FINANCIAL SECTION

Consolidated Balance Sheets

Nabtesco Corporation and Consolidated Subsidiaries
March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Assets			
Current assets:			
Cash and time deposits (Note 5)	¥ 15,505	¥ 41,705	$ 188,648
Trade notes and accounts receivable	47,539	40,895	578,404
Less allowance for doubtful receivables	(173)	(71)	(2,105)
Short-term investment securities (Note 7)	34,999	15,000	425,830
Inventories (Note 8)	20,111	17,017	244,689
Deferred tax assets (Note 11)	2,910	3,289	35,406
Other current assets	3,038	1,168	36,964
Total current assets	123,929	119,003	1,507,836
Property, plant and equipment (Note 10)			
Land	14,412	14,341	175,350
Buildings and structures	43,069	41,359	524,018
Machinery and equipment	75,562	65,316	919,358
Construction in progress	1,095	497	13,322
Sub-total	134,138	121,513	1,632,048
Less accumulated depreciation	(82,629)	(77,071)	(1,005,342)
Property, plant and equipment, net	51,509	44,442	626,706
Investments and other assets			
Investments in affiliates	10,063	8,844	122,436
Other securities (Note 7)	4,868	5,705	59,229
Deferred tax assets (Note 11)	388	404	4,721
Goodwill (Note 24)	14,571	—	177,284
Other intangible assets (Note 10)	1,267	1,073	15,416
Other assets	1,640	1,426	19,953
Less allowance for doubtful receivables	(142)	(168)	(1,728)
Total investments and other assets	32,655	17,284	397,311
Total assets	¥208,093	¥180,729	$2,531,853

See accompanying notes to consolidated financial statements.

	(Millions of yen)		(Thousands of U.S. dollars) (Note1)
	2012	2011	2012
Liabilities and Net assets			
Current liabilities:			
Short-term loans payable (Note 9)	¥ 11,413	¥ 9,158	$ 138,861
Current portion of bonds payable (Note 9)	—	11,000	—
Notes and accounts payable			—
Trade	34,602	33,591	421,000
Other	9,127	5,123	111,048
Accrued employees' bonuses	3,476	3,269	42,292
Accrued expenses	2,063	1,746	25,100
Income taxes payable (Note 11)	4,471	7,094	54,398
Provision for product warranties	1,542	1,848	18,761
Provision for loss on order received	80	—	973
Deferred tax liabilities (Note 11)	510	—	6,205
Other current liabilities	3,613	2,063	43,961
Total current liabilities	70,897	74,892	862,599
Long-term liabilities:			
Bonds payable (Note 9)	10,000	—	121,669
Long-term loans payable	10,282	—	125,100
Accrued severance and retirement benefits:			
Employees (Note 14)	7,336	7,550	89,257
Directors and corporate statutory auditors	171	134	2,081
Provision for environmental measures	—	321	—
Deferred tax liabilities (Note 11)	916	656	11,145
Other long-term liabilities	1,024	645	12,459
Total long-term liabilities	29,729	9,306	361,711
Net assets (Note 12)			
Common stock:			
Authorized: 400,000,000 shares,			
Issued: 127,212,607 shares	10,000	10,000	121,669
Capital surplus	17,446	17,448	212,264
Retained earnings	74,816	64,263	910,281
Treasury stock, at cost:			
837,579 shares in 2012, 783,586 shares in 2011	(754)	(645)	(9,174)
Total shareholders' equity	101,508	91,066	1,235,040
Accumulated other comprehensive income			
Net unrealized holding gains on securities	1,023	1,513	12,447
Net unrealized holding gains on derivative instruments	0	(1)	0
Foreign currency translation adjustments	(3,438)	(2,337)	(41,830)
Total accumulated other comprehensive income	(2,415)	(825)	(29,383)
Subscription rights to shares	209	160	2,543
Minority interests	8,165	6,130	99,343
Total net assets	107,467	96,531	1,307,543
Total liabilities and net assets	¥208,093	¥180,729	$2,531,853

Consolidated Statements of Income

Nabtesco Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	**2012**
Net sales (Note 23)	**¥198,527**	¥169,304	**$2,415,464**
Cost of sales (Notes 15 and 23)	**148,184**	127,712	**1,802,944**
Gross profit	**50,343**	41,592	**612,520**
Selling, general and administrative expenses (Notes 15 and 23)	**27,484**	21,380	**334,396**
Operating income	**22,859**	20,212	**278,124**
Other income (expenses):			
Interest and dividend income	**177**	167	**2,154**
Interest expense	**(202)**	(94)	**(2,458)**
Foreign exchange loss, net	**(39)**	(491)	**(475)**
Equity in earnings of affiliates	**1,787**	2,218	**21,742**
Gain on sales of property, plant and equipment	**170**	80	**2,068**
Loss on disposal of property, plant and equipment	**(201)**	(197)	**(2,445)**
Provision for environmental measures	**—**	(65)	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	(27)	**—**
Compensation payment (Note 17)	**—**	(221)	**—**
Gain on transfer of business	**60**	—	**730**
Gain on revision of retirement benefit plan (Note 14)	**50**	—	**608**
Compensation income	**132**	—	**1,606**
Other, net	**55**	372	**670**
Total	**1,989**	1,742	**24,200**
Income before income taxes and minority interests	**24,848**	21,954	**302,324**
Income taxes (Note 11):			
Current	**7,808**	8,312	**94,999**
Deferred	**1,066**	(827)	**12,970**
	8,874	7,485	**107,969**
Income before minority interests	**15,974**	14,469	**194,355**
Minority interests	**(1,217)**	(1,081)	**(14,808)**
Net income	**¥ 14,757**	¥ 13,388	**$ 179,547**

	(Yen)		(U.S. dollars) (Note 1)
	2012	2011	**2012**
Amounts per share of common stock:			
Basic net income	**¥116.74**	¥105.91	**$1.42**
Diluted net income	**116.61**	105.80	**1.42**
Net assets	**784.12**	713.77	**9.54**
Cash dividends applicable to the year	**34.00**	25.00	**0.41**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nabtesco Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥15,974**	¥14,469	**$194,355**
Other comprehensive income:			
Valuation difference on other securities	**(494)**	216	**(6,011)**
Deferred gains or losses on hedges	**0**	1	**0**
Foreign currency translation adjustments	**(1,087)**	(1,208)	**(13,226)**
Share of other comprehensive income of associates accounted for using equity method	**(38)**	(80)	**(462)**
Total other comprehensive income	**(1,619)**	(1,071)	**(19,699)**
Comprehensive income	**¥14,355**	¥13,398	**$174,656**
Comprehensive income attributable to:			
Owners of the parent	**¥13,167**	¥12,593	**$160,202**
Minority interests	**1,188**	805	**14,454**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nabtesco Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

(Millions of yen)

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Net unrealized holding gains on derivative instruments	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1 , 2010	127,212,607	¥ 10,000	¥ 17,468	¥ 52,662	¥ (695)	¥ 79,435	¥ 1,291	¥ (2)	¥ (1,320)	¥ (31)	¥ 74	¥ 5,690	¥ 85,168
Cash dividends	—	—	—	(1,779)	—	(1,779)	—	—	—	—	—	—	(1,779)
Net income	—	—	—	13,388	—	13,388	—	—	—	—	—	—	13,388
Disposal of treasury stock	—	—	—	—	(31)	(31)	—	—	—	—	—	—	(31)
Purchase of treasury stock	—	—	(20)	—	81	61	—	—	—	—	—	—	61
Staff and workers bonuses and welfare fund	—	—	—	(8)	—	(8)	—	—	—	—	—	—	(8)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	222	1	(1,017)	(794)	86	440	(268)
Balance at April 1, 2011	127,212,607	¥ 10,000	¥ 17,448	¥ 64,263	¥ (645)	¥ 91,066	¥ 1,513	¥ (1)	¥ (2,337)	¥ (825)	¥ 160	¥ 6,130	¥ 96,531
Cash dividends	**—**	**—**	**—**	**(4,195)**	**—**	**(4,195)**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,195)**
Net income	**—**	**—**	**—**	**14,757**	**—**	**14,757**	**—**	**—**	**—**	**—**	**—**	**—**	**14,757**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**(165)**	**(165)**	**—**	**—**	**—**	**—**	**—**	**—**	**(165)**
Purchase of treasury stock	**—**	**—**	**(2)**	**—**	**56**	**54**	**—**	**—**	**—**	**—**	**—**	**—**	**54**
Staff and workers bonuses and welfare fund	**—**	**—**	**—**	**(9)**	**—**	**(9)**	**—**	**—**	**—**	**—**	**—**	**—**	**(9)**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**	**(490)**	**1**	**(1,101)**	**(1,590)**	**49**	**2,035**	**494**
Balance at March 31, 2012	**127,212,607**	**¥10,000**	**¥17,446**	**¥74,816**	**¥(754)**	**¥101,508**	**¥1,023**	**¥(0)**	**¥(3,438)**	**¥(2,415)**	**¥209**	**¥8,165**	**¥107,467**

