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(Securities code: 6268)
March 6, 2017

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 14TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

You are cordially invited to attend the 14th 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 Monday, March 27, 2017 (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:** Tuesday, March 28, 2017 at 10:00 a.m. (JST)
(Reception begins at 9:00 a.m. (JST))
- 2. Venue:** Cosmos Hall, 3F Toshi Center Hotel Tokyo, located at
4-1, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo, Japan
*Please note that the venue of this Annual General Meeting of Shareholders
differs from that of the previous year.
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 14th Fiscal Year (from January 1, 2016 to December 31, 2016) 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 14th Fiscal Year (from January 1, 2016 to December 31, 2016)

Proposals to be resolved:

- Proposal No. 1:** Distribution of Surplus
Proposal No. 2: Election of Ten Directors
Proposal No. 3: Revision of Remuneration for Directors
Proposal No. 4: Amount and Details Concerning Stock Compensation Plan
Proposal No. 5: Revision of Remuneration for 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, 2016 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: 26 yen

Total amount of dividends: 3,228,819,880 yen

3. Effective date for distribution of surplus

March 29, 2017

Because an interim dividend of 24 yen per share was paid out, the annual dividend for the fiscal year ended December 31, 2016 will be 50 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: 6 years and 9 months	Sep. 2003	Vice President of P.T. Pamindo Tiga T	18,100 shares
		May 2008	General Manager, Sales Department, Power Control Company of Nabtesco Corporation	
		Jun. 2009	Executive Officer of Nabtesco Corporation	
		Jun. 2010	Director of Nabtesco Corporation and General Manager, Corporate Planning Division	
		Jun. 2011	Representative Director, President & CEO of Nabtesco Corporation (to present)	
<p>Reasons for appointment</p> <p>Mr. Kazuaki Kotani has served as Representative Director, President & 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. He has long served 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>				
2	Katsuhiko Teramoto (Dec. 13, 1955) Re-elected Term of office: 1 year and 9 months	Jun. 2007	General Manager, Sales Department No. 1, Precision Equipment Company of Nabtesco Corporation	6,400 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. Katsuhiko Teramoto has served as Representative Director from June 2015, and has appropriately led and supervised management. After serving 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 takes 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. Katsuhiko Teramoto 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	Nobutaka Osada (Sep. 14, 1953) Re-elected Term of office: 5 years and 9 months	Feb. 2005	President of Nabtesco Aerospace Inc.	20,200 shares
		Jun. 2007	General Manager, Gifu Plant, Aerospace Company of Nabtesco Corporation	
		Jun. 2009	Executive Officer of Nabtesco Corporation	
		Jun. 2010	President, Aerospace Company of Nabtesco Corporation (to present)	
		Jun. 2011	Director of Nabtesco Corporation	
		Jun. 2013	Director and Managing Executive Officer of Nabtesco Corporation	
		Jun. 2015	Representative Director and Senior Managing Executive Officer of Nabtesco Corporation	
		Jun. 2016	Representative Director and Deputy Chief Executive Officer (to present)	
Reasons for appointment Mr. Nobutaka Osada has served as Representative Director from June 2015, and has appropriately led and supervised management. 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. Additionally, he has concurrently been in charge of Production Innovation at the Company since March, 2016. 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.				
4	Toshio Yoshikawa (Nov. 14, 1954) Re-elected Term of office: 2 years and 9 months	Oct. 2004	General Manager, Sales Department No. 2, Precision Equipment Company of Nabtesco Corporation	8,900 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. 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.				

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held
5	Shinji Juman (Aug. 28, 1957) New Candidate	Jan. 2006	General Manager, Cost Control Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation	4,700 shares
		Jun. 2006	General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation	
		Jun. 2009	General Manager, Tsu Plant, Precision Equipment Company of Nabtesco Corporation	
		Jun. 2011	Executive Officer of Nabtesco Corporation and President, Nabtesco Automotive Corporation	
		Jun. 2014	President, Precision Equipment Company of Nabtesco Corporation (to present)	
		Jun. 2015	Managing Executive Officer of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Shinji Juman has served as General Manager of the Manufacturing Department, Precision Equipment Company and as General Manager of the Tsu Plant, Precision Equipment Company, and currently serves as President of Precision Equipment Company, and has broad experience and extensive insight concerning the precision equipment business. Additionally, he has experience as a corporate manager, including his role as President of Nabtesco Automotive Corporation. 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 appointment of Mr. Shinji Juman as Director.				
6	Daisuke Hakoda (Oct. 25, 1957) Re-elected Term of office: 1 year and 9 months	Jun. 2007	President of Nabtesco Aerospace, Inc.	15,021 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. 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.				

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held
	Goro Hashimoto (Feb. 7, 1957) Re-elected Term of office: 1 year and 9 months	Jan. 2009	General Manager, Legal Department of Nabtesco Corporation	1,400 shares
		Jun. 2015	Director, Executive Officer (to present) and General Manager, Compliance Division of Nabtesco Corporation (to present)	
7	<p>Reasons for appointment</p> <p>Mr. Goro Hashimoto has engaged in corporate management as Director from June 2015, and has effectively fulfilled its roles and duties. After serving 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.</p>			
8	Yutaka Fujiwara (Apr. 20, 1951) Re-elected Candidate for Outside Director Term of office: 3 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)	
	<p>Reasons for appointment</p> <p>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 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 regard 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.</p>			

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: 1 year and 9 months</p>	<p>Apr. 1973 Jun. 1980 Feb. 1989 Oct. 1994 Jun. 2003 Jul. 2003 Jun. 2005 Jun. 2007 Jun. 2010 Jun. 2011 Jun. 2013 Jun. 2015 Sep. 2015</p>	<p>Joined Tokyo Optical Co., Ltd. (current TOPCON CORPORATION) General Manager of Topcon Singapore Pte. Ltd. President of Topcon Australia Pty Ltd. Senior Vice President of Topcon Laser Systems, Inc. (current Topcon Positioning Systems, Inc.) Executive Officer of TOPCON CORPORATION President and Director of Topcon Sales Co., Ltd. Director and Executive Officer of TOPCON CORPORATION Director, Managing Executive Officer, Supervising Sales Promotion Group, and Chief of Positioning Business Unit of TOPCON CORPORATION Director, Senior Managing Executive Director and Supervising Corporate Planning Group of TOPCON CORPORATION President & Representative Director of TOPCON CORPORATION Advisor of TOPCON CORPORATION Director of Nabtesco Corporation (to present) 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 regard 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) Re-elected Candidate for Outside Director Term of office: 1 year	<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)</p> <p>Mar. 2016 Director of Nabtesco Corporation (to present)</p> <p>Jul. 2016 Member of the Long-term Global Warming Countermeasures Platform, Ministry of Economy, Trade and Industry (to present)</p> <p>Nov. 2016 Ambassador of WINDS (Women's Initiative in Developing STEM Career), Ministry of Foreign Affairs of Japan (to present)</p>	0 shares
<p>Reasons for appointment</p> <p>Ms. Naoko Yamazaki has broad insight as an engineer regarding the latest aerospace engineering and the field of manned space machinery systems including robotic arms. As an astronaut, she has experience in conducting crisis management in the harsh, resource-limited environment of spacecraft, etc., has broad skills in risk management and, as an Outside Director from March 2016, has appropriately supervised management. The Company, having high regard for her experience and insight, requests the continued 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 independence of Outside Directors and Outside Corporate Auditors" (please refer to page 11). The Company has already designated Messrs. Yutaka Fujiwara, Norio Uchida and Ms. Naoko Yamazaki as independent director under the provisions set forth by the Tokyo Stock Exchange.
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, Norio Uchida and Ms. Naoko Yamazaki and plans to retain the agreement, if their reappointments 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.

(P14)

(Reference)

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

The Company considers an Outside Director/Corporate Auditor to be independent, if all of the following requirements are met, in addition to the requirements for independent directors as defined by the Tokyo Stock Exchange.

- 1) 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;
- 2) 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;
- 3) The Outside Director/Corporate Auditor is not a major business partner (yearly transaction amount exceeds 1% of consolidated net sales) or a person who executes its business;
- 4) The Outside Director/Corporate Auditor is not a person for whom the Group is a major business partner (yearly transaction amount exceeds 1% of the counterparty’s consolidated net sales) or a person who executes its business;
- 5) 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);
- 6) 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;
- 7) The Outside Director/Corporate Auditor has not fallen under requirements 1) through 5) for the past three years.

