

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

(Securities code: 6268)
March 5, 2018

To Shareholders with Voting Rights:

Katsuhiko Teramoto
Representative Director and
President
Nabtesco Corporation
7-9, Hirakawa-cho 2-chome,
Chiyoda-ku, Tokyo, Japan

**NOTICE OF CONVOCATION OF
THE 15TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

You are cordially invited to attend the 15th 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 26, 2018 (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 (<https://www.web54.net>).

- 1. Date and Time:** Tuesday, March 27, 2018 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
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 15th Fiscal Year (from January 1, 2017 to December 31, 2017) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 15th Fiscal Year (from January 1, 2017 to December 31, 2017)

Proposals to be resolved:

- Proposal No. 1:** Distribution of Surplus
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Ten Directors

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) Among the documents to be provided in conjunction with this Convocation Notice, “Notes to the Consolidated Financial Statements” and “Notes to the Non-consolidated Financial Statements” are posted on the Company’s website (https://www.nabtesco.com/ir/stock/shareholders_meeting.html) in accordance with provisions of laws and regulations as well as Article 16 of the Company’s Articles of Incorporation and therefore are not provided in the appendix attached to this Convocation Notice. The Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by the Audit & Supervisory Board Members and the Accounting Auditor are comprised of each document contained in the appendix attached to this Convocation Notice, and the “Notes to the Consolidated Financial Statements” and “Notes to the Non-consolidated Financial Statements” posted on the Company’s website. Shareholders who wish to receive copies of the “Notes to the Consolidated Financial Statements” and “Notes to the Non-consolidated Financial Statements” posted on the Company’s website by postal mail are kindly requested to contact General Administration Department of the Company (+81-3-5213-1133).
- 2) When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- 3) 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.
- 4) Any updates to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements will be posted on the Company’s website (<https://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.

Also, as a dividend policy during the period of the current Medium-term Management Plan, the Company sets its target consolidated payout ratio at 35% or higher, aiming to continuously increase the amount of dividend per share, without upper limit.

Based on this basic policy, the Company hereby proposes its year-end dividends for the fiscal year ended December 31, 2017 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: 38 yen

Total amount of dividends: 4,719,600,342 yen

3. Effective date for distribution of surplus

March 28, 2018

Because an interim dividend of 34 yen per share was paid out, the annual dividend for the fiscal year ended December 31, 2017 will be 72 yen per share (the consolidated payout ratio of 35.3%).

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

- (1) In the Article 43, Paragraph 1 of the current Articles of Incorporation, the Company stipulates the term of office of Corporate Executive Officers as a period “until the conclusion of the annual shareholders meeting concerning the last business year which ends within one (1) year from the time of their elections,” based on which Corporate Executive Officers were usually elected at the Board of Directors meeting held immediately after an annual shareholders meeting every year, with their term of office expiring at the conclusion of the annual shareholders meeting in the following year. However, from the viewpoint of further clarifying the responsibilities pertaining to the business execution in each business year, it would be appropriate to make the term of office of Corporate Executive Officers consistent with a business year period. Accordingly, for the purpose of establishing an optimal and agile business execution system, it is proposed that the provisions concerning the term of office of Corporate Executive Officers be deleted from the Articles of Incorporation, while at the same time the term of office of Corporate Executive Officers be stipulated in the Regulations of the Corporate Executive Officer System, which is established by the Board of Directors.
- (2) In addition, from the viewpoint of further clarifying the intention to establish a system under which management supervision is conducted by the Board of Directors as its principal role, while business execution is practiced mainly by Corporate Executive Officers, it is proposed that the position of President be changed to that of a Corporate Executive Officer to enable selection of President from among Corporate Executive Officers, and at the same time the position of Executive Directors be abolished, except that of Chairman of the Board who acts as a chairperson of the Board of Directors.
- (3) Based on the two points described above, the Company proposes to amend Article 23, Paragraph 2 and Article 43 of the current Articles of Incorporation as necessary, and in this connection, amend Article 15 concerning the convocator and chairperson of a general meetings of shareholders, as well as Articles 41 and 45 of the current Articles of Incorporation as necessary.

2. Details of the Proposed Amendments

The details of the existing and the proposed amendments in the Articles of Incorporation are as follows:

(Underlined parts are amended.)

Existing Articles of Incorporation	Proposed Amendments
<p>Article 15 (Convocator of Meetings and the Chairperson) <u>The President previously determined by a resolution of the Board of Directors shall convene the General Meetings of Shareholders and act as the chairman thereof. Provided, however, that when such President is unable to act, another Director, who shall be elected in accordance with an order of priority previously determined by a resolution of the Board of Directors of the Corporation, shall convene such General Meetings and act as chairperson thereof.</u></p>	<p>Article 15 (Convocator of Meetings and the Chairperson) <u>Based on a resolution of the Board of Directors, a Director, who shall be elected in accordance with an order of priority previously determined at the Board of Directors of the Corporation,</u> shall convene the General Meetings of Shareholders, and act as chairperson thereof.</p>
<p>Article 23 (Election of Representative Directors and Executive Directors)</p> <ol style="list-style-type: none"> 1. The Corporation shall, by a resolution of the Board of Directors, elect one or more Directors who shall represent the Corporation. 2. The Corporation may, by a resolution of the Board of Directors, <u>appoint one Chairman of the Board, one President and one or more Vice-Presidents, Senior Managing Directors and Junior Managing Directors.</u> 	<p>Article 23 (Election of Representative Directors and Chairman of the Board)</p> <ol style="list-style-type: none"> 1. The Corporation shall, by a resolution of the Board of Directors, elect one or more Directors who shall represent the Corporation. 2. The Corporation may, by a resolution of the Board of Directors, <u>appoint one Chairman of the Board.</u>
<p>Article 41 (Corporate Executive Officer) The Corporation may place Corporate Executive Officers as a position in order to operate the business <u>in a professional manner</u> in line with decision of the Board of Directors.</p>	<p>Article 41 (Corporate Executive Officer) The Corporation may place Corporate Executive Officers as a position in order to operate the business in line with decision of the Board of Directors.</p>

Existing Articles of Incorporation	Proposed Amendments
<p>Article 43 (<u>Term of Office of Corporate Executive Officer</u>)</p> <ol style="list-style-type: none"> 1. <u>The term of office of Corporate Executive Officers shall continue until the conclusion of the annual shareholders meeting concerning the last business year which ends within one (1) year from the time of their elections.</u> 2. <u>The Board of Directors may dismiss Corporate Executive Officer in the middle of their term of office.</u> <p>Article 45 (<u>Regulations of the Corporate Executive Director and the Board of Corporate Executive Officers</u>) <u>The matters with respect to Corporate Executive Officers and the Board of Corporate Executive Officers shall be subject to the Regulations of the Corporate Executive Directors and the Board of Corporate Executive Officers established by the Board of Directors.</u></p>	<p>Article 43 (<u>Corporate Executive Officer with Special Titles</u>)</p> <p><u>The Board of Directors may elect one President and other Corporate Executive Officers with special titles from among Corporate Executive Officers.</u></p> <p>Article 45 (<u>Regulations of the Corporate Executive Officer System and Regulations of the Board of Corporate Executive Officers</u>) <u>The matters with respect to Corporate Executive Officers and the Board of Corporate Executive Officers shall be subject to the Regulations of the Corporate Executive Officer System and Regulations of the Board of Corporate Executive Officers established by the Board of Directors.</u></p>

