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[Cover]

[Filing]	Amendment Report to Annual Securities Report
[Articles of Basis]	Article 24(1) of the Financial Instruments and Exchange Act
[Submit to]	Kanto Finance Bureau
[Submission date]	September 30, 2026
[Fiscal year]	23rd fiscal period (from January 1, 2025 to December 31, 2025)
[Company name]	Nabtesco Corporation
[English translation name]	Nabtesco Corporation
[Title and Name of Representative]	Kazumasa Kimura, Representative director
[Location of the head office]	7-9, Hirakawacho 2-chome, Chiyoda-ku, Tokyo
[Phone No.]	+81-3-5213-1134
[Name of administrative liaison]	Yasushi Minegishi, General Manager, Corporate Communications Dept.
[Near contact location]	7-9, Hirakawacho 2-chome, Chiyoda-ku, Tokyo
[Phone No.]	+81-3-5213-1134
[Name of administrative liaison]	Yasushi Minegishi, General Manager, Corporate Communications Dept.
[Locations for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1. Reasons for Filing the Amendment Report to the Annual Securities Report

In April 2026, the Company became aware that TMT Machinery, Inc., (Nabtesco's ownership interest is 33%.) an equity-method affiliate, had recorded a gain on extinguishment of tie-in shares arising from the absorption-type merger of one of its subsidiaries (approximately ¥600 million attributable to Nabtesco's ownership interest). Upon becoming aware of this matter, the Company shared the information with its independent auditor and commenced an investigation into the retained earnings accumulated within TMT Machinery's subsidiaries and affiliated entities. As TMT Machinery is an unlisted company and does not prepare consolidated financial statements, the Company had historically applied the equity method based on TMT Machinery's standalone financial statements. Through its investigation, the Company identified that substantial retained earnings had accumulated within TMT Machinery's subsidiaries and affiliated entities and that the portion attributable to the Company had not been reflected in the share of profit (loss) of investments accounted for using the equity method. While continuously consulting with its independent auditor, the Company proceeded with a detailed review of the scope and amount of profits to be recognized.

In the course of the accounting auditor's interim review procedures for the condensed interim consolidated financial statements included in the Semi-annual Securities Report filed on August 14, 2026, the Company re-examined the scope and amounts of profit to be recognized and determined that the aggregate unrecognized amount was expected to be approximately ¥2.8 billion based on the Company's ownership interest. Following discussions with the accounting auditor, the Company determined that it would be appropriate to recognize share of profit (loss) of investments accounted for using the equity method in accordance with the timing at which profits and losses arose at the subsidiaries and other entities in prior fiscal years, and to correct other errors at the same time. Accordingly, the Company determined that it was necessary to retrospectively amend its Annual Securities Reports, Semi-annual Securities Reports and Quarterly Securities Reports for prior fiscal years.

As a result, certain information contained in the Annual Securities Report for the 23rd fiscal year (from January 1, 2025 to December 31, 2025), filed by the Company on March 25, 2026, requires correction. Accordingly, pursuant to the provisions of Article 24-2, paragraph (1) of the Financial Instruments and Exchange Act, the Company hereby files this Amendment Report to the Annual Securities Report.

The amended consolidated financial statements and non-consolidated financial statements have been audited by KPMG AZSA LLC, and the relevant independent auditor's report is attached hereto.

2. Matters Amended

Part I. Corporate Information

Section 1. Overview of the Company

1. Trend in Major Management Indicators

3. Description of Business

4. Status of Affiliated Companies

Section 2. Business Conditions

1. Management Policies, Business Environment and Issues to Be Addressed

4. Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows

Section 4. Status of the Company Submitting the Report

4. Status of Corporate Governance

Section 5. Accounting Status

1. Consolidated Financial Statements

2. Non-consolidated Financial Statements

3. Amended Sections

Amended sections are indicated by <u>underlining</u>.

As the amendments are extensive, only the amended information is presented for the matters listed above.