(P15)

株主総会参考書類

Reference Documents for the General Meeting of Shareholders

[Reference] Explanation concerning the remuneration system as relates to Proposal No. 3: Revision of Remuneration for Directors, and Proposal No. 4: Amount and Details Concerning Stock Compensation Plan

At present, the remuneration system for Directors and Executive Officers comprises monthly compensation (fixed compensation and short-term performance-linked compensation) and stock compensation-type stock options (medium-term performance-linked compensation, and long-term performance-linked compensation) (however, compensation to Outside Directors consists solely of fixed compensation).

The 9th Annual General Meeting of Shareholders held on June 26, 2012 approved that the remuneration for Directors of the Company to be “within 350 million yen per year (of which within 30 million yen per year is for Outside Directors)” and this remuneration has remained unchanged to date. Furthermore, the 6th Annual General Meeting of Shareholders held on June 24, 2009 approved a remuneration framework, separately from the remuneration for Directors noted above, that allows the Company to allocate Directors (excluding Outside Directors) subscription rights to shares as stock compensation-type stock options (hereinafter, “long-term performance-linked stock compensation-type stock option compensation”) within the amount of 100 million yen each year, and the 11th Annual General Meeting of Shareholders held on June 24, 2014 approved a remuneration framework that allows the Company to allocate Directors subscription rights to shares as stock compensation-type stock options (hereinafter, “medium-term performance-linked stock compensation-type stock option compensation”) within the remuneration for Directors noted above, and these remunerations have remained unchanged to date.

Having considered an establishment of remuneration that will further increase the motivation of each Director and Executive Officer to contribute to improving business performance and raising corporate value as well as further increase their shareholder-centric management awareness, the Company proposes a revision of the present remuneration system for Directors and Executive Officers.

Specifically, the Company proposes a revision to the amount of remuneration for Directors for the purposes of increasing the range of remuneration linked to short-term performance and further enhancing the corporate governance of the Company by securing talented personnel of excellent character and insight who will appropriately supervise management of the Company amid the changing environment surrounding Outside Directors. Additionally, for the purpose of establishing remuneration that will further motivate corporate management cognizant of the business performance and share price from a medium- to long-term perspective, the Company proposes the introduction of a stock compensation plan in the form of a Board Benefit Trust (BBT). If this plan is introduced, the Company intends to abolish existing long-term performance-linked stock compensation-type stock option compensation and medium-term performance-linked stock compensation-type stock option compensation.

Accordingly, the Company proposes Proposal No. 3: Revision of Remuneration for Directors, and Proposal No. 4: Amount and Details Concerning Stock Compensation Plan as follows.

(P16)

Proposal No. 3: Revision of Remuneration for Directors

The 9th Annual General Meeting of Shareholders held on June 26, 2012 approved that the remuneration for Directors of the Company to be “within 350 million yen per year (of which within 30 million yen per year is for Outside Directors)” and this remuneration has remained unchanged to date. However, for the purposes outlined in the aforementioned [Reference] Explanation concerning the remuneration system as relates to Proposal No. 3: Revision of Remuneration for Directors, and Proposal No. 4: Amount and Details Concerning Stock Compensation Plan, it is proposed that the remuneration for Directors be revised to “within 400 million yen per year (of which within 50 million yen per year is for Outside Directors)”, taking into consideration changes in economic conditions and other various circumstances.

The current number of Directors is ten (of whom three are Outside Directors). If Proposal No. 2: Election of Ten Directors is approved as presented, the number of Directors eligible for the remuneration proposed in this proposal shall remain ten (of whom three are Outside Directors).

It is requested that the remuneration for Directors proposed in this proposal be approved separately from the Amount and Details Concerning Stock Compensation Plan proposed in Proposal No. 4.

(P17)

Proposal No. 4: Amount and Details Concerning Stock Compensation Plan

For the purposes described in the aforementioned [Reference] Explanation concerning the remuneration system as relates to Proposal No. 3: Revision of Remuneration for Directors, and Proposal No. 4: Amount and Details Concerning Stock Compensation Plan, the Company proposes the introduction of a new stock compensation plan (hereinafter, “the Plan”) in the form of a Board Benefit Trust (BBT).

The Company regards the Plan as a remuneration system that, compared with existing stock compensation-type stock options, has a potential to further increase the motivation of Directors to contribute to improving the medium- to long-term business performance of the Group as a whole and to raising corporate value, as well as to further increase shareholder-centric management awareness by additionally clarifying the link between compensation for Directors and Executive Officers (excluding Outside Directors; hereinafter “Directors, etc.”) and the business performance and share value of the Company, and by having Directors share with the shareholders not only benefits of rising share prices, but also risks of falling share prices. The Company therefore deems the introduction of the Plan appropriate.

If this proposal is approved, the Company will abolish both the long-term performance-linked stock compensation-type stock option compensation and the medium-term performance-linked stock compensation-type stock option compensation that had been previously approved. However, irrespective of this abolition, any subscription rights to shares already awarded to Directors as stock compensation-type stock options that have not been exercised will continue to be retained.

The outline of the Plan is as follows. Details shall be left to the discretion of the Board of Directors.

(1) Outline of the Plan

i. The Plan is a system in which Nabtesco shares are acquired through a trust (the trust established in accordance with the Plan shall hereinafter be referred to as “the Trust”) using money contributed by the Company as funds, and every year points (hereinafter, “share grant points”) shall be awarded to Directors, etc. based on their positions and business performances in accordance with the Regulations for Provision of Shares to Officers formulated by the Company, and Nabtesco shares and the cash conversion equivalent of Nabtesco shares (hereinafter “Nabtesco shares, etc.”) shall be subject to grant or provision (hereinafter, “grant, etc.”) through the Trust at prescribed times in accordance with the number of share grant points.

ii. The following two types of grant, etc. are provided to Directors, etc. as remuneration through the Trust.

- a. The grant, etc. of Nabtesco shares, etc. received at certain times during tenure of office (hereinafter, “tenure grant, etc.”)

Share grant points are awarded based on the degree of achievement of the Medium-term Management Plan, and Nabtesco shares, etc. are subject to grant, etc. in accordance with said share grant points. However, should the performance criteria determined by the Board of Directors of the Company not be met, share grant points will not be awarded. The timing for the grant, etc. of Nabtesco shares, etc. shall, in principle, be the date of the Annual General Meeting of Shareholders of the last fiscal year ending within three years following the awarding of share grant points.

- b. The grant, etc. of Nabtesco shares, etc. upon retirement (hereinafter “retirement grant, etc.”)

Share grant points are awarded in accordance with the position of Directors, etc. and Nabtesco shares, etc. are subject to grant, etc. in accordance with said share grant points. The timing of the grant, etc. of Nabtesco shares, etc. shall, in principle, be after Directors, etc. have retired.

(P18)

(2) Individuals eligible for the Plan

Directors and Executive Officers (Outside Directors are not eligible for the Plan.)

If Proposal No. 2: Election of Ten Directors is approved as presented, seven Directors will be eligible for the Plan.

(3) Trust period

From May 2017 (scheduled) until the termination of the Trust. (With regard to the trust period, no specific termination date is set for the Trust, and the Trust will continue as long as the Plan continues. The Plan will terminate upon the delisting of Nabtesco shares or the abolition of the Regulations for Provision of Shares to Officers or in certain other cases.)

(4) Trust amount

Subject to the approval of this Proposal, the Company will contribute to the Trust the funds required to enable the Trust to acquire, in a certain period in advance, the number of shares reasonably deemed necessary for the grant, etc. of Nabtesco shares, etc. in accordance with (6) and (7) below.

Specifically, with regard to the three fiscal years from the fiscal year ending December 31, 2017 to the fiscal year ending December 31, 2019 (hereinafter, "the initial period"), the Company will contribute an upper limit of 1,110 million yen as funds required for the tenure grant, etc. (of which 450 million yen shall be for Directors) and an upper limit of 960 million yen as funds required for the retirement grant, etc. (of which 420 million yen shall be for Directors).

