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## Summary of Consolidated Financial Statements for the Fiscal Year ended March 31, 2014 (Japanese GAAP)

May 9, 2014

Name of Listed Company: Nabtesco Corporation

Stock listed on: the First Section of the Tokyo Stock Exchange

Code Number: 6268

URL: <http://www.nabtesco.com>

Representative: Title: President and CEO

Name: Kazuaki Kotani

Inquiries: Title: General Manager, General Administration Div.

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Scheduled Date of Annual Shareholders Meeting: June 24, 2014

Scheduled Date of Dividend Payment: June 25, 2014

Scheduled Date of Issue of Financial Report: June 25, 2014

Availability of supplementary information: Yes

Organization of financial result briefing meeting: Yes (for institutional investors and financial analysts)

(Amounts less than 1 million yen have been rounded down)

### 1. Consolidated Operating Results for FY 2013 (From April 1, 2013 to March 31, 2014)

#### (1) Consolidated Operating Results

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

|         | Net sales   |       | Operating income |        | Ordinary income |        | Net income  |        |
|---------|-------------|-------|------------------|--------|-----------------|--------|-------------|--------|
|         | Million yen | %     | Million yen      | %      | Million yen     | %      | Million yen | %      |
| FY 2013 | 202,292     | 12.7  | 20,092           | 33.8   | 24,227          | 35.4   | 14,978      | 12.9   |
| FY 2012 | 179,543     | (9.6) | 15,013           | (34.3) | 17,890          | (27.4) | 13,269      | (10.1) |

Note: Comprehensive income:

FY 2013: ¥25,603 million (37.2%) FY 2012: ¥18,655 million (30.0%)

|         | Net income per share | Diluted net income per share | Return on shareholders' equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---------|----------------------|------------------------------|--------------------------------|--|--|
|         | Yen                  | Yen                          | %                              | %  | %                                      |
| FY 2013 | 117.95               | 117.78                       | 12.2                           | 11.1                                     | 9.9                                    |
| FY 2012 | 104.57               | 104.39                       | 12.5                           | 8.7                                      | 8.4                                    |

Reference: Investment profit/loss on equity method:

FY 2013: ¥3,225 million FY 2012: ¥2,148 million

#### (2) Consolidated Financial Position

|                                | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|--------------------------------|--------------|-------------|----------------------------|----------------------|
|                                | Million yen  | Million yen | %                          | Yen                  |
| FY 2013 (as of March 31, 2014) | 233,984      | 139,471     | 56.0                       | 1,035.68             |
| FY 2012 (as of March 31, 2013) | 203,056      | 120,857     | 56.2                       | 894.86               |

Reference: Shareholders' equity:

As of March 31, 2014: ¥131,043 million As of March 31, 2013: ¥114,038 million

#### (3) Consolidated Cash Flows

|         | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents at fiscal year-end |
|---------|-------------------------------------|-------------------------------------|-------------------------------------|--|
|         | Million yen                         | Million yen                         | Million yen                         | Million yen                                  |
| FY 2013 | 27,597                              | (8,064)                             | (8,175)                             | 53,052                                       |
| FY 2012 | 12,952                              | (13,693)                            | (10,090)                            | 40,200                                       |

### 2. Dividends

| (Base date: as of end of the period)            | Dividends per share |                |               |          |           | Total dividends paid (Annual) | Payout ratio (Consolidated) | Dividend on equity ratio (Consolidated) |
|---|---------------------|----------------|---------------|----------|-----------|-------------------------------|-----------------------------|---|
|   | First Quarter       | Second Quarter | Third Quarter | Year End | Full Year |                               |                             |   |
|   | Yen                 | Yen            | Yen           | Yen      | Yen       | Million yen                   | %                           | %                                       |
| FY 2012   | –                   | 18.00          | –             | 16.00    | 34.00     | 4,355                         | 32.5                        | 4.1                                     |
| FY 2013   | –                   | 18.00          | –             | 20.00    | 38.00     | 4,851                         | 32.2                        | 3.9                                     |
| FY 2014 (year ending March 31, 2015 (Forecast)) | –                   | 20.00          | –             | 20.00    | 40.00     |                               | 32.8                        |   |

### 3. Forecast of Consolidated Operating Results for FY 2014 (From April 1, 2014 to March 31, 2015)

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

|  | Net sales   |      | Operating income |      | Ordinary income |      | Net income  |      | Net income per share |
|--|-------------|------|------------------|------|-----------------|------|-------------|------|----------------------|
|  | Million yen | %    | Million yen      | %    | Million yen     | %    | Million yen | %    | Yen                  |
| Six-month period ending September 2014 | 106,000     | 13.4 | 9,100            | 14.6 | 10,900          | 12.7 | 5,900       | 17.1 | 46.46                |
| FY 2014                                | 216,000     | 6.8  | 21,600           | 7.5  | 24,400          | 0.7  | 15,500      | 3.5  | 122.06               |

\* Matters of note:

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in a change in the scope of consolidation): None

Newly added: — (Company name: — ) Excluded: — (Company name: — )

(2) Changes in accounting policies, accounting estimates and restatement of corrections

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes

2) Other changes in accounting policies: None

3) Changes in accounting estimates : None

4) Restatement of corrections : None

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

(3) Shares outstanding (Common shares)

1) Number of shares outstanding (including treasury stock) as of the end of the term

As of March 31, 2014: 128,265,799 shares As of March 31, 2013: 128,265,799 shares

2) Amount of treasury stock

As of March 31, 2014: 1,736,737 shares As of March 31, 2013: 828,516 shares

3) Average number of shares during the term

FY 2013: 126,983,173 shares FY 2012: 126,906,156 shares

[Reference] Overview of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for FY 2013 (From April 1, 2013 to March 31, 2014)

(1) Non-Consolidated Operating Results

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

|         | Net sales   |        | Operating income |        | Ordinary income |        | Net income  |        |
|---------|-------------|--------|------------------|--------|-----------------|--------|-------------|--------|
|         | Million yen | %      | Million yen      | %      | Million yen     | %      | Million yen | %      |
| FY 2013 | 128,399     | 10.8   | 14,369           | 44.3   | 18,360          | 54.7   | 11,624      | 39.4   |
| FY 2012 | 115,862     | (13.3) | 9,955            | (34.1) | 11,865          | (34.5) | 8,339       | (31.7) |

|         | Net income per share |  | Diluted net income per share |  |
|---------|----------------------|--|------------------------------|--|
|         | Yen                  |  | Yen                          |  |
| FY 2013 | 91.07                |  | 90.94                        |  |
| FY 2012 | 65.37                |  | 65.26                        |  |

(2) Non-Consolidated Financial Position

|                                | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|--------------------------------|--------------|-------------|----------------------------|----------------------|
|                                | Million yen  | Million yen | %                          | Yen                  |
| FY 2013 (as of March 31, 2014) | 168,617      | 90,192      | 53.3                       | 706.71               |
| FY 2012 (as of March 31, 2013) | 153,792      | 84,741      | 54.9                       | 659.16               |

Reference: Shareholders' equity:

As of March 31, 2014: ¥ 89,886 million

As of March 31, 2013: ¥ 84,437 million

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

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

|  | Net sales   |      | Ordinary income |      | Net income  |      | Net income per share |
|--|-------------|------|-----------------|------|-------------|------|----------------------|
|  | Million yen | %    | Million yen     | %    | Million yen | %    | Yen                  |
| Six-month period ending September 2014 | 65,000      | 11.6 | 11,000          | 28.6 | 7,300       | 33.9 | 57.19                |
| Fiscal year ending March 2015          | 133,000     | 3.6  | 19,400          | 5.7  | 13,800      | 18.7 | 108.11               |

\* Current Status of Audit Procedures

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

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

• Descriptions in this document concerning future figures including forecasts for operating results, etc. are based on currently available information and certain assumptions that the Company considers reasonable. Actual results may vary significantly from such forecasts due to a variety of factors. Please refer to “1. Analysis of Consolidated Operating Results and Financial Position (1) Analysis of Consolidated Operating Results (Projection for the consolidated fiscal year ending March 31, 2015)” on page 4 of the attached document.

• The Company will hold a financial results presentation meeting on May 12, 2014 for institutional investors and financial analysts. Images and details of the meeting (audio) together with the financial materials distributed at the meeting will be posted on the website immediately after the meeting.

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## 1. Analysis of Consolidated Operating Results and Financial Position

### (1) Analysis of Consolidated Operating Results

(Consolidated Operating Results for FY 2013)

Despite the moderate rebound of the European economy in addition to the recovery trend in the U.S. economy, the outlook for business conditions surrounding the Company in FY 2013 remained uncertain due to a slowdown in the Chinese economy and a downward economic trend reflecting the currency depreciation in Southeast Asia, among other factors.