(Thousands of U.S. dollars)
(Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Net unrealized holding gains on derivative instruments	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2011	**$121,669**	**$212,289**	**$781,883**	**$(7,848)**	**$1,107,993**	**$18,409**	**$(12)**	**$(28,435)**	**$(10,038)**	**$1,947**	**$74,583**	**$1,174,485**
Cash dividends	**—**	**—**	**(51,040)**	**—**	**(51,040)**	**—**	**—**	**—**	**—**	**—**	**—**	**(51,040)**
Net income	**—**	**—**	**179,547**	**—**	**179,547**	**—**	**—**	**—**	**—**	**—**	**—**	**179,547**
Disposal of treasury stock	**—**	**—**	**—**	**(2,008)**	**(2,008)**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,008)**
Purchase of treasury stock	**—**	**(25)**	**—**	**682**	**657**	**—**	**—**	**—**	**—**	**—**	**—**	**657**
Staff and workers bonuses and welfare fund	**—**	**—**	**(109)**	**—**	**(109)**	**—**	**—**	**—**	**—**	**—**	**—**	**(109)**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**(5,962)**	**12**	**(13,395)**	**(19,345)**	**596**	**24,760**	**6,011**
Balance at March 31, 2012	**$121,669**	**$212,264**	**$910,281**	**$(9,174)**	**$1,235,040**	**$12,447**	**$ (0)**	**$(41,830)**	**$(29,383)**	**$2,543**	**$99,343**	**$1,307,543**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nabtesco Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests	¥ 24,848	¥21,954	$ 302,324
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	6,673	5,391	81,190
Amortization of goodwill	595	(72)	7,239
Share-based compensation expenses	102	93	1,241
Reversal of accrued severance and retirement benefits	(126)	(459)	(1,533)
Reversal of allowance for doubtful receivables	(3)	(16)	(37)
Equity in earnings of affiliates	(1,787)	(2,218)	(21,742)
Interest and dividend income	(178)	(167)	(2,166)
Interest expense	202	94	2,458
Gain on sales of property, plant and equipment	(170)	(80)	(2,068)
Loss on disposal of property, plant and equipment	201	197	2,446
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	27	—
Compensation payment	—	221	—
Gain on revision of retirement benefit plan (Note 14)	(50)	—	(608)
Changes in trade notes and accounts receivable	(2,414)	(4,666)	(29,371)
Changes in inventories	(227)	(2,096)	(2,762)
Changes in other assets	(1,303)	(327)	(15,854)
Changes in notes and accounts payable—trade	261	9,772	3,176
Changes in consumption tax payable	(86)	(484)	(1,046)
Changes in other liabilities	(1,486)	2,586	(18,080)
Other, net	20	6	242
Sub-total	25,072	29,756	305,049
Interest and dividends received	702	572	8,541
Interest paid	(186)	(75)	(2,263)
Income taxes paid	(10,484)	(2,071)	(127,558)
Payments for compensation expenses	—	(185)	—
Net cash provided by operating activities	15,104	27,997	183,769
Investing activities:			
Deposit in time deposits	(391)	(30)	(4,757)
Proceeds from withdraw of time deposits	11	8	134
Purchases of property, plant and equipment	(9,024)	(4,386)	(109,794)
Proceeds from sales of property, plant and equipment	355	198	4,319
Purchase of intangible assets	(608)	(264)	(7,398)
Proceeds from sales of intangible assets	3	—	37
Purchases of investment securities	(13)	(13)	(158)
Proceeds from sales of investment securities	19	1	231
Purchases of investments in affiliates	(12)	(150)	(146)
Purchase of investments in subsidiaries resulting change in scope of consolidation (Notes 5 and 24)	(17,619)	—	(214,369)
Collection of loans receivable	4	4	49
Proceeds from transfer of business	110	—	1,338
Other, net	(299)	212	(3,639)
Net cash used in investing activities	(27,464)	(4,420)	(334,153)
Financing activities:			
Net decrease in short-term loans payable	227	263	2,762
Proceeds from long-term loans payable	10,299	—	125,307
Proceeds from issuance of bonds payable (Note 9)	10,000	—	121,669
Redemption of bonds payable (Note 9)	(11,000)	—	(133,836)
Proceeds from stock issuance to minority shareholders	1,311	—	15,951
Purchases of treasury stock	(164)	(32)	(1,995)
Proceeds from sales of treasury stock	0	54	0
Dividends paid	(4,637)	(2,135)	(56,418)
Net cash provided by (used in) financing activities	6,036	(1,850)	73,440
Effect of exchange rate changes on cash and cash equivalents	(223)	(582)	(2,713)
Increase (decrease) in cash and cash equivalents	(6,547)	21,145	(79,657)
Cash and cash equivalents at the beginning of the year (Note 5)	56,570	35,425	688,283
Cash and cash equivalents at the end of the year (Note 5)	¥ 50,023	¥56,570	$ 608,626

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nabtesco Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

1 Description of Business and Basis of Presenting Consolidated Financial Statements

(1) Description of business

Nabtesco Corporation (the "Company"), a Japanese corporation, was established as a holding company on September 29, 2003, through a stock transfer process, by TS Corporation (formerly Teijin Seiki Co., Ltd.) and NABCO Ltd. As a result of the stock transfer, both TS Corporation and NABCO Ltd. became wholly owned subsidiaries of the Company.

The Company completed its business integration through the acquisition of the two wholly owned subsidiaries on October 1, 2004.

The main products of the Company and its consolidated subsidiaries (the "Companies") include precision equipment, transport equipment, aircraft and oil hydraulic equipment, and industrial equipment.

(2) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted principles prevailing in the respective countries of domicile. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standard or U.S. generally accepted accounting principles, with adjustment for the specific five items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which is ¥82.19 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 41 subsidiaries. All significant inter-company transactions, account balances and unrealized profits are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The difference between the cost of investments in subsidiaries and the equity in their net assets at the date of acquisition is amortized over a period within twenty years on a straight-line basis. However, if the difference is insignificant, it is charged to income as incurred.

Investments in 8 affiliated companies (generally 20% to 50% owned), over which the Company has the ability to exercise significant influence over operating and financial policy, are accounted for by the equity method.

Changes in accounting policy

Effective from the fiscal year ended March 31, 2011, the Company and consolidated domestic subsidiaries adopted the Accounting Standard for Equity method of accounting for Investments (Accounting Standards Board of Japan Statement No. 16 issued on March 10, 2008). This change has no effect on the consolidated financial statements for the year ended March 31, 2011.

(2) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of changes in value and which are purchased with an original maturity of three months or less. See Note 5 as to reconciliation to cash and time deposits on the balance sheets.

(3) Allowance for doubtful receivables

The allowance for doubtful receivables is provided in amounts management considers sufficient to cover possible losses on collection. The allowance is based on past collection experience and management estimate of the collectability of individual receivables.

(4) Provision for environmental measures

The provision is made to cover the cost for character change of the land in the former Company's factory where soil contamination was found.

(5) Provision for loss on order received

To cover the future loss relating to order received the provision is recorded when the future loss is anticipated and the loss at the year end is reasonable estimated.

(6) Securities

The Companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity, (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "other securities") The Companies have no trading securities at March 31, 2012 and 2011.

Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost computed based on the straight-line method. Other securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of Net assets. Realized gains and losses on sale of such securities are computed using the moving-average cost method. Other securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies, and other securities declines significantly, such securities are written down to their fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. For equity securities with no available fair market value, if the net asset amount of the investee declines significantly, such securities are written down to the net asset amount with a corresponding charge in the income statement in the period of decline. In these cases, such fair market value or net asset amount will be the carrying amount of the securities at the beginning of the next year.

(7) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated at the lower of the cost or net realizable value, while inventories of its consolidated foreign subsidiaries are principally stated at the lower of cost or market.

The evaluation methods for the cost of inventories are as follows:

Inventories	Evaluation method
Finished goods and Work in process	Mainly weighted average method (however certain finished goods and work in process are determined by the specific identification method)
Raw materials and Supplies	Mainly weighted average method (however certain raw materials and supplies are determined by moving average method)

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. The Company and its consolidated domestic subsidiaries calculate depreciation principally by the declining-balance method over the estimated useful lives of the respective assets, except for the buildings acquired on or after April 1, 1998, and owned by the Company, which are depreciated by the straight-line method over the estimated useful lives of the respective assets. In addition, the Company and its consolidated domestic subsidiaries depreciate Machinery and equipment, whose acquisition cost is ¥100 thousand or more but less than ¥200 thousand, over a period of three years on a straight-line basis. The consolidated foreign subsidiaries calculate depreciation principally by the straight-line method over the estimated useful lives of the respective assets.