After the initial period has elapsed, the Company shall, in principle, make additional contributions to the Trust every three fiscal years for the following three fiscal years (hereinafter, "the next period") with an upper limit of 1,110 million yen as funds required for the tenure grant, etc. (of which 450 million yen shall be for Directors) and an upper limit of 960 million yen as funds required for the retirement grant, etc. (of which 420 million yen shall be for Directors) until the Plan is terminated. However, in cases where such additional contributions are made, if there are any Nabtesco shares (excluding Nabtesco shares that correspond to the number of share grant points awarded to Directors, etc. and that have not yet been granted to Directors, etc.) and money remaining in the Trust as of the day immediately after the commencement of the next period (hereinafter "residual shares, etc."), the Company shall appropriate the residual shares, etc. as funds for grants, etc. for the next period in accordance with the Plan, and calculate the additional amount of contributions for the next period, taking into consideration the monetary amount of the residual shares, etc. (for Nabtesco shares, the market price of the day immediately after the commencement of the next period). Should the Company decide to make an additional contribution, it will be disclosed in a timely manner.

(5) Method for acquiring Nabtesco shares and the number of shares to be acquired

It is expected that the Trust will acquire Nabtesco shares using the funds contributed as in (4) above either through the open market or by purchasing the Company's disposed treasury shares.

With respect to the initial period, the Company shall acquire the number of shares required to operate each grant, etc. with an upper limit of 423,000 shares for the tenure grant, etc. (of which 168,000 shares shall be for Directors) and an upper limit of 357,000 shares (of which 153,000 shares shall be for Directors) without delay upon the establishment of the Trust (scheduled for May 2017). Details regarding the acquisition of Nabtesco shares by the Trust will be disclosed in a timely and appropriate manner.

(P19)

(6) Specific methods for calculating the number of the Nabtesco shares, etc. to be granted to Directors, etc. Each fiscal year, Directors, etc. will be awarded the number of share grant points in accordance with the degree of achievement of the Medium-term Management Plan for tenure grants, etc., and the number of share grant points in accordance with position for retirement grants, etc., based on the Regulations for Provision of Shares to Officers.

The upper limits of share grant points awarded to Directors, etc. in a single fiscal year shall be 141,000 points for the tenure grant, etc. (of which 56,000 points shall be for Directors), and 119,000 points for the retirement grant, etc. (of which 51,000 points shall be for Directors).

These figures were determined based on the comprehensive consideration of matters such as the current levels of remuneration for directorship/auditorship, trends in the number of Directors, etc., and the future outlook, and have been deemed to be reasonable.

When executing the grant, etc. of Nabtesco shares, etc. as in (7) below, the share grant points awarded to Directors, etc. will be converted at the rate of one share of the Company's common stock per point (however, in the event that a stock split, allotment of shares without consideration, or consolidation, etc. of Nabtesco shares is conducted following the approval of this proposal, the Company will, in accordance with those ratios, etc., carry out rational adjustments to the maximum number of share grant points and the number of share grant points already awarded or their conversion ratio).

The number of share grant points for Directors, etc. to be used as the criterion for the grant, etc. of Nabtesco shares, etc. as in (7) below will be separated either as share grant points for the tenure grant, etc. or share grant points for the retirement grant, etc., and the number for each will be finalized according to the total number of share grant points awarded to Directors, etc. at the time that each respective beneficiary right is satisfied (hereinafter, the number of share grant points fixed for the tenure grant, etc. shall be referred to as the "number of finalized points for the tenure grant, etc." and the number of share grant points fixed for the retirement grant, etc. shall be referred to as the "number of finalized points for the retirement grant, etc.").

(7) Grant, etc. of Nabtesco shares, etc.

i. Tenure grant, etc.

Directors, etc. of the Company, in accordance with the provisions of the Regulations for Provision of Shares to Officers, shall, in principle, fulfil the beneficiary requirements on the day of the Annual General Meeting of Shareholders of the last fiscal year ending within three years following the awarding of share grant points, and shall, in principle, receive grants of Nabtesco shares from the Trust corresponding to the number of finalized points for the tenure grant, etc. determined in accordance with (6) above by carrying out the prescribed beneficiary determination procedure.

However, in the event that Directors, etc. fulfil the requirements stipulated in the Regulations for Provision of Shares to Officers, Directors, etc. shall receive a monetary grant equivalent to the cash conversion rate of Nabtesco shares for a certain proportion of Nabtesco shares stipulated in the Regulations for Provision of Shares to Officers corresponding to the number of finalized points for the tenure grant, etc. in lieu of the grant of Nabtesco shares. The Company may sell Nabtesco shares in the Trust in order to provide the monetary grant.

ii. Retirement grant, etc.

In the event that Directors, etc. of the Company retire and fulfil the beneficiary requirements stipulated in the Regulations for Provision of Shares to Officers, Directors, etc. shall, in principle, by carrying out the prescribed beneficiary determination procedure, receive grants of Nabtesco shares from the Trust corresponding to the number of finalized points for the retirement grant, etc. determined in accordance with (6) above, upon their retirement.

(P20)

However, in the event that Directors, etc. fulfil the requirements stipulated in the Regulations for Provision of Shares to Officers, Directors, etc. shall receive a monetary grant equivalent to the cash conversion rate of Nabtesco shares for a certain proportion of Nabtesco shares stipulated in the Regulations for Provision of Shares to Officers corresponding to the number of finalized points for the retirement grant, etc. in lieu of the grant of Nabtesco shares. The Company may sell Nabtesco shares in the Trust in order to provide the monetary grant.

(8) Exercise of voting rights

Voting rights of Nabtesco shares in the Trust shall not be exercised, without exception, at the instruction of the trust administrator. Accordingly, it is intended to ensure that the exercise of voting rights of Nabtesco shares in the Trust be neutral with respect to the management of the Company.

(9) Treatment of dividends

Dividends on Nabtesco shares in the Trust account will be received by the Trust and used for acquisition of Nabtesco shares and trust fees payable to the trustee of the Trust, among other things. In the event that the Trust is terminated, the dividends remaining in the Trust will be provided to Directors, etc. in office at the time in proportion to the number of share grant points each of them holds, in accordance with the provisions of the Regulations for Provision of Shares to Officers.

(10) Treatment upon the termination of the Trust

The Trust will terminate upon the delisting of Nabtesco shares, abolition of the Regulations for Provision of Shares to Officers, or in certain other cases. With regard to Nabtesco shares among the residual assets of the Trust at the time of termination of the Trust, the Company plans to acquire all such shares without consideration and cancel them by resolution of the Board of Directors. Of the residual assets of the Trust at the time of termination of the Trust, the balance of money excluding money provided to Directors, etc. in accordance with (9) above will be provided to the Company.

[Outline of the Trust]

- | | |
|----------------------------------|---|
| (1) Name | : Board Benefit Trust (BBT) |
| (2) Entrustor | : The Company |
| (3) Trustee | : Mizuho Trust & Banking Co., Ltd.
(Re-entrustment: Trust & Custody Services Bank, Ltd.) |
| (4) Beneficiaries | : Directors, etc. who fulfil the beneficiary requirements stipulated in the Regulations for Provision of Shares to Officers |
| (5) Trust administrator | : Third parties with no conflict of interest with the Company will be selected. |
| (6) Type of trust | : Money entrust other than money trust |
| (7) Date of the Trust agreement | : May 2017 (scheduled) |
| (8) Date of entrustment of money | : May 2017 (scheduled) |
| (9) Trust period | : From May 2017 (scheduled) until the termination of the Trust |
- No specific termination date is set for the Trust, and the Trust will continue as long as the Plan continues.

(P21)

(Structure of the Plan)

(上から下、左から右へ)

【委託者】

Entrustor

当社

The Company

②金銭の信託

(2) Entrustment of money

③株式取得

(3) Acquisition of shares

【受託者】

Trustee

みずほ信託銀行

Mizuho Trust & Banking Co., Ltd.

(再信託：資産管理サービス信託銀行)

(Re-entrustment: Trust & Custody Services Bank, Ltd.)

当社株式

Nabtesco shares

①役員株式給付規程の制定

(1) Formulation of Regulations for Provision of Shares to Officers

④株式交付ポイントの付与

(4) Awarding of share grant points

⑤議決権不行使

(5) Non-exercise of voting rights

議決権不行使の指図

Instruction on non-exercise of voting rights

⑥当社株式等の交付等

(6) Grant, etc. of Nabtesco shares, etc.