Meanwhile, the Japanese economy saw signs of a moderate pickup on the back of an upward trend in equipment spending by companies resulting from the cheaper yen and higher stock prices, which were boosted by the economic policies of the Japanese government as well as the monetary measures adopted by the Bank of Japan.

Under these circumstances, the following are the highlights of the Group's operating results for consolidated FY 2013 under review. Although sales declined for automatic packaging machines and precision reduction gears, net sales increased year on year, reflecting the growth in sales of railroad vehicle equipment, commercial vehicle equipment, and marine vessels equipment. In addition, there were benefits from the depreciation in the yen's value against major currencies in automatic doors, hydraulic equipment, and aircraft equipment businesses. In light of the above, operating income, ordinary income, and net income also grew.

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

For FY 2013 under review, consolidated orders increased ¥35,988 million (up 20.3% year on year) to ¥213,681 million. Net sales grew ¥22,748 million (up 12.7%) to ¥202,292 million, and operating income rose ¥5,079 million (up 33.8%) to ¥20,092 million. At the same time, the operating margin edged up 1.5 percentage points to 9.9%.

Operating results by business segment were as follows:

Operating results by business segment  
[Amount of orders received]

|                                  | Previous fiscal year<br>(ended March 2013)<br>(Consolidated basis) | Current fiscal year<br>(ended March 2014)<br>(Consolidated basis) | Change (%) |
|----------------------------------|--|---|------------|
| Precision equipment              | 37,798   | 44,469  | 17.6       |
| Transport equipment              | 41,193   | 57,031  | 38.4       |
| Aircraft and hydraulic equipment | 49,196   | 53,026  | 7.8        |
| Industrial equipment             | 49,504   | 59,154  | 19.5       |
| Total                            | 177,693  | 213,681   | 20.3       |

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

[Net sales]

|                                  | Previous fiscal year<br>(ended March 2013)<br>(Consolidated basis) | Current fiscal year<br>(ended March 2014)<br>(Consolidated basis) | Change (%) |
|----------------------------------|--|---|------------|
| Precision equipment              | 41,578   | 42,853  | 3.1        |
| Transport equipment              | 44,262   | 52,641  | 18.9       |
| Aircraft and hydraulic equipment | 45,746   | 52,533  | 14.8       |
| Industrial equipment             | 47,956   | 54,264  | 13.2       |
| Total                            | 179,543  | 202,292   | 12.7       |

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

[Operating income]

|                                  | Previous fiscal year<br>(ended March 2013)<br>(Consolidated basis) | Current fiscal year<br>(ended March 2014)<br>(Consolidated basis) | Change (%) |
|----------------------------------|--|---|------------|
| Precision equipment              | 5,354  | 6,359   | 18.8       |
| Transport equipment              | 4,214  | 6,344   | 50.5       |
| Aircraft and hydraulic equipment | 1,836  | 3,862   | 110.4      |
| Industrial equipment             | 3,608  | 3,526   | (2.3)      |
| Total                            | 15,013   | 20,092  | 33.8       |

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

**[Precision Equipment]**

The amount of orders received for precision equipment increased 17.6% year on year to ¥44,469 million. Net sales rose 3.1% year on year to ¥42,853 million, and operating income grew 18.8% to ¥6,359 million.

Sales of precision reduction gears decreased slightly, reflecting an increase in demand for industrial robots manufacturers which offset the absence of sales for solar thermal power plants that were posted in the previous fiscal year.

**[Transport Equipment]**

The amount of orders received for transport equipment saw year-on-year growth of 38.4% to ¥57,031 million. Net sales advanced 18.9% to ¥52,641 million, and operating income expanded 50.5%, to ¥6,344 million.

In the railroad vehicle equipment business, sales and profits rose owing to growth in sales for high speed railway project in China, as well as an increase in after-sales demand in Japan. In the commercial vehicle equipment business, sales and profits were boosted, reflecting strong demand for trucks in Japan. Similarly, in the marine vessels equipment business, sales and profits increased on the back of the recovery in orders for new vessels.

**[Aircraft and Hydraulic Equipment]**

The amount of orders received for aircraft and hydraulic equipment increased 7.8% year on year to ¥53,026 million. Reflecting this, sales rose 14.8% to ¥52,533 million, and operating income increased 2.1 times to ¥3,862 million.

In the aircraft equipment business, sales and profits advanced due to the expansion of demand for aircraft in the private sector and benefits from foreign exchange translation effects. In the hydraulic equipment business, sales grew, owing to a rise in last-minute orders in line with the exhaust gas regulations in Japan, moderate recovery in demand reflecting a decline in inventory of completed construction machinery in China, as well as foreign exchange translation effects.

**[Industrial Equipment]**

The amount of orders received for industrial equipment increased 19.5% year on year to ¥59,154 million. Sales rose 13.2% to ¥54,264 million but operating income fell 2.3% to ¥3,526 million.

In the automatic door business, sales were boosted as a result of foreign exchange translation effects, in addition to the continued strength of the Japanese and overseas markets. In the automatic packaging machinery business, sales fell due to a decline in sales to users in overseas markets, as well as the fact that specials demand in the domestic sugar manufacturing industry that had emerged during the previous fiscal year came to an end.

**Reference: Information by region****[Net sales]**

(Million yen)

|               | Previous fiscal year<br>(ended March 2013)<br>(Consolidated basis) | Current fiscal year<br>(ended March 2014)<br>(Consolidated basis) | Change (%) |
|---------------|--|---|------------|
| Japan         | 107,015  | 114,527   | 7.0        |
| Asia          | 29,916   | 41,291  | 38.0       |
| North America | 13,868   | 15,560  | 12.2       |
| Europe        | 28,222   | 30,364  | 7.6        |
| Other areas   | 521  | 549   | 5.5        |
| Total         | 179,543  | 202,292   | 12.7       |

- Notes: 1. Net sales are classified by country or region based on the location of the buyer.  
 2. The growth in sales to Asia consists mainly of an increase in railroad vehicle equipment to users in China.  
 3. The increase in net sales for North America largely reflects the growth of aircraft equipment sales.  
 4. The increase in net sales in Europe is mainly attributable to a rise in sales of automatic doors.

**2) Ordinary income**

Ordinary income for the consolidated fiscal year under review grew ¥6,337 million (up 35.4%) on a year-on-year basis to ¥24,227 million.

The main growth factor was the increase in operating income mentioned earlier. At the same time, non-operating income rose ¥1,300 million to ¥4,642 million, reflecting an increase in investment gains from equity-method affiliates and the posting of gains on foreign exchange translations. Non-operating expenses stood at ¥508 million, virtually unchanged from the previous fiscal year.

**3) Net income**

Net income for the consolidated fiscal year under review increased ¥1,708 million (up 12.9%) year on year to ¥14,978 million.

Extraordinary gains decreased ¥947 million year on year to ¥342 million, primarily attributable to the disappearance of negative goodwill posted in the same period a year earlier after the conversion of a group company into a wholly-owned subsidiary via a stock transfer. At the same time, extraordinary losses rose ¥865 million to ¥1,048 million, mainly reflecting a loss on revisions to the retirement benefit plan.

Extrapolating from these factors, income before tax and adjustments increased ¥4,524 million year on year to ¥23,522 million. Corporate taxes grew ¥2,541 million from the same period a year earlier to ¥8,140 million, and minority interests in income came to ¥404 million, a year-on-year increase of ¥275 million.

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

With respect to the global economy, it is forecasted that moderate overall growth will continue, reflecting a pickup in the domestic Japanese economy and rebound of the U.S. economy among other factors, despite uncertainties such as a slowdown in growth of emerging economies and an emergence of geopolitical risks. In particular, the Nabtesco Group is anticipating a growth in demand for railroad vehicle equipment for high speed railway project in China and a rise in demand for precision reduction gears to industrial robot manufacturers. Net sales and operating income are expected to rise to produce year-on-year increases of 6.8% and 7.5% to reach ¥216,000 million and ¥21,600 million, respectively.

Although the Company and its domestic consolidated subsidiaries currently adopt the declining balance method as their depreciation method for tangible fixed assets, this will be changed to the straight line method from the fiscal year ending March 31, 2015. As a result of this change in depreciation method, depreciation and amortization is expected to decrease by approximately 0.9 billion yen for the fiscal year ending March 31, 2015.