Proposal No. 3: 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: 7 years and 9 months	Sep.	2003	Vice President of P.T. Pamindo Tiga T	19,000 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 and President of Nabtesco Corporation	
		Mar.	2017	Director and Chairman of the Board of Nabtesco Corporation (to present)	
<p>Reasons for appointment</p> <p>Mr. Kazuaki Kotani has served as Representative Director and President from June 2011, has appropriately led and supervised management, and demonstrated capability as top management. In addition, after assuming the office of Chairman of the Board in March 2017, as a chairperson of the Board of Directors, he has been working to create an environment for free and constructive dialogue and exchange of ideas, thereby playing an essential role in improving 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	Katsuhiro Teramoto (Dec. 13, 1955) Re-elected Term of office: 2 years and 9 months	Jun.	2007	General Manager, Sales Department No. 1, Precision Equipment Company of Nabtesco Corporation	7,600 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 and General Manager of Corporate Planning Division of Nabtesco Corporation	
Mar.	2017	Representative Director and President of Nabtesco Corporation (to present)			
<p>Reasons for appointment</p> <p>Mr. Katsuhiro Teramoto has served as Representative Director and President from March 2017, and has appropriately led and supervised management. In addition, after serving as Vice President of Accessibility Innovations Company and General Manager of Corporate Planning Division, he currently serves as the President, a position bearing the highest responsibilities for business execution, and has broad experience at the Company and extensive insight concerning global business. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Katsuhiro 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	Shinji Juman (Aug. 28, 1957) Re-elected Term of office: 1 year	Jan. 2006	General Manager, Cost Control Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation	5,900 shares
		Jun. 2006	General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation	
		Jun. 2009	Plant 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)	
		Mar. 2017 Jan. 2018	Director of Nabtesco Corporation (to present) In Charge of Production Innovation of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Shinji Juman has engaged in corporate management as Director from March 2017, and has effectively fulfilled its roles and duties. After serving as General Manager of the Manufacturing Department, Precision Equipment Company and as Plant Manager of the Tsu Plant, Precision Equipment Company, he currently serves as President of Precision Equipment Company and is in charge of Production Innovation, 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 continued appointment of Mr. Shinji Juman as Director.				
4	Daisuke Hakoda (Oct. 25, 1957) Re-elected Term of office: 2 years and 9 months	Jun. 2007	President of Nabtesco Aerospace, Inc.	15,721 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	
		Jun. 2015	Director (to present) and General Manager, General Administration & Human Resources Division of Nabtesco Corporation	
		Mar. 2017	Managing Executive Officer (to present), General Manager of Corporate Planning Division and General Manager, General Administration & Human Resources Division of Nabtesco Corporation	
Jan. 2018	Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems, Corporate Communication and Human Resources 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. After serving 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 is currently in charge of Corporate Planning, Accounting & Finance, Information Systems, Corporate Communication and Human Resources, 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	
5	Koji Kaminaka (Mar. 17, 1956) New Candidate	Oct.	2004	General Manager, Engineering Department of Nabco Company (current Accessibility Innovations Company) of Nabtesco Corporation	7,360 shares
		Apr.	2008	Plant Manager, Konan Plant of Nabco Company (current Accessibility Innovations Company) of Nabtesco Corporation	
		Sep.	2011	General Manager, Product Planning Department, Accessibility Innovations Company of Nabtesco Corporation	
		Jun.	2013	Executive Officer of Nabtesco Corporation	
		Oct.	2013	Vice President, Accessibility Innovations Company of Nabtesco Corporation	
		Mar.	2016	Managing Executive Officer (to present) and President, Accessibility Innovations Company of Nabtesco Corporation (to present)	
Reasons for appointment Mr. Koji Kaminaka has served as General Manager of the Engineering Department of Accessibility Innovations Company, Plant Manager of the Konan Plant and General Manager of the Product Planning Department, and currently serves as President of Accessibility Innovations Company, and has broad experience and extensive insight concerning the automatic door systems 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 appointment of Mr. Koji Kaminaka as Director.					
6	Goro Hashimoto (Feb. 7, 1957) Re-elected Term of office: 2 years and 9 months	Jan.	2009	General Manager, Legal Department of Nabtesco Corporation	1,600 shares
		Jun.	2015	Director (to present), Executive Officer (to present) and General Manager, Compliance Division of Nabtesco Corporation	
		Jan.	2018	Executive Officer, General Administration, Legal & Compliance (to present) of Nabtesco Corporation	
Reasons for appointment 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 is currently in charge of General Administration, Legal & Compliance, and has broad experience and extensive insight concerning general administration, legal matters, compliance, and risk management. Due to these factors, he has been determined to be an appropriate person to realize continued improvement in corporate value, and the Company requests the continued appointment of Mr. Goro Hashimoto as Director.					

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held	
7	Toshiaki Akita (Jun. 6, 1957) New Candidate	Jul.	2008	General Manager, Engineering Management Department, Railroad Products Company of Nabtesco Corporation	2,193 shares
		Oct.	2010	General Manager, Engineering Promotion Department, Railroad Products Company of Nabtesco Corporation	
		Jul.	2012	General Manager, Planning Department, and General Manager, Engineering Promotion Department, Railroad Products Company of Nabtesco Corporation	
		Jun.	2014	Deputy General Manager (Engineering), Technology and R&D Division of Nabtesco Corporation	
		Jun.	2015	Executive Officer of Nabtesco Corporation (to present)	
		Mar.	2016	President, NABTEC Co., Ltd.	
		Jan.	2018	General Manager, Technology and R&D Division of Nabtesco Corporation (to present)	
<p>Reasons for appointment</p> <p>Mr. Toshiaki Akita has served as General Manager of the Engineering Promotion Department of Railroad Products Company and General Manager of the Planning Department of Railroad Products Company, etc., and currently serves as General Manager of Technology and R&D Division, and has broad experience and extensive insight concerning the railroad vehicle business and technology overall. Additionally, he has experience as a corporate manager, including his role as President of NABTEC Co., Ltd. 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. Toshiaki Akita as Director.</p>					

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held	Number of shares of the Company held
8	Yutaka Fujiwara (Apr. 20, 1951) Re-elected Candidate for Outside Director Term of office: 4 years and 9 months	Apr. 1974 Joined MODEC, Inc. 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) Jun. 2017 Outside Director of KITZ Corporation (to present)	0 shares
Reasons for appointment Mr. Yutaka Fujiwara has worked overseas for a number of years and has a wide range of experiences and extensive knowledge and insight on global business. He 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.			

No.	Name (Date of birth)	Career summary, position, assignment and significant positions concurrently held		Number of shares of the Company held
9	Norio Uchida (Oct. 22, 1950) Re-elected Candidate for Outside Director Term of office: 2 years and 9 months	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	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. (current Topcon Sokkia Positioning Japan 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)	0 shares
<p>Reasons for appointment</p> <p>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: 2 years	Apr. 1996	Joined the National Space Development Agency of Japan (currently Japan Aerospace Exploration Agency (JAXA))	0 shares
		Sep. 2001	Certified as International Space Station (ISS) onboard astronaut	
		May 2004	Acquired certification for Flight Engineer, Soyuz Spacecraft	
		Feb. 2006	Acquired certification for Mission Specialist, Space Shuttle	
		Apr. 2010	Crew Member of Space Shuttle Discovery as Mission Specialist, participated in Construction and Supply for ISS	
		Aug. 2011	Retired from JAXA	
		Sep. 2011	Honorary Chairperson of the National Soroban Education Association (to present)	
		Apr. 2012	Visiting Professor of Ritsumeikan University (to present)	
		Jul. 2012	Member of Committee on National Space Policy, Cabinet Office (to present)	
		May 2013	Visiting Professor of Joshibi University of Art and Design (to present)	
		Jul. 2015	President of Japanese Rocket Society (to present) and Chairperson of Sorajo Committee (to present)	
		Dec. 2015	Advisory Board Member of International Robot Competition Executive Committee (to present)	
		Jan. 2016	Specialist Member of Council on Science Technology and Academics (Marine Resource Development Subcommittee)	
		Mar. 2016	Director of Nabtesco Corporation (to present)	
Jul. 2016	Member of the Long-term Global Warming Countermeasures Platform, Ministry of Economy, Trade and Industry (to present)			
Nov. 2016	Ambassador of WINDS (Women's Initiative in Developing STEM Career), Ministry of Foreign Affairs of Japan			
Sep. 2017	External Director of Optorun Co., Ltd. (to present)			
Reasons for appointment 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.				