取締役等

Directors, etc.

信託管理人

Trust Administrator

【受益者】 取締役等のうち受益者要件を満たす者

[Beneficiaries] Directors, etc. who fulfil the beneficiary requirements

受給権取得

Acquisition of entitlement

1. The Company will formulate the Regulations for Provision of Shares to Officers within the scope of the framework approved by resolution of this proposal.
2. The Company will entrust money within the scope approved by resolution of this proposal.

3. The Trust will acquire Nabtesco shares either through the open market or by purchasing the Company's disposed treasury shares using the money entrusted as in 2. above as the funds.
4. The Company will award share grant points to Directors, etc. in accordance with the Regulations for Provision of Shares to Officers.
5. The Trust will not exercise voting rights of Nabtesco shares in the Trust account in accordance with the instructions from the trust administrator independent of the Company.
6. The Trust will grant Nabtesco shares, etc. to those Directors, etc. who fulfil the beneficiary requirements stipulated in the Regulations for Provision of Shares to Officers (hereinafter "beneficiaries"), in accordance with the number of share grant points awarded to said beneficiaries. However, in the event that Directors, etc. fulfil requirements stipulated separately in the Regulations for Provision of Shares to Officers, the Company will provide the cash equivalent to the market price of Nabtesco shares in lieu of Nabtesco shares for a certain proportion of the points awarded to those Directors, etc.

(P22)

Proposal No. 5: Revision of Remuneration for Corporate Auditors

The 6th Annual General Meeting of Shareholders held on June 24, 2009 approved that the remuneration for Corporate Auditors of the Company to be “within 80 million yen per year” and it has remained unchanged to date. However, for the purposes of maintaining an appropriate and effective auditing system amid changes in the environment surrounding Corporate Auditors and further enhancing the corporate governance of the Company, it is proposed that the remuneration for Corporate Auditors be revised to “within 90 million yen per year,” taking into consideration changes in economic conditions and other various circumstances. The current number of Corporate Auditors is five (of whom three are Outside Auditors).

(P23)

(添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

1. Overview of Consolidated Business Activities

(1) Developments and results of business activities

In consolidated FY 2016, the global economy remained relatively sluggish overall in the absence of any driving force, as evidenced by the continued uncertain outlook in Europe and the United States against the background of the decision by the U.K. to withdraw from the EU and the U.S. presidential election, among other factors, while the emerging countries faced the slow growth of the Chinese economy as well as the stagnant economies of the Southeast Asian countries.

In the Japanese economy, although there was an improvement in employment conditions, the economy demonstrated increasing signs of stagnancy due in part to the sluggish growth of personal consumption as well as the effects from fluctuations in foreign exchange and the economic deceleration in emerging countries.

Under these circumstances, the consolidated operating results of the Group for FY 2016 recorded net sales of ¥244.6 billion, operating income of ¥23.4 billion, ordinary income of ¥24.7 billion and net income attributable to owners of the parent of ¥17.5 billion mostly as the result of robust demand for industrial robots and the conversion of a domestic automatic door sales company to a consolidated subsidiary, despite sluggish conditions in the shipping and ship-building markets.

(Note) Since the fiscal year ended December 31, 2015 was a transitional period due to a change of fiscal year, the period of consolidation for companies whose closing date of the fiscal year was March was nine months (from April 1, 2015 to December 31, 2015) and the period of consolidation for companies whose closing date of the fiscal year was December was twelve months (from January 1, 2015 to December 31, 2015). For this reason, changes from the previous consolidated fiscal year are omitted.

(P24)

(2) セグメント別情報
(2) Segment information

区分 Segment	精密機器事業 Precision Equipment	輸送用機器事業 Transport Equipment	航空・油圧機器事 業 Aircraft and Hydraulic Equipment	産業用機器事業 Industrial Equipment	合計 Total
売上高 (百万円) Net sales (Million yen)	56,931	61,074	47,806	78,806	244,618
営業利益 (百万円) Operating income (Million yen)	8,616	10,335	(26)	4,546	23,471

セグメント別の概況は次のとおりです。
Operating results by segment were as follows.

【精密機器事業】 [Precision Equipment]

売上高構成比 Net sales composition
23.3%

■売上高 (億円) Net sales (Billion yen)
2015年度 (9ヵ月) 453 FY2015 (9 mo.) 45.3
2016年度 569 FY2016 56.9

■営業利益 (億円) Operating income (Billion yen)
2015年度 (9ヵ月) 68 FY2015 (9 mo.) 6.8
2016年度 86 FY2016 8.6

精密機器事業の受注高は621億円となりました。売上高は569億円、営業利益は86億円となりました。

The amount of orders received for precision equipment was ¥62.1 billion. Net sales and operating income were ¥56.9 billion and ¥8.6 billion, respectively.

精密減速機は、主に堅調な産業用ロボット向け需要を受け、売上高は概ね計画通り推移しました。
Sales of precision reduction gears remained largely on target, mainly on the back of brisk demand for industrial robots.

主要品目
Main products

精密減速機、精密アクチュエーター、三次元光造形装置、真空装置、太陽追尾駆動装置、
風力発電機用駆動装置
Precision reduction gears, precision actuators, three-dimensional rapid prototyping equipment, vacuum equipment, solar tracking equipment, and drive units for wind turbine generators

【輸送用機器事業】 [Transport Equipment]

売上高構成比 Net sales composition
25.0%

■売上高（億円） Net sales (Billion yen)

2015年度（9ヵ月）468 FY2015 (9 mo.) 46.8

2016年度 610 FY2016 61.0

■営業利益（億円） Operating income (Billion yen)

2015年度（9ヵ月）78 FY2015 (9 mo.) 7.8

2016年度 103 FY2016 10.3

輸送用機器事業の受注高は 609 億円となりました。売上高は 610 億円、営業利益は 103 億円となりました。

The amount of orders received for transport equipment was ¥60.9 billion. Net sales and operating income were ¥61.0 billion and ¥10.3 billion, respectively.

鉄道車両用機器では、国内外の需要が堅調に推移し、売上高は計画を上回りました。商用車用機器では、買収効果もあり売上高は概ね計画通り推移しました。船用機器では、海運・造船市況は低迷が続いており、売上高は計画通りに止まりました。

In the railroad vehicle equipment business, sales exceeded the target, backed by robust demand in both domestic and overseas markets. In the commercial vehicle equipment business, sales remained largely in line with the target, partly thanks to the acquisition. In the marine vessel equipment business, the shipping and shipbuilding markets remained sluggish, and sales stayed at the target.

主要品目

Main products

鉄道車両用ブレーキ・ドア装置、船用エンジン制御装置、商用車用エアブレーキ装置

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

(P25)

(添付書類) **事業報告** (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

【航空・油圧機器事業】 [Aircraft and Hydraulic Equipment]

売上高構成比 Net sales composition
19.5%

■売上高 (億円) Net sales (Billion yen)
2015年度 (9ヵ月) 395 FY2015 (9 mo.) 39.5
2016年度 478 FY2016 47.8

■営業利益 (億円) Operating income (Billion yen)
2015年度 (9ヵ月) △20 FY2015 (9 mo.) (2)
2016年度 (0) FY2016 (0)

航空・油圧機器事業の受注高は453億円となりました。売上高は478億円、営業損失は26百万円となりました。

The amount of orders received for aircraft equipment and hydraulic equipment was ¥45.3 billion. Net sales and operating loss were ¥47.8 billion and ¥26 million, respectively.

航空機器は、防衛省向けの受注が弱く、売上高はやや計画を下回りました。油圧機器は、年度末にかけて中国の建設機械需要の高まりが見られ、売上高は計画を上回りました。

In the aircraft equipment business, sales fell slightly short of the target due to weak orders from the Ministry of Defense. In the hydraulic equipment business, sales exceeded the target thanks to increased demand for construction machinery in China toward the end of the fiscal year.