Forecasts for operating results by business segment are as follows:

Forecasts for the fiscal year ending March 2015 by business segment  
[Net sales]

(Million yen)

| Reportable segment               | Actual result for the current fiscal year (ended March 2014) | Forecast for the next fiscal year (ending March 2015) | Change (%) |
|----------------------------------|--|---|------------|
| Precision equipment              | 42,853   | 45,800  | 6.9        |
| Transport equipment              | 52,641   | 58,300  | 10.8       |
| Aircraft and hydraulic equipment | 52,533   | 54,000  | 2.8        |
| Industrial equipment             | 54,264   | 57,900  | 6.7        |
| Total                            | 202,292  | 216,000   | 6.8        |

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

| Reportable segment               | Forecast for the first six-month period of the next fiscal year (April 1, 2014 to September 30, 2014) |                       | Forecast for the next fiscal year (April 1, 2014 to March 31, 2015) |                       |
|----------------------------------|---|-----------------------|---|-----------------------|
|                                  | Amount (Million yen)  | Composition ratio (%) | Amount (Million yen)  | Composition ratio (%) |
| Precision equipment              | 22,700  | 21.4                  | 45,800  | 21.2                  |
| Transport equipment              | 29,400  | 27.8                  | 58,300  | 27.0                  |
| Aircraft and hydraulic equipment | 27,800  | 26.2                  | 54,000  | 25.0                  |
| Industrial equipment             | 26,100  | 24.6                  | 57,900  | 26.8                  |
| Total                            | 106,000   | 100.0                 | 216,000   | 100.0                 |

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

## [Operating income]

(Million yen)

| Reportable segment               | Actual result for the current fiscal year (ended March 2014) | Forecast for the next fiscal year (ending March 2015) | Change (%) |
|----------------------------------|--|---|------------|
| Precision equipment              | 6,359  | 6,800   | 6.9        |
| Transport equipment              | 6,344  | 8,000   | 26.1       |
| Aircraft and hydraulic equipment | 3,862  | 2,800   | (27.5)     |
| Industrial equipment             | 3,526  | 4,000   | 13.4       |
| Total                            | 20,092   | 21,600  | 7.5        |

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

| Reportable segment               | Forecast for the first six-month period of the next fiscal year (April 1, 2014 to September 30, 2014) |                       | Forecast for the next fiscal year (April 1, 2014 to March 31, 2015) |                       |
|----------------------------------|---|-----------------------|---|-----------------------|
|                                  | Amount (Million yen)  | Composition ratio (%) | Amount (Million yen)  | Composition ratio (%) |
| Precision equipment              | 3,100   | 13.7                  | 6,800   | 14.8                  |
| Transport equipment              | 4,200   | 14.3                  | 8,000   | 13.7                  |
| Aircraft and hydraulic equipment | 1,200   | 4.3                   | 2,800   | 5.2                   |
| Industrial equipment             | 600   | 2.3                   | 4,000   | 6.9                   |
| Total                            | 9,100   | 8.6                   | 21,600  | 10.0                  |

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

## [Precision Equipment]

Net sales from the precision equipment business are expected to increase 6.9% year on year to ¥45,800 million, with operating income amounting to ¥6,800 million. It is anticipated that sales of our flagship precision reduction gears will be boosted by the expansion of demand for industrial robots.

## [Transport Equipment]

The transport equipment business is anticipated to enjoy a 10.8% year-on-year growth in sales to reach ¥58,300 million, with operating income of ¥8,000 million. Sales of railroad vehicle equipment are likely to increase based on the outlook that demand for high speed railway project in China will remain strong as in the current fiscal year under review. Marine equipment sales are also expected to be boosted owing to the rebound in demand for new vessels. Sales of commercial vehicle equipment are forecasted to grow due to a solid demand for trucks in Japan.

## [Aircraft and Hydraulic Equipment]

Net sales in the aircraft and hydraulic equipment business are expected to record a 2.8% year-on-year increase to reach ¥54,000 million, with operating income of ¥2,800 million. Sales of aircraft equipment are forecasted to remain unchanged due to stagnant after-sales demand, whereas demand for private aircraft is likely to remain solid. It is anticipated that net sales in the hydraulic equipment business will be virtually flat based on the assumption that both the recovery of demand for construction machinery in China and the decline in demand in reaction to the last-minute orders that occurred during the previous fiscal year as a result of the exhaust gas regulation will be limited.

## [Industrial Equipment]

In the industrial equipment business, net sales will increase 6.7% year on year to ¥57,900 million, with operating income of ¥4,000 million. Sales of automatic doors are forecasted to grow owing to robust demand for automatic doors both at home and abroad. Thanks to an increase in overseas sales, the automatic packaging machinery business is expected to see a growth in revenue.

**(2) Analysis of Financial Position**

(Million yen)

|                                     | FY 2009 | FY 2010 | FY 2011  | FY 2012  | FY 2013 |
|-------------------------------------|---------|---------|----------|----------|---------|
| Total assets                        | 149,480 | 180,729 | 208,092  | 203,056  | 233,984 |
| Liabilities                         | 64,313  | 84,197  | 100,625  | 82,198   | 94,513  |
| Net assets                          | 85,167  | 96,531  | 107,466  | 120,857  | 139,471 |
| Cash flow from operating activities | 14,892  | 27,997  | 15,104   | 12,952   | 27,597  |
| Cash flow from investing activities | (6,155) | (4,419) | (27,464) | (13,693) | (8,064) |
| Free cash flow                      | 8,736   | 23,577  | (12,359) | (741)    | 19,533  |
| Cash flow from financing activities | (684)   | (1,849) | 6,035    | (10,090) | (8,175) |
| ROA (%)                             | 2.7     | 8.1     | 7.6      | 6.5      | 6.9     |
| ROE (%)                             | 5.2     | 15.8    | 15.6     | 12.5     | 12.2    |

Note: ROA (Return on Assets): Net income/Average total assets from the beginning of the period to the end of the period

ROE (Return on Equity): Net income/Average shareholder equity from the beginning of the period to the end of the period

\* Each of the above indicators has been calculated based on the financial values on a consolidated basis.

**1) Status of assets, liabilities and net assets****(Assets)**

Total assets as of March 31, 2014 were ¥233,984 million, an increase of ¥30,928 million from March 31, 2013, reflecting ¥134,159 million in current assets and ¥99,824 million in fixed assets. Key contributing positive factors included increases of ¥11,821 million in cash and time deposits, ¥7,708 million in notes and accounts receivable, ¥1,704 million in inventory assets and ¥4,282 million in investment securities.

**(Liabilities)**

Total liabilities as of March 31, 2014 were ¥94,513 million, an increase of ¥12,314 million from March 31, 2013, consisting of ¥73,161 million in current liabilities and ¥21,351 million in long-term liabilities. The increase was mainly attributable to a rise of ¥7,239 million in trade notes and accounts payable.

**(Net assets)**

Total net assets as of March 31, 2014 stood at ¥139,471 million, including shareholders' equity of ¥131,043 million, an increase of ¥17,004 million from March 31, 2013. The increase was mainly attributable to increases in earned surplus arising from net income of ¥14,978 million, ¥8,470 million in translation adjustments due to changes in foreign exchange at overseas subsidiaries, and ¥1,606 million in minority interests. Primary negative contributing factors included a ¥4,356 million decrease in earned surplus due to dividend payments and a ¥2,247 million increase in treasury stock.

**2) Status of cash flows**

Cash and cash equivalents (hereinafter, "funds") as of March 31, 2014 were ¥53,052 million, an increase of ¥12,852 million from the previous year, as a result of having applied ¥27,597 million generated from operating activities, mainly to capital expenditures and dividend payments.

**(Cash flow from operating activities)**

Net cash generated from operating activities for the current consolidated fiscal year totaled ¥27,597 million. Principal positive factors included increases in income before income taxes and accounts payable. Negative factors consisted mainly of an increase in notes and accounts receivable and income tax payments.

**(Cash flow from investing activities)**

Net cash used in investing activities for the current consolidated year amounted to ¥8,064 million, mainly due to the acquisition of tangible fixed assets.

**(Cash flow from financing activities)**

Net cash used in financing activities for the current consolidated fiscal year stood at ¥8,175 million, reflecting the negative factors of dividend payments and payments for purchases of treasury stock.

Cash flow indicators on a consolidated basis were as follows.



## Reference: Cash flow indicators

|  | FY 2009<br>(From April 1, 2009<br>to March 31, 2010) | FY 2010<br>(From April 1, 2010<br>to March 31, 2011) | FY 2011<br>(From April 1, 2011<br>to March 31, 2012) | FY 2012<br>(From April 1, 2012<br>to March 31, 2013) | FY 2013<br>(From April 1, 2013<br>to March 31, 2014) |
|--|--|--|--|--|--|
| Shareholders' equity ratio (%)                         | 53.1   | 49.9   | 47.6   | 56.2   | 56.0   |
| Shareholders' equity ratio on a market value basis (%) | 105.3  | 146.3  | 103.1  | 121.4  | 128.4  |
| Ratio of interest-bearing debt to cash flow (%)        | 1.3  | 0.7  | 2.1  | 2.0  | 0.9  |
| Interest coverage ratio (times)                        | 145.9  | 372.3  | 81.1   | 53.3   | 116.0  |

Notes: Shareholders' equity ratio: capital/total assets

Shareholders' equity ratio on market value basis: total market value of shares/total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt/cash flow

Interest coverage ratio: cash flow/interest payments

\* All indicators are calculated using consolidated financial figures.

