meetings) and related documentation
  - (d) Notices of decisions made by Directors and appended documentation
  - (e) Other important documentation related to Directors' performance of their duties
- (ii) The parties responsible for the preparation and storage/management of the information set forth in (i) above shall be the chairmen of the respective meetings or a separately assigned Director, decision-maker, or the Director responsible for performing the duties in question.
- (iii) Efforts shall be made to establish and continually strengthen/improve adequate security for electromagnetic records to combat the risks of unauthorized disclosure posed by the increasing sophistication of information technology.

**3. The System of regulations on managing the risk of loss, etc.**

- (i) The system shall be developed so that a scheme shall be put in place to ensure that profits and losses, asset efficiency, quality issues, accidents, and other matters concerning the execution of operations are reported to the Board of Directors in a suitable and timely fashion, and to ensure that Directors and employees aware of matters that could have a seriously adverse impact on Nabtesco and its Group shall report these promptly and precisely to (the Board of) Directors, and efforts shall be

made to discover risks early so as to minimize losses.

- (ii) Cross-group organizations shall be formed and regulations shall be developed based on the regulations as needed to manage risks and prevent losses with regard to the following.
  - (a) Opportunity loss risk arising from changes in the business environment or industry structure, or from delays in pursuing new technologies or new market entry, etc.
  - (b) Business management risk arising from improper decisions or operational measures, gross negligence or misconduct by Directors or employees
  - (c) Country risk and risk of unrecoverable charges/procurement difficulties arising from credit extended to sales agents and suppliers
  - (d) Financial risk arising from changes in financial assets held, fluctuations in interest/exchange rates, etc.
  - (e) IT risk arising from shutdown/malfunction of mission-critical system, information leakage, etc.
  - (f) Litigation risk arising from flaws in agreements, infringements of intellectual property rights, etc.
  - (g) ESH (Environment, Safety & Health) risk
  - (h) PL (Product Liability) and other quality-based risk
  - (i) Risks related to large-scale disasters
  - (j) Other risks deemed extremely serious by the Board of Directors
- (iii) The suitability and legality of decision-making shall be ensured and risks managed through compliance with, and thoroughgoing implementation of, Group regulations for responsibility and authority.
- (iv) Reporting requirements in the event of accidents, disasters or critical quality problems shall be set forth within company regulations, and steps taken to ensure that information is promptly and suitably conveyed and contingency measures implemented during emergencies in accordance with these regulations.
- (v) Expert Members of the Head Office, particularly in the Business Auditing Department, shall conduct cross-organizational audits of operational risk management, and shall offer necessary and appropriate advice with regard to operational improvements.

#### **4. The System ensuring that Directors perform their duties efficiently**

- (i) The necessary organizations shall be formed to ensure that Directors execute operations efficiently, and the respective responsibilities of these organizations shall be stipulated. Responsibility for operations shall be divided among Directors in accordance with Board of Directors' resolutions, and Directors shall execute operations in keeping with these divisions of responsibility.
- (ii) A corporate officer system and a company system shall be adopted in view of the nature and characteristics of the Nabtesco's business.
  - (a) Corporate Officers shall perform the duties delegated by the Board of Directors and shall report on the same.
  - (b) A company shall be established as a strategic business unit. Each company shall execute operations in accordance with the Group regulations for responsibility and authority and report on the same.
- (iii) Efforts shall be made to ensure the suitability and efficiency of decision-making by the Board of Directors with regard to the execution of operations to be submitted for consideration to the Board of Directors by having the Management Committee conduct preliminary examinations to clarify the points of issue before passing the matter on to the Board of Directors.

#### **5. The System ensuring the suitability of operations by the Company and the Group**

- (i) All principles and guidelines for internal control shall be applied to the whole Nabtesco Group, and efforts made to disseminate and standardize these throughout the Group as a whole.
- (ii) Management regulations of Nabtesco's group companies shall be established to stipulate, management classifications and management items for subsidiaries, and a Group-wide structure for responsibility and authority set up, taking into account the scale and importance (impact onto the Group) of subsidiaries as well as their autonomy. Furthermore, the system shall be developed so that subsidiaries shall be reported their important matters with regard to the execution of operations to the Company.
- (iii) Efforts shall be made to improve the suitability and efficiency of business operations at subsidiaries as well as to make qualitative improvements to financial reports by adopting a fully-consolidated basis and appropriately reflecting the performance of all subsidiaries into the consolidated performance of the Company and by conducting performance assessment of the management of