主要品目
Main products

航空機用機器、建設機械用走行モーター
Aircraft equipment, traveling motors for construction machinery

【産業用機器事業】 [Industrial Equipment]

売上高構成比 Net sales composition
32.2%

■売上高 (億円) Net sales (Billion yen)
2015年度 (9ヵ月) 552 FY2015 (9 mo.) 55.2
2016年度 788 FY2016 78.8

■営業利益 (億円) Operating income (Billion yen)
2015年度 (9ヵ月) 26 FY2015 (9 mo.) 2.6
2016年度 45 FY2016 4.5

産業用機器事業の受注高は876億円となりました。売上高は788億円、営業利益は45億円となりました。

The amount of orders received for industrial equipment was ¥87.6 billion. Net sales and operating income were ¥78.8 billion and ¥4.5 billion, respectively.

自動ドアは、受注が期待ほど伸びず、売上高は計画を下回りました。包装機は国内市場向けが堅調

に推移し、売上高は計画通りとなりました。

In the automatic doors business, sales were below target due to smaller growth in orders than expected. In the packaging machinery business, sales were in line with the target, backed by robust performance in the Japanese market.

主要品目

Main products

建物用自動ドア、鉄道用プラットフォームドア、食品向包装機械、専用工作機械

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

(P26)

(3) Capital investment

The total amount of capital investment by the Group in FY 2016 was ¥14.5 billion. The Group promoted capital investment mainly for increasing its production capacity in precision equipment and aircraft and hydraulic equipment.

(4) Financing

The Company issued its 2nd Series of Unsecured Straight Bonds (with inter-bond *pari passu* clauses) on December 15, 2016 with an issue amount of 10 billion yen.

(5) Business reorganization, etc.

(i) The Company acquired additional shares in NABCO Systems Co., Ltd., an equity-method affiliate of the Company, and converted it into a consolidated subsidiary as of April 1, 2016.

(ii) The Company executed a merger by absorbing Hyst Corporation, one of the Company's wholly owned subsidiaries, and succeeded all rights and obligations as of April 1, 2016.

(6) Issues to be addressed

Looking into the future, there are growing uncertainty caused by political and economic factors including the new president in the U.S., and the parliamentary elections and presidential elections scheduled in major countries in the euro zone. In China, despite improvements in the industrial structure, we cannot deny the trend toward the economic recovery dependent on the government's stimulus measures, nor can we be certain of the sustainability of the growth. Although minor improvements are anticipated in the emerging markets, the environment overall is expected to remain unclear.

The Group anticipates vigorous demand for precision reduction gears for industrial robots and effects from the conversion of a domestic sales company to a consolidated subsidiary in the automatic doors business last year.

The Company will voluntarily adopt International Financial Reporting Standards (IFRS) from FY2017, and the forecast of consolidated operating results is calculated based on IFRS.

Based on the above, the Company forecasts net sales for the next fiscal year of ¥260.0 billion and operating income of ¥26.0 billion.

In line with the formulation of the Medium-term Management Plan starting in FY2017, the Company will change the structure of its reporting business segments from "technology similarity" to "business model similarity." As a result, the existing four business segments of "Precision Equipment," "Transport Equipment," "Aircraft and Hydraulic Equipment" and "Industrial Equipment" will be restructured under the three business segments of "Component Solutions," "Transport Solutions" and "Accessibility Solutions."

(P27)

(添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

(i) Basic Policy of the Management of the Company

The Group has been working toward achieving its long-term visions with 2020 as the final year. However, in view of changes in the business environment surrounding the Company, we have formulated a New Medium-Term Management Plan “Move forward! Challenge the future! Create “New Value 2020” for the next four-year period starting in FY2017 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”

[Basic Policy of the New Medium-term Management Plan]

We will carry out our strategy under the following policy in order to realize our objectives for FY2020.

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

(P28)

(ii) Target Management Indices

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

[Commitment]

The Company is committed to achieve and maintain ROE of 15% by FY 2020.

During the period of the relevant Medium-term Management Plan, the Company also sets a target consolidated payout ratio of 35% or higher.

[Reference: Target numbers for FY2020]

Other assumed managerial indices when ROE of 15% is achieved.

- * ¥330.0 billion in net sales
- * 12.5% in operating margin
- * ¥30.0 billion in net income (Net income attributable to owners of the parent)
- * 9.0% in ROA

[Dividend Policy]

The Company sets its target consolidated payout ratio at 35% or higher during the period of the relevant Medium-term Management Plan, aiming to consistently increase the amount of dividend per share, without upper limit.

(P29)

添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

(iii) Mid- to Long-Term Management Strategies

During the period of the new Medium-term Management Plan, we will engage in our trinity of “Market Creation,” “Technology Innovation,” and “Operational Excellence,” and implement strategies toward the realization of “Global Partner with Best Solutions” as set out in the long-term vision.

1) Generating new businesses through “Market Creation”

- * The Group will further promote overseas business expansion, including through M&A.
- * By utilizing cutting-edge technology, including ICT/Iot, the Group will further strengthen and expand our after-service business (MRO).

2) Creating new solutions through “Technology Innovation”

- * The Group will expand our business domain from components to provision of system solutions.
- * The Group will establish a new competitive advantage with “production innovation,” including the development of new work methods.
- * By modernizing and converting domestic plants into smart plants, the Group will realize highly efficient production, high environmental performance and a comfortable working environment.

3) Enhancing corporate value by improving profitability and efficiency based on “Operational Excellence”

- * The Group will enhance profitability by reinforcing our operations base through production reforms and business reforms.
- * The Group will pursue greater efficiency in business management and synergies among the Company’s businesses.
- * By adding ROIC (return on invested capital) to our internal performance indicators, the Group will steadily create cash while improving capital efficiency.
- * The Group will implement a flexible return of profits to shareholders by maintaining a stable pay-out ratio of 35% or higher 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 reserve of funds for strategic M&A.

(iv) Business Development

We position the achievement of the new Medium-Term Management Plan as our immediate top priority, and will focus on the following challenges the Company faces:

- * Establish business models to match the needs in each market; Expand and 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.
- * Establish a management system that can respond flexibly to sudden changes in the market environment; Strengthen corporate governance.

(P30)

(7) Financial highlights

Classification	FY2013 The 11th fiscal year	FY2014 The 12th fiscal year	FY2015 The 13th fiscal year	FY2016 The 14th fiscal year (Current consolidated fiscal year)
Net sales (Million yen)	202,292	219,657	187,000	244,618
Operating income (Million yen)	20,092	23,615	15,294	23,471
Operating margin	9.9%	10.8%	8.2%	9.6%
Ordinary income (Million yen)	24,227	27,193	16,418	24,731
Net income attributable to shareholders of the parent company (Million yen)	14,978	17,746	11,059	17,584
Net income per share (Yen)	117.95	140.24	88.85	142.37
Net assets (Million yen)	139,471	158,664	148,924	158,521
Net assets per share (Yen)	1,035.68	1,184.17	1,150.41	1,215.31
Total assets (Million yen)	233,984	245,992	233,381	258,946
Return on equity (ROE)	12.2%	12.6%	7.6%	12.0%
Return on assets (ROA)	6.9%	7.4%	4.6%	7.1%

(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 13th fiscal year was a transitional period for a change in accounting period, in which the consolidated operating results covered 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.

(P31)

添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

■売上高 (百万円)	Net sales (Million yen)
第11期 202,292	11th 202,292
第12期 219,657	12th 219,657
第13期 (9ヵ月) 187,000	13th (9 mo.) 187,000
第14期 244,618	14th 244,618

■営業利益 (百万円)	Operating income (Million yen)
第11期 20,092	11th 20,092
第12期 23,615	12th 23,615
第13期 (9ヵ月) 15,294	13th (9 mo.) 15,294
第14期 23,471	14th 23,471

■営業利益率 (%)	Operating margin (%)
第11期 9.9	11th 9.9
第12期 10.8	12th 10.8
第13期 (9ヵ月) 8.2	13th (9 mo.) 8.2
第14期 9.6	14th 9.6

■経常利益 (百万円)	Ordinary income (Million yen)
第11期 24,227	11th 24,227
第12期 27,193	12th 27,193
第13期 (9ヵ月) 16,418	13th (9 mo.) 16,418
第14期 24,731	14th 24,731

■親会社株主に帰属する当期純利益 (百万円)	Net income attributable to shareholders of the parent company (Million yen)
第11期 14,978	11th 14,978
第12期 17,746	12th 17,746
第13期 (9ヵ月) 11,059	13th (9 mo.) 11,059
第14期 17,584	14th 17,584