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Part one 【Corporate Information】

No.1 【Overview of the Company】

1 【Changes in Major Management Indicators】

(1) Consolidated management indicators

Fiscal term		19th	20th	21st	22nd	23rd
Fiscal year		2021/12	2022/12	2023/12	2024/12	2025/12
Net sales	(Million yen)	299,641	309,123	333,367	280,458	307,912
Income before income taxes	(Million yen)	101,806	16,553	25,316	14,225	21,983
Net income attributable to owners of the parent	(Million yen)	64,771	10,415	14,226	10,188	15,255
Net income	(Million yen)	67,846	12,338	16,102	11,765	17,185
Comprehensive income attributable to owners of the parent	(Million yen)	71,573	19,048	20,762	19,360	20,394
Comprehensive income	(Million yen)	75,924	21,597	23,217	22,184	22,685
Equity attributable to owners of the parent	(Million yen)	241,372	251,250	262,721	272,559	273,466
Total assets	(Million yen)	483,653	462,440	428,630	449,845	466,632
Equity attributable to owners of the parent per share	(Yen)	2,011.28	2,093.15	2,188.27	2,268.84	2,333.54
Total basic earnings per share	(Yen)	534.29	86.79	118.52	84.83	127.87
Diluted earnings per share	(Yen)	534.14	86.78	118.50	84.82	127.87
Ratio of equity attributable to owners of the parent	(%)	49.9	54.3	61.3	60.6	58.6
Profit ratio of equity attributable to owners of the parent company	(%)	29.4	4.2	5.5	3.8	5.6
Price-earnings ratio	(times)	6.4	38.8	24.3	33.1	31.3
Cash flows from operating activities	(Million yen)	36,340	7,717	11,177	26,650	32,824
Cash flows from investing activities	(Million yen)	67,147	13,231	-46,295	-28,733	-15,725
Cash flows from financing activities	(Million yen)	-57,960	-13,456	-13,482	-4,137	-13,559
Cash and cash equivalents at fiscal year end	(Million yen)	112,771	124,413	77,835	74,476	73,340
Number of employees	(Persons)	7,844	7,928	8,158	8,227	8,472

(NOTE) 1 Figures are rounded to the nearest unit.
2 Consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).
3 From the current consolidated fiscal year, the hydraulic equipment business has been classified as a discontinued operation. Accordingly, net sales and profit before tax for the 22nd and 23rd fiscal years are presented for continuing operations only, excluding the discontinued operation.

(2) Non-consolidated management indicators

Fiscal term		19th	20th	21st	22nd	23rd
Fiscal year		2021/12	2022/12	2023/12	2024/12	2025/12
Net sales	(Million yen)	163,288	167,511	176,334	155,923	177,112
Ordinary income	(Million yen)	18,703	19,635	11,653	6,759	14,275
Net Income	(Million yen)	51,427	37,966	14,527	7,956	11,753
Common stock	(Million yen)	10,000	10,000	10,000	10,000	10,000
Number of issued shares	(Thousands of shares)	121,064	121,064	121,064	121,064	118,065
Net assets	(Million yen)	170,165	169,220	174,651	174,038	167,519
Total assets	(Million yen)	311,706	292,573	275,331	274,292	278,450
Net assets per share	(Yen)	1,417.76	1,454.85	1,454.59	1,448.69	1,429.43
Dividends per share (including interim dividends per share)	(Yen)	77.00 (38.00)	78.00 (39.00)	80.00 (40.00)	80.00 (40.00)	80.00 (40.00)
Net income per share	(Yen)	424.22	316.39	121.02	66.24	98.52
Fully diluted Net income per share	(Yen)	424.11	316.32	121.00	66.24	98.52
Equity Ratio	(%)	54.6	59.7	63.4	63.4	60.2
Return on equity	(%)	35.6	22.0	8.5	4.6	6.9
Price-earnings ratio	(times)	8.0	10.6	23.8	42.4	40.7
Dividend payout ratio	(%)	18.2	24.7	66.1	120.8	81.2
Number of employees (Average number of temporary employees)	(Persons)	2,369 (342)	2,390 (317)	2,448 (344)	2,485 (334)	2,186 (299)
Total shareholder return (Comparative index: TOPIX including dividends)	(%) (%)	77.0 (112.7)	77.9 (110.0)	68.9 (141.1)	69.1 (169.9)	91.7 (213.2)
Highest stock price	(Yen)	5,610	3,805	3,795	2,984	4,107
Lowest stock price	(Yen)	3,120	2,709	2,518	2,121	1,889

(NOTE) 1 Figures are rounded to the nearest unit.

2 The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange before April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.

3 Of the ¥80 per share dividend for the 23rd fiscal year, the ¥40 per share year-end dividend is subject to approval at the Annual General Meeting of Shareholders to be held on March 26, 2026.