Depreciation of assets acquired by the domestic companies after March 31, 2007 is computed principally by the straight-line method under the amended tax code for building, not including building fixtures and by the declining-balance method under the amended tax code for the remaining assets.

(9) Leases assets

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets. Finance leases which do not transfer ownership of the leased property to the lessee commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

(10) Derivative financial instruments and hedging transactions

The Companies use derivative financial instruments only for the purpose of mitigating fluctuation risk of interest rates with respect to loans payable and future risk of fluctuation of foreign currency exchange rates with respect to foreign currency receivables and payables.

The basic policies for executing the derivative transactions are managed by the Board of Directors of the Company. Based on such policies, the finance departments of each company establish the internal regulations which prescribe the specified limits and procedures on the derivative transactions. After execution, each finance department has to report certain information on derivative transactions to the Board of Directors of the Company.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments	Hedged items
Interest rate swap contracts	Loans payable
Forward foreign exchange contracts	Foreign currency trade receivables and trade payables

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in fair value of the hedging derivative instruments.

The Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments meet the criteria for hedging accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, hedging instruments and hedged items are accounted for in the following manner:

1. When a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract
2. When a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract or the forward foreign currency options are recognized.

(11) Amortization

Goodwill is amortized using straight-line method over a period within twenty year. However, if the amount is insignificant, it is charged to income as incurred.

Software is amortized using the straight-line method over the estimated useful lives (five years).

(12) Research and development costs

Research and development costs are charged to income as incurred.

(13) Income taxes

The Companies recognize tax effects of timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax reporting purpose. Income taxes comprise of corporation tax, enterprise tax and prefectural and municipal inhabitants taxes.

(14) Accrued employees' bonuses

Accrued employees' bonuses are accounted for at the amount of estimated bonuses to be paid and allocated to the current fiscal year.

(15) Provision for product warranties

Provision for product warranties is provided to cover the estimated cost for customers' claims relating to after sales repairs.

(16) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates. Financial statements of consolidated foreign subsidiaries are translated into Japanese yen at the year-end rates, except that shareholders' equity are translated at historical rates and income statement items resulting from transactions with the Company are translated at the rates used by the Company when the transactions occurred. The Company and its domestic subsidiaries report foreign currency translation adjustments in net assets.

(17) Appropriation of retained earnings

Under the Japanese Corporate law, the appropriation of retained earnings with respect to a given financial period is made by a resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. (See Note 26)

(18) Retirement benefits

The Company and certain of its consolidated subsidiaries provide two types of retirement and severance benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Companies provide allowance for employees' severance and retirement benefits at the end of year based on estimated amounts of projected benefit obligations, actuarially calculated using certain assumptions and the fair value of the plan assets at the date. Prior service costs are recognized as expense when incurred, and actuarial gains and losses are recognized as expense from the following fiscal year using the declining-balance method over a certain period (10 years) not exceeding the average of estimated remaining service period.

(19) Amounts per share

The computation of basic net income per share is calculated based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income per share is calculated based on the weighted average number of shares of common stock after consideration of dilution that securities or other contracts to issue common stock are exercised or converted into common stock, or resulted into issuance of common stock.

Amounts per share of net assets are calculated based on the number of shares of common stock outstanding at the year-end.

Cash dividends per share include interim dividends of the Company proposed by the Board of Directors in addition to year-end dividends approved by shareholders at the annual meeting held subsequent to the end of fiscal year.

(20) Recognition of significant revenues and expenses

Accounting for construction of completions
When the construction work is in progress at year end and the progress rate of construction work up to that time is deemed certain, the percentage-of-completion method is applied. The progress rate is estimated using cost-to-cost method.

When the above condition is not met, the completed-contract method is applied.

3 Changes in Accounting Policy

(1) New accounting standard for asset retirement obligations

Effective April 1, 2010, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). As a result of adopting these standards, operating income decreased by ¥18 million ($216 thousand), income before income taxes decreased by ¥45 million ($541 thousand) for the fiscal year ended March 31, 2011, respectively.

(2) New accounting standard for business combinations

Effective April 1, 2010, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Guidance No. 7, issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

(3) New accounting standard for earnings per share

Effective April 1, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Earnings per share" (Accounting Standards Board of Japan ("ASBJ") Statement No. 2 issued on June 30, 2010) and "Guidance on Accounting Standards for Earnings per share" (ASBJ Guidance No. 4, revised on June 30, 2010) and "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No. 9, revised on June 30, 2010). The effect on net income per share is insignificant.

4 Additional Information

New accounting standard for accounting changes and error corrections
Effective April 1, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standard Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on the Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1,2011.

5 Cash and Cash Equivalents

(1) A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2012 and 2011 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	2012
Cash and time deposits	¥15,505	¥41,705	$188,648
Time deposits with maturities extending over three months	(481)	(135)	(5,852)
Short-term investment securities	34,999	15,000	425,830
Cash and cash equivalents	¥50,023	¥56,570	$608,626

(2) Summary of assets and liabilities received as a result of business combination

Gilgen Door Systems AG (April 1, 2012)

	(Millions of yen)	(Thousands of U.S. dollars)
	2012	2012
Current assets	¥ 7,470	$ 90,887
Fixed assets	1,802	21,925
Goodwill	15,707	191,106
Current liabilities	(6,614)	(80,472)
Long-term liabilities	(271)	(3,297)
Foreign currency translation adjustments	(95)	(1,156)
Acquisition cost	17,999	218,993
Cash and cash equivalents	(380)	(4,624)
Purchase of Gilgen Door Systems AG (Net)	¥17,619	$214,369

6 Financial Instruments

(1) Qualitative information on financial instruments

① Policies for using financial instruments

The Company raises fund that required under its business primarily from loans payable and bond issues. And the Company manages surplus capital using financial instruments that carry little or no risk. The Company uses derivatives to mitigate the risk that are described below, and as a matter of policy does not use derivatives for speculative transactions.

② Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to customer credit risk. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. The Company use a derivative transaction including forward foreign exchange contracts to hedge the risk of exchange fluctuations associated with receivables denominated in foreign currencies. Short-term investment securities and other securities are mainly consist of held-to-maturity debt securities and securities for strengthening of the relationship with counterparty and exposed to market price risk.

Loans payable and bond are taken out principally for the purpose of making capital investments. The repayment dates of long term loans payable extend up to two years beyond the date of the closing of accounts.

The Company employs foreign exchange forward contracts to reduce the risk of foreign exchange rate fluctuation that arise from receivables and payables denominated in foreign currencies.

③ Policies and processes for managing the risk

(a) Credit risk management (counterparty risk)

The Company has prepared regulations for managing its credit exposure and business receivables. The Company manages amounts and settlement dates by counterparty and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counterparties. Consolidated subsidiaries are subject to the same risk management rules.

Held-to-maturity debts securities carry little credit risk because are intended highly-rated company under the regulation of fund management.

The Company transact only with highly credit financial institution under the regulation of risk management when using derivatives.

(b) Market risk management

The Company and some consolidated subsidiaries use a derivative transaction including forward foreign exchange contract to hedge the risk of exchange fluctuations associated with receivables denominated in foreign currencies.

For short-term investments and investments in securities, the Company examines fair value and the financial condition of the issuing entity. In addition, for all securities other than those classified as held-to-maturity debt securities the Company regularly revises its portfolio based on its relationships with issuing entities.

For derivative transactions, the basic policies for executing the derivative transactions are managed by the Board of Directors of the Company. Based on such policies, the finance departments of each company establish the internal regulations which prescribe the specified limits and procedures on the derivative transactions. After execution, each finance department has to report certain information on derivative transactions to the Board of Directors of the Company.

(c) Liquidity risk management

The financial and Accounting Department manages liquidity risk for the company by making and updating a capital deployment plan based on reports from each division. In addition, the Company manages liquidity risk by keeping high leveled liquidity on hand due to the unstable financial market.

④ Supplemental information on fair values

The fair value of financial instruments is based on market prices, or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumption. In addition, the contractual amounts of the derivatives transactions discussed in "Derivative Financial Instruments" below are not an indicator of the market risk associated with derivatives transactions.