\* Total market value of shares is calculated using multiplying the closing market prices at term-end by the number of outstanding shares (excluding treasury stock) at term-end.

\* Cash flow utilizes the cash flow from operating activities posted in the consolidated cash flow statement.

Interest-bearing debt covers all debts in the consolidated balance sheet on which interest is being paid.

The amount of interest paid listed in the consolidated cash flow statement is used for interest payments.

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

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

As for cash dividends for the current fiscal year, the total annual amount will be ¥38 per share, bringing the pay-out ratio on a consolidated basis to 32.2%. As the interim dividend of ¥18 per share was already paid, the term-end cash dividend will be ¥20 per share. In its new Medium-Term Management Plan "Think Global! Act Local! For the Second Decade" which commenced in April 2014, the Group will set a new dividend policy that the target pay-out ratio is 30% or higher on a consolidated basis and that dividends will not be cut unless the pay-out ratio exceeds 40% on a consolidated basis. Based on the above, the annual cash dividend for the next fiscal year will be ¥40 per share (interim dividend of ¥20 plus term-end dividend of ¥20 per share). The Company will continue to pay cash dividends twice a year, of which the base dates will be September 30 and March 31 of each year.

### (4) Operational Risk

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

#### 1) Risks relevant to the economy and markets

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

#### 2) Risks relevant to overseas operations

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

#### 3) Risks relevant to large-scale disasters

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

#### 4) Risks relevant to electric power supply and demand

Due to the impact of the Great East Japan Earthquake, an electricity rate hike is underway in Japan, and there are concerns over power supply shortages during the summer. The business performance of the Group may, therefore, be affected by issues related to electric power, including rate hikes and supply-demand gaps.

5) Risks relevant to exchange rate fluctuations

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

6) Risks relevant to procurement

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

7) Risks relevant to product quality

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

8) Risks relevant to competition

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

9) Risks relevant to information security

The Group obtains personal information and confidential information of its customers and trading partners through business activities. Although the Group implements a control system and educational program for the management of such information, the Group's credibility may suffer or its business performance could be adversely impacted in case where such information is leaked or misused due to unforeseen circumstances.

## 2. Status of the Nabtesco Group

The Nabtesco Group consists of the Company, 47 subsidiaries and 10 affiliates. Each company under the respective segment by business category is listed below.

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

As of March 31, 2014

| Segment by business category              | Japan  | Overseas   |
|---|--|--|
| Precision Equipment Business              | Nabtesco Corporation                                       | Nabtesco Precision Europe GmbH *1                          |
|   | Diavac Limited *1  | Nabtesco Motion Control Inc. *1                            |
|   | CMET, Inc. *1  | Shanghai Nabtesco Motion Equipment Co., Ltd. *2            |
|   | Harmonic Drive Systems Inc. *2, 3                          | Harmonic Drive L.L.C. *2                                   |
|   |  | Changzhou Nabtesco Kusaka Precision Machinery Co., Ltd. *1 |
| Transport Equipment Business              | Nabtesco Corporation                                       | NABMIC B.V. *1   |
|   | Nabtesco Automotive Corporation *1                         | Nabtesco Marine Service Singapore Pte Ltd *1               |
|   | Nabtesco Service Co., Ltd. *1                              | Nabtesco Marinotec Co., Ltd. *1                            |
|   | Shikoku Marine Customer Service Co., Ltd. *1               | Nabtesco Automotive Products (Thailand) Co., Ltd. *1       |
|   | NABTEC Co., Ltd. *1  | Nabtesco Railroad Products (Beijing) Co., Ltd. *1          |
|   | Dairiki Tekko Co., Ltd. *2                                 | Nabtesco Marine Control Systems (Shanghai) Co., Ltd. *1    |
|   | Takato Electronics Co., Ltd. *2                            | Taiwan Nabtesco Service Co., Ltd. *1                       |
|   |  | NS Autotech Co., Ltd. *2                                   |
|   |  | Jiangsu Nabtesco KTK Railroad Products Co., Ltd. *1        |
|   |  | Minda Nabtesco Automotive Private Limited *2               |
|   |  | Nabtesco Marine Machinery (Shanghai) Co., Ltd. *1          |
|   |  | Nabtesco Oclap S.r.l. *1                                   |
| Aircraft and Hydraulic Equipment Business | Nabtesco Corporation                                       | Nabtesco Aerospace Inc. *1                                 |
|   |  | Nabtesco USA Inc. *1                                       |
|   |  | Shanghai Nabtesco Hydraulic Co., Ltd. *1                   |
|   |  | Jiangsu Nabtesco Hydraulic Co., Ltd. *1                    |
|   |  | Nabtesco Power Control (Thailand) Co., Ltd. *1             |
|   |  | Shanghai Nabtesco Business Management Co., Ltd. *1         |
|   |  | Nabtesco Aerospace Europe GmbH *1                          |
|   |  | Nabtesco Aerospace Singapore Pte. Ltd. *1                  |
|   | Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. *1 |  |
| Industrial Equipment Business             | Nabtesco Corporation                                       | NABCO ENTRANCES, INC. *1                                   |
|   | Toyo Jidoki Co., Ltd. *1                                   | NABCO Auto Door (Beijing) Co., Ltd. *1                     |
|   | TS Precision Co., Ltd. *1                                  | Gilgen Nabtesco (Hong Kong) Limited *1                     |
|   | T.S. Mechatech Co., Ltd. *1                                | Gilgen Door Systems AG *1                                  |
|   | Aishin Kikoo Co., Ltd. *1                                  | Gilgen Door Systems UK Limited *1                          |
|   | NABCO DOOR Ltd. *1   | Gilgen Door Systems Germany GmbH *1                        |
|   | TMT Machinery Co., Ltd. *2                                 | Gilgen Door Systems Austria GmbH *1                        |
|   | Nabco System Co., Ltd. *2                                  | Gilgen Door Systems France S.A.S. *1                       |
|   | Kyokko Denki Co., Ltd. *2                                  | Gilgen Door Systems Italy srl *1                           |
|   |  | Gilgen Door Systems (Suzhou) Co., Ltd. *1                  |
|   |  | Dalian Toyo Jidoki Co., Ltd. *1                            |
|   |  | Porta Service Inc. *1                                      |
|   |  | NABCO ENTRANCES OF WESTERN CANADA INC. *1                  |
|   |  | TOYO JIDOKI AMERICA CORP. *1                               |
| Total of subsidiaries and affiliates: 57  | Japan: 17 companies  | Overseas: 40 companies                                     |