- companies on a consolidated basis.
- (iv) Efforts shall be made to dispatch its personnel as External Directors and External Auditors to subsidiaries from the Company to ensure more suitable decision-making and execution of operations and to homogenize and improve audits of subsidiaries through the Board of Group Auditors.
  - (v) Internal Audits of subsidiaries shall be executed by our Business Auditing Department. Advice regarding improvements shall be provided as necessary and appropriate as part of these audits.
- 6. Items on employees to assist Corporate Auditors (“support personnel”), when Corporate Auditors requested to assign employees to assist Corporate Auditors**
- (i) Should the (Board of) Corporate Auditors request that support personnel be assigned, the appropriate personnel shall be promptly secured after preliminary discussions with the (Board of) Corporate Auditors.
  - (ii) To ensure the independence of support personnel from Directors, reassignments and evaluations of these support personnel shall be made only after prior consultation with the (Board of) Corporate Auditors.
  - (iii) Support personnel shall be subject to the instructions and orders of the (Board of) Corporate Auditors in engaging in such support tasks.
- 7. The System enabling Directors and employees to report to Corporate Auditors; other systems for reporting to Corporate Auditors**
- (i) Directors aware of matters that could have a seriously adverse impact on the Company and its Group shall immediately report these to the (Board of) Corporate Auditors.
  - (ii) Directors and employees shall respond promptly and appropriately to requests by the Corporate Auditors for reports on the Company's business or for cooperation in investigating the status of the Company's operations and assets.
  - (iii) With the aim of enhancing cooperation between Corporate Auditors and departments associated with internal control, consultations and exchange of information and views concerning issues relating to internal control (including reports from Directors and employees of subsidiaries to the relevant departments) shall be carried out through the Audit Council, etc. Furthermore, the Board of Group Auditors shall conduct consultations and exchange information and views with Corporate Auditors and the Auditors of subsidiaries with regard to audits.
  - (iv) A system shall be developed to ensure that the person who reported the relevant matter to Corporate Auditors will not be treated unfavorably.
- 8. The Systems to ensure that audits by Corporate Auditors are carried out effectively**
- (i) A certain amount of the budget shall be set yearly for paying expenses, etc., with respect to the execution of duties of the Corporate Auditors. In the event that Corporate Auditors request from the Company advance payment of costs associated with the execution of their duties, the Company shall account for such expenses, etc., immediately according to laws and regulations, regardless of whether or not the expenses requested are within the budget.
  - (ii) Corporate Auditors shall be permitted to attend Management Committee meetings and all other important meetings and to view all management information, to enable Corporate Auditors to implement audits and check the decision-making process on the important matters in the execution of operations, based on information available to Directors.
  - (iii) Corporate Auditors shall be permitted to hold regular meetings to exchange views with the CEO and the Representative Director.
  - (iv) Corporate Auditors shall be permitted to request report from Corporate Officers and the other key employees on the execution of duties.
  - (v) Corporate Auditors shall be permitted to exchange views with Accounting Auditors and the Accounting & Finance Department regularly and to confirm the suitability of financial reports.
  - (vi) A system shall be ensured to improve the tasks of Corporate Auditors, and that facilitates regular reports on audit status to the internal auditing department and other relevant departments, and promotes consultation and exchange of information and opinions between such departments on audit matters.

(P46)

(3) Outline of the operational status of the systems to ensure the suitability of operations

Following is an outline of the operational status of the systems to ensure the suitability of operations for the current fiscal year.

1) Compliance system of the Company and the Group

For the purpose of providing guidance to every employee of the Company and the Group on the performance of business activities in an appropriate and fair manner, the Company formulated the Nabtesco Way, the Nabtesco Group Code of Corporate Ethics, and the Nabtesco Group Code of Conduct, and regularly provides training and awareness activities on the same to the officers and employees of the Group. In addition, we have established and appropriately operate a corporate ethics hotline both inside and outside the Company with the main aim of preventing and discovering violations of laws and regulations and misconduct at an early stage.