(2) Fair value of financial instrument

Fair value and difference compared to the book value reported in the balance sheets as of March 31, 2012 and 2011 are as follows. Please note that for those items of which obtaining an estimates fair value is deemed to be extremely difficult, such differences are not shown (Please refer to Note 2).

(Millions of yen)

	2012		
	Book value reported in the balance sheet	Fair value	Difference
(1) Cash and time deposits	**¥15,505**	**¥15,505**	**¥ —**
(2) Trade notes and accounts receivable	**47,539**	**47,539**	**—**
(3) Short-term and long-term investment securities			
① Held-to-maturity debt securities	**34,999**	**34,999**	**—**
② Other securities	**4,745**	**4,745**	**—**
③ Securities issued by affiliates companies	**3,441**	**12,733**	**9,292**
Assets	**106,229**	**115,521**	**9,292**
(1) Trade notes and accounts payable	**34,602**	**34,602**	**—**
(2) Short-term loans payable	**11,413**	**11,413**	**—**
(3) Bonds payable	**10,000**	**10,029**	**29**
(4) Long-term loans payable	**10,282**	**10,289**	**7**
Liabilities	**66,297**	**66,333**	**36**
Derivatives	**(3)**	**(3)**	**—**

(Millions of yen)

	2011		
	Book value reported in the balance sheet	Fair value	Difference
(1) Cash and time deposits	¥ 41,705	¥ 41,705	¥ —
(2) Trade notes and accounts receivable	40,895	40,895	—
(3) Short-term and long-term investment securities			
① Held-to-maturity debt securities	15,000	15,000	—
② Other securities	5,557	5,557	—
③ Securities issued by affiliates companies	3,158	13,007	9,849
Assets	106,315	116,164	9,849
(1) Trade notes and accounts payable	33,591	33,591	—
(2) Short-term loans payable	9,158	9,158	—
(3) Current portion of bonds	11,000	12,531	1,531
Liabilities	53,749	55,280	1,531
Derivatives	(1)	(1)	—

	(Thousands of U.S. dollars) 2012		
	Book value reported in the balance sheet	Fair value	Difference
(1) Cash and time deposits	$ 188,648	$ 188,648	$ —
(2) Trade notes and accounts receivable	578,404	578,404	—
(3) Short-term and long-term investment securities			
① Held-to-maturity debt securities	425,830	425,830	—
② Other securities	57,732	57,732	—
③ Securities issued by affiliates companies	41,866	154,922	113,056
Assets	1,292,480	1,405,536	113,056
(1) Trade notes and accounts payable	421,000	421,000	—
(2) Short-term loans payable	138,861	138,861	—
(3) Bonds payable	121,669	122,022	353
(4) Long-term loans payable	125,100	125,186	86
Liabilities	806,630	807,069	439
Derivatives	(37)	(37)	—

Note: The value of assets and liabilities arising from derivatives is shown at net value.

Note 1: Methods for computing the estimated fair value of financial instruments and securities and derivative transactions
Assets
(1) Cash and time deposits and (2) Trade notes and account receivable
Since these items are settled in a short period of time and have estimated values that are virtually the same as book value, the book value is used.
(3) Short-term and long term investment securities
Stocks are valued at the exchange trading price. Bonds are valued at the exchange trading price or at the price provided by the financial institutions. For information on securities classified as purpose of holding, please refer to the "Securities" section of the notes to the financial statement.

Liabilities
(1) Trade notes and accounts payable and (2) Short-term loans payable
Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the book value, the book value is used.
(3) Long-term loans payable
Long-term loans payable is valued at the exchange trading price or at the price provided by the financial institutions.

Derivatives
Please refer to the "Derivatives" section of the notes to the financial statement.

Note 2: Items for which obtaining an estimated fair value is deemed to be extremely difficult

	(Millions of yen) 2012	(Millions of yen) 2011	(Thousands of U.S. dollars) 2012
Items	Book value	Book value	Book value
Unlisted stocks	¥ 123	¥ 149	$ 1,497
Securities issued by affiliate companies	6,622	5,685	80,569

These are recognized as extremely difficult to obtain fair value because these do not have any market price and it is impossible to estimate future cash flow. Therefore, their fair value is not disclosed.

Note 3: Scheduled redemption of monetary claims and short-term and long-term investment securities at March 31, 2012 and 2011.

	(Millions of yen) 2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Cash and time deposits	**¥15,505**	**¥—**	**¥—**	**¥ —**
(2) Trade notes and account receivables	**47,539**	**—**	**—**	**—**
(3) Short-term and long-term investment securities				
① Held-to-maturity debt securities				
Certificate of deposit	**20,000**	**—**	**—**	**—**
Commercial paper	**14,999**	**—**	**—**	**—**
② Other securities with maturity	**—**	**—**	**—**	**100**

	(Millions of yen) 2011			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Cash and time deposits	¥41,705	¥—	¥—	¥ —
(2) Trade notes and account receivables	40,895	—	—	—
(3) Short-term and long-term investment securities				
① Held-to-maturity debt securities				
Certificate of deposit	13,000	—	—	—
Commercial paper	2,000	—	—	—
② Other securities with maturity	—	—	—	100

	(Thousands of U.S. dollars) 2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Cash and time deposits	**$188,648**	**$—**	**$—**	**$ —**
(2) Trade notes and account receivables	**578,404**	**—**	**—**	**—**
(3) Short-term and long-term investment securities				
① Held-to-maturity debt securities				
Certificate of deposit	**243,338**	**—**	**—**	**—**
Commercial paper	**182,492**	**—**	**—**	**—**
② Other securities with maturity	**—**	**—**	**—**	**1,217**

Note 4: Maturities of bonds payable and long-term loans payable at March 31, 2012 and 2011.

	(Millions of yen) 2012					
	Within 1 year	Over 1 year but within 2 years	Over 2 year but within 3 years	Over 3 year but within 4 years	Over 4 year but within 5 years	Over 5 years
Bonds payable	**¥—**	**¥—**	**¥ —**	**¥—**	**¥10,000**	**¥—**
Long-term loans payable	**—**	**—**	**10,000**	**—**	**282**	**—**
Total	**¥—**	**¥—**	**¥10,000**	**¥—**	**¥10,282**	**¥—**

	(Millions of yen) 2011					
	Within 1 year	Over 1 year but within 2 years	Over 2 year but within 3 years	Over 3 year but within 4 years	Over 4 year but within 5 years	Over 5 years
Bonds payable	¥11,000	¥—	¥—	¥—	¥—	¥—
Total	¥11,000	¥—	¥—	¥—	¥—	¥—

	(Thousands of U.S. dollars) 2012					
	Within 1 year	Over 1 year but within 2 years	Over 2 year but within 3 years	Over 3 year but within 4 years	Over 4 year but within 5 years	Over 5 years
Bonds payable	**$—**	**$—**	**$ —**	**$—**	**$121,669**	**$—**
Long-term loans payable	**—**	**—**	**121,669**	**—**	**3,431**	**—**
Total	**$—**	**$—**	**$121,669**	**$—**	**$125,100**	**$—**

7 Securities

Information on securities at March 31, 2012 and 2011 are shown below.

The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2012 and 2011:

Other securities

(1) Securities with book values exceeding acquisition costs:

Type	(Millions of yen) 2012 Acquisition cost	Book value	Difference
Equity securities	**¥2,770**	**¥4,515**	**¥1,745**
Others	**2**	**2**	**0**
Total	**¥2,772**	**¥4,517**	**¥1,745**

Type	(Millions of yen) 2011 Acquisition cost	Book value	Difference
Equity securities	¥2,743	¥5,317	¥2,574
Others	2	2	0
Total	¥2,745	¥5,319	¥2,574

Type	(Thousands of U.S. dollars) 2012 Acquisition cost	Book value	Difference
Equity securities	**$33,703**	**$54,934**	**$21,231**
Others	**24**	**24**	**0**
Total	**$33,727**	**$54,958**	**$21,231**

(2) Securities with book values not exceeding acquisition costs:

Type	(Millions of yen) 2012 Acquisition cost	Book value	Difference
Equity securities	**¥201**	**¥179**	**¥(22)**
Bonds	**53**	**50**	**(3)**
Total	**¥254**	**¥229**	**¥(25)**

Type	(Millions of yen) 2011 Acquisition cost	Book value	Difference
Equity securities	¥218	¥186	¥(32)
Bonds	54	52	(2)
Total	¥272	¥238	¥(34)

Type	(Thousands of U.S. dollars) 2012 Acquisition cost	Book value	Difference
Equity securities	**$2,445**	**$2,178**	**$(267)**
Bonds	**645**	**608**	**(37)**
Total	**$3,090**	**$2,786**	**$(304)**

The Companies recognize impairment loss on the securities, whose available fair values decline more than 50% of the carrying amount, based on the Japanese accounting standard for financial instruments and guidelines concerning the accounting for financial instruments.