(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 Nominating 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 Audit & Supervisory Board Member (Independent)" (please refer to page 14). 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 Audit & Supervisory Board Members (Independent)”
The Company considers an Outside Director/Audit & Supervisory Board Member (Independent) 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/Audit & Supervisory Board Member (Independent) 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/Audit & Supervisory Board Member (Independent) is not a person who executes business of a major lender (*) of Nabtesco Group;
*A financial institution group (person who belongs to the consolidated group to which Nabtesco Group’s direct lender belongs) from which Nabtesco Group borrows funds and Nabtesco Group’s total amount of borrowing from such financial institution group exceeds 2% of Nabtesco Group’s consolidated total assets as of the end of the previous fiscal year;
- 3) The Outside Director/Audit & Supervisory Board Member (Independent) 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/Audit & Supervisory Board Member (Independent) is not a person for whom Nabtesco 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/Audit & Supervisory Board Member (Independent) 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 Nabtesco Group (including cases where the organizations such as corporation and association to which such Outside Director/Audit & Supervisory Board Member (Independent) belongs receive the remuneration);
- 6) The Outside Director/Audit & Supervisory Board Member (Independent) is not a person who executes business of an organization such as corporation and association that receives a large amount of donation (more than ¥6 million yearly) from Nabtesco Group.
- 7) The Outside Director/Audit & Supervisory Board Member (Independent) is not a spouse or a relative within the second degree of consanguinity of a person who executes business of Nabtesco Group;
- 8) The Outside Director/Audit & Supervisory Board Member (Independent) has not fallen under requirements 1) through 6) for the past three years.

(P15)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

1. Overview of Consolidated Business Activities

(1) Developments and results of business activities

The consolidated operating results of the Group for FY 2017 recorded net sales of ¥282.4 billion and operating income of ¥29.5 billion, primarily due to robust demand for industrial robots, favorable demand for construction machinery in China, and consolidation of a domestic automatic door sales company. Profit before taxes was ¥34.9 billion as a result of an increase in equity in earnings of affiliates. Profit attributable to owners of the parent came to ¥25.1 billion.

(Note) Starting from the current fiscal year, the Company has adopted the International Financial Reporting Standards (IFRS) on a voluntary basis. For comparison purposes, figures for the previous fiscal year have been restated based on IFRS.

(P.16)

(2) Segment information

In line with the new Medium-term Management Plan starting from FY 2017, the Company has changed the previous classification of four reportable segments “classified based on the similarity of the application technologies” to three reportable segments “classified based on the similarity of business models” as follows: “Precision equipment business,” “Transport equipment business,” “Aircraft and hydraulic equipment business” and “Industrial equipment business” has been changed to “Component solutions business,” “Transport solutions business” and “Accessibility solutions business.”

Segment	Component Solutions	Transport Solutions	Accessibility Solutions	Others	Corporate or elimination	Total
Net sales (Million yen)	113,885	79,134	72,374	17,029	—	282,422
Operating income (Million yen)	20,432	8,383	5,168	1,983	(6,498)	29,468

Operating results by segment were as follows.

[Component Solutions]

Net sales composition

40.3%

■ Net sales (Billion yen)

FY 2016 82.5

FY 2017 113.9

■ Operating income (Billion yen)

FY 2016 11.2

FY 2017 20.4

The amount of orders received for component solutions was ¥119.5 billion, up 33.1% year on year. Net sales were ¥113.9 billion, up 38.1% and operating income was ¥20.4 billion, up 81.9%.

Sales of precision reduction gears increased year on year, mainly on the back of robust demand for industrial robots and automation needs of production facilities. Sales of hydraulic equipment increased year on year, due to favorable demand for construction machinery in the Chinese market.

(P.17)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

[Transport Solutions]

Net sales composition

28.0%

■ Net sales (Billion yen)

FY 2016 81.4

FY 2017 79.1

■ Operating income (Billion yen)

FY 2016 13.3

FY 2017 8.4

The amount of orders received for transport solutions was ¥80.1 billion, up 4.3% year on year. Net sales were ¥79.1 billion, down 2.8% and operating income was ¥8.4 billion, down 36.8%.

In the railroad vehicle equipment business, sales decreased year on year, due to a decrease in sales for high-speed railways in China. In the aircraft equipment business, sales decreased year on year, due to a drop-off period in commercial aircraft for replacement to a successor model of Boeing 777. In the commercial vehicle equipment business, sales increased year on year thanks to robust performance in the Japanese market and the effect of an acquisition. In the marine vessel equipment business, as the shipbuilding market was sluggish, sales decreased year on year.

Main products

Brake systems and door operating systems for railway vehicles, main propulsion control systems for marine vessels, aircraft flight control actuation systems, air braking systems for commercial vehicles, etc.

[Accessibility Solutions]Net sales composition

25.6%

■Net sales (Billion yen)

FY 2016 64.6

FY 2017 72.4

■Operating income (Billion yen)

FY 2016 5.1

FY 2017 5.2

The amount of orders received for accessibility solutions was ¥79.4 billion, up 7.9% year on year. Net sales were ¥72.4 billion, up 12.0% and operating income was ¥5.2 billion, up 1.6%.

In the automatic doors business, sales increased year on year thanks to the consolidation of a domestic sales company in April 2016.

Main products

Automatic doors for buildings, platform doors for railways, etc.

[Others]

Net sales composition

6.1%

■Net sales (Billion yen)

FY 2016 16.4

FY 2017 17.0

■Operating income (Billion yen)

FY 2016 1.5

FY 2017 2.0

The amount of orders received for others was ¥18.6 billion, up 15.7% year on year. Net sales were ¥17.0 billion, up 3.6% and operating income was ¥2.0 billion, up 31.6%.

In the packaging machinery business, sales increased year on year, on account of favorable performance in the Japanese market as well as overseas markets centered on Southeast Asia backed by laborsaving needs.

Main products

Packaging machinery, special-purpose machine tools, 3D printers, vacuum equipment, etc.

(P18)

(3) Capital investment

The total amount of capital investment by the Group in FY 2017 was ¥15.4 billion. The Group promoted capital investment mainly for increasing its production capacity in component solutions.

(4) Business reorganization

The Company entered into an equity transfer agreement with INTERGLOBAL Industrieholding GmbH to acquire 100% equity in OVALO GmbH, a German subsidiary of the said company as of December 21, 2016. Pursuant to the said agreement, the Company acquired the entire equity in OVALO GmbH and consolidated OVALO and adcos GmbH, in which OVALO GmbH has 60% equity, as of March 1, 2017.

(5) Financing

Prior to the consolidation of OVALO GmbH, the Company raised ¥8.0 billion through loans from financial institutions.

(6) Issues to be addressed

(i) Outlook for the next fiscal year

The Group anticipates favorable demand for precision reduction gears for industrial robots, and demand for construction machinery, as well as a robust business environment for other businesses. Accordingly, the Company forecasts net sales for the next fiscal year of ¥308.0 billion, an increase by 9.1% year on year, and operating income of ¥32.6 billion, an increase by 10.6% year on year.

(P19)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

(ii) 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 Medium-Term Management Plan “Move forward! Challenge the future! Create “New Value 2020” for the four-year period started in FY 2017 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 Medium-term Management Plan]

We will carry out our strategy under the following policy in order to realize our objectives for FY 2020.

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

(P20)

(iii) Commitment in the Medium-term Management Plan

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.
- The Company focuses on solving ESG-related issues.

[Reference: Target numbers for FY 2020]

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 profit (Profit attributable to owners of the parent)

* 9.0% in ROA

(P21)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

(iv) Mid- to Long-Term Management Strategies

During the period of the 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.