■1株当たり当期純利益 (円)	Net income per share (Yen)
第11期 117.95	11th 117.95
第12期 140.24	12th 140.24
第13期 (9ヵ月) 88.85	13th (9 mo.) 88.85
第14期 142.37	14th 142.37

■純資産 (百万円)	Net assets (Million yen)
第11期 139,471	11th 139,471
第12期 158,664	12th 158,664
第13期 (9ヵ月) 148,924	13th (9 mo.) 148,924
第14期 158,521	14th 158,521

■1株当たり純資産額 (円)	Net assets per share (Yen)
第11期 1,035.68	11th 1,035.68
第12期 1,184.17	12th 1,184.17

第13期（9ヵ月）	1,150.41	13th (9 mo.)	1,150.41
第14期	1,215.31	14th	1,215.31

■総資産（百万円）		Total assets (Million yen)	
第11期	233,984	11th	233,984
第12期	245,992	12th	245,992
第13期（9ヵ月）	233,381	13th (9 mo.)	233,381
第14期	258,946	14th	258,946

■自己資本利益率（ROE）（%）		Return on equity (ROE) (%)	
第11期	12.2	11th	12.2
第12期	12.6	12th	12.6
第13期（9ヵ月）	7.6	13th (9 mo.)	7.6
第14期	12.0	14th	12.0

■総資産利益率（ROA）（%）		Return on assets (ROA) (%)	
第11期	6.9	11th	6.9
第12期	7.4	12th	7.4
第13期（9ヵ月）	4.6	13th (9 mo.)	4.6
第14期	7.1	14th	7.1

(P32)

(8) 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
NABCO Systems Co., Ltd.	¥300	85.9	Sales, installation, and after sales service of automatic door systems, etc.
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\$2	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 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. During FY2016, NABCO Systems Co., Ltd. was added to the scope of significant subsidiaries.

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

Not applicable

(P33)

添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)

(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

(9) 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
NABCO Systems Co., Ltd.	Minato-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

(P34)

(10) Employees

Number of employees	Year-on-year change
7,162	+ 1,323

(Notes)

1. 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.
2. The number of employees increased by 1,323 compared with the previous year, mainly due to the conversion of NABCO Systems Co., Ltd., which had been an equity-method affiliate, to a consolidated subsidiary as of April 1, 2016.

(11) Principal lenders

Lender	Outstanding loans payable (Million yen)
Mizuho Bank, Ltd.	1,526
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,507
Sumitomo Mitsui Banking Corporation	1,002

(12) Other important matters relating to the current status of entities

The Company entered into an equity transfer agreement on December 21, 2016 with INTERGLOBAL Industrieholding GmbH to acquire 100% equity in OVALO GmbH, a subsidiary of INTERGLOBAL Industrieholding GmbH, and plans to convert OVALO GmbH and adcos GmbH, in which OVALO GmbH has 60% equity, into the Company's consolidated subsidiaries as of February 28, 2017.

(P35)

添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

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 948,419 shares of treasury stock)
(3) Number of shareholders 16,669
(4) Major shareholders (Top 10)

Shareholders	Number of shares held (thousand shares)	Stockholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,415	5.97
BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC / ABERDEEN GLOBAL CLIENT ASSETS	6,116	4.93
Central Japan Railway Company	5,171	4.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,936	3.97
FANUC CORPORATION	3,760	3.03
Harmonic Drive Systems Inc.	3,265	2.63
THE CHASE MANHATTEN BANK 385036	2,395	1.93
THE BANK OF NEW YORK 133972	2,306	1.86
STATE STREET BANK WEST CLIENT – TREATY 505234	1,636	1.32
Japan Trustee Services Bank, Ltd. (Trust Account7)	1,589	1.28

(Notes)

- The numbers of shares held less than 1,000 shares have been truncated.
- The stockholding ratio is calculated after deducting the number of shares of treasury stock (948,419 shares).

[下欄・左側]

(5) Other important matters relating to stock
Not applicable

[下欄・右側]

■株式分布状況 (2016年12月31日現在) Shareholder composition (as of December 31, 2016)

その他国内法人 Other domestic legal entities
15,796 thousand shares
12.62%

金融機関 Financial institutions & securities firms
26,152 thousand shares
20.90%

外国法人等 Foreign legal entities
67,590 thousand shares
54.01%

個人・その他 Individuals & others
12,266 thousand shares
9.80%

証券会社 Securities companies
2,380 thousand shares
1.91%

自己株式 Own shares
948 thousand shares
0.76%

(P36)

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: 1,377

(ii) Type and number of shares to be issued upon exercise: 137,700 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	2	80
No. 2 Subscription Right to Shares as Stock-based Compensation (FY 2010)	¥1	From August 21, 2010 to August 20, 2035	Director	2	60
No. 3 Subscription Right to Shares as Stock-based Compensation (FY 2011)	¥1	From August 20, 2011 to August 19, 2036	Director	5	194
No. 4 Subscription Rights to Shares as Stock-based Compensation (FY 2012)	¥1	From August 21, 2012 to August 20, 2037	Director	5	203
No. 5 Subscription Right to Shares as Stock-based Compensation (FY 2013)	¥1	From August 21, 2013 to August 20, 2038	Director	6	226
No. 6 Subscription Right to Shares as Stock-based Compensation (FY 2014)	¥1	From August 21, 2014 to August 20, 2039	Director	6	202
No. 7 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From June 15, 2018 to June 14, 2025	Director	6	11
No. 8 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From August 21, 2015 to August 20, 2040	Director	7	137
No. 9 Subscription Right to Shares as Stock-based Compensation (FY 2016)	¥1	From May 21, 2016 to May 20, 2041	Director	7	264

(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.

(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 530 and the total number of shares to be issued upon exercise was 53,000 shares of common stock.

Issuance order	Exercise price	Exercise period	Classification	Number of persons granted	Number of subscription rights
No. 9 Subscription Right to Shares as Stock-based Compensation (FY 2016)	¥1	From May 21, 2016 to May 20, 2041	Director	7	264
			Executive Officer	12	266

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

Not applicable

(P37)

添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

4. Directors and Corporate Auditors

(1) Directors and Corporate Auditors (as of December 31, 2016)

Position	Name	Assignment and significant positions concurrently held
Representative Director, President & CEO	Kazuaki Kotani	Chief Executive Officer (CEO)
Representative Director	Nobutaka Osada	President, Aerospace Company
Representative Director	Katsuhiko 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.
Director	Naoko Yamazaki	Member of Committee on National Space Policy, Cabinet Office
Corporate Auditor	Takayuki Onishi	
Corporate Auditor	Kensuke Ioku	
Outside Corporate Auditor	Hisao Katayama	Outside Director of YUSHIRO CHEMICAL INDUSTRY CO., LTD.
Outside Corporate Auditor	Zenzo Sasaki	Attorney-at-law (Harumi-kyowa Law Offices)
Outside Corporate Auditor	Takemi Nagasaka	Outside Corporate Auditor of DAIO PAPER CORPORATION, Outside Corporate Auditor of SOLIZE Corporation

(Notes)

1. Ms. Naoko Yamazaki was newly elected and assumed office as Director at the 13th Annual General Meeting of Shareholders held on March 24, 2016.
2. Messrs. Kensuke Ioku, Zenzo Sasaki and Takemi Nagasaka were newly elected and assumed office as Corporate Auditors at the 13th Annual General Meeting of Shareholders held on March 24, 2016.
3. Messrs. Yutaka Fujiwara, Norio Uchida, and Ms. Naoko Yamazaki are Outside Directors.
4. Messrs. Hisao Katayama, Zenzo Sasaki and Takemi Nagasaka are Outside Corporate Auditors.
5. 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.
6. Mr. Takemi Nagasaka, Corporate Auditor, is a certified public accountant who additionally has a considerable length of experience in corporate finance and accounting sectors and broad insight in the fields of finance and accounting.
7. The Company designates Outside Directors Messrs. Yutaka Fujiwara, Norio Uchida and Ms. Naoko Yamazaki, and Outside Corporate Auditors Messrs. Hisao Katayama, Zenzo Sasaki and Takemi Nagasaka, as independent directors/auditors under the provisions set forth by the Tokyo Stock Exchange.