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2 【Corporate History】

Year and month	History
September. 2003	TS Corporation (formerly Teijin Seiki Co., Ltd.) and NABCO Ltd. established the Company through a share transfer. The Company listed our shares on the First Section of the Tokyo Stock Exchange.
October, 2004	The Company absorbed two wholly owned subsidiaries, TS Corporation (formerly Teijin Seiki Co., Ltd.) and NABCO Ltd., through a simplified merger process.
February, 2008.	The Company established a Nabtesco Power Control (Thailand) Co., Ltd. in Thailand.
December, 2009	Established Nabtesco Automotive Corporation. The automobile-related equipment business was transferred to the company.
January, 2011	Established Jiangsu Nabtesco KTK Railroad Products Co., Ltd. in China.
April, 2011	Acquired Automatic Door division (now Gilgen Door Systems AG) from KABA Holding AG of Switzerland.
August, 2011.	The head office was relocated to the current site (7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo).
October, 2011	Established Jiangsu Nabtesco Hydraulic Co., Ltd. (currently Nabtesco (China) Precision Equipment Co., Ltd.) in China.
April, 2016	Acquired additional shares in NABCO Systems Co., Ltd., and made it a subsidiary.
March, 2017	Acquired an equity interests in OVALO GmbH and made it a subsidiary.
April, 2022	Shifted from the First Section to the Prime Market due to a review of the market classification of the Tokyo Stock Exchange.
August, 2023	Acquired an equity interest in R.K. DEEP SEA TECHNOLOGIES LIMITED and made it a subsidiary.
December, 2025	The hydraulic equipment business was transferred to Comtesco Corporation through an absorption-type company split.

(NOTE) 1. As of January 1, 2026, 70% of the issued shares of Comtesco Corporation was transferred to Comer Industries S.p.A.

2. The history of the wholly-owned subsidiaries TS Corporation (formerly Teijin Seiki Co., Ltd.) and NABCO Ltd. are as follows.

TS Corporation.		NABCO Ltd.	
August, 1944	Spun off as Teijin Aircraft Industry Co., Ltd. from Teikoku Jinzo-Kenshi Kaisha, Ltd., (renamed TEIJIN LIMITED in November 1962).	March, 1925	Nippon Air Brake Co., Ltd. was established in Kobe through the investment of three companies: Kobe Steel, Ltd., Engine Manufacturing Co., Ltd., Tokyo Gas Electric Industrial Co., Ltd. and began manufacturing air brake equipment for railroad vehicles.
September, 1945	Name changed to Teijin Seiki Co., Ltd.	March 1933	Started manufacturing of automotive oil brake equipment.
November, 1945	Started manufacturing textile machinery.	June 1937	Started manufacturing automotive air brake systems.
February, 1949	Head office moved from Iwakuni to Osaka.	December, 1943	Name changed to Nippon Brake Systems Co., Ltd.
August, 1949	Listed on the Osaka Securities Exchange	June, 1946	Name changed to Nippon Air Brake Co., Ltd.
March, 1955	Started manufacturing functional parts for aircraft.	February, 1949	Started manufacturing hydraulic equipment.
March, 1959	Started manufacturing of machine tools and industrial machinery.	May, 1949	Listed on the Osaka Securities Exchange
September, 1961	Started manufacturing Hydraulic equipment.	December 1953	Started manufacturing of door systems for railroad vehicles.
September, 1962	Listed on the 1st section of the Tokyo Stock Exchange.	July, 1956	Started manufacturing of automatic door systems for buildings.
October, 1999	Head office moved from Osaka to Tokyo.	June 1963	Started manufacturing of marine control equipment.
March, 2000	Teijin Seiki Textile Machinery Co., Ltd. (dissolved in March 2012) is established. The textile machinery business was transferred to the company.	February, 1985	Listed on the 1st section of the Tokyo Stock Exchange.
April, 2002	Established TMT Machinery Inc. as a joint venture with Toray Engineering Co., Ltd. and Murata Machinery Co., Ltd. In April 2003, the synthetic fiber machinery business was transferred to the company.	April, 1992	Name changed to NABCO, Ltd.
October, 2003	Name changed to TS Corporation.	October, 1999	Transferred the passenger car oil brake business to Bosch Brake System Co., Ltd. (now Bosch Corporation).
October, 2004	Eliminated due to the merger with Nabtesco Corporation.	October, 2004	Eliminated due to the merger with Nabtesco Corporation.