The following tables summarize book values of securities without market prices as of March 31, 2012 and 2011:

Other securities

	(Millions of yen) 2012	2011	(Thousands of U.S. dollars) 2012
Unlisted equity securities	**¥123**	¥149	**$1,497**
Unlisted bonds	**—**	—	**—**
Total	**¥123**	¥149	**$1,497**

Held-to-maturity debt securities

	(Millions of yen) 2012	2011	(Thousands of U.S. dollars) 2012
Certificate of deposit	**¥34,999**	¥15,000	**$425,830**

Total sales of other securities and the related gain and loss in the years ended March 31, 2012 and 2011 are as follows:

	(Millions of yen) 2012	2011	(Thousands of U.S. dollars) 2012
Sales of other securities	**¥19**	¥ 0	**$231**
Gain on sales of other securities	**3**	0	**37**
Loss on sales of other securities	**10**	—	**122**

The maturities of held-to-maturity debt securities as of March 31, 2012 and 2011 is as follows:

	(Millions of yen) 2012			(Thousands of U.S. dollars) 2012		
	Due within 1 year	1 to 5 years	Over 5 years	Due within 1 year	1 to 5 years	Over 5 years
Bonds						
Corporate bonds	**¥ —**	**¥—**	**¥ —**	**$ —**	**$—**	**$ —**
Others	**34,999**	**—**	**100**	**425,830**	**—**	**1,217**
Total	**¥34,999**	**¥—**	**¥100**	**$425,830**	**$—**	**$1,217**

	(Millions of yen) 2011		
	Due within 1 year	1 to 5 years	Over 5 years
Bonds			
Corporate bonds	¥ —	¥—	¥ —
Others	15,000	—	100
Total	¥15,000	¥—	¥100

8 Inventories

Inventories at March 31, 2012 and 2011 consisted of the followings:

	(Millions of yen) 2012	2011	(Thousands of U.S. dollars) 2012
Finished goods	**¥ 3,263**	¥ 3,572	**$ 39,701**
Works in process	**7,777**	6,279	**94,622**
Raw materials	**8,475**	6,687	**103,115**
Supplies	**596**	479	**7,251**
Total inventories	**¥20,111**	¥17,017	**$244,689**

9 Short-Term Loans Payable and Long-Term Debt

Short-term loans payable at March 31, 2012 and 2011 represented bank notes with interest rates ranging from 0.38% to 6.56% and from 0.43% to 5.10% per annum, respectively.

Long-term debt at March 31, 2012 and 2011 consist of the followings:

	(Millions of yen) 2012	2011	(Thousands of U.S. dollars) 2012
Loans, principally from banks			
due July 2014 (with interest rate of 0.45%)	**¥10,000**	¥ —	**$121,669**
due October 2016 (with interest rate of 4.18%)	**282**	—	**3,431**
Zero coupon convertible bonds			
due December 2011	**—**	11,000	**—**
Straight bonds			
due December 2016 (with interest rate of 0.64%)	**10,000**	—	**121,669**
Total	**¥20,282**	¥11,000	**$246,769**
Less current portion	**—**	11,000	**—**
Long-term debt, net	**¥20,282**	¥ —	**$246,769**

Maturities of long-term debt at year end are shown in "Note 6 Financial Instruments".

10 Leases

Finance leases, which do not transfer ownership of the leased property to the lessee commenced prior to April 1, 2008 and were accounted for as operating leases, continue to be accounted for as operating leases.

The following pro forma amounts present the acquisition costs, accumulated depreciation and the net book value of the above operating leases as of March 31, 2012 and 2011.

	(Millions of yen) 2012		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**¥ 88**	**¥ 80**	**¥ 8**
Intangible assets	**70**	**65**	**5**
Total	**¥158**	**¥145**	**¥13**

	(Millions of yen) 2011		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥268	¥226	¥42
Intangible assets	105	91	14
Total	¥373	¥317	¥56

	(Thousands of U.S. dollars) 2012		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**$1,071**	**$ 973**	**$ 98**
Intangible assets	**851**	**791**	**60**
Total	**$1,922**	**$1,764**	**$158**

Finance lease payments for the year ended March 31, 2012 and 2011 are as follows:

	(Millions of yen) 2012	(Millions of yen) 2011	(Thousands of U.S. dollars) 2012
Lease payments	**¥37**	¥104	**$450**

The payments above are also equivalent to depreciation expense.

Pro forma depreciation expense equivalents are computed by the straight-line method over the respective lease periods assuming no residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 and 2011 under finance leases other than those which transfer the ownership of the leased property to the Companies and operating leases are summarized as follows:

	(Millions of yen) 2012	(Millions of yen) 2011	(Thousands of U.S. dollars) 2012
Under finance leases:			
Payments due within one year	**¥ 12**	¥41	**$ 146**
Payments due after one year	**1**	15	**12**
Total	**¥ 13**	¥56	**$ 158**
Under operating leases:			
Payments due within one year	**¥ 77**	¥ 1	**$ 937**
Payments due after one year	**146**	10	**1,776**
Total	**¥223**	¥11	**$2,713**

11 Income Taxes and Deferred Income Taxes

The following table summarizes the significant differences between the statutory tax rates and the actual tax rates for financial statements for the years ended March 31, 2012 and 2011:

	2012	2011
Statutory tax rate	**40.7%**	40.7%
Equity in earnings of affiliates	**(2.9)**	(4.1)
Permanent non-deductible expenses	**0.3**	0.3
Others	**(2.4)**	(2.8)
Actual tax rate	**35.7%**	34.1%

The tax effects of temporary differences, which give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2012 and 2011, are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	**2012**
Deferred tax assets:			
Net operating loss carry forwards	**¥ 508**	¥ 421	**$ 6,181**
Accrued severance and retirement benefits	**2,682**	3,038	**32,632**
Accrued employees' bonuses	**1,329**	1,385	**16,170**
Other accrued expenses	**597**	943	**7,264**
Loss on devaluation of inventories	**161**	134	**1,959**
Loss on devaluation of investments in securities	**99**	85	**1,204**
Loss on devaluation of investments in affiliates	**192**	242	**2,336**
Loss on devaluation of golf club membership rights	**84**	102	**1,022**
Allowance for doubtful receivables	**2**	12	**24**
Provision for product warranties	**544**	750	**6,619**
Provision for loss on order received	**30**	—	**365**
Provision for environmental measures	**—**	131	**—**
Impairment loss	**117**	133	**1,423**
Others	**672**	749	**8,176**
	7,017	8,125	**85,375**
Less valuation allowance	**(1,337)**	(1,459)	**(16,267)**
Total deferred tax assets	**5,680**	6,666	**69,108**
Deferred tax liabilities:			
Deferred taxation on government contributions for acquisition of property, plant and equipment	**(1,753)**	(2,020)	**(21,329)**
Effect of differences between tax rates in Japan and other countries on undistributed earnings of foreign subsidiaries	**(701)**	(998)	**(8,529)**
Net unrealized holding gains on securities	**(806)**	(605)	**(9,807)**
Others	**(547)**	(6)	**(6,655)**
Total deferred tax liabilities	**(3,807)**	(3,629)	**(46,320)**
Deferred tax assets, net	**¥ 1,873**	¥ 3,037	**$ 22,788**

Additional Information

(1) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations are enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.01% for years beginning on or after April 1, 2012 and 35.64% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.01% and 35.64%, respective, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets and liabilities decreased by ¥331 million ($4,027 thousand) and ¥26 million ($316 thousand) as of March 31, 2012, and deferred income tax expense recognized for the year ended March 31, 2012 increased by ¥302 million ($3,674 thousand).

12 Net Assets

Under the Japanese Corporate Law, upon issuance of common stock, the entire amount of the issue price is required to be accounted for as common stock, although companies may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Japanese Corporate Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Japanese Corporate Law, however, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese Corporate Law.