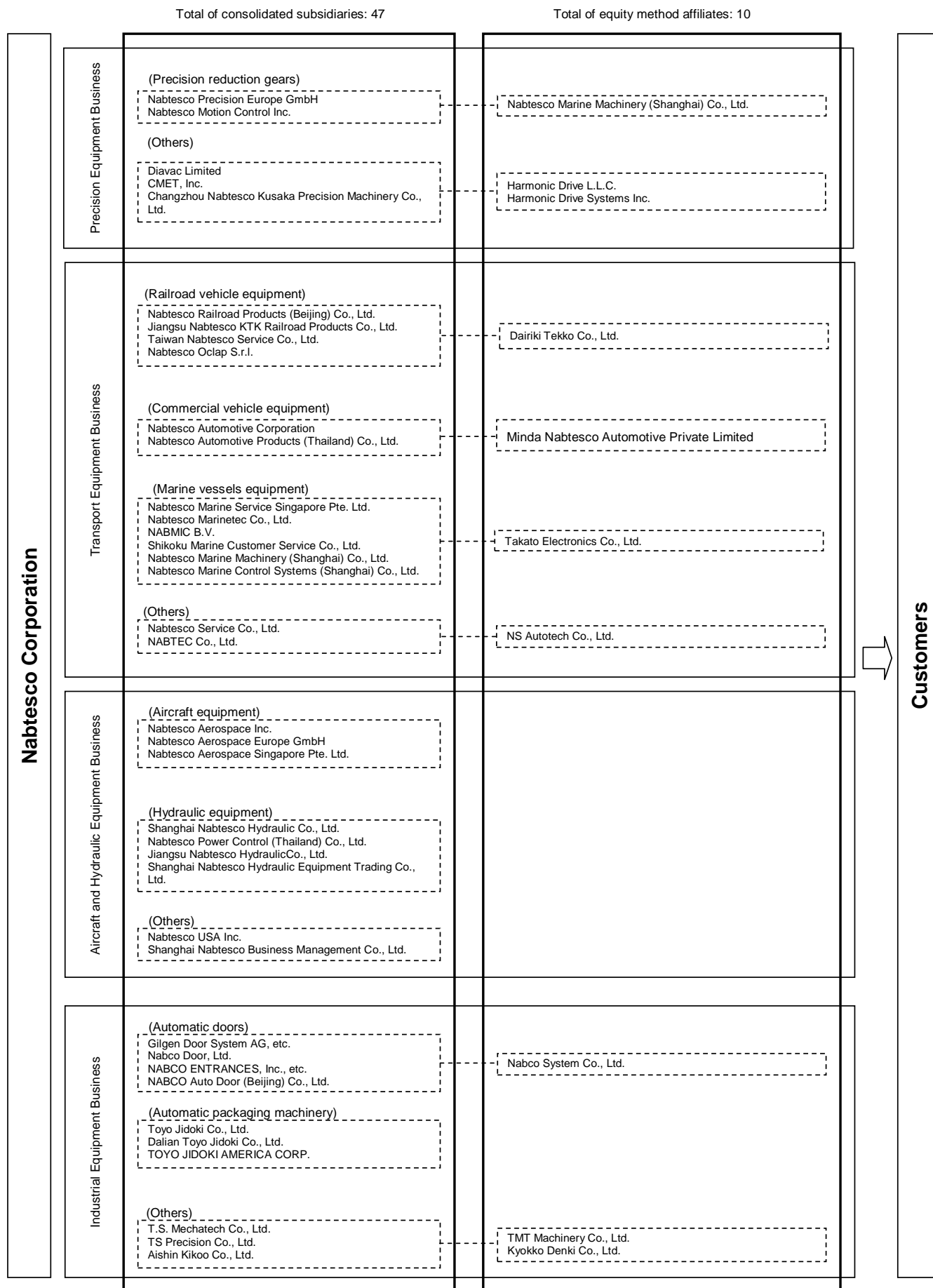
\*1 Consolidated subsidiary

\*2 Equity method-applied affiliate

\*3 Shares of Harmonic Drive Systems Inc. are listed on the JASDAQ Section of the Tokyo Stock Exchange.

- Notes:
1. Minda Nabtesco Automotive Private Ltd. was established on April 1, 2013.
  2. Nabtesco Aerospace Singapore Pte. Ltd. was established on April 1, 2013.
  3. Nabtesco Marine Machinery (Shanghai) Co., Ltd. was established on April 7, 2013.
  4. Nabtesco Oclap S.r.l. became a subsidiary on May 15, 2013.
  5. TOYO JIDOKI AMERICA CORP. was established on May 31, 2013.
  6. Porta Service Inc. became a consolidated subsidiary on July 5.
  7. Shanghai Nabtesco Motion-equipment Trading Co., Ltd. became a joint venture and Shanghai Nabtesco Motion Equipment Co., Ltd. was established on July 17, 2013.
  8. Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. was established on September 17, 2013.
  9. TS Precision Co., Ltd. will be merged with Aishin Kikoo Co., Ltd. on July 1, 2014, and Aishin Kikoo Co., Ltd. will be dissolved subsequently.

**(2) Diagram of Businesses of Nabtesco Group**



### 3. Management Policy

#### (1) Basic Policy of the Management of the Company

Since the business integration in FY 2004, the Group has been vigorously pushing forward its growth strategies in order to realize group synergy under the corporate philosophy indicated below. During the decade following the business integration, we were forced to focus on measures to respond to the drastic changes in the management environment surrounding the Group, such as the Lehman shock and European debt crisis, among others. In the next decade, we will take steady steps to achieve the “Long-Term Vision toward FY 2020,” which was announced in May 2012, while aiming at stable and sustainable business growth by maintaining resistance to environmental changes as well as the ability to respond promptly.

In addition, upon the expiry of the current Medium-Term Management Plan, the Group formulated the New Medium-Term Management Plan “Think Global! Act Local! For the Second Decade” for the next three-year period starting in FY 2014.

[Corporate Philosophy]

The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.

[Long-term Vision] Status on FY 2020

“Global Partner with Best Solutions”  
Targeted Financial Figures for FY 2020  
Sales: 400 billion yen  
Operating profit: 60 billion yen

[Mid-Term Management Plan]

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

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

#### (2) Target Management Indices

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

- 1) Further expansion of business scale and pursuance of profitability
  - Targets for FY 2016: ¥280.0 billion (±5%) in net sales; ¥34.0 billion in operating income (12.0% in operating margin); and ¥24.0 billion in net income.
  - Earnings per share: ¥190
- 2) Promoting management with the conscious of assets and capital efficiency (ROA and ROE)
  - Achieve 7.5% in ROA and 15.0% in ROE for FY 2016.
- 3) Distribution of business earnings with the conscious of corporate growth
 

Allocation of business earnings, taking into consideration the balance among strategic growth investments, maintaining financial soundness, and shareholder return

  - Accumulated amount of capital expenditure for the three-year period: ¥45.0 billion
  - Accumulated amount of R&D expenses for the three-year period: ¥23.0 billion
  - Continuation of stable dividend payments (target pay-out ratio of 30% or higher; no dividend cuts unless the payment ratio exceeds 40%)

**(3) Mid- to Long-Term Management Strategies**

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

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

- 1) Growing business through "Market Creation" and generating new businesses
  - As a Best Solution Partner that provides "safety, comfort, and a sense of security," the Group will launch highly value-added new products in the market (precision reduction gears, railroad vehicle equipment, aircraft equipment, hydraulic equipment, etc.)
  - By further promoting overseas business expansion, the Group will enhance its presence in new markets, in particular, emerging countries.
  - In order to secure stable profits, the Group will aim to establish and reinforce the maintenance, repair, and overhaul (MRO) system in promising markets.
  - The Group will take measures for the strengthening and penetration of the "Nabtesco" brand.
- 2) Promoting product development through "Technology Innovation" and establishing a global production system
  - The Group will promote in-house development and joint development in order to provide products that meet wide-ranging needs in a speedy manner.
  - By establishing a global production system, the Group will establish a system to promote "local production for local consumption."
  - The Group will promote the conversion of domestic plants into mother plants and their modernization.
- 3) Generating cash income to sustain strategic investment based on the "Financial Strategy" and realizing stable returns for shareholders
  - The Group will endeavor to enhance asset efficiency.
  - As for fund raising, the Group will aim to maintain its credit rating by using debt issuance as the principle funding method.
  - With the aim of increasing dividends by continuously expanding net income per share, the Group will set a new dividend policy in which the target pay-out ratio is 30% or higher on a consolidated basis and that dividends will not be cut unless the pay-out ratio exceeds 40% on a consolidated basis.

**(4) Challenges Facing the Company****"Business Development"**

We position the achievement of the Medium-Term Management Plan as our top priority issue, and will focus on addressing the following challenges facing the Company in the foreseeable future:

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

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Million yen)

|  | FY 2012<br>(As of March 31, 2013) | FY 2013<br>(As of March 31, 2014) |
|--|-----------------------------------|-----------------------------------|
| <b>Assets</b>                                    |                                   |                                   |
| Current assets                                   |                                   |                                   |
| Cash and time deposits                           | 13,904                            | 25,726                            |
| Notes and accounts receivable                    | 45,131                            | 52,840                            |
| Marketable securities                            | 26,998                            | 27,999                            |
| Goods and products                               | 3,957                             | 5,366                             |
| Products in progress                             | 7,808                             | 7,906                             |
| Raw materials and stored goods                   | 8,764                             | 8,961                             |
| Deferred tax assets                              | 2,606                             | 2,904                             |
| Other current assets                             | 2,994                             | 2,664                             |
| Allowance for doubtful accounts                  | (118)                             | (209)                             |
| Total current assets                             | 112,048                           | 134,159                           |
| Fixed assets                                     |                                   |                                   |
| Tangible fixed assets                            |                                   |                                   |
| Buildings and structures                         | 44,042                            | 47,047                            |
| Accumulated depreciation                         | (27,504)                          | (28,890)                          |
| Buildings and structures (net)                   | 16,537                            | 18,157                            |
| Machinery and transport equipment                | 60,129                            | 65,009                            |
| Accumulated depreciation                         | (41,497)                          | (46,189)                          |
| Machinery and transport equipment (net)          | 18,631                            | 18,820                            |
| Tools, apparatus and furniture                   | 21,290                            | 23,384                            |
| Accumulated depreciation                         | (19,022)                          | (20,709)                          |
| Tools, apparatus and furniture (net)             | 2,267                             | 2,675                             |
| Land   | 14,592                            | 14,634                            |
| Construction in progress                         | 2,447                             | 937                               |
| Total tangible fixed assets                      | 54,475                            | 55,225                            |
| Intangible fixed assets                          |                                   |                                   |
| Goodwill   | 15,808                            | 18,538                            |
| Other  | 1,771                             | 2,854                             |
| Total intangible fixed assets                    | 17,579                            | 21,393                            |
| Investments and other assets                     |                                   |                                   |
| Investments in securities                        | 16,902                            | 21,184                            |
| Deferred tax assets                              | 482                               | 556                               |
| Other investments and other assets               | 1,716                             | 1,657                             |
| Allowance for doubtful receivables               | (147)                             | (192)                             |
| Total investments in securities and other assets | 18,953                            | 23,205                            |
| Total fixed assets                               | 91,008                            | 99,824                            |
| Total assets                                     | 203,056                           | 233,984                           |