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3 【Description of business】

The group consists of the Company, 66 subsidiaries, and 12 affiliated companies. Main businesses of the Group are divided into Component Solutions Business, Transport Solutions Business, and Accessibility Solutions Business. Its business operations and their positioning and relation to segments are as follows. The categories shown below are the same as those of segments.

(1) Business Activities

Segment name	Business Activities
Component solutions business	Design, manufacture, sale, maintenance and repair of industrial robot parts
Transport solutions business	Design, manufacture, sale, maintenance and repair of brake systems, door systems, couplers and safety systems for railway cars, parts for aircraft, brake systems, drive control systems and safety systems for automobiles, control systems and fire extinguishing systems for marine vessels, etc., and parts thereof.
Accessibility solutions business	Design, manufacture, sale, installation, maintenance, and repair of buildings and general industrial automatic doors, smoke emission equipment, platform safety equipment, welfare and nursing care equipment, and other components.
Others	Design, manufacture, sale, maintenance and repair of packaging machinery, machine tools, forging machinery, textile machinery, three-dimensional model creation equipment and other general industrial machinery and other components.

(2) Relationship between the segments of the Company, its subsidiaries and affiliates

As of December 31, 2025

Business Segment	Domestic	Overseas
Component Solutions Business	Nabtesco Corporation T.S. Mechatech Co., Ltd. ※1 Comtesco Corporation ※1,3	Nabtesco (China) Precision Equipment Co., Ltd. ※1 Changzhou Nabtesco Precision Machinery Co., Ltd. ※1 Nabtesco Precision Europe GmbH ※1 Nabtesco Motion Control, Inc. ※1 Shanghai Nabtesco Motion-Equipment Co., Ltd. ※2 Shanghai Nabtesco Hydraulic Co., Ltd. ※1,3 Nabtesco Power Control (Thailand) Co., Ltd. ※1,3 Nabtesco Power Control Europe GmbH ※1,3
Transport Solutions Business	Nabtesco Corporation Nabtesco Marine Shikoku Co., Ltd. ※1 Nabtesco Automotive Corporation ※1 Nabtesco Service Co., Ltd. ※1 NABTEC Co., Ltd. ※1 Kyokko Denki Co., Ltd. ※2	Jiangsu Nabtesco KTK Railroad Products Co., Ltd. ※1 Chengdu Nabtesco KTK Railroad Products Co., Ltd. ※1 Nabtesco Oclap S.r.l. ※1 Nabtesco Marine Machinery (Shanghai) Co., Ltd. ※1 Nabtesco Marine Europe B.V. ※1 Nabtesco Marine Asia Pacific Pte. Ltd. ※1 Nabtesco Marinetec Co., Ltd. ※1 Deep Sea Technologies SMPC ※1 R.K. DEEP SEA TECHNOLOGIES LIMITED ※1 Nabtesco Aerospace, Inc. ※1 Nabtesco Aerospace Europe GmbH ※1 Nabtesco Automotive System (Shanghai) Co., Ltd. ※1 Nabtesco Automotive Products (Thailand) Co., Ltd. ※1 Taiwan Nabtesco Service Co., Ltd. ※1 Nabtesco Service Southeast Asia Co., Ltd. ※1 NS Autotech Co., Ltd. ※2 OVALO GmbH ※1 adcos GmbH ※1
Accessibility Solutions Business	Nabtesco Corporation NABCO DOOR Ltd. ※1 NABCO SYSTEM CO., LTD. ※1 Niigata Nabco Pty. Ltd. ※1 Nabco Metal Co., Ltd. ※1 Nabco Toto Co., Ltd. ※1 NABCO-R CO., LTD. ※1	NABCO Auto Door (Beijing) Co., Ltd. ※1 NABCO Entrances, Inc. ※1 NABCO Canada Inc. ※1 Royal Doors Ltd. ※1 Gilgen Door Systems AG ※1 Gilgen Nabtesco (Hong Kong) Limited ※1 Gilgen Door Systems Germany GmbH ※1 Gilgen Door Systems Austria GmbH ※1 Gilgen Door Systems Italy srl ※1 Wupper Glas und Tür Technik GmbH ※1 Gilgen Door Systems Australia Pty Ltd. ※1 Copas Systèmes SAS ※1 Access Entry Pty Ltd. ※1 GDS Vostok AG ※2
Others	PACRAFT Co., Ltd. ※1 CMET, Inc. ※1 TMT machinery Inc. and three other companies ※2	PACRAFT (Dalian) Packaging Technology Co., Ltd. ※1 PACRAFT America Corporation ※1 PACRAFT Europe GmbH ※1 Engilico Engineering Solutions NV ※1 Engilico BV ※1 Engilico USA, LLC ※1 Engilico Trading, LLC ※1 SHANGHAI TMT MACHINERY, INC. and three other companies ※2
Company-wide	Nabtesco Corporation Nabtesco Link Corporation ※1	Shanghai Nabtesco Business Management Co., Ltd. ※1 Nabtesco India Private Ltd. ※1 Nabtesco USA Inc. ※1 Nabtesco Europe GmbH ※1 Nabtesco Technology Ventures AG ※1 Nabtesco Technology Ventures (Cayman) Ltd. ※1 Nabtesco Technology Ventures L.P. ※1
Subsidiaries and affiliates Total of 78	20 domestic companies	58 overseas companies