(v) Initiatives to Address Challenges

We position the achievement of the Medium-term Management Plan as our immediate top priority, and will focus on the following challenges the Company faces, in order to respond to an ever-changing, diversifying global market:

- * Establish business models to match the market needs; Expand and enhance the profitability of overseas businesses
- * Develop products that respond to customer needs; Develop products that differentiate themselves by utilizing a wide range of technologies
- * Establish decision-making and management systems to enable flexible and swift responses
- * Secure and cultivate human resources to respond to our global business
- * Strengthen corporate governance; Improve risk management capabilities

(P22)

(7) Financial highlights

Classification	FY 2014 The 12th fiscal year J-GAAP	FY 2015 The 13th fiscal year J-GAAP (9 months)	FY 2016 The 14th fiscal year IFRS	FY 2017 The 15th fiscal year IFRS (Current consolidated fiscal year)
Net sales (Million yen)	219,657	187,000	244,968	282,422
Operating income (Million yen)	23,615	15,294	25,982	29,468
Operating margin	10.8%	8.2%	10.6%	10.4%
Profit attributable to owners of the parent (Million yen)	17,746	11,059	18,606	25,146
Total basic earnings per share (Yen)	140.24	88.85	150.64	203.85
Total equities (Million yen)	158,664	148,924	155,904	177,002
Equities attributable to owners of the parent per share (Yen)	1,184.17	1,150.41	1,193.79	1,355.72
Total assets (Million yen)	245,992	233,381	256,973	301,557
Return on equity (ROE)	12.6%	7.6%	13.0%	15.9%
Return on assets (ROA)	7.4%	4.6%	7.6%	9.0%

(Notes)

1. Starting from the 15th fiscal year, the Company decided to adopt the International Financial Reporting Standards (IFRS) on a voluntary basis. For a comparison purpose, figures for the 14th fiscal year have been restated based on IFRS.
2. Figures above are shown based on the terms in accordance with IFRS. Under J-GAAP, the following IFRS-based terms are presented as following: “profit attributable to owners of the parent” as “net income attributable to owners of the parent,” “total basic earnings per share” as “net income per share,” “total equities” as “net assets,” “equities attributable to owners of the parent per share” as “net assets per share,” “total assets” as “total assets,” “return on equity (ROE)” as “return on shareholders’ equity (ROE)” and “return on assets (ROA)” as “return on assets (ROA).”
3. Figures of less than one unit for the amounts based on J-GAAP have been truncated.
4. Total basic earnings 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.
5. 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.

(P23)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

■ Net sales (Million yen)

12th J-GAAP 219,657

13th J-GAAP (9 mo.) 187,000

14th IFRS 244,968

15th IFRS 282,422

■ Operating income (Million yen)

12th J-GAAP 23,615

13th J-GAAP (9 mo.) 15,294

14th IFRS 25,982

15th IFRS 29,468

■ Operating margin (%)

12th J-GAAP 10.8

13th J-GAAP (9 mo.) 8.2

14th IFRS 10.6

15th IFRS 10.4

■ Profit attributable to owners of the parent (Million yen)

12th J-GAAP 17,746

13th J-GAAP (9 mo.) 11,059

14th IFRS 18,606

15th IFRS 25,146

■ Total basic earnings per share (Yen)

12th J-GAAP 140.24

13th J-GAAP (9 mo.) 88.85

14th IFRS 150.64

15th IFRS 203.85

■ Total equities (Million yen)

12th J-GAAP 158,664

13th J-GAAP (9 mo.) 148,924

14th IFRS 155,904

15th IFRS 177,002

■ Equities attributable to owners of the parent per share (Yen)

12th J-GAAP 1,184.17

13th J-GAAP (9 mo.) 1,150.41

14th IFRS 1,193.79

15th IFRS 1,355.72

■ Total assets (Million yen)

12th J-GAAP 245,992

13th J-GAAP (9 mo.) 233,381

14th IFRS 256,973

15th IFRS 301,557

■ Return on equity (ROE) (%)

12th J-GAAP 12.6

13th J-GAAP (9 mo.) 7.6

14th IFRS 13.0

15th IFRS 15.9

■ Return on assets (ROA) (%)

12th J-GAAP 7.4

13th J-GAAP (9 mo.) 4.6
14th IFRS 7.6
15th IFRS 9.0

(P24)

(8) Major subsidiaries

(i) Major subsidiaries

Corporate name	Capital stock	Equity ratio of the Company (%)	Main business
NABCO DOOR Ltd.	¥848 million	100.0	Sales, installation, and after sales service of automatic door systems, etc.
Nabtesco Automotive Corporation	¥450 million	100.0	Manufacturing and sales of commercial vehicle equipment
NABCO Systems Co., Ltd.	¥300 million	85.9	Sales, installation, and after sales service of automatic door systems, etc.
Nabtesco Service Co., Ltd.	¥300 million	100.0	Sales, installation, and after sales service of transport equipment
Toyo Jidoki Co., Ltd.	¥245 million	100.0	Manufacturing and sales of various types of integrated packaging systems
Gilgen Door Systems AG	CHF2 million	100.0	Manufacturing, sales, and after sales service of automatic doors for buildings and platform doors for railways
Nabtesco Precision Europe GmbH	EUR51 thousand	100.0 (100.0)	Sales of precision reduction gears
Nabtesco Aerospace, Inc.	US\$1 million	100.0 (100.0)	Manufacture, sales and after sales service of aircraft equipment
NABCO Entrances, Inc.	US\$200	100.0 (100.0)	Manufacturing and sales of automatic doors
Shanghai Nabtesco Hydraulic Co., Ltd.	US\$14.5 million	55.0	Manufacturing, sales and after sales service of hydraulic equipment
Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd.	¥100 million	67.0	Sales of hydraulic equipment
Jiangsu Nabtesco KTK Railroad Products Co., Ltd.	¥1,800 million	50.0	Manufacturing and sales of brake systems and door operating systems for railroad vehicles
Nabtesco Power Control (Thailand) Co., Ltd.	THB700 million	70.0	Manufacturing and sales of hydraulic equipment
Nabtesco (China) Precision Equipment Co., Ltd.	US\$50 million	67.0	Manufacturing and sales of precision reduction gears

(Note)

Figures in parenthesis under “Equity ratio of the Company” indicate indirect investment ratios.

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

Not applicable

(P25)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

(9) Principal offices

(i) Nabtesco Corporation

Office name	Location
Head Office	Chiyoda-ku, Tokyo
Nabtesco R&D Center	Kyoto, Kyoto
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

(P26)

(10) Employees

Number of employees	Year-on-year change
7,591	+ 429

(Note)

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

(11) Principal lenders

Lender	Outstanding loans payable (Million yen)
Mizuho Bank, Ltd.	5,427
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,916
Sumitomo Mitsui Banking Corporation	2,876

(P27)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

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 933,790 shares of treasury stock)
(3) Number of shareholders 16,647
(4) Major shareholders (Top 10)

Shareholders	Number of shares held (thousand shares)	Stockholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,275	5.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,389	4.34
Central Japan Railway Company	5,171	4.16
STATE STREET BANK AND TRUST COMPANY	4,924	3.96
FANUC CORPORATION	3,760	3.03
Harmonic Drive Systems Inc.	3,265	2.63
THE CHASE MANHATTAN BANK 385036	2,938	2.37
BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC / ABERDEEN GLOBAL CLIENT ASSETS	2,462	1.98
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,074	1.67
STATE STREET BANK WEST CLIENT – TREATY 505234	1,969	1.59

(Notes)

1. The numbers of shares held less than 1,000 shares have been truncated.
2. The stockholding ratio is calculated after deducting the number of shares of treasury stock (933,790 shares).

(5) Other important matters relating to stock

Not applicable

■ Shareholder composition (as of December 31, 2017)

Other domestic legal entities

15,720 thousand shares 12.56%

Financial institutions & securities firms

27,815 thousand shares 22.23%

Foreign legal entities

64,856 thousand shares 51.83%

Individuals & others

11,012 thousand shares 8.80%

Securities companies

4,794 thousand shares 3.83%

Own shares

933 thousand shares 0.75%

(Note)

The numbers of shares held less than 1,000 shares have been truncated.