2) Risk management

For the purpose of preventing various risks in connection with business activities and limiting losses incurred to a minimum when they arise, we endeavored to strengthen our risk management system by formulating the risk management regulations. Based on the regulations, the Company set up a Risk Management Secretariat, BCP Administrative Secretariat, Group ESH Committee, and Group Quality & PL Committee to establish a structure that enables the Company to swiftly respond to risk according to its content and to periodically report the status of risk management operations to the Board of Directors, etc. In addition, Expert Staff Members of the Head Office mainly from within the Business Auditing Department conduct internal audits to give appropriate advice toward operational improvement, etc.

3) Execution of duties by Directors

Fourteen meetings of the Board of Directors of the Company were held to discuss and determine important matters relating to the execution of business operations and to supervise the execution of duties by Directors and employees. The minutes of the Board of Directors meetings and other important documents and materials relating to the execution of duties by Directors are appropriately prepared, stored, and managed. For electromagnetic records from among the above, the Company formulated the Detailed Regulations for the Administration of Information Security and has a specialist vendor conduct remote surveillance. Through these efforts, the Company strengthened and improved its security system.

4) Execution of duties by Corporate Auditors

Ten meetings of the Board of Corporate Auditors were held to report, discuss, and resolve important matters relating to audits. In addition, the Corporate Auditors attended the Board of Directors meetings, the Management Committee meetings, and other important conferences, and held meetings to exchange opinions with Representative Directors, meetings to exchange opinions with the Accounting Auditor, audit conferences with the Accounting & Finance Department and other internal control-related departments, and meetings of the Board of Group Auditors attended by corporate auditors of the Group companies, and thereby rigorously monitored the execution of duties by Directors and employees. Moreover, to ensure the suitability of the execution of duties by the Corporate Auditors, the Company granted the Corporate Auditors the right to access all of the management information databases and assigned two support personnel to the Corporate Auditors at the request of the Corporate Auditors.

(Note) In the amount and number of shares stated in the Business Report, all fractions are rounded down to the nearest units. With regard to ratios and other figures, all fractions are rounded off to the nearest units.

# Consolidated Financial Statements

## Consolidated Balance Sheet

(As of December 31, 2015)

(Million yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>128,575</b>	<b>Current liabilities</b>	<b>73,000</b>
Cash and time deposits	22,068	Trade notes and accounts payable - trade	38,643
Notes and accounts receivable - trade	59,750	Short-term loans payable	5,256
Marketable securities	13,000	Bonds payable within one year	10,000
Goods and products	5,579	Current portion of long-term loans payable	76
Products in progress	11,622	Income taxes payable	1,056
Raw materials and stored goods	11,219	Allowance for product warranties	611
Deferred tax assets	1,975	Provision for loss on order received	5
Other current assets	3,597	Other current liabilities	17,349
Allowance for doubtful accounts	(238)	<b>Long-term liabilities</b>	<b>11,456</b>
<b>Fixed assets</b>	<b>104,805</b>	Liabilities concerning retirement benefit	7,339
<b>Tangible fixed assets</b>	<b>55,916</b>	Allowance for retirement bonus for directors	180
Buildings and structures	19,709	Deferred tax liabilities	2,093
Machinery and transport equipment	17,092	Other long-term liabilities	1,842
Tools, apparatus and furniture	3,825	<b>Total liabilities</b>	<b>84,456</b>
Land	13,737	<b>(Net assets)</b>	
Construction in progress	1,551	<b>Shareholders' equity</b>	<b>129,005</b>
<b>Intangible fixed assets</b>	<b>23,657</b>	Capital stock	10,000
Goodwill	19,424	Capital surplus	14,237
Other intangible fixed assets	4,233	Earned surplus	107,487
<b>Investments and other assets</b>	<b>25,231</b>	Treasury stock	(2,718)
Investments in securities	23,057	<b>Accumulated other comprehensive income</b>	<b>13,062</b>
Assets concerning retirement benefits	204	Valuation difference on other securities	2,159
Deferred tax assets	465	Deferred gains or losses on hedges	3
Other investments and other assets	1,585	Foreign currency translation adjustments	11,597
Allowance for doubtful accounts	(82)	Remeasurements of defined benefit plans	(697)
		<b>Subscription rights to shares</b>	<b>379</b>
		<b>Non-controlling interests</b>	<b>6,476</b>
		<b>Total net assets</b>	<b>148,924</b>
<b>Total assets</b>	<b>233,381</b>	<b>Total liabilities and net assets</b>	<b>233,381</b>

## Consolidated Statement of Income

(From April 1, 2015 to December 31, 2015)

(Million yen)