※1 Consolidated subsidiaries
※2 Affiliated companies accounted for by the equity method
※3 Classified as a discontinued operation

(NOTE) Changes in Consolidated Subsidiaries and Affiliated companies

(Consolidated Subsidiaries)

Increase 3 companies

Access Entry Pty Ltd. was excluded from equity-method affiliates and became a consolidated subsidiary of the Company as a result of Gilgen Door Systems AG, a group company of the Company, acquiring additional shares in Access Entry Pty Ltd., increasing its ownership interest from 33% to 80%.

NABCO-R CO., LTD. (formerly RINTATSU Co.,Ltd.) became a consolidated subsidiary of the Company as NABCO SYSTEM CO., LTD., a group company of the Company, acquired 100% of its shares.

Comtesco Co., Ltd., a wholly owned group company of the Company, was newly established.

Decrease 1 company

Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. transferred its assets to Shanghai Nabtesco Hydraulic Co., Ltd. and was subsequently liquidated.

(Affiliated companies)

Decrease 1 company

As a result of Gilgen Door Systems AG acquiring additional shares in Access Entry Pty Ltd., increasing its ownership interest from 33% to 80%, Access Entry Pty Ltd. was excluded from equity-method affiliates and became a consolidated subsidiary of the Company.

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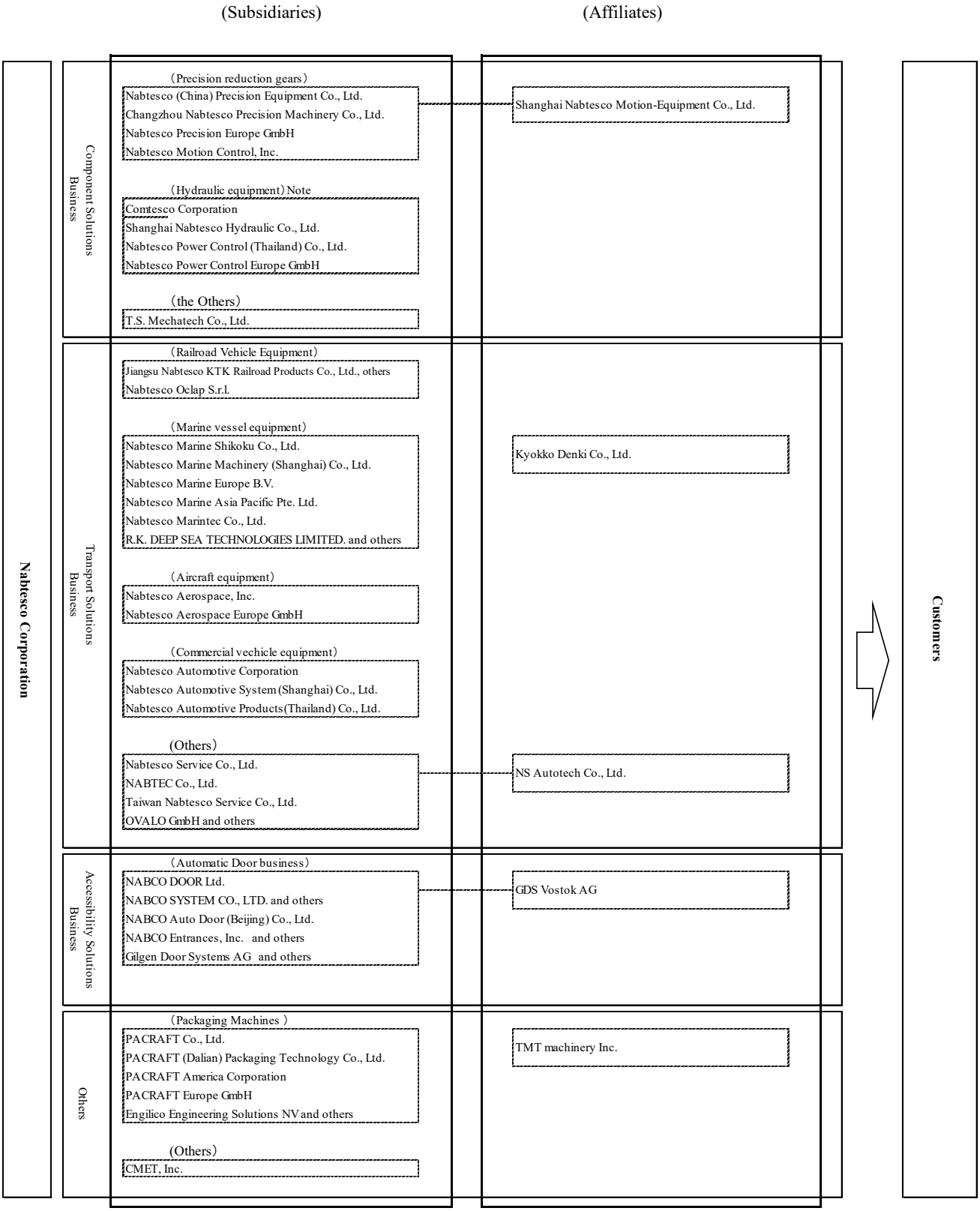
(3) Organization chart of the business