(P28)

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: 1,380

(ii) Type and number of shares to be issued upon exercise: 138,000 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	215
No. 6 Subscription Right to Shares as Stock-based Compensation (FY 2014)	¥1	From August 21, 2014 to August 20, 2039	Director	6	190
No. 7 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From June 15, 2018 to June 14, 2025	Director	6	10
No. 8 Subscription Right to Shares as Stock-based Compensation (FY 2015)	¥1	From August 21, 2015 to August 20, 2040	Director	7	136
No. 9 Subscription Right to Shares as Stock-based Compensation (FY 2016)	¥1	From May 21, 2016 to May 20, 2041	Director	7	262
No. 10 Subscription Right to Shares as Stock-based Compensation (FY 2017)	¥1	From February 27, 2020 to February 26, 2030	Director	7	30

(Notes)

1. No subscription rights to shares were granted to Outside Directors or Audit & Supervisory Board Members.
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 62 and the total number of shares to be issued upon exercise was 6,200 shares of common stock.

Issuance order	Exercise price	Exercise period	Classification	Number of persons granted	Number of subscription rights
No. 10 Subscription Right to Shares as Stock-based Compensation (FY 2017)	¥1	From February 27, 2020 to February 26, 2030	Director	7	30
			Executive Officer	12	32

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

Not applicable

(P29)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

4. Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

Position	Name	Assignment and significant positions concurrently held	
		As of December 31, 2017	As of January 1, 2018
Chairman of the Board	Kazuaki Kotani		
Representative Director, President	Katsuhiko Teramoto	Chief Executive Officer (CEO)	(Same as left)
Representative Director	Nobutaka Osada	President, Aerospace Company; Deputy Chief Executive Officer, Production Innovation	Responsible for Special Missions of the CEO
Director	Toshio Yoshikawa	Senior General Manager, Technology Division	Responsible for Special Missions of the CEO
Director	Shinji Juman	President, Precision Equipment Company	President, Precision Equipment Company and, in charge of Production Innovation
Director	Daisuke Hakoda	Senior General Manager, Corporate Planning Division; Senior General Manager, General Administration & Human Resources Division	Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems, Corporate Communication and Human Resources
Director	Goro Hashimoto	Senior General Manager, Compliance Division	Executive Officer, General Administration, Legal & Compliance
Director	Yutaka Fujiwara	President & CEO, Cross-Border Bridge Corporation; Outside Director, KITZ Corporation	(Same as left)
Director	Norio Uchida	External Director, ULVAC, Inc.	(Same as left)
Director	Naoko Yamazaki	Member of Committee on National Space Policy, Cabinet Office; External Director, Oporun Co., Ltd.	(Same as left)
Audit & Supervisory Board Member	Takayuki Onishi		
Audit & Supervisory Board Member	Kensuke Ioku		
Audit & Supervisory Board Member (Independent)	Hisao Katayama	Outside Director, YUSHIRO CHEMICAL INDUSTRY CO., LTD.	
Audit & Supervisory Board Member (Independent)	Zenzo Sasaki	Attorney-at-law (Harumi-kyowa Law Offices)	
Audit & Supervisory Board Member (Independent)	Takemi Nagasaka	Outside Audit & Supervisory Board Member, DAIO PAPER CORPORATION; Outside Audit & Supervisory Board Member, SOLIZE Corporation	

(Notes)

1. The Company has changed the Directors' duties on January 1, 2018, and therefore in the assignment and significant positions concurrently held by the Directors above, the status as of January 1, 2018 is presented, along with the status as of December 31, 2017.
2. Mr. Shinji Juman was newly elected and assumed office as Director at the 14th Annual General Meeting of Shareholders held on March 28, 2017.
3. Messrs. Yutaka Fujiwara, Norio Uchida, and Ms. Naoko Yamazaki are Outside Directors.
4. Messrs. Hisao Katayama, Zenzo Sasaki and Takemi Nagasaka are Audit & Supervisory Board Members (Independent).
5. Mr. Takayuki Onishi, Audit & Supervisory Board Member, 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, Audit & Supervisory Board Member, 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 Audit & Supervisory Board Members (Independent) Messrs. Hisao Katayama, Zenzo Sasaki and Takemi Nagasaka, as independent directors/auditors under the provisions set forth by the Tokyo Stock Exchange.

(P30)

(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 Audit & Supervisory Board Members (Independent). 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 Audit & Supervisory Board Members (Independent) 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 Audit & Supervisory Board Member (Independent) acts in good faith and without gross negligence when performing their duties.

(3) Total amount of compensation paid to Directors and Audit & Supervisory Board Members

Directors/Audit & Supervisory Board Members	Number of Directors and Audit & Supervisory Board Members	Total amount of compensation (million yen)	Types of compensation		
			Monthly compensation (million yen)	Board Benefit Trust (BBT) (million yen)	Stock compensation-type stock option (million yen)
Directors (Outside Directors)	11 (3)	406 (28)	263 (28)	134	8
Audit & Supervisory Board Members (Audit & Supervisory Board Members (Independent))	5 (3)	76 (23)	76 (23)		
Total	16	482	339	134	8

(Notes)

1. Compensation to the Company's Directors (excluding Outside Directors) is composed of monthly compensation (fixed compensation and performance-linked compensation) and the Board Benefit Trust (BBT). Compensation to Outside Directors and Audit & Supervisory Board Members (including Audit & Supervisory Board Members (Independent)) consists solely of fixed compensation.

* Following the introduction of the Board Benefit Trust (BBT) as resolved at the 14th Annual General Meeting of Shareholders held on March 28, 2017, the previous long-term performance-linked stock compensation-type stock option compensation (as resolved at the 6th Annual General Meeting of Shareholders held on June 24, 2009) and the medium-term performance-linked stock compensation-type stock option compensation (as resolved at the 11th Annual General Meeting of Shareholders held on June 24, 2014) were both abolished. Figures for the stock compensation-type stock option stated in the above table are those issued during the fiscal year under review prior to the abolition.

2. The following upper limit is set for compensation to Directors (as resolved at the 14th Annual General Meeting of Shareholders held on March 28, 2017).

Monthly and other compensation: 400 million yen per year (of which 50 million yen for Outside Directors)

Board Benefit Trust (BBT): 107 thousand points per year (including the share grant points awarded based on the degree of achievement of the Medium-term Management Plan of 56 thousand points and the share grant points awarded in accordance with the position of 51 thousand points)

The amount recorded as expense related to the Board Benefit Trust (BBT), whereby shares are granted with the upper limit of 107 thousand points per year, is the amount recorded as expense during the fiscal year under review (134 million yen).

3. The following upper limit is set for compensation to the Audit & Supervisory Board Members.

Annual limit: 90 million yen (as resolved at the 14th Annual General Meeting of Shareholders held on March 28, 2017)

(P31)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

(4) Outside Officers

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

Directors/Audit & Supervisory Board Members	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.
		KITZ Corporation	Outside Director	No conflict of interest exists between KITZ 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.
		Oporun Co., Ltd.	External Director	No conflict of interest exists between Oporun Co., Ltd. and the Company.
Audit & Supervisory Board Member	Hisao Katayama	YUSHIRO CHEMICAL INDUSTRY CO., LTD.	Outside Director	No conflict of interest exists between YUSHIRO CHEMICAL INDUSTRY CO., LTD. and the Company.
Audit & Supervisory Board Member	Zenzo Sasaki	Harumi-kyowa Law Offices	Attorney-at-law	No conflict of interest exists between Harumi-kyowa Law Offices and the Company.
Audit & Supervisory Board Member	Takemi Nagasaka	DAIO PAPER CORPORATION	Outside Audit & Supervisory Board Member	No conflict of interest exists between DAIO PAPER CORPORATION and the Company.
		SOLIZE Corporation	Outside Audit & Supervisory Board Member	No conflict of interest exists between SOLIZE Corporation and the Company.