13 Contingent Liabilities

The Companies have the following contingent liabilities at March 31, 2012 and 2011:

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	**2012**
As guarantor of indebtedness of affiliated companies	**¥—**	¥5	**$—**
Total	**—**	¥5	**$—**

14 Employee's Severance and Retirement Benefits

The liabilities for severance and retirement benefits include in the liability section of the consolidated balance sheets as of March 31, 2012 and 2011 consisted of the followings:

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	**2012**
Projected benefit obligation	**¥13,000**	¥14,002	**$158,170**
Less fair value of plan assets	**(4,460)**	(4,838)	**(54,264)**
Less unrecognized actuarial losses	**(1,204)**	(1,614)	**(14,649)**
Accrued severance and retirement benefits for employees	**¥ 7,336**	¥ 7,550	**$ 89,257**

Severance and retirement benefit expenses, included in the consolidated statements of income for the years ended March 31, 2012 and 2011, are comprised of the followings:

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	**2012**
Service costs	**¥ 734**	¥ 736	**$ 8,930**
Interest cost on projected benefit obligation	**250**	268	**3,042**
Amortization of actuarial losses	**317**	398	**3,857**
Contribution to defined contribution pension plan	**247**	252	**3,005**
Severance and retirement benefit expenses	**¥1,548**	¥1,654	**$18,834**

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate:		
Domestic companies	**2.0%**	2.0%
Expected return on plan assets:		
Domestic companies	**0.0%**	0.0%
Amortization of actuarial losses	**10 years**	10 years
Amortization period of prior service cost	**1 year**	1 year

NABCO DOOR Ltd. (NABCO DOOR) the Company's domestic subsidiary, abolished a tax qualified retirement pension plan and changed to a defined contribution plan at April 1, 2011. NABCO DOOR has adopted "Accounting for Transfer between Retirement Benefit Plans" (Financial Accounting Standards Implementation Guidance No. 1, issued on January 31, 2002) and recorded a gain on revision of retirement benefit plan in the amount of ¥50 million ($608 thousand) for the year ended March 31, 2012.

15 Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2012 and 2011, in the aggregate, amount to ¥5,201 million ($63,280 thousand) and ¥3,912 million, respectively.

16 Impairment Loss

The Companies base their grouping for assessing the impairment loss on fixed assets on its business segment. However, the Companies determine whether an asset is impaired on an individual assets basis if the asset is considered idle.

17 Compensation Payment

The Company recognized a loss on compensation expenses amounted to ¥221 million ($2,658 thousand) for the fiscal year ended March 31, 2011 due to cancelation of a part of contract in relation to the Aircraft equipment.

18 Comprehensive Income

Amounts reclassified to net income in the current period that are recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2012	2012
Valuation difference on available-for-sale securities		
Increase (decrease) during the year	¥ (821)	$ (9,989)
Reclassification adjustments	(3)	(37)
Sub-total, before tax	(824)	(10,026)
Tax (expense) or benefit	330	4,015
Sub-total, net of tax	(494)	(6,011)
Deferred gains or losses on hedges		
Increase (decrease) during the year	(1)	(12)
Reclassification adjustments	2	24
Sub-total, before tax	1	12
Tax (expense) or benefit	(1)	(12)
Sub-total, net of tax	0	0
Foreign currency translation adjustments		
Increase (decrease) during the year	(1,087)	(13,226)
Share of other comprehensive income of associates accounted for using equity method		
Increase (decrease) during the year	(38)	(462)
Total other comprehensive income	¥(1,619)	$(19,699)

19 Derivative Financial Instruments

According to the accounting standard for derivative financial instruments, forward foreign exchange contracts and interest rate swap contracts which qualify for hedge accounting and such amounts of which are assigned to hedged assets or liabilities and are recorded on the balance sheets at March 31, 2012 and 2011, are not subject to disclosure of market value information.

There is no derivative financial instrument, for which hedge accounting is not applied, and therefore there is no derivative financial instruments subject to disclosure of market value information as of March 31, 2012 and 2011.

(1) Foreign exchange forward contracts

Derivative financial instruments for which hedge accounting are applied as of March 31, 2012 are as follows:

			(Millions of yen)		
Hedge accounting method	Type of derivative, etc.	Main hedged items	Contract amount	Portion over 1 year	Fair value
Deferral hedge method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	**¥130**	**¥—**	**¥(0)**
Allocation method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	**629**	**—**	**Note 2**

			(Thousands of U.S. dollars)		
Hedge accounting method	Type of derivative, etc.	Main hedged items	Contract amount	Portion over 1 year	Fair value
Deferral hedge method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	**$1,582**	**$—**	**$(0)**
Allocation method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	**7,653**	**—**	**Note 2**

Notes 1. Fair values are stated at the price provided by financial institutions etc.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable that are subject to hedging, the estimated fair value of such accounts receivable is shown as the estimated fair value in the table above.

Derivative financial instruments for which hedge accounting are applied as of March 31, 2011 are as follows:

			(Millions of yen)		
Hedge accounting method	Type of derivative, etc.	Main hedged items	Contract amount	Portion over 1 year	Fair value
Deferral hedge method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	¥206	¥—	¥(2)
Allocation method	Foreign exchange forward contract Sold option U.S. dollars	Trade notes and account receivable	373	—	Note 2

Notes 1. Fair values are stated at the price provided by financial institutions etc.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable that are subject to hedging, the estimated fair value of such accounts receivable is shown as the estimated fair value in the table above.

(2) Interest rate swap contracts

Derivative financial instruments for which hedge accounting are applied as of March 31, 2012 are as follows:

			(Millions of yen)		
Hedge accounting method	Type of derivative, etc.	Main hedged items	Contract amount	Portion over 1 year	Fair value
Interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term debt	**¥10,000**	**¥10,000**	**Note**

			(Thousands of U.S. dollars)		
Hedge accounting method	Type of derivative, etc.	Main hedged items	Contract amount	Portion over 1 year	Fair value
Interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term debt	**$121,669**	**$121,669**	**Note**

Note: Interest rate swaps for which special treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair values are included in the fair value of long-term debt.

20 Net Income per Share

Net income per share for the year ended March 31, 2012 and 2011 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	**2012**
Net income per share—basic			
Net income	**¥ 14,757**	¥ 13,388	**$179,547**
Weighted average number of shares issued (thousands)	**126,402**	126,405	**126,402**

	(Yen)		(U.S. dollars)
	2012	2011	**2012**
Net income per share—basic	**¥116.74**	¥105.91	**$1.42**

	(Millions of yen)		(Thousands of U.S. dollars)
	2012	2011	**2012**
Net income per share—fully diluted			
Increase in common shares (thousands)			
Stock option rights	**147**	126	**147**

	(Yen)		(U.S. dollars)
	2012	2011	**2012**
Net income per share—fully diluted	**¥116.61**	¥105.80	**$1.42**

21 Stock Based Compensation Plan

(1) Stock based compensation plans as of March 31, 2012 are as follows:

	Share subscription rights-1	Share subscription rights-2	Share subscription rights-3
Date of grant	July 30, 2009	July 30, 2010	July 29, 2011
Number of shares granted	Common stock 99,000	Common stock 70,000	Common stock 70,000
Grantee	Directors and corporate officer of the Companies	Directors and corporate officer of the Companies	Directors and corporate officer of the Companies
Exercisable period	August 22, 2009 through August 21, 2034	August 21, 2010 through August 20, 2035	August 20, 2011 through August 19, 2036
Outstanding at the end of the fiscal year	66,000	49,000	70,000

Price information			
Date of grant	July 30, 2009	July 30, 2010	July 29, 2011
Exercise price	¥ 1	¥ 1	¥ 1
Average stock price upon exercise	¥1,847	¥1,847	—
Fair value at grant date	¥1,026	¥1,285	¥1,529

(2) Valuation technique used for valuation fair value of stock option granted in the fiscal year
Valuation technique: Black-Scholes option-pricing model
Principal parameters used in the option-pricing model:

Expected volatility	51.42%	Calculated based on the actual stock prices from May 3, 2008 to August 19, 2011.
Average expected life	3 years	It is estimated assuming that the options were exercised at the midpoint of the exercise period.
Expected dividends	¥25 per share	Expected dividends are based on the actual dividends for the fiscal year ended March 31, 2012.
Risk-free interest rate	0.21%	Japanese government bond yield corresponding to the average expected life.

(3) Method of estimating number of stock option vested
Only the actual number of forfeited stock option is reflected because it is difficult to rationally.

22 Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2012 and 2011 are as follows:

The Company owns a portion of office building and lands in Tokyo and other area.