(Million yen)

|  | FY 2012<br>(As of March 31, 2013) | FY 2013<br>(As of March 31, 2014) |
|--|-----------------------------------|-----------------------------------|
| <b>Liabilities</b>                                     |                                   |                                   |
| Current liabilities                                    |                                   |                                   |
| Trade notes and accounts payable                       | 28,026                            | 35,265                            |
| Short-term loans payable                               | 6,098                             | 5,825                             |
| Current portion of long-term loans payable             | 70                                | 10,119                            |
| Income taxes payable                                   | 3,222                             | 5,862                             |
| Allowance for product warranty                         | 1,105                             | 1,087                             |
| Provision for loss on order received                   | 14                                | –                                 |
| Other current liabilities                              | 13,783                            | 15,001                            |
| Total current liabilities                              | 52,322                            | 73,161                            |
| Long-term liabilities                                  |                                   |                                   |
| Bonds  | 10,000                            | 10,000                            |
| Long-term loans payable                                | 10,220                            | 259                               |
| Retirement allowance                                   | 7,022                             | –                                 |
| Allowance for retirement bonus for directors           | 187                               | 207                               |
| Liabilities concerning retirement benefits             | –                                 | 7,111                             |
| Deferred tax liabilities                               | 1,376                             | 1,475                             |
| Other long-term liabilities                            | 1,070                             | 2,296                             |
| Total long-term liabilities                            | 29,876                            | 21,351                            |
| Total liabilities                                      | 82,198                            | 94,513                            |
| <b>Net assets</b>                                      |                                   |                                   |
| Shareholders' equity                                   |                                   |                                   |
| Capital stock  | 10,000                            | 10,000                            |
| Capital surplus  | 19,026                            | 19,011                            |
| Earned surplus   | 83,606                            | 94,225                            |
| Treasury stock   | (739)                             | (2,987)                           |
| Total shareholders' equity                             | 111,894                           | 120,248                           |
| Accumulated other comprehensive income                 |                                   |                                   |
| Net unrealized gains on securities                     | 1,294                             | 1,783                             |
| Deferred gains or losses on hedges                     | (0)                               | (1)                               |
| Translation adjustments                                | 851                               | 9,321                             |
| Accumulated adjustments concerning retirement benefits | –                                 | (309)                             |
| Total accumulated other comprehensive income           | 2,144                             | 10,794                            |
| Subscription rights to shares                          | 304                               | 306                               |
| Minority interests                                     | 6,514                             | 8,121                             |
| Total net assets                                       | 120,857                           | 139,471                           |
| Total liabilities and net assets                       | 203,056                           | 233,984                           |

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

## Consolidated Statements of Income

(Million yen)

|  | FY 2012<br>(From April 1, 2012 to<br>March 31, 2013) | FY 2013<br>(From April 1, 2013 to<br>March 31, 2014) |
|--|--|--|
| Net sales                                    | 179,543  | 202,292  |
| Cost of sales                                | 134,859  | 148,321  |
| Gross profit                                 | 44,684   | 53,970   |
| Selling, general and administrative expenses | 29,670   | 33,877   |
| Operating income                             | 15,013   | 20,092   |
| Non-operating income                         |  |  |
| Interest income                              | 123  | 155  |
| Dividend income                              | 73   | 72   |
| Rent income                                  | 234  | 229  |
| Equity in earnings of affiliates             | 2,148  | 3,225  |
| Foreign exchange gains                       | 392  | 528  |
| Other non-operating income                   | 370  | 430  |
| Total  | 3,342  | 4,642  |
| Non-operating expenses                       |  |  |
| Interest expenses                            | 236  | 225  |
| Other non-operating expenses                 | 229  | 282  |
| Total  | 465  | 508  |
| Ordinary income                              | 17,890   | 24,227   |
| Extraordinary gains                          |  |  |
| Gain on sales of fixed assets                | 46   | 200  |
| Gain on sales of investment securities       | 206  | -  |
| Gain on sales of investments                 | -  | 38   |
| Gain on sales of golf club membership        | 10   | -  |
| Gain on negative goodwill                    | 1,026  | -  |
| Gain on step acquisitions                    | -  | 104  |
| Total  | 1,290  | 342  |
| Extraordinary losses                         |  |  |
| Loss on disposal of fixed assets             | 120  | 111  |
| Loss on sales of investment securities       | 6  | -  |
| Loss on valuation of investment securities   | 1  | -  |
| Loss on valuation of golf club membership    | 0  | 0  |
| Share exchange-related expenses              | 53   | -  |
| Loss on revision of retirement benefit plan  | -  | 837  |
| Loss on environmental measures               | -  | 65   |
| Loss on change in equity                     | -  | 33   |
| Total  | 182  | 1,048  |
| Income before income taxes and adjustments   | 18,997   | 23,522   |
| Corporate, resident and business taxes       | 5,165  | 8,551  |
| Adjustment for corporate and other taxes     | 432  | (411)  |
| Total corporate and other taxes              | 5,598  | 8,140  |
| Income before minority interests             | 13,399   | 15,382   |
| Minority interest in income                  | 129  | 404  |
| Net income                                   | 13,269   | 14,978   |

## Consolidated Statements of Comprehensive Income

(Million yen)

|  | FY 2012<br>(From April 1, 2012 to<br>March 31, 2013) | FY 2013<br>(From April 1, 2013 to<br>March 31, 2014) |
|--|--|--|
| Income before minority interests   | 13,399   | 15,382   |
| Other comprehensive income   |  |  |
| Valuation difference on available-for-sale securities                                  | 253  | 449  |
| Deferred gains or losses on hedges   | (0)  | (1)  |
| Foreign currency translation adjustment  | 4,891  | 9,838  |
| Adjustments concerning retirement benefits   | -  | (309)  |
| Share of other comprehensive income of associates<br>accounted for using equity method | 112  | 242  |
| Total other comprehensive income   | 5,256  | 10,220   |
| Comprehensive income   | 18,655   | 26,603   |
| [Comprehensive income attributable to:]  |  |  |
| Shareholders of parent company   | 17,829   | 23,628   |
| Minority interests   | 826  | 1,975  |

**(3) Consolidated Statements of Change in Net Assets**

FY 2012 (From April 1, 2012 to March 31, 2013)

(Million yen)

|  | Shareholders' equity |                 |                |                |                            |
|--|----------------------|-----------------|----------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Earned surplus | Treasury stock | Total shareholders' equity |
| Balance at beginning of the term                                       | 10,000               | 17,445          | 74,815         | (753)          | 101,507                    |
| Change during the term   |                      |                 |                |                |                            |
| Increase by stock swap   |                      | 1,582           |                |                | 1,582                      |
| Cash dividends   |                      |                 | (4,465)        |                | (4,465)                    |
| Net income   |                      |                 | 13,269         |                | 13,269                     |
| Acquisition of treasury stock  |                      |                 |                | (2)            | (2)                        |
| Disposal of treasury stock   |                      | (1)             |                | 13             | 11                         |
| Retirement of treasury stock   |                      |                 |                | 3              | 3                          |
| Employees' welfare fund for overseas subsidiaries                      |                      |                 | (13)           |                | (13)                       |
| Changes in items other than shareholders' equity during the term (net) |                      |                 |                |                |                            |
| Total change during the term   | -                    | 1,581           | 8,791          | 14             | 10,386                     |
| Balance at end of the term   | 10,000               | 19,026          | 83,606         | (739)          | 111,894                    |

|  | Accumulated other comprehensive income |  |                         |  |  | Subscription rights to shares | Minority interests | Total net assets |
|--|--|--|-------------------------|--|--|-------------------------------|--------------------|------------------|
|  | Net unrealized gains on securities     | Unrealized deferred gain or loss on hedges | Translation adjustments | Accumulated adjustments concerning retirement benefits | Total accumulated other comprehensive income |                               |                    |                  |
| Balance at beginning of the term                                       | 1,022                                  | (0)  | (3,436)                 | -  | (2,414)                                      | 208                           | 8,165              | 107,466          |
| Change during the term   |  |  |                         |  |  |                               |                    |                  |
| Increase by stock swap   |  |  |                         |  |  |                               |                    | 1,582            |
| Cash dividends   |  |  |                         |  |  |                               |                    | (4,465)          |
| Net income   |  |  |                         |  |  |                               |                    | 13,269           |
| Acquisition of treasury stock  |  |  |                         |  |  |                               |                    | (2)              |
| Disposal of treasury stock   |  |  |                         |  |  |                               |                    | 11               |
| Retirement of treasury stock   |  |  |                         |  |  |                               |                    | 3                |
| Employees' welfare fund for overseas subsidiaries                      |  |  |                         |  |  |                               |                    | (13)             |
| Changes in items other than shareholders' equity during the term (net) | 271                                    | (0)  | 4,287                   | -  | 4,559  | 95                            | (1,650)            | 3,004            |
| Total change during the term   | 271                                    | (0)  | 4,287                   | -  | 4,559  | 95                            | (1,650)            | 13,391           |
| Balance at end of the term   | 1,294                                  | (0)  | 851                     | -  | 2,144  | 304                           | 6,514              | 120,857          |