(ii) Main activities during the fiscal year

Directors/ Audit & Supervisory Board Members	Name	Attendance rate at the Board of Directors meetings	Attendance rate at the Audit & Supervisory Board meetings	Main activities
Director	Yutaka Fujiwara	94.4%	—	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	94.4%	—	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	94.4%	—	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.
Audit & Supervisory Board Member	Hisao Katayama	100%	100%	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.
Audit & Supervisory Board Member	Zenzo Sasaki	100%	100%	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.
Audit & Supervisory Board Member	Takemi Nagasaka	100%	100%	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.

(Note)

The number of Board of Directors meetings and number of Audit & Supervisory Board meetings held in the fiscal year were 18 and 13, respectively.

(P32)

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	¥88 million
(ii) Total amount of monetary or other property interests paid by the Company and its subsidiaries to the Accounting Auditor	¥112 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 Audit & Supervisory Board 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 Audit & Supervisory Board 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 Audit & Supervisory Board Members recognizes any problems with the performance of duties by the Accounting Auditor or otherwise judges it to be necessary, the Audit & Supervisory Board 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 Audit & Supervisory Board will dismiss the Accounting Auditor subject to the unanimous approval of the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board 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.

(P33)

(Attached Documents) **Business Report** (from January 1, 2017 to December 31, 2017)

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.

* 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 (hereinafter, “this 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) (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 notice of convocation, reference materials for the General Meeting of Shareholders, business report and financial statements 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)

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. To prepare for sudden changes in the economic environment, etc., it also targets a shareholders' equity ratio that can maintain high credit ratings that enable fund raising regardless of financial situation.

2. Capital policies that may result in change in control of the company or significant dilution will be given due consideration of their impact on the above targets at the Board of Directors' Meeting for a reasonable judgment.
3. In implementing fund raising that may result in significant dilution effects, Nabtesco fully deliberates the details of the use of funds and payback plan at the Board of Directors' Meeting prior to such resolution and provides explanations to its investors and shareholders.
4. 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, 1-6)

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 Officers (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 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 stakeholders (customers, employees, business partners, shareholders, and local communities).

(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 reports 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, 3-2(ii))

Article 12

At Nabtesco, the Audit & Supervisory Board 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 Audit & Supervisory Board” as its organizational structure under the Companies Act.

(Roles and Responsibilities of the Board of Directors) (4-1, 4-1(i), 4-1(ii), 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 number of the members of the Board of Directors shall be no more than ten, 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 multiple candidates both internally and externally, who have excellent characters, insights, capabilities, expertise and ethics as well as ample experience, regardless of their race, gender or nationality to ensure a balance and diversity of 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), 4-8(ii), 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 Audit & Supervisory Board Members (Independent).”
3. Independent Outside Directors shall convene and hold meetings comprising only Independent Outside Directors and Audit & Supervisory Board Members (Independent) 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 Audit & Supervisory Board) (4-4, 4-5, 4-13(iii))

Article 19

The Audit & Supervisory Board 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 Audit & Supervisory Board 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 Audit & Supervisory Board fulfills its roles and responsibilities in accordance with procedures and audit criteria, etc. stipulated in the Regulations of the Audit & Supervisory Board and the Criteria for Audits by Audit & Supervisory Board Members.

(Composition of the Audit & Supervisory Board) (4-4(i))

Article 20

The Audit & Supervisory Board of Nabtesco comprises no more than five Audit & Supervisory Board Members, more than half of whom shall be Audit & Supervisory Board Members (Independent) who meet all of the in-house “Criteria for the independence of Outside Directors and Audit & Supervisory Board Members (Independent).”

2. The Audit & Supervisory Board ensures its effectiveness by organically combining the strong independence of Audit & Supervisory Board Members (Independent) with the advanced information-gathering capability of Audit & Supervisory Board Members in order to fulfill the roles and responsibilities of the Audit & Supervisory Board specified in the preceding paragraph.

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

Article 21

Nabtesco has established the Nominating Committee as a consultative body of the Board of Directors to deliberate the nomination of candidates for Director, Audit & Supervisory Board Member and CEO positions, as well as a CEO succession plan and other matters and report to the Board of Directors.

2. The Nominating Committee comprises at least three members but no more than five members, the majority of whom shall be Independent Outside Directors or Audit & Supervisory Board Members (Independent).
3. The Nominating Committee establishes fair and transparent basic policies and rules, etc. to perform its duties.

(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 at least three members but no more than five members, the majority of whom shall be Independent Outside Directors or Audit & Supervisory Board Members (Independent).
3. The Remuneration Committee establishes fair and transparent basic policies and rules, etc. to perform its duties.

(Nomination of Directors, Audit & Supervisory Board Members, etc.) (3-1(iv), 4-3(i), 4-11(i))

Article 23

In electing its management executives and nominating candidates for Director and Audit & Supervisory Board Member positions, the Board of Directors nominates and elects those who can view operations not only as a member of the business execution department but also as management, and can contribute to the growth of the entire Group and the enhancement of its management in light of their experience and capabilities, in accordance with Article 16. With regard to Audit & Supervisory Board Members, the Board of Directors nominates candidates upon the approval of the Audit & Supervisory Board.

2. The Board of Directors receives reports from the Nominating 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," which is offered in consideration of medium- to long-term performance. ROE, net sales, operating profit, net income, R&D indicators and environmental indicators, etc. 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 Audit & Supervisory Board Members shall be decided in consultation with Audit & Supervisory Board Members. Compensation to Audit & Supervisory Board Members 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 Audit & Supervisory Board Members and Support System) (4-13, 4-13(i), 4-13(ii))

Article 26

Nabtesco proactively develops a support system for Directors and Audit & Supervisory Board Members in order to ensure that Directors and Audit & Supervisory Board Members can fulfill their roles and responsibilities effectively.

2. Directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board Members) (4-14, 4-14(i), 4-14(ii))

Article 27

Prior to joining the Group, newly appointed Directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board Members (Independent) 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 Audit & Supervisory Board Members (Independent) 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 Audit & Supervisory Board Members (Independent) with opportunities to visit and inspect its plants or offices, etc. as necessary.

3. All Directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board Members and external experts.

Chapter 6: Constructive Dialogue with Shareholders

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

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. As an effort to enhance channels of dialogue not limited to individual meetings, the company actively offers opportunities for dialogues through the promotion of communications such as 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, appropriate and fair manner but also announces its efforts to enhance shareholder value while aiming to grasp shareholders' and investors' views of the company and share them 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 Policy

(Amendments and Abolition of This Policy)

Article 30

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

(Note) The Company has revised the Nabtesco Corporate Governance Basic Policy as of December 27, 2017, as above.

(P40)

(2) The System Ensuring the Appropriateness of the Business

Details of the matters resolved at the Board of Directors regarding the system ensuring the appropriateness of the business 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 and employees perform their duties in compliance with laws and the Articles of Incorporation

- (i) Directors and employees shall comply with the Nabtesco Way and the Nabtesco Group Code of Ethics as the basis of appropriate and fair business activities, 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 Board of Directors' rules, the Responsibility and Authority Regulations, etc.
- (iii) Directors shall perform their respectively delegated duties in accordance with proper decisions by the Board of Directors, and shall report on the execution of their duties to the Board of Directors. Should a Director have any doubts on whether the execution of the duties by himself or herself or other Directors are in compliance with laws and regulations and the Articles of Incorporation, the Director shall report these doubts to the Board of Directors and the Audit & Supervisory Board (Members).
- (iv) Directors and employees shall ensure the rationality, adequacy and legality of their decisions by actively and thoroughly hearing the expert opinions of expert staff members of the Head Office and/or outside experts during decision-making and performance of duties.
- (v) The Board of Directors shall make use of the multifaceted and impartial advice provided by Outside Directors and Audit & Supervisory Board Member (Independent) to make appropriate decisions.
- (vi) In order to promote the compliance of the Group, the Compliance Committee shall be set up as an advisory 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 training on compliance 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 established and operated as one of the methods to achieve this. The person who used this corporate ethics hotline will not be treated unfavorably on the grounds of having made such reports.
- (ix) To ensure the adequacy of financial reports, an internal control system over financial reports and a system to evaluate its validity shall be developed and operated.