(P38)

(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, Norio Uchida and Ms. Naoko Yamazaki, and Outside Corporate Auditors Messrs. Hisao Katayama, Zenzo Sasaki and Takemi Nagasaka. 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 (Outside Directors)	11 (3)	293 (23)	221 (23)	71
Corporate Auditors (Outside Auditors)	7 (5)	64 (19)	64 (19)	
Total	18	358	286	71

(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 three Directors who retired 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)

(P39)

添付書類) 事業報告 (2016年1月1日から2016年12月31日まで)

(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

(4) Outside Officers

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

Directors/Auditors	Name	Relevant entity	Concurrent position	Relationship with the relevant entity
Director	Yutaka Fujiwara	Cross-Border Bridge Corporation	President & CEO	No conflict of interest exists between Cross-Border Bridge Corporation and the Company.
Director	Norio Uchida	ULVAC, Inc.	External Director	No conflict of interest exists between ULVAC, Inc. and the Company.
Director	Naoko Yamazaki	Committee on National Space Policy, Cabinet Office	Member	No conflict of interest exists between the Committee on National Space Policy, Cabinet Office and the Company.
Corporate Auditor	Hisao Katayama	YUSHIRO CHEMICAL INDUSTRY CO., LTD.	Outside Director	No conflict of interest exists between YUSHIRO CHEMICAL INDUSTRY CO., LTD. and the Company.
Corporate Auditor	Zenzo Sasaki	Harumi-kyowa Law Offices	Attorney-at-law	No conflict of interest exists between Harumi-kyowa Law Offices and the Company.
Corporate Auditor	Takemi Nagasaka	DAIO PAPER CORPORATION SOLIZE Corporation	Outside Corporate Auditor Outside Corporate Auditor	No conflict of interest exists between DAIO PAPER CORPORATION and the Company. No conflict of interest exists between SOLIZE Corporation 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 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 based mainly on his rich experience and deep insight as a corporate manager.
Director	Naoko Yamazaki	92.3%	—	She posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements based mainly on her rich experience and deep insight in risk management.
Corporate Auditor	Hisao Katayama	100.0%	100.0%	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements based mainly on his rich experience and deep insight as a corporate manager.
Corporate Auditor	Zenzo Sasaki	100.0%	100.0%	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements based mainly on his rich experience and deep insight as an attorney-at-law.
Corporate Auditor	Takemi Nagasaka	100.0%	100.0%	He posed questions and expressed opinions in an appropriate manner, and otherwise made proactive statements based mainly on his rich experience and deep insight in accounting and finance.

(Notes)

1. The number of Board of Directors meetings and number of Board of Corporate Auditors meetings held in the fiscal year were 18 and 13, respectively.
2. Because Ms. Naoko Yamazaki assumed the office of Outside Director on March 24, 2016, the number of Board of Directors meetings to be attended on and after March 24, 2016 was 13.
3. Because Messrs. Zenzo Sasaki and Takemi Nagasaka assumed the office of Outside Corporate Auditor on March 24, 2016, the number of Board of Directors meetings and the number of the Board of Corporate Auditors meetings to be attended on and after March 24, 2016 were 13 and 10, respectively.

(P40)

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	¥68 million
(ii) Total amount of monetary or other property interests paid by the Company and its subsidiaries to the Accounting Auditor	¥114 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, NABCO Systems Co., Ltd., 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.

(P41-47)

添付書類) **事業報告** (2016年1月1日から2016年12月31日まで)
(Attached Documents) **Business Report** (from January 1, 2016 to December 31, 2016)

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 are as follows.

* 本基本方針の各条項（ ）内に付されている番号は、東京証券取引所上場規則におけるコーポレートガバナンス・コード各原則との対応関係を示しています。

* The numbers appearing in parentheses of this basic policy indicate the correspondence with each principle of the Corporate Governance Code in the Tokyo Stock Exchange listing rules.

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 Ethics) (2-2, 2-2(i))

Article 8

Having formulated the Nabtesco Group Code of Ethics 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 independence 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.

All Independent Outside Corporate Auditors shall meet all of the in-house "Criteria for the independence of Outside Directors and Outside Corporate Auditors."

- 4.

(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), 4-10)

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.

2. Nabtesco establishes the Compliance Committee as a consultative body of the Board of Directors to deliberate the formulation and revision of the Nabtesco Group Code of Ethics and important matters concerning the compliance systems of the Nabtesco Group, and report to the Board of Directors. The

Compliance Committee comprises members including Independent Outside Directors or Outside Corporate Auditors and external experts.

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 investors, a range of publications, etc. for complementation of timely information disclosure, presentations by the company, regarding results 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.

(Note) The Company has revised the Corporate Governance Basic Policy as of December 27, 2016, as above.

(P48-51)

(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 Way and the Nabtesco Group Code of Ethics as a member of the 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 Regulations 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) In order to promote the compliance of the Group, the Compliance Committee shall be set up as a consultative body of the Board of Directors. The committee shall deliberate important matters, etc. concerning compliance and report to the Board of Directors.
- (vii) 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 compliance education to Directors and employees.
- (viii) 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.
- (ix) To ensure the fairness of financial reports, an internal control system concerning financial reports and a system to evaluate its efficacy shall be developed and operated.

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) The Risk Management Committee and other 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 and other events that may have a serious adverse effect on the Group's business performance, financial condition and credibility 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 report 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 Directors and 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.
- (vi) Efforts shall be made to thoroughly communicate the Nabtesco Group Code of Ethics to subsidiaries and to develop and strengthen compliance systems at subsidiaries by means of compliance education and information sharing.

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.

(Note) The Company has revised the Basic Policies for the Construction of an Internal Control System as of December 27, 2016, as above.

(P52)

(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

For the purpose of providing guidance to every employee of the Group on the performance of business activities in an appropriate and fair manner, the Company provides training and awareness activities on compliance mainly through the Compliance Promotion Department. 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. In the fiscal year under review, the Company set up the Compliance Committee, which includes external members, as a consultative body of the Board of Directors in order to further strengthen the Group's compliance promotion system. The Committee met twice during the fiscal year to deliberate important matters concerning compliance. Based on the results of the deliberations of the Committee, we conducted a full review of the existing Nabtesco Group Code of Corporate Ethics and the Nabtesco Group Code of Conduct, and replaced them with the Nabtesco Group Code of Ethics, which was formulated as a new code of conduct for compliance.

2) Risk management system

For the purpose of grasping and managing various risks in connection with business activities of the Group and limiting losses incurred to a minimum when they occur, we are endeavoring to strengthen the Group's risk management system by formulating internal regulations, including risk management regulations. In addition to the existing Group Quality & PL Committee and the Group ESH Committee, which are cross-Group organizations, in the fiscal year under review the Company also set up the Risk Management Committee to deliberate important matters concerning the risk management of the Group. The Committee met once during the fiscal year, and the Company formulated internal regulations based on the results of its deliberations. 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

Eighteen meetings of the Board of Directors of the Company were held in the current fiscal year to deliberate and determine important matters relating to the execution of business operations and to supervise the execution of duties by Directors and Executive Officers. 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 has a specialist vendor conduct remote surveillance and also engages in log management of our main servers and terminal log surveillance. Through these efforts, the Company strengthened its security system.