Purpose of use	Book value as of April 1, 2011	Increase/ (decrease)	Book value as of March 31, 2012	Fair value as of March 31, 2012
	(Millions of yen)			
Rental property	¥4,087	**¥(36)**	**¥4,051**	**¥4,303**
Idle property	323	**(2)**	**321**	**2,674**
Total	¥4,410	**¥(38)**	**¥4,372**	**¥6,977**

Purpose of use	Book value as of April 1, 2010	Increase/ (decrease)	Book value as of March 31, 2011	Fair value as of March 31, 2011
	(Millions of yen)			
Rental property	¥4,125	¥(38)	¥4,087	¥4,513
Idle property	324	(1)	323	2,880
Total	¥4,449	¥(39)	¥4,410	¥7,393

Purpose of use	Book value as of April 1, 2011	Increase/ (decrease)	Book value as of March 31, 2012	Fair value as of March 31, 2012
	(Thousands of U.S. dollars)			
Rental property	$49,719	**$(438)**	**$49,281**	**$52,353**
Idle property	3,938	**(27)**	**3,911**	**32,537**
Total	$53,657	**$(465)**	**$53,192**	**$84,890**

Notes 1. The book value of each property on the balance sheet is its acquisition cost less cumulative depreciated expenses.
2. Main rental properties are land in Kobe, rental building in Tokyo and land and building in Ehime prefecture.
3. Main idle properties are vacant land of the old Yokosuka factory in Kanagawa prefecture, and land in Tokyo (under redevelopment).
4. Decrease is mainly depreciation.
5. Fair value of property as of March 31, 2012 and 2011 is primarily calculated based on real estate appraisal standards provided by the external licensed appraiser. In addition, provision for environmental measures as of March 31, 2011 amounted to ¥321 million related to a vacant land of the old Yokosuka factory does not reflect fair value.

Revenue and expense related to investment and rental property is as follows:

(Millions of yen)

2012			
Rental revenues	Rental expenses	Net	Other expenses
¥293	**¥94**	**¥199**	**¥15**

(Millions of yen)

2011			
Rental revenues	Rental expenses	Net	Other expenses
¥292	¥93	¥199	¥83

(Thousands of U.S. dollars)

2012			
Rental revenues	Rental expenses	Net	Other expenses
$3,570	**$1,139**	**$2,431**	**$188**

Notes 1. Rental expenses are mainly depreciation, repair, insurance, tax and dues related to the rental properties.
2. Other expenses are mainly depreciation, repair, insurance, tax and dues related to the idle properties and loss on provision for environmental measures.

23 Segment Information

Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(1) General information about reportable segments

Reportable segments are intended to discuss periodically for the board of directors' decision of operating resources' allocation and evaluation of financial result and which are available of financial reports separately among constitutional units.

The companies manufacture and sale products based on motion control technology and divided into four reportable segments, "Precision Equipment", "Transport Equipment", "Aircraft and Oil Hydraulic Equipment" and "Industrial Equipment".

Operations of the Companies are classified into four business segments as follows:

Segment	Main products	Main customers and industries
Precision Equipment	High precision reducers and actuators, wafer transfer unit, vacuum pumps, vacuum valves, vacuum devices, rapid prototyping systems, heating pipes	Industrial robots, machine tools, factory automation systems, electronic devices, semiconductor manufacturing equipment, and automobiles, home electronic appliances
Transport Equipment	Automatic door drive unit, automobile air brake system, automatic testing and training equipment, remote control systems for marine vessels.	Railway vehicle, automobile, marine vessels
Aircraft and Oil Hydraulic Equipment	Flight control systems, various types of actuators, oil hydraulic drive motors, actuation units for wind turbine, and various types of motors for winches	Aircraft, space, construction equipment, agricultural and other vehicles
Industrial Equipment	Automatic door systems, prosthetic products, automatic measuring and packing machines, multi-forming machines, constant velocity joint processing machines	Building and general industry, welfare, food, medicine, cleaning material, chemicals, precision equipment, automobiles, and home electronic appliances

(2) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items is generally same as described in "Summary of significant accounting policies". Intersegment transactions are based on current market prices.

(3) Information about reported segment profit or loss, segment assets, segment liabilities and other material items

Segment information as of and for the fiscal year ended March 31, 2012 and 2011 is as follows:

(Millions of yen)

	2012						
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Adjustment	Consolidated
Sales							
External sales	¥44,199	¥48,289	¥64,240	¥41,799	¥198,527	¥ —	¥198,527
Intersegment sales	26	219	709	1,507	2,461	(2,461)	—
Total sales	44,225	48,508	64,949	43,306	200,988	(2,461)	198,527
Operating income	8,013	6,069	6,131	2,646	22,859	—	22,859
Total assets	29,481	32,219	45,646	52,150	159,496	48,597	208,093
Total liabilities	15,766	14,015	20,212	17,146	67,139	33,487	100,626
Depreciation	1,830	1,402	2,226	668	6,126	547	6,673
Amortization of goodwill	—	6	—	661	667	—	667
Capital expenditures	6,638	1,479	4,034	679	12,830	694	13,524

	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Adjustment	Consolidated
	(Millions of yen)						
	2011						
Sales							
External sales	¥32,439	¥48,183	¥59,106	¥29,576	¥169,304	¥ —	¥169,304
Intersegment sales	29	231	439	670	1,369	(1,369)	—
Total sales	32,468	48,414	59,545	30,246	170,673	(1,369)	169,304
Operating income	6,467	5,915	5,610	2,220	20,212	—	20,212
Total assets	22,037	30,762	42,260	26,905	121,964	58,765	180,729
Total liabilities	11,735	15,301	19,700	9,824	56,560	27,638	84,198
Depreciation	1,097	1,453	1,860	450	4,860	531	5,391
Capital expenditures	1,379	1,192	3,279	248	6,098	239	6,337

	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Total	Adjustment	Consolidated
	(Thousands of U.S. dollars)						
	2012						
Sales							
External sales	**$537,766**	**$587,529**	**$781,604**	**$508,565**	**$2,415,464**	**$ —**	**$2,415,464**
Intersegment sales	**316**	**2,664**	**8,626**	**18,336**	**29,942**	**(29,942)**	**—**
Total sales	**538,082**	**590,193**	**790,230**	**526,901**	**2,445,406**	**(29,942)**	**2,415,464**
Operating income	**97,494**	**73,841**	**74,595**	**32,194**	**278,124**	**—**	**278,124**
Total assets	**358,693**	**392,006**	**555,372**	**634,505**	**1,940,576**	**591,277**	**2,531,853**
Total liabilities	**191,824**	**170,520**	**245,918**	**208,614**	**816,876**	**407,434**	**1,224,310**
Depreciation	**22,265**	**17,058**	**27,084**	**8,128**	**74,535**	**6,655**	**81,190**
Amortization of goodwill	**—**	**73**	**—**	**8,042**	**8,115**	**—**	**8,115**
Capital expenditures	**80,764**	**17,995**	**49,082**	**8,261**	**156,102**	**8,444**	**164,546**

Related information

(1) Information about product and service

Since the segments of products and services are the same as the reportable segments, information by products or services is omitted.

(2) Information by geographical area

Information by geographical area for the fiscal year ended March 31, 2012 and 2011 is as follows:

	Japan	Asia	North America	Europe	Other areas	Total
	(Millions of yen)					
	2012					
Sales	**¥111,830**	**¥51,094**	**¥9,398**	**¥25,292**	**¥913**	**¥198,527**
Property, plant and equipment	**43,133**	**6,679**	**424**	**1,273**	**—**	**51,509**

	Japan	Asia	North America	Europe	Other areas	Total
	(Millions of yen)					
	2011					
Sales	¥103,551	¥47,499	¥7,904	¥9,855	¥495	¥169,304
Property, plant and equipment	38,537	5,538	356	11	—	44,442

	Japan	Asia	North America	Europe	Other areas	Total
	(Thousands of U.S. dollars)					
	2012					
Sales	**$1,360,628**	**$621,657**	**$114,345**	**$307,726**	**$11,108**	**$2,415,464**
Property, plant and equipment	**524,796**	**81,263**	**5,159**	**15,488**	**—**	**626,706**

Note: Sales are divided into country and region based on the locations of the customers.

(3) Information about major customers

Information about major customers is omitted, since there is no major customer that makes up more than 10% of consolidated net sales.