Note : Classified as a discontinued operation

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4 【Status of Affiliated Companies】

As of December 31, 2025

Name	Address	Common stock (Million yen)	Main business (Note 1)	Percentage of voting rights held [owned] (%)(Note 2)	Related content
(Consolidated Subsidiaries) NABCO DOOR Ltd.	Kita-ku,Osaka city Osaka prefecture	848	Accessibility	100.0	Sales, installation and maintenance of our products. Interlocking officers, etc. No
Nabtesco Automotive Corporation	Chiyoda-ku, Tokyo	450	Transport	100.0	Lending and Borrowing of Funds, etc. Interlocking officers, etc. Yes
Nabtesco Service Co., Ltd.	Shinagawa, Tokyo, Japan	300	Transport	100.0	Sales, installation and maintenance of the Company's products Interlocking officers, etc. No
NABCO SYSTEM CO., LTD.	Chiyoda-ku, Tokyo	300	Accessibility	85.9	Sales, installation and maintenance of the Company's products. Interlocking officers, etc. Yes
PACRAFT Co., Ltd.	Minato-ku, Tokyo	245	Others	100.0	Lending and borrowing of funds Interlocking officers, etc. Yes
Comtesco Corporation (Note 5)	Tarui-cho, gifu Prefecture	0	Component	100.0	Interlocking officers, etc. Yes
Nabtesco (China) Precision Equipment Co., Ltd. (Note 3)	China Jiangsu province	Thousand of USD 50,000	Component	67.0	Mutual supply of products and parts with the Company, etc. Interlocking officers, etc. No
Jiangsu Nabtesco KTK Railroad Products Co., Ltd. (Notes 3 and 4)	China Jiangsu province	1,800	Transport	50.0	Mutual supply of products and parts with the Company Interlocking officers, etc. No
Shanghai Nabtesco Hydraulic Co., Ltd. (Note 3, 5)	China Shanghai City	Thousand of USD 14,500	Component	55.0	Mutual supply of products and parts with the Company Interlocking officers, etc. Yes
Nabtesco Aerospace, Inc.	United States Washington state	Thousand of USD 1,000	Transport	100.0 (100.0)	Mutual supply of products and parts with the Company Interlocking officers, etc. No
NABCO Entrances, Inc.	United States Wisconsin State	Thousand of USD 0.3	Accessibility	100.0 (100.0)	Mutual supply of products and parts with the Company Interlocking officers, etc. No
Gilgen Door Systems AG (Note 6)	Switzerland Bern	Thousand of CHF 2,001	Accessibility	100.0	Interlocking officers, etc. No
Nabtesco Precision Europe GmbH	Germany Dusseldorf	Thousands of EUR 51	Component	100.0 (100.0)	Sales of our products Interlocking officers, etc. No
Nabtesco Power Control (Thailand)Co., Ltd. (Note 3, 5)	Thailand Chonburi Prefecture	Thousands of THB 700,000	Component	70.0	Mutual supply of products and parts with the Company Interlocking officers, etc. Yes
Other 52 companies	—	—	—	—	—
(Equity-method affiliates) TMT machinery Co., Ltd.	Kita-ku,Osaka city Osaka prefecture	450	Others	33.0	Interlocking officers, etc. Yes
11 other companies	—	—	—	—	—