4) Execution of duties by Corporate Auditors

Thirteen meetings of the Board of Corporate Auditors were held in the fiscal year under review to report, discuss and resolve important matters relating to audits. In addition, the Corporate Auditors attend the Board of Directors meetings, the Management Committee meetings, the Corporate Officers Committee meetings and other important conferences, and hold 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 monitor the execution of duties by Directors and employees. Moreover, to ensure the suitability of the execution of duties by the Corporate Auditors, the Company grants the Corporate Auditors the right to access all of the management information databases and assigns 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, 2016)

(Million yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	145,991	Current liabilities	74,802
Cash and time deposits	29,945	Trade notes and accounts payable - trade	16,925
Notes and accounts receivable - trade	65,712	Electronically recorded obligations - trade	25,635
Marketable securities	12,000	Short-term loans payable	5,647
Goods and products	6,368	Current portion of long-term loans payable	146
Products in progress	14,325	Income taxes payable	5,408
Raw materials and stored goods	11,925	Allowance for product warranties	695
Deferred tax assets	2,274	Provision for loss on order received	27
Other current assets	3,758	Other current liabilities	20,315
Allowance for doubtful accounts	(319)	Long-term liabilities	25,623
Fixed assets	112,955	Bonds payable	10,000
Tangible fixed assets	67,822	Long-term loans payable	1,201
Buildings and structures	20,528	Allowance for retirement bonus for directors	288
Machinery and transport equipment	18,424	Liabilities concerning retirement benefit	9,343
Tools, apparatus and furniture	4,595	Deferred tax liabilities	2,901
Land	17,559	Other long-term liabilities	1,888
Construction in progress	6,715	Total liabilities	100,425
Intangible fixed assets	20,926	(Net assets)	
Goodwill	17,031	Shareholders' equity	140,933
Other intangible fixed assets	3,895	Capital stock	10,000
Investments and other assets	24,205	Capital surplus	14,237
Investments in securities	20,741	Earned surplus	119,345
Assets concerning retirement benefits	177	Treasury stock	(2,648)
Deferred tax assets	658	Accumulated other comprehensive income	9,188
Other investments and other assets	2,716	Valuation difference on other securities	2,015
Allowance for doubtful accounts	(88)	Deferred gains or losses on hedges	(35)
		Foreign currency translation adjustments	8,504
		Remeasurements of defined benefit plans	(1,295)
		Subscription rights to shares	466
		Non-controlling interests	7,933
		Total net assets	158,521
Total assets	258,946	Total liabilities and net assets	258,946

Consolidated Statement of Income

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

(Million yen)

Description	Amount	
Net sales		244,618
Cost of sales		175,379
Gross profit		69,239
Selling, general and administrative expenses		45,767
Operating income		23,471
Non-operating income		
Interest income	119	
Dividend income	68	
Rent income	250	
Equity in earnings of affiliates	1,111	
Other non-operating income	377	1,926
Non-operating expenses		
Interest expenses	153	
Foreign exchange losses	259	
Other non-operating expenses	254	667
Ordinary income		24,731
Extraordinary gains		
Gain on step acquisitions	786	
Gain on sales of fixed assets	743	
Gain on sales of investment securities	6	
Gain on bargain purchase	352	1,889
Extraordinary losses		
Loss on disposal of fixed assets	106	
Loss on valuation of investment securities	2	
Loss on revision of retirement benefit plan	390	498
Income before income taxes and adjustments		26,122
Income taxes - current	8,264	
Income taxes - deferred	(44)	8,219
Net income		17,902
Loss attributable to non-controlling interests		317
Net income attributable to parent company shareholders		17,584

Consolidated Statement of Changes in Equity

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

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance as of January 1, 2016	10,000	14,237	107,487	(2,718)	129,005
Changes of items during period					
Dividends from surplus			(5,711)		(5,711)
Net income attributable to parent company shareholders			17,584		17,584
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock			(15)	72	57
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	11,857	69	11,927
Balance as of December 31, 2016	10,000	14,237	119,345	(2,648)	140,933

(Million yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of January 1, 2016	2,159	3	11,597	(697)	13,062	379	6,476	148,924
Changes of items during period								
Dividends from surplus								(5,711)
Net income attributable to parent company shareholders								17,584
Purchase of treasury stock								(2)
Disposal of treasury stock								57
Net changes of items other than shareholders' equity	(144)	(39)	(3,093)	(597)	(3,874)	86	1,456	(2,331)
Total changes of items during period	(144)	(39)	(3,093)	(597)	(3,874)	86	1,456	9,596
Balance as of December 31, 2016	2,015	(35)	8,504	(1,295)	9,188	466	7,933	158,521

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of December 31, 2016)

(Million yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	90,377	Current liabilities	60,374
Cash and time deposits	12,854	Trade notes payable	201
Notes receivable	3,169	Trade accounts payable	9,366
Trade accounts receivable	41,133	Electronically recorded obligations - trade	25,635
Marketable securities	12,000	Short-term loans payable	3,400
Goods and products	2,292	Other accounts payable	4,394
Products in progress	5,299	Income taxes payable	3,517
Raw materials and stored goods	5,407	Accrued expenses	2,457
Deferred tax assets	1,196	Advances received	169
Other accounts receivable	1,538	Deposits received	10,691
Advances paid	4,069	Allowance for product warranty	483
Other current assets	1,414	Other current liabilities	55
Fixed assets	92,727	Long-term liabilities	15,889
Tangible fixed assets	39,136	Bonds payable	10,000
Buildings	10,937	Provision for retirement bonus	5,264
Structures	528	Deferred tax liabilities	268
Machinery and equipment	12,191	Other long-term liabilities	357
Vehicles and transport equipment	44	Total liabilities	76,263
Tools, apparatus and furniture	2,170	(Net assets)	
Land	9,034	Shareholders' equity	105,045
Construction in progress	4,229	Capital stock	10,000
Intangible fixed assets	4,242	Capital surplus	26,273
Software	1,893	Legal capital surplus	26,273
Goodwill	2,225	Earned surplus	70,924
Other intangible fixed assets	123	Legal earned surplus	1,076
Investments and other assets	49,348	Other earned surplus	69,847
Investments in securities	4,392	Reserve for advanced depreciation of assets	427
Shares of subsidiaries and associates	34,279	Earned surplus brought forward	69,420
Investments in capital of subsidiaries and associates	7,363	Treasury stock	(2,152)
Long-term loans receivable from subsidiaries and associates	3,996	Valuation and translation adjustments	1,329
Long-term prepaid expenses	80	Valuation difference on other securities	1,329
Other investments and other assets	622	Subscription rights to shares	466
Allowance for doubtful accounts	(1,386)	Total net assets	106,841
Total assets	183,105	Total liabilities and net assets	183,105

Non-consolidated Statement of Income

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

(Million yen)

Description	Amount	
Net sales		146,240
Cost of sales		111,767
Gross profit		34,473
Selling, general and administrative expenses		17,993
Operating income		16,479
Non-operating income		
Interest income	19	
Dividend income	3,201	
Rent income	275	
Other non-operating income	28	3,524
Non-operating expenses		
Interest expenses	89	
Foreign exchange losses	157	
Bond issuance cost	46	
Other non-operating expenses	68	362
Ordinary income		19,642
Extraordinary gains		
Gain on sales of fixed assets	706	
Gain on sales of investment securities	4	
Gain on extinguishment of tie-in shares	11	721
Extraordinary losses		
Loss on disposal of fixed assets	36	
Loss on sale of investment securities	11	
Loss on valuation of investments in capital of subsidiaries and associates	434	
Provision of allowance for doubtful accounts for subsidiaries and associates	1,323	1,806
Income before income taxes and adjustments		18,558
Income taxes - current	5,105	
Income taxes - deferred	(13)	5,092
Net income		13,465

Non-consolidated Statement of Changes in Equity

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

(Million yen)

	Shareholders' equity		
	Capital stock	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance as of January 1, 2016	10,000	26,273	26,273
Changes of items during period			
Dividends from surplus			
Provision of reserve for reduction entry of assets			
Reversal of reserve for reduction entry of assets			
Net income			
Purchase of treasury stock			
Disposal of treasury stock			
Net changes of items other than shareholders' equity			
Total changes of items during period	-	-	-
Balance as of December 31, 2016	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 January 1, 2016	1,076	80	62,029	63,186	(2,221)	97,238
Changes of items during period						
Dividends from surplus			(5,711)	(5,711)		(5,711)
Provision of reserve for reduction entry of assets		349	(349)	-		-
Reversal of reserve for reduction entry of assets		(2)	2	-		-
Net income			13,465	13,465		13,465
Purchase of treasury stock					(2)	(2)
Disposal of treasury stock			(16)	(16)	72	56
Net changes of items other than shareholders' equity						
Total changes of items during period	-	346	7,391	7,737	69	7,807
Balance as of December 31, 2016	1,076	427	69,420	70,924	(2,152)	105,045

(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 January 1, 2016	1,461	3	1,464	379	99,082
Changes of items during period					
Dividends from surplus					(5,711)
Provision of reserve for reduction entry of assets					-
Reversal of reserve for reduction entry of assets					-
Net income					13,465
Purchase of treasury stock					(2)
Disposal of treasury stock					56
Net changes of items other than shareholders' equity	(131)	(3)	(134)	86	(47)
Total changes of items during period	(131)	(3)	(134)	86	7,759
Balance as of December 31, 2016	1,329	-	1,329	466	106,841