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

(Million yen)

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

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

**(4) Consolidated Statements of Cash Flows**

(Million yen)

|   | FY 2012<br>(From April 1, 2012 to<br>March 31, 2013) | FY 2013<br>(From April 1, 2013 to<br>March 31, 2014) |
|---|--|--|
| <b>Cash flows from operating activities</b>                                       |  |  |
| Income before income taxes  | 18,997   | 23,522   |
| Depreciation and amortization   | 7,923  | 7,600  |
| Amortization of goodwill  | 966  | 1,500  |
| Gain on negative goodwill   | (1,026)  | -  |
| Share-based compensation expenses   | 107  | 122  |
| Increase (decrease) in allowance for doubtful accounts                            | (85)   | 60   |
| Increase (decrease) in retirement allowance                                       | (314)  | -  |
| Increase (decrease) in liabilities concerning retirement benefits                 | -  | (431)  |
| Increase (decrease) in reserve for directors' retirement accounts                 | 15   | 20   |
| Interest and dividend income  | (196)  | (228)  |
| Interest expenses   | 236  | 225  |
| Foreign exchange loss (gain)  | (0)  | (0)  |
| Equity loss (gain) in earnings of affiliates                                      | (2,148)  | (3,225)  |
| Loss (gain) on sales of fixed assets  | (46)   | (200)  |
| Loss (gain) on disposal of fixed assets   | 120  | 111  |
| Loss (gain) on sales of marketable securities and investments in securities       | (200)  | -  |
| Loss (gain) on revaluation of marketable securities and investments in securities | 1  | -  |
| Loss (gain) on valuation of gains on sales of investments                         | -  | (38)   |
| Loss (gain) on step acquisitions  | -  | (104)  |
| Loss (gain) on change in equity   | -  | 33   |
| Loss (gain) on sales of golf club membership                                      | (10)   | -  |
| Loss on valuation of golf club membership   | 0  | 0  |
| Decrease (increase) in notes and accounts receivable                              | 2,919  | (5,026)  |
| Decrease (increase) in inventories  | 626  | 700  |
| Decrease (increase) in other assets   | 259  | 920  |
| Increase (decrease) in notes and accounts payable                                 | (7,569)  | 5,440  |
| Increase (decrease) in consumption taxes payable                                  | 143  | (15)   |
| Increase (decrease) in other liabilities  | (1,675)  | 2,255  |
| Subtotal  | 19,045   | 33,245   |
| Interest and dividend received  | 641  | 650  |
| Interest paid   | (243)  | (237)  |
| Income taxes refunded (paid)  | (6,492)  | (6,059)  |
| Net cash and cash equivalents provided by operating activities                    | 12,952   | 27,597   |

(Million yen)

|   | FY 2012<br>(From April 1, 2012 to<br>March 31, 2013) | FY 2013<br>(From April 1, 2013 to<br>March 31, 2014) |
|---|--|--|
| <b>Cash flows from investing activities</b>   |  |  |
| Increase in time deposits   | (129)  | (144)  |
| Proceeds from withdrawal from time deposits   | -  | 311  |
| Purchases of tangible fixed assets  | (12,873)   | (6,330)  |
| Proceeds from sales of tangible fixed assets  | 84   | 364  |
| Purchases of intangible fixed assets  | (1,067)  | (1,290)  |
| Proceeds from sales of intangible assets  | 0  | 16   |
| Purchases of investment securities  | (13)   | (135)  |
| Proceeds from sales of investment securities  | 500  | 10   |
| Proceeds from sales of investments  | -  | 145  |
| Proceeds from sales of golf club membership   | 13   | -  |
| Purchase of stocks of subsidiaries and affiliates   | (63)   | (77)   |
| Purchase of investments in capital of subsidiaries  | -  | (392)  |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation    | -  | 2  |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation             | (82)   | (463)  |
| Payments for loans receivable   | (37)   | -  |
| Proceeds from repayment of short-term loans   | 3  | 0  |
| Other payments  | (234)  | (357)  |
| Other proceeds  | 207  | 278  |
| Net cash and cash equivalents used in investing activities  | (13,693)   | (8,064)  |
| <b>Cash flows from financing activities</b>   |  |  |
| Increase (decrease) in short-term bank loans  | (5,648)  | (1,254)  |
| Repayment of long-term loans payable  | (67)   | (121)  |
| Proceeds from stock issuance to minority shareholders   | 706  | 53   |
| Payments for purchases of treasury stock  | (2)  | (2,383)  |
| Proceeds from sales of treasury stock   | 0  | 0  |
| Cash dividends paid   | (4,460)  | (4,359)  |
| Cash dividends paid to minority shareholders  | (617)  | (108)  |
| Net cash and cash equivalents used in financing activities  | (10,090)   | (8,175)  |
| Effect exchange rate changes on cash and cash equivalents   | 1,008  | 1,966  |
| Increase (decrease) in cash and cash equivalents  | (9,823)  | 13,324   |
| Cash and cash equivalents at beginning of term  | 50,023   | 40,200   |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | -  | (472)  |
| Cash and cash equivalents at end of term  | 40,200   | 53,052   |

## (5) Notes to Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

None

(Important Matters Concerning Presentation of Consolidated Financial Statements)

With respect to important matters concerning the presentation of consolidated financial statements, the disclosures are omitted as there has been no significant change from the most recent Securities Report (filed on June 26, 2013).

(Change in Accounting Policies)

The Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012, hereinafter, the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012, hereafter, the "Retirement Benefits Guidance") have been implemented since the end of FY 2013 (excluding the stipulations stated in the text from Item 35 of the Retirement Benefits Accounting Standard and the text from Item 67 of the Retirement Benefits Guidance). The posting method has been changed to post retirement benefit obligations minus the amount of pension assets as liabilities concerning retirement benefits, and the unrecognized actuarial loss has been posted in liabilities concerning retirement benefits.

The implementation of accounting standard for retirement benefits, etc. conforms with the transitional treatment stipulated in Item 37 of the Retirement Benefits Accounting Standard, and the effect of the said change is adjusted in the accumulated adjustments concerning retirement benefits of accumulated other comprehensive income at the end of FY 2013.

As a result, ¥7,111 million in liabilities concerning retirement benefits were posted at the end of FY 2013. In addition, accumulated other comprehensive income decreased by ¥309 million.

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

(Accounting Standards, etc. that Are Not Applied)

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 on May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012)

(1) Overview

These accounting standards, etc. reflect the revisions that were made centering on the treatment of unrecognized actuarial losses and unrecognized prior service costs, calculation methods for retirement benefit obligations and service costs, and the enhancement of disclosure aimed at improving financial reporting and international trends.

(2) Scheduled application date

The Group will apply the revisions related to the calculation methods for retirement benefit obligations and service costs from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of application of these accounting standards, etc.

As a result of the application of these accounting standards, etc., operating income, ordinary income, and income before income taxes and adjustments for the following consolidated fiscal year will decrease by ¥11 million.

(Omission of Disclosure)

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



## (Segment Information)

## (1) Summary of Reportable Segments

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

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

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

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

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

Intersegment sales or transfer are indicated based on market price.