Description	Amount	
<b>Net sales</b>		<b>187,000</b>
<b>Cost of sales</b>		<b>136,576</b>
<b>Gross profit</b>		<b>50,423</b>
<b>Selling, general and administrative expenses</b>		<b>35,129</b>
<b>Operating income</b>		<b>15,294</b>
<b>Non-operating income</b>		
Interest income	171	
Dividend income	88	
Rent income	106	
Equity in earnings of affiliates	1,710	
Other non-operating income	400	2,476
<b>Non-operating expenses</b>		
Interest expenses	148	
Foreign exchange losses	986	
Other non-operating expenses	218	1,352
<b>Ordinary income</b>		<b>16,418</b>
<b>Extraordinary gains</b>		
Gain on sales of fixed assets	32	
Gain on sales of investment securities	2,064	2,096
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	336	
Impairment loss	2,111	
Business structure improvement expenses	287	
Loss on valuation of golf club membership	3	
Loss on revision of retirement benefit plan	385	
Expenses on environmental measures	31	3,156
<b>Income before income taxes and adjustments</b>		<b>15,358</b>
Income taxes – current	5,348	
Income taxes – deferred	383	5,731
<b>Net income</b>		<b>9,626</b>
Loss attributable to non-controlling interests		1,432
<b>Net income attributable to parent company shareholders</b>		<b>11,059</b>

## Consolidated Statement of Changes in Equity

(From April 1, 2015 to December 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	10,000	18,989	107,554	(2,928)	133,615
Changes of items during period					
Dividends from surplus			(5,784)		(5,784)
Net income attributable to parent company shareholders			11,059		11,059
Purchase of treasury stock				(10,002)	(10,002)
Disposal of treasury stock		(93)		212	118
Retirement of treasury stock		(4,658)	(5,341)	9,999	-
Employees' welfare fund for overseas subsidiaries			(0)		(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(4,752)	(67)	209	(4,610)
Balance as of December 31, 2015	10,000	14,237	107,487	(2,718)	129,005

(Million yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2015	3,447	(2)	12,977	(175)	16,246	391	8,410	158,664
Changes of items during period								
Dividends from surplus								(5,784)
Net income attributable to parent company shareholders								11,059
Purchase of treasury stock								(10,002)
Disposal of treasury stock								118
Retirement of treasury stock								-
Employees' welfare fund for overseas subsidiaries								(0)
Net changes of items other than shareholders' equity	(1,288)	6	(1,379)	(521)	(3,183)	(11)	(1,934)	(5,129)
Total changes of items during period	(1,288)	6	(1,379)	(521)	(3,183)	(11)	(1,934)	(9,739)
Balance as of December 31, 2015	2,159	3	11,597	(697)	13,062	379	6,476	148,924

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheet

(As of December 31, 2015)

(Million yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>79,397</b>	<b>Current liabilities</b>	<b>59,280</b>
Cash and time deposits	8,859	Trade notes payable	280
Notes receivable	3,488	Trade accounts payable	27,786
Trade accounts receivable	37,032	Short-term loans payable	3,400
Marketable securities	13,000	Bonds payable within one year	10,000
Goods and products	2,015	Other accounts payable	5,940
Products in progress	4,932	Income taxes payable	583
Raw materials and stored goods	5,449	Accrued expenses	2,455
Deferred tax assets	1,073	Advances received	182
Other accounts receivable	1,200	Deposits received	8,197
Other current assets	3,335	Allowance for product warranty	391
Allowance for doubtful accounts	(991)	Other current liabilities	63
<b>Fixed assets</b>	<b>84,877</b>	<b>Long-term liabilities</b>	<b>5,912</b>
<b>Tangible fixed assets</b>	<b>34,734</b>	Provision for retirement bonus	4,993
Buildings	11,113	Deferred tax liabilities	292
Structures	560	Other long-term liabilities	627
Machinery and equipment	10,899	<b>Total liabilities</b>	<b>65,192</b>
Vehicles and transport equipment	42	<b>(Net assets)</b>	
Tools, apparatus and furniture	1,842	<b>Shareholders' equity</b>	<b>97,238</b>
Land	9,356	<b>Capital stock</b>	<b>10,000</b>
Construction in progress	918	<b>Capital surplus</b>	<b>26,273</b>
<b>Intangible fixed assets</b>	<b>1,934</b>	Legal capital surplus	26,273
Software	1,639	Other capital surplus	-
Other intangible fixed assets	294	<b>Earned surplus</b>	<b>63,186</b>
<b>Investments and other assets</b>	<b>48,209</b>	Legal earned surplus	1,076
Investments in securities	4,758	Other earned surplus	62,109
Shares of subsidiaries and associates	33,566	Reserve for advanced depreciation of assets	80
Investments in capital of subsidiaries and associates	6,202	Earned surplus brought forward	62,029
Long-term loans receivable from subsidiaries and associates	3,041	<b>Treasury stock</b>	<b>(2,221)</b>
Long-term prepaid expenses	138	<b>Valuation and translation adjustments</b>	<b>1,464</b>
Other investments and other assets	539	Valuation difference on other securities	1,461
Allowance for doubtful accounts	(37)	Deferred gains or losses on hedges	3
		<b>Subscription rights to shares</b>	<b>379</b>
		<b>Total net assets</b>	<b>99,082</b>
<b>Total assets</b>	<b>164,275</b>	<b>Total liabilities and net assets</b>	<b>164,275</b>