Information about goodwill in reportable segments

Information about goodwill in reportable segments for the fiscal year ended March 31, 2012 and 2011 is as follows:

	(Millions of yen)					
	2012					
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Eliminations and General Corporate	Total
Goodwill						
Amortization	¥—	¥ 6	¥—	¥ 661	¥—	¥ 667
Balance at year-end	—	—	—	14,571	—	14,571
Negative goodwill						
Amortization	—	—	72	—	—	72
Balance at year-end	—	—	—	—	—	—

	(Millions of yen)					
	2011					
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Eliminations and General Corporate	Total
Negative goodwill						
Amortization	¥—	¥—	¥72	¥—	¥—	¥72
Balance at year-end	—	—	72	—	—	72

	(Thousands of U.S. dollars)					
	2012					
	Precision Equipment	Transport Equipment	Aircraft and Oil Hydraulic Equipment	Industrial Equipment	Eliminations and General Corporate	Total
Goodwill						
Amortization	$—	$73	¥ —	$ 8,042	$—	$ 8,115
Balance at year-end	—	—	—	177,284	—	177,284
Negative goodwill						
Amortization	—	—	¥876	—	—	876
Balance at year-end	—	—	—	—	—	—

24 Business Combination

Acquisition of Automatic Door Business

1. Business combination

(1) Trade name and business description of acquired company
Trade name: Kaba Gilgen AG
Business description: Sale and manufacture of automatic door for buildings, platform screen door, mobile gates and so on

(2) Acquisition purpose
The Automatic Door Business of Kaba has a long business history in Europe, under the esteemed brand of "Gilgen", "Kaba" and/or "Kaba Gilgen", and also is one of the largest players in the Platform Door Business in Europe, USA, and East Asia including China.
The company, primarily under "NABCO" brand, is engaged in the automatic doors business in Japan, USA, and China, and ranks as one of the top manufacturers in the world. The company is also developing Platform Door Business in Japan and Asian countries. Through the subject acquisition of Kaba's automatic door business, The Company will further enhance its world market position by adding European market to its coverage area.

(3) Date of business combination
April 1, 2011

(4) Legal description of business combination
Acquisition of shares

(5) Trade name after business combination
Gilgen Door Systems AG

(6) Percentage of voting rights acquired
100%

(7) Basis for determination of the acquiring company
The company acquired 100% shares of Kaba Gilgen AG by cash.

2. Period of business results if the acquired company included in the financial statements for the year ended March 31, 2012.
From April 1, 2011 to December 31, 2011

3. Acquisition cost of acquired company and its breakdown

		(Millions of yen)	(Thousands of U.S. dollars)
Consideration for acquisition:	Cash	¥17,854	$217,229
Expenditure directly required for acquisition:	Advisory fees, etc.	145	1,764
Acquisition cost:		¥17,999	$218,993

4. Amount of goodwill, reasons that the goodwill is recongnized, amortization method and period
(1) Amount of goodwill

	(Millions of yen)	(Thousands of U.S. dollars)
	¥15,707	$191,106

(2) Reasons that the goodwill is recognized
Goodwill is recognized since the net assets of Kaba Gilgen AG is less than the acquisition cost
(3) Amortization method and period
Straight-line method over a period of 20 years

5. Summary of assets and liabilities received results from business combination

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥7,470	$ 90,887
Fixed assets	1,802	21,925
Total assets	¥9,272	$112,812
Current liabilities	¥6,614	$ 80,472
Long-term liabilities	271	3,297
Total liabilities	¥6,885	$ 83,769

25 Subsequent Events

At the meeting of board of directors held on May 30, 2012, the Company resolved to implement a share exchange under which the company will become the wholly owning patent company of NABCO DOOR and NABCO DOOR will become the wholly owned subsidiary company of the Company.

Trade name and description of acquired company

① Acquired company: NABCO DOOR
Business description: Sales and construction of various types of automatic doors, metal and glass fittings and disaster-prevention systems for buildings, maintenance and repair of the above products, maintenance and repair of mechanical multilevel parking devices.

② Acquisition purpose
As "Global Challenge: Advance to the Next Stage," the Company announced, in May 2011, a 3-year medium-term business plan (from April 2011 to March 2014) aimed at further advance in the overseas market. Prior to this, from July 2010, the Company's Accessibility Innovations Company, the main business of which is the manufacture and sales of automatic doors, has been working with further enhancement of its domestic business base and expansion of its global business as its business policies.

As a part of such policies, in April 2011, the Company acquired Gilgen Door Systems AG, a Swiss business company handling automatic doors, and significantly expanded its business scale and at the same time, constructed a 4-market framework in Japan, Europe, North America and China. Since then up to today, it has been aiming for further expansion of its overseas business with growth potential and has been enhancing its competitiveness in the oligopoly global market.

In the domestic market, the Company's Accessibility Innovations Company forms the Nabco Group together with 3 major distributors, NABCO DOOR, Nabco Systems Co., Ltd. and Orient Industries, Co., Ltd., and together, owns more than a majority of the market share in the domestic market. The domestic market is the foundation of business for Accessibility Innovations Company and continues to be prominently positioned.

NABCO DOOR, established as the Company's sales and Construction Company in the west Japan region, went public on the stock exchange in 1996 aimed at expanding its business credit. Based on "safety, security and comfort," NABCO DOOR, making it its mission to contribute to society with the basic philosophy of providing the world with products and services offering satisfaction to the customers, has been working on sales and maintenance services under the theme of "creation of a comfortable environment where one can live at ease" and "coexistence with the natural environment" in consideration of the global environment.

As a result, NABCO DOOR has become a distributor accounting for approximately 40% of domestic sales of automatic doors in the Nabco Group.

However, the Lehman Shock in September 2008 and the economic downturn thereafter created awareness that the Japanese automatic door market environment was undergoing the following significant changes over a long period of time.

- Decline in growth potential, shift from quantity to quality and demand for barrier-free environment in consideration of disadvantaged people, associated with declining birthrate, the aging population and gradual decrease in the working population.
- From simple opening and closing functions to attachment of high value-added functions such as environmental improvement for decreasing unnecessary opening and closing, energy-conservation (ecological) and aperture information gathering.
- Shift from product oriented operations such as new installations to value chain operations such as maintenance, services and renovation.

Based on such changes in market structure, perceptive and swift grasp of the underlying needs of new markets and the provision of value-added products and services fitting such needs are the keys to enhancing competitiveness and expanding the business domestically in the future. In order to do so, it is necessary for those composing the value chain to work together and efficiently, more than ever, for understanding the market needs and for developing and providing products and high-quality services.

As a result of discussions held between the two companies based on such viewpoints, we agreed that it is necessary to shift from a collaborative relation, that of manufacturer and distributor, to a single capital tie, to take a unified approach towards the value chain and to achieve a prompt decision-making and improvement of the ability of execution, by making NABCO DOOR a wholly owned subsidiary of the Company.

By the Share Exchange, the Company will aim at constructing an efficient management with unified development, provision and sales of high value-added products and high-level services meeting the underlying needs of the market and improving the corporate values of both companies. By developing the results of such management into collaboration with the other two major distributors, we will aim at enforcing and expanding the business of the Nabco Group as a whole and at meeting the expectations of the Company 's shareholders including NABCO DOOR's shareholders who will be possessing the Company shares.

③ Method of Share Exchange
The Company will become the wholly owning parent company of NABCO DOOR and NABCO DOOR will become the wholly owned subsidiary company of the Company. Pursuant the "simple share exchange" procedures provided in Paragraph 3 of Article 796 of the Companies Act, the Company intends to implement the Share Exchange without obtaining the approval of the Company's general meeting of shareholders concerning the Share Exchange Agreement. NABCO DOOR intends to implement the Share Exchange upon obtaining the approval by resolution of NABCO DOOR's ordinary general meeting of shareholders scheduled to be held on June 27, 2012.

④ Effective date
August 1, 2012 (scheduled)

⑤ Details of allocation concerning Share Exchange

Company name	The Company (wholly owning parent company)	NABCO DOOR (wholly owned subsidiary company)
Details of allocation concerning Share Exchange	1	0.6
Number of shares to be delivered due to Share Exchange	The Company's ordinary share: 1,053,762 shares (scheduled)	

⑥ Calculation Basis, etc. concerning allocation under the Share Exchange
In order to secure the fairness of the share exchange ratio in the Share Exchange, each company decided to individually request the calculation of the share exchange ratio to an independent, third party valuation organization. For this purpose, the Company appointed Nomura Securities Co., Ltd. and NABCO DOOR appointed SMBC Nikko Securities Inc. as each of their third party valuation organizations concerning the calculation of the share exchange ratio.

With respect to the Company, Nomura Securities Co., Ltd. conducted calculations based on the average market price method and the comparable multiple valuation method, in addition to the discounted cash flow method. With respect to NABCO DOOR, SMBC Nikko Securities Inc. conducted calculations based on the average market price method and the discounted cash flow method.

The Company and NABCO DOOR considered the results of analysis and considered the financial conditions, trends of performance and trends of share values, etc. of both companies. As a result, the two companies, judging the share exchange ratio.

26 Appropriation of Retained Earnings

The following appropriation of retained earnings on a non-consolidated basis, which has not been reflected in accompanying consolidated financial statements, is approved at the shareholders' meeting held on June 26, 2012:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥17= $0.21 per share)	**¥2,160**	**$26,281**

The following appropriation of retained earnings on a non-consolidated basis, which is not reflected in accompanying consolidated financial statements, is approved at the shareholders' meeting held on June 24, 2011:

	(Millions of yen)
Cash dividends (¥16)	¥2,033