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

- (i) Directors shall properly prepare, store and 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 hosted by 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, storage and 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 and improve adequate security for

electromagnetic records to combat the risks of unauthorized disclosure posed by the increasing sophistication of information technology.

3. The Regulations and other systems for managing the risk of loss.

- (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 who became aware of matters that could have a seriously adverse impact on Nabtesco and its Group 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) To manage various risks and prevent losses with regard to business activities of Nabtesco and its Group, the Risk Management Committee, Quality & PL (Product Liability) Committee, ESH (Environment, Safety and Health) Committee and etc., shall be established as cross-group organizations, and the rules for information security and business continuity plan at the time of a critical accident and disaster, and other relevant company regulations shall be established.
- (iii) Risk management shall be conducted while ensuring rationality, adequacy and legality of decision-making through deliberation on the performance of important matters concerning the execution of operations by the Board of Directors and Management Committee and compliance with, and thoroughgoing implementation of, the Responsibility and Authority Regulations.
- (iv) Reporting requirements in the event of accidents, disasters or critical quality problems and other events that may have serious adverse effects on the Group's business performance, financial condition and credibility shall be set forth within company regulations, and steps shall be taken to ensure that information is promptly and suitably conveyed and that contingency measures are 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 perform their duties 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 perform their duties in keeping with these divisions of responsibility.
- (ii) An Executive Officer system and a company system shall be adopted in view of the nature and characteristics of the Nabtesco's business.
 - (a) Executive 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 perform operations in accordance with the Responsibility and Authority Regulations 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 performance 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 policies for internal control shall be applied to the whole Nabtesco Group, and efforts shall be made to disseminate and standardize these throughout the Group as a whole.
- (ii) Group Companies Management Regulations shall be established to stipulate, management classifications and management items for subsidiaries, and the Responsibility and Authority Regulations shall be set up, taking into account the scale and importance (impact onto the Group) of subsidiaries as well as their autonomy. Furthermore, a system shall be developed so that subsidiaries shall report their important matters with regard to the performance 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 Audit & Supervisory Board Member

- to subsidiaries from the Company to ensure more suitable decision-making and performance of operations and to homogenize and improve audits of subsidiaries through the Group Audit & Supervisory Board.
- (v) Internal audits of subsidiaries shall be performed 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 training on compliance and information sharing.
- 6. Items on employees to support Audit & Supervisory Board Member (“support personnel”), when Audit & Supervisory Board Members requested to assign employees to support Audit & Supervisory Board Members**
- (i) Should Audit & Supervisory Board Members (or Audit & Supervisory Board) request that support personnel be assigned, the appropriate personnel shall be promptly secured after preliminary discussions with Audit & Supervisory Board Member (or Audit & Supervisory Board).
 - (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 Audit & Supervisory Board Member (or Audit & Supervisory Board).
 - (iii) Support personnel shall be subject to the instructions and orders of Audit & Supervisory Board Member (or Audit & Supervisory Board) in engaging in such support tasks.
- 7. The System enabling Directors and employees to report to Audit & Supervisory Board Member; other systems for reporting to Audit & Supervisory Board Member**
- (i) Directors aware of matters that could have a seriously adverse impact on the Company and its Group shall immediately report these to Audit & Supervisory Board Member (or Audit & Supervisory Board).
 - (ii) Directors and employees shall respond promptly and appropriately to requests by Audit & Supervisory Board Member 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 Audit & Supervisory Board Members and departments associated with internal control, efforts shall be made to carry out consultations and exchange of information and views concerning issues relating to internal control (including reports from Directors and employees, etc of subsidiaries to the relevant departments) through the Audit Council, etc. Furthermore, Group Audit & Supervisory Board shall conduct consultations and report and exchange information and views with Audit & Supervisory Board Member and Audit & Supervisory Board Member of subsidiaries with regard to audits.
 - (iv) Information on “Audit & Supervisory Board hotline” established by Audit & Supervisory Board shall be noticed to directors and employees.
 - (v) The person who reported the relevant matter to an Audit & Supervisory Board Member (including those who reported the same to “Audit & Supervisory Board hotline”) will not be treated unfavorably on the grounds of having made such reports.
- 8. The Systems to ensure that audits by Audit & Supervisory Board Members are carried out effectively**
- (i) A certain amount of the budget shall be set yearly for paying expenses, etc., with respect to the performance of duties of the Audit & Supervisory Board Members. In the event that an Audit & Supervisory Board Member request from the Company advance payment of expenses associated with the performance 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) Audit & Supervisory Board Members shall be permitted to attend Management Committee meetings and all other important meetings and to view all management information, to enable themselves to implement audits and check the decision-making process on the important matters in the performance of operations, based on the information equivalent to information available to Directors.
 - (iii) Audit & Supervisory Board Members may hold regular meetings to exchange views with CEO and the Representative Directors.
 - (iv) Audit & Supervisory Board Members may request Executive Officers and other important employees to report on the performance of duties.

- (v) A system shall be ensured to enable Audit & Supervisory Board Members to exchange views with financial auditors and the Accounting & Finance Department regularly and confirm the adequacy of financial reports.
- (vi) A system shall be ensured to improve the tasks of Audit & Supervisory Board Members through facilitation of reporting on audit status to Business Auditing Department and other relevant departments, and promotion of consultation and exchange of information and opinions between such departments on audit matters on a regular basis.

(Note) The Company has revised the Basic Policies for the Construction of an Internal Control System as of December 27, 2017, as above.

(P44)

(3) Outline of the operational status of the systems ensuring the appropriateness of the business

Following is an outline of the operational status of the systems to ensuring the appropriateness of the business 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. 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. Moreover, we assign a Chief Compliance Officer and a Compliance Officer for assistance at all companies both domestic and overseas as well as Group companies, etc. The Compliance Committee, an advisory body of the Board of Directors established with the aim of strengthening the Group's compliance promotion system, met twice during the fiscal year under review to deliberate important matters concerning compliance. Furthermore, we provided within the Group compliance training that also served as an awareness activity on the Nabtesco Group Code of Ethics and the Nabtesco Group Global Anti-Bribery Policy, both formulated according to the deliberation result at the Compliance Committee. In addition, to further enhance each employee's awareness about compliance, we issued the Booklet on Harassment Case Studies, the Working Hour Management Handbook and the Social Media Guidelines, etc.

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 the fiscal year under review, the Risk Management Committee that deliberates important matters concerning the risk management of the Group met three times and risk assessment of domestic Group companies was implemented. Furthermore, the Group Quality & PL Committee and the Group Environment, Safety and Health Committee, which are cross-Group organizations, met once each during the fiscal year.

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. In addition, in the fiscal year under review, internal audits conducted by the Business Auditing Department went through a quality assessment provided by an external institution with the aim of improving its audit quality.

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.

4) Execution of duties by Audit & Supervisory Board Members

Thirteen meetings of the Audit & Supervisory Board were held in the fiscal year under review to report, discuss and resolve important matters relating to audits. In addition, the Audit & Supervisory Board Members attend the Board of Directors meetings, the Management Committee meetings, the Executive 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 Group Audit & Supervisory Board attended by Audit & Supervisory Board Members of the Group companies, and thereby rigorously monitor the execution of duties by Directors and employees. Moreover, to ensure the suitability of the audits by the Audit & Supervisory Board Members, the Company grants the Audit & Supervisory Board Members the right to access all of the management information databases and assigns two support personnel to the Audit & Supervisory Board Members at the request of the Audit & Supervisory Board. In addition, the Audit & Supervisory Board Members' hotline, an internal reporting system with Audit & Supervisory Board Members serving as a point of contact was established in the fiscal year under review based on a decision by the Audit & Supervisory Board.