## Non-consolidated Statement of Income

(From April 1, 2015 to December 31, 2015)

(Million yen)

Description	Amount	
<b>Net sales</b>		<b>106,497</b>
<b>Cost of sales</b>		<b>81,888</b>
<b>Gross profit</b>		<b>24,609</b>
<b>Selling, general and administrative expenses</b>		<b>12,828</b>
<b>Operating income</b>		<b>11,780</b>
<b>Non-operating income</b>		
Interest income	40	
Dividend income	3,537	
Rent income	150	
Other non-operating income	46	3,774
<b>Non-operating expenses</b>		
Interest expenses	74	
Foreign exchange losses	14	
Other non-operating expenses	82	172
<b>Ordinary income</b>		<b>15,382</b>
<b>Extraordinary gains</b>		
Gain on sales of fixed assets	3	
Gain on sales of investment securities	2,062	2,066
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	181	
Loss on valuation of investments in capital of subsidiaries and associates	607	
Business structure improvement expenses	174	
Loss on valuation of golf club membership	3	
Provision of allowance for doubtful accounts for subsidiaries and associates	991	
Expenses on environmental measures	31	1,990
<b>Income before income taxes and adjustments</b>		<b>15,459</b>
Income taxes – current	3,506	
Income taxes – deferred	325	3,831
<b>Net income</b>		<b>11,627</b>

## Non-consolidated Statement of Changes in Equity

(From April 1, 2015 to December 31, 2015)

(Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of April 1, 2015	10,000	26,273	4,752	31,026
Changes of items during period				
Dividends from surplus				
Reversal of voluntary earned surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(93)	(93)
Retirement of treasury stock			(4,658)	(4,658)
Net changes of items other than shareholders' equity				
Total changes of items during period	-	-	(4,752)	(4,752)
Balance as of December 31, 2015	10,000	26,273	-	26,273

(Million yen)

	Shareholders' equity					
	Earned surplus				Treasury stock	Total shareholders' equity
	Legal earned surplus	Other earned surplus		Total earned surplus		
		Reserve for advanced depreciation of assets	Earned surplus brought forward			
Balance as of April 1, 2015	1,076	82	61,525	62,685	(2,431)	101,279
Changes of items during period						
Dividends from surplus			(5,784)	(5,784)		(5,784)
Reversal of voluntary earned surplus		(2)	2	-		-
Net income			11,627	11,627		11,627
Purchase of treasury stock					(10,002)	(10,002)
Disposal of treasury stock					212	118
Retirement of treasury stock			(5,341)	(5,341)	9,999	-
Net changes of items other than shareholders' equity						
Total changes of items during period	-	(2)	503	501	209	(4,041)
Balance as of December 31, 2015	1,076	80	62,029	63,186	(2,221)	97,238



(Million yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on other securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2015	2,800	(2)	2,798	391	104,468
Changes of items during period					
Dividends from surplus					(5,784)
Reversal of voluntary earned surplus					-
Net income					11,627
Purchase of treasury stock					(10,002)
Disposal of treasury stock					118
Retirement of treasury stock					-
Net changes of items other than shareholders' equity	(1,339)	5	(1,333)	(11)	(1,345)
Total changes of items during period	(1,339)	5	(1,333)	(11)	(5,386)
Balance as of December 31, 2015	1,461	3	1,464	379	99,082