(NOTE) 1 The name of the segment is shown in the main business section.
2 Percentage of voting rights held [owned] column (in parentheses) is indirect ownership.
3 A specified subsidiary.
4 Although the Company holds 50% of the voting rights, it is considered to have substantial control, and therefore it is considered a consolidated subsidiary.
5 Classified as a discontinued operation
6 Gilgen Door System AG exceed 10% of total revenue.
(Main items of profit and loss and balance sheet)
(1) Sales 34,626 million yen
(2) Income before tax 738 million yen
(3) Net income 531 million yen
(4) Net asset 12,394 million yen
(5) Total asset 40,409 million yen

5 【Employee Status】

(1) Consolidated basis

As of December 31, 2025

Business Segment	Number of employees
Component Solutions Business	1,781
Transport Solutions Business	2,216
Accessibility Solutions Business	3,637
Others	442
Company-wide (common)	396
Total	8,472

(NOTE) 1 The number of employees is the number of employees employed, including those seconded from outside our group to our group, except for those seconded from our group to outside our group.
2 The number of temporary employees is omitted because it is less than 10 out of 100 of the number of employees.

(2) Status of the submitting company

As of December 31, 2025

Number of employees	Average age(years)	Average length of service (year)	Average annual salary (thousands of yen)
2,186 (299)	42.6	16.9	7,153

Business Segment	Number of employees
Component Solutions Business	628 (236)
Transport Solutions Business	962 (50)
Accessibility Solutions Business	258 (12)
Others	13 (1)
Company-wide (common)	325 (－)
Total	2,186 (299)

(NOTE) 1 The number of employees is the number of employees employed, including those seconded from other companies to us, except for those seconded from us to other companies.
2 Average annual salary includes bonuses and non-standard wages.
3 Figures in (superscription) in the number of employee's column are the average number of temporary employees per year.
4 The primary factor behind the change in the number of employees was a decrease in personnel resulting from the absorption-type company split of the hydraulic equipment business to Comtesco Corporation, resulting in a decrease of 299 employees compared with the end of the previous fiscal year.

(3) Union Information

The labor unions of the submitting companies belong to JAM as a top organization, and as of December 31, 2025, there were 1,707 union members. Labor-management relations are in a smooth relationship, and there are no noteworthy matters.

In addition, labor unions are formed in some consolidated subsidiaries, and there are no noteworthy matters regarding labor-management relations as they are in a smooth relationship.

(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers

① Status of the submitting company

Current fiscal year				
Percentage of female workers in managerial positions (%)(NOTE1)	Percentage of male workers taking childcare leave (%)(NOTE2)	Differences in wages between male and female workers (%)(NOTE1 and 3)		
		All workers	Regular workers	Part-timers and fixed-term workers
3.8	91.9	80.1	80.8	80.3

(NOTE) 1 Calculated in accordance with the provisions of the "The Act on Promotion of Women's Participation and Advancement in the Workplace" (Law No. 64 of 2015). Percentage of female workers in managerial positions is as of December 31, 2025

2 In accordance with the provisions of the "Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave"(Law No. 76 of 1991), calculated by Article 71-6, Item 1 of the "Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Labor Ordinance No. 25 of 1991). The rate of male employees taking childcare leave may exceed 100% due to the effects of taking childcare leave, etc. on children born in the previous year.

3 There is no difference in treatment according to gender in the wage system. Figures for overseas employees are calculated based on the theoretical wages of non-regular employees who worked in Japan and those who worked part-time on a full-time basis. Reduced working hours due to childcare or nursing care are not compensated.