(Note) In the amount, ratios and other figures stated in the Business Report, all fractions are rounded off to the nearest units, unless otherwise noted.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(As of December 31, 2017)

(Million yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	165,695	Current liabilities	96,934
Cash and cash equivalents	44,121	Trade payables	57,148
Trade receivables	76,874	Bonds and borrowings	16,365
Other receivables	1,216	Other payables	12,492
Inventories	40,298	Income tax payables	4,550
Other financial assets	190	Provisions	732
Other current assets	2,996	Other financial liabilities	7
Non-current assets	135,863	Other current liabilities	5,641
Property, plant and equipment	70,700	Non-current liabilities	27,621
Intangible assets	5,850	Bonds and borrowings	11,355
Goodwill	21,310	Liabilities for retirement benefit	9,339
Investment property	5,404	Deferred tax liabilities	4,801
Investments accounted for using the equity method	20,184	Other non-current liabilities	2,127
Other financial assets	8,547	Total liabilities	124,556
Deferred tax assets	1,633	(Equities)	
Other non-current assets	2,236	Equity attributable to owners of the parent	167,537
		Share capital	10,000
		Share premium	14,956
		Retained earnings	143,349
		Treasury shares	(3,600)
		Other components of equities	2,831
		Non-controlling interests	9,465
		Total equities	177,002
Total assets	301,557	Total liabilities and equities	301,557

Consolidated Statement of Income

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

(Million yen)

Description	Amount
Net sales	282,422
Cost of sales	(201,982)
Gross profit	80,440
Other operating income	1,351
Selling, general and administrative expenses	(51,285)
Other expenses	(1,038)
Operating income	29,468
Financial income	632
Financial costs	(109)
Equity in earnings of affiliates	4,915
Profit before taxes	34,907
Income tax expenses	(8,338)
Profit	26,569
Profit attributable to:	
Owners of the parent	25,146
Non-controlling interests	1,423
Profit	26,569

Consolidated Statement of Changes in Equity

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

(Million yen)

	Equity attributable to owners of the parent			
	Share capital	Share premium	Retained earnings	Treasury shares
Balance as of January 1, 2017	10,000	14,703	125,493	(2,649)
Profit			25,146	
Other comprehensive income				
Total comprehensive income			25,146	
Acquisitions, sales, etc. of treasury shares			(4)	(951)
Acquisitions, sales, etc. of non-controlling interests				
Dividends			(7,452)	
Transfer from other components of equities to retained earnings			166	
Stock compensation transactions		253		
Total transactions with owners, etc.	—	253	(7,290)	(951)
Balance as of December 31, 2017	10,000	14,956	143,349	(3,600)

	Equity attributable to owners of the parent				Total equity attributable to owners of the parent	Non-controlling interests	Total equities
	Other components of equities						
	Exchange differences on foreign operations	Valuation difference due to change in fair value	Remeasurements of net defined benefit liability (asset)	Total			
Balance as of January 1, 2017	(2,788)	3,169	—	382	147,929	7,974	155,904
Profit					25,146	1,423	26,569
Other comprehensive income	2,015	448	152	2,615	2,615	281	2,896
Total comprehensive income	2,015	448	152	2,615	27,761	1,704	29,464
Acquisitions, sales, etc. of treasury shares					(955)		(955)
Acquisitions, sales, etc. of non-controlling interests					—	51	51
Dividends					(7,452)	(264)	(7,715)
Transfer from other components of equities to retained earnings		(14)	(152)	(166)	—		—
Stock compensation transactions					253		253
Total transactions with owners, etc.	—	(14)	(152)	(166)	(8,154)	(213)	(8,367)
Balance as of December 31, 2017	(773)	3,604	—	2,831	167,537	9,465	177,002

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of December 31, 2017)

(Million yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	100,631	Current liabilities	78,619
Cash and time deposits	17,353	Trade accounts payable	10,192
Notes receivable	2,434	Electronically recorded obligations - trade	32,300
Trade accounts receivable	49,045	Short-term loans payable	11,350
Marketable securities	6,000	Other accounts payable	7,816
Goods and products	3,164	Income taxes payable	2,485
Products in progress	6,539	Accrued expenses	2,732
Raw materials and stored goods	6,537	Advances received	119
Deferred tax assets	1,073	Deposits received	11,104
Other accounts receivable	1,931	Allowance for product warranty	465
Advances paid	5,000	Other current liabilities	56
Other current assets	1,556	Long-term liabilities	16,462
Fixed assets	109,441	Bonds payable	10,000
Tangible fixed assets	43,815	Provision for retirement bonus	5,610
Buildings	14,062	Deferred tax liabilities	199
Structures	542	Other long-term liabilities	653
Machinery and equipment	17,221	Total liabilities	95,081
Vehicles and transport equipment	51	(Net assets)	
Tools, apparatus and furniture	2,534	Shareholders' equity	112,773
Land	8,823	Capital stock	10,000
Construction in progress	582	Capital surplus	26,274
Intangible fixed assets	3,759	Legal capital surplus	26,274
Software	1,794	Earned surplus	79,603
Goodwill	1,869	Legal earned surplus	1,077
Other intangible fixed assets	95	Other earned surplus	78,526
Investments and other assets	61,867	Reserve for advanced depreciation of assets	424
Investments in securities	5,031	Earned surplus brought forward	78,102
Shares of subsidiaries and associates	34,203	Treasury stock	(3,103)
Investments in capital of subsidiaries and associates	17,760	Valuation and translation adjustments	1,768
Long-term loans receivable from subsidiaries and associates	5,462	Valuation difference on other securities	1,768
Long-term prepaid expenses	138	Subscription rights to shares	450
Other investments and other assets	700	Total net assets	114,992
Allowance for doubtful accounts	(1,425)	Total liabilities and net assets	210,073
Total assets	210,073		

Non-consolidated Statement of Income

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

(Million yen)

Description	Amount	
Net sales		164,992
Cost of sales		128,404
Gross profit		36,588
Selling, general and administrative expenses		19,098
Operating income		17,490
Non-operating income		
Interest income	60	
Dividend income	3,801	
Foreign exchange gains	133	
Rent income	303	
Other non-operating income	31	4,329
Non-operating expenses		
Interest expenses	47	
Other non-operating expenses	58	106
Ordinary income		21,713
Extraordinary gains		
Insurance income	286	
Gain on sales of fixed assets	12	298
Extraordinary losses		
Loss on disaster	161	
Loss on sales and retirement of non-current assets	285	
Loss on valuation of investments in capital of subsidiaries and associates	714	
Environmental expenses	37	1,198
Income before income taxes and adjustments		20,813
Income taxes - current	4,819	
Income taxes - deferred	(140)	4,679
Net income		16,134

Non-consolidated Statement of Changes in Equity

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

(Million yen)

	Shareholders' equity		
	Capital stock	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance as of January 1, 2017	10,000	26,274	26,274
Changes of items during the period			
Dividends from surplus			
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 the period	—	—	—
Balance as of December 31, 2017	10,000	26,274	26,274

	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, 2017	1,077	427	69,420	70,924	(2,152)	105,046
Changes of items during the period						
Dividends from surplus			(7,452)	(7,452)		(7,452)
Reversal of reserve for reduction entry of assets		(3)	3	—		—
Net income			16,134	16,134		16,134
Purchase of treasury stock					(988)	(988)
Disposal of treasury stock			(4)	(4)	37	33
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	(3)	8,682	8,679	(951)	7,728
Balance as of December 31, 2017	1,077	424	78,102	79,603	(3,103)	112,773

(Million yen)

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on other securities	Total valuation and translation adjustments		
Balance as of January 1, 2017	1,330	1,330	466	106,842
Changes of items during the period				
Dividends from surplus				(7,452)
Reversal of reserve for reduction entry of assets				—
Net income				16,134
Purchase of treasury stock				(988)
Disposal of treasury stock				33
Net changes of items other than shareholders' equity	438	438	(16)	422
Total changes of items during the period	438	438	(16)	8,150
Balance as of December 31, 2017	1,768	1,768	450	114,992