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

FY 2012 (April 1, 2012 to March 31, 2013)

|  | Reportable segment     |                        |  |                         |         | Adjustments<br>(Note 1) | Amount<br>stated in<br>consolidated<br>financial<br>statements |
|--|------------------------|------------------------|--|-------------------------|---------|-------------------------|--|
|  | Precision<br>Equipment | Transport<br>Equipment | Aircraft and<br>Hydraulic<br>Equipment | Industrial<br>Equipment | Total   |                         |  |
| Net sales  |                        |                        |  |                         |         |                         |  |
| Sales to external customers                                    | 41,578                 | 44,262                 | 45,746                                 | 47,956                  | 179,543 | -                       | 179,543  |
| Inter-segment sales or transfer                                | 25                     | 190                    | 908                                    | 144                     | 1,269   | (1,269)                 | -  |
| Total  | 41,604                 | 44,452                 | 46,655                                 | 48,100                  | 180,813 | (1,269)                 | 179,543  |
| Segment income   | 5,354                  | 4,214                  | 1,836                                  | 3,608                   | 15,013  | -                       | 15,013   |
| Segment assets   | 31,427                 | 32,841                 | 43,539                                 | 54,565                  | 162,372 | 40,683                  | 203,056  |
| Segment liabilities  | 11,718                 | 12,449                 | 14,000                                 | 16,042                  | 54,211  | 27,987                  | 82,198   |
| Other items  |                        |                        |  |                         |         |                         |  |
| Depreciation and amortization                                  | 2,584                  | 1,402                  | 2,611                                  | 773                     | 7,371   | 552                     | 7,923  |
| Amortization of goodwill                                       | -                      | -                      | -                                      | 966                     | 966     | -                       | 966  |
| Increases in tangible fixed assets and intangible fixed assets | 2,269                  | 1,962                  | 4,674                                  | 952                     | 9,858   | 331                     | 10,190   |

Note 1. Details of adjustments are as follows:

- (1) Adjustment to inter-segment sales or transfer is a negative ¥1,269 million as a result of eliminations.
- (2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥42,816 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).
- (3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.
- (4) Adjustments of ¥331 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

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

(Million yen)

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

Note 1. Details of adjustments are as follows:

- (1) Adjustment to inter-segment sales or transfer is a negative ¥1,624 million as a result of eliminations.
- (2) Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥52,831 million, consisting mainly of surplus operating fund in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).
- (3) Part of the total liabilities of the Company included in adjustment to segment liabilities does not belong to the respective reportable segments, out of which the principal items are loans payable and bonds payable of the Company.
- (4) Adjustments of ¥586 million in increases in tangible fixed assets and intangible fixed assets represent capital expenditures of the total assets of the Company not allocated to the respective reportable segments.

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

Not applicable.

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

FY 2012 (April 1, 2012 to March 31, 2013) (Consolidated basis)

(Million yen)

|                              | Reportable segment     |                        |  |                         |        | Corporate/<br>Elimination | Total  |
|------------------------------|------------------------|------------------------|--|-------------------------|--------|---------------------------|--------|
|                              | Precision<br>Equipment | Transport<br>Equipment | Aircraft and<br>Hydraulic<br>Equipment | Industrial<br>Equipment | Total  |                           |        |
| (Goodwill)                   |                        |                        |  |                         |        |                           |        |
| Amortized amount for FY 2012 | –                      | –                      | –                                      | 966                     | 966    | –                         | 966    |
| Balance at end of the term   | –                      | –                      | –                                      | 15,808                  | 15,808 | –                         | 15,808 |
| (Negative goodwill)          |                        |                        |  |                         |        |                           |        |
| Amortized amount for FY 2012 | 7                      | –                      | –                                      | 1,019                   | 1,026  | –                         | 1,026  |
| Balance at end of the term   | –                      | –                      | –                                      | –                       | –      | –                         | –      |

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

(Million yen)

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

## (Gains on negative goodwill by reportable segment)

FY 2012 (April 1, 2012 to March 31, 2013) (Consolidated basis)

In the industrial equipment segment, a stock swap between the Company and NABCO DOOR Ltd. was completed on August 1, 2012 in order to make the latter a wholly owned subsidiary of the Company.

Gains on negative goodwill arising from the relevant event were ¥1,019 million in the fiscal year under review.

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

Not applicable.

## (Per Share Information)

|                                    | FY 2012 (Consolidated basis)<br>(April 1, 2012 to March 31, 2013) | FY 2013 (Consolidated basis)<br>(April 1, 2013 to March 31, 2014) |
|------------------------------------|---|---|
| Net assets per share               | 894.86 yen  | 1,035.68 yen  |
| Net income per share               | 104.57 yen  | 117.95 yen  |
| Fully diluted net income per share | 104.39 yen  | 117.78 yen  |

- Notes: 1. Net income per share and fully diluted net income per share were calculated on the basis of the following data.  
2. As described in "Changes in Accounting Policies," the Group has adopted the Retirement Benefits Accounting Standard and conformed with the transitional treatment stipulated in Item 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share for FY 2013 decreased by ¥2.44.

|   | FY 2012 (Consolidated basis)<br>(April 1, 2012 to<br>March 31, 2013) | FY 2013 (Consolidated basis)<br>(April 1, 2013 to<br>March 31, 2014) |
|---|--|--|
| Net income per share  |  |  |
| Net income (million yen)  | 13,269   | 14,978   |
| Amount not attributable to shareholders of common stock<br>(million yen)  | —  | —  |
| Net income related to common stock (million yen)  | 13,269   | 14,978   |
| Average number of shares of common stock outstanding<br>during the term   | 126,906,156  | 126,983,173  |
| Fully diluted net income per share  |  |  |
| Adjustment to net income (million yen)  | —  | —  |
| Number of additional common stock shares  | 212,041  | 189,446  |
| (Of which, share acquisition rights) (shares)   | (212,041)  | (189,446)  |
| Outline of the dilutive shares not included in the calculation<br>of fully diluted net income per share due to a lack of dilutive<br>effect | —  | —  |

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

|  | As of March 31, 2013 | As of March 31, 2014 |
|--|----------------------|----------------------|
| Total net assets (million yen)   | 120,857              | 139,471              |
| Amounts deducted from total net assets (million yen)                       |                      |                      |
| (Of which, share acquisition rights)                                       | (304)                | (306)                |
| (Of which, minority interests)   | (6,514)              | (8,121)              |
| Net assets as of end of the term related to common stock<br>(million yen)  | 114,038              | 131,043              |
| Number of shares of common stock used to calculate net<br>assets per share | 127,437,283          | 126,529,062          |

## 5. Other Information

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

#### 1) Output

| Reportable Segments              | FY 2012<br>(From April 1, 2012 to March 31, 2013) |            | FY 2013<br>(From April 1, 2013 to March 31, 2014) |            |
|----------------------------------|---|------------|---|------------|
|                                  | Amount (million yen)                              | % to total | Amount (million yen)                              | % to total |
| Precision Equipment              | 42,615  | 23.3       | 42,067  | 20.7       |
| Transport Equipment              | 45,527  | 24.9       | 53,058  | 26.0       |
| Aircraft and Hydraulic Equipment | 46,597  | 25.4       | 54,284  | 26.7       |
| Industrial Equipment             | 48,423  | 26.4       | 54,209  | 26.6       |
| Total                            | 183,164   | 100.0      | 203,619   | 100.0      |

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

#### 2) Order Backlog

| Reportable Segments              | FY 2012<br>(From April 1, 2012 to March 31, 2013) |            | FY 2013<br>(From April 1, 2013 to March 31, 2014) |            |
|----------------------------------|---|------------|---|------------|
|                                  | Amount (million yen)                              | % to total | Amount (million yen)                              | % to total |
| Precision Equipment              | 8,848   | 12.8       | 10,463  | 13.0       |
| Transport Equipment              | 16,370  | 23.7       | 20,759  | 25.8       |
| Aircraft and Hydraulic Equipment | 27,705  | 40.1       | 28,198  | 35.0       |
| Industrial Equipment             | 16,198  | 23.4       | 21,089  | 26.2       |
| Total                            | 69,122  | 100.0      | 80,512  | 100.0      |

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

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

(Million yen)

|  | FY 2012<br>(From April 1, 2012 to March 31, 2013) |                  | FY 2013<br>(From April 1, 2013 to March 31, 2014) |                  |
|--|---|------------------|---|------------------|
|  | Consolidated                                      | Non-consolidated | Consolidated                                      | Non-consolidated |
| 1. Capital expenditure<br>[Tangible fixed assets included in the above amount]           | 10,190<br>[9,120]                                 | 5,901<br>[5,481] | 6,760<br>[5,469]                                  | 3,396<br>[2,802] |
| 2. Depreciation and amortization<br>[Tangible fixed assets included in the above amount] | 7,923<br>[7,437]                                  | 5,950<br>[5,576] | 7,600<br>[7,074]                                  | 4,956<br>[4,610] |
| 3. R&D expense   | 5,535   | 3,824            | 6,401   | 4,308            |
| 4. Corporate bonds and loans payable   | 26,389  | 23,400           | 26,204  | 23,400           |
| 5. Financial account balance<br>[Dividend income included in the above amount]           | (39)<br>[73]                                      | 1,271<br>[1,399] | 2<br>[72]   | 3,428<br>[3,531] |
| 6. Number of employees at end of the term  | 5,081 persons                                     | 2,060 persons    | 5,344 persons                                     | 2,092 persons    |