＜Supplementary Explanation for each figure＞

- Details of the Company's human capital KPIs are disclosed in "Part II: Business Overview, 2. Approach to and Initiatives on Sustainability, (3) Promotion of Human Capital Management." Detailed data on employment-related indicators and diversity initiatives are available in the "Social Data" section of the ESG Data Book on the Company's sustainability website.
- In order to realize the "Leaders in Innovation" vision set forth in its long-term vision, the Company recognizes the enhancement of its human capital portfolio and the incorporation of diverse perspectives into corporate management as one of its key initiatives. During the period of the three-year Medium-Term Management Plan starting in 2025, the Company has set a target to increase the ratio of women in management positions from 3.0% to 4.1%. To promote the internal development and advancement of female managers, the Company identifies prospective management candidates within each department and provides tailored development support, including the formulation of development plans and assistance in addressing individual challenges based on each candidate's career aspirations and needs. In addition, the Company conducts training programs for mid-career female employees who are candidates for management positions and their supervisors, as well as diversity training aimed at eliminating unconscious bias related to gender. Through these initiatives, the Company seeks to strengthen its talent pipeline to achieve a continuous increase in the ratio of women in management positions.
- The gender pay gap at the Company primarily results from the higher proportion of men in senior management positions and higher job grades with respect to base compensation. In other words, the gap does not arise from differences in treatment for equivalent roles, but rather from differences in the composition of job grades. Accordingly, the Company recognizes the development and promotion of female managers and management candidates as an important management issue. Through the transition to a role-based personnel system, the Company has reduced seniority-based elements and shifted to a compensation structure that more clearly reflects roles and responsibilities. As a result, the gender pay gap temporarily widened in the first year following the introduction of the new system. By job grade, the pay gap is attributable to higher average age and length of service among women in lower job grades, and a higher proportion of men and higher salary levels in upper job grades. In addition, gender differences are observed in variable compensation such as overtime pay, suggesting the possibility that challenging assignments may be disproportionately allocated to men and that unconscious bias may exist in job placement and assignment decisions. In light of these factors, the Company is committed to correcting the gender pay gap by ensuring a stronger linkage between roles and compensation, promoting fair access to opportunities through diversity education and enhanced evaluation capabilities, and systematically developing and promoting female managers and management candidates.
- The Company believes that an increase in male employees who actively participate in childcare contributes to the promotion of diversity and the creation of innovation. Accordingly, the Company has set a target of "one month" for the duration of childcare leave (including special leave) and has established an environment that encourages male employees to take childcare leave proactively. In addition, the Company offers a variety of work style options tailored to individual circumstances and needs, enabling employees to remain active regardless of their life stage. By promoting men's participation in childcare, the Company aims to create a diverse and inclusive workplace environment.

② Consolidated Subsidiaries

Current fiscal year					
Name	Percentage of female workers in managerial positions (%)(NOTE1)	Percentage of male workers taking childcare leave (%)(NOTE2)	Differences in wages between male and female workers (%)(NOTE1 and 3)		
			All workers	Regular workers	Part-timers and fixed-term workers
NABTEC Co., Ltd.	—	66.7	82.9	83.6	67.6
Nabtesco Service Co., Ltd.	8.0	66.7	81.1	88.4	65.0
Nabtesco Automotive Corporation	4.2	100.0	63.8	70.9	66.9
PACRAFT Co., Ltd.	8.6	85.7	80.2	81.0	45.7
T.S. Mechatech Co., Ltd.	—	50.0	72.4	73.7	80.2
NABCO DOOR Ltd.	1.9	58.3	69.2	68.1	80.5
NABCO SYSTEM CO., LTD.	1.8	62.5	69.1	68.9	73.2
Comtesco Corporation Note4	—	—	—	—	—

(NOTE) 1 Calculated in accordance with the provisions of the “The Act on Promotion of Women’s Participation and Advancement in the Workplace” (Law No. 64 of 2015). Percentage of female workers in managerial positions is as of December 31, 2025

2 In accordance with the provisions of the “Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave”(Law No. 76 of 1991), calculated by Article 71-6, Item 1 of the "Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Labor Ordinance No. 25 of 1991). The rate of male employees taking childcare leave may exceed 100% due to the effects of taking childcare leave, etc. on children born in the previous year.

3 There is no difference in treatment according to gender in the wage system. Figures for overseas employees are calculated based on the theoretical wages of non-regular employees who worked in Japan and those who worked part-time on a full-time basis. Reduced working hours due to childcare or nursing care are not compensated.

4 As the Company transferred its hydraulic equipment business through a company split effective December 31, 2025, the indicators “percentage of male employees taking childcare leave” and “gender pay gap” are disclosed on a basis that includes the reporting company, as indicated in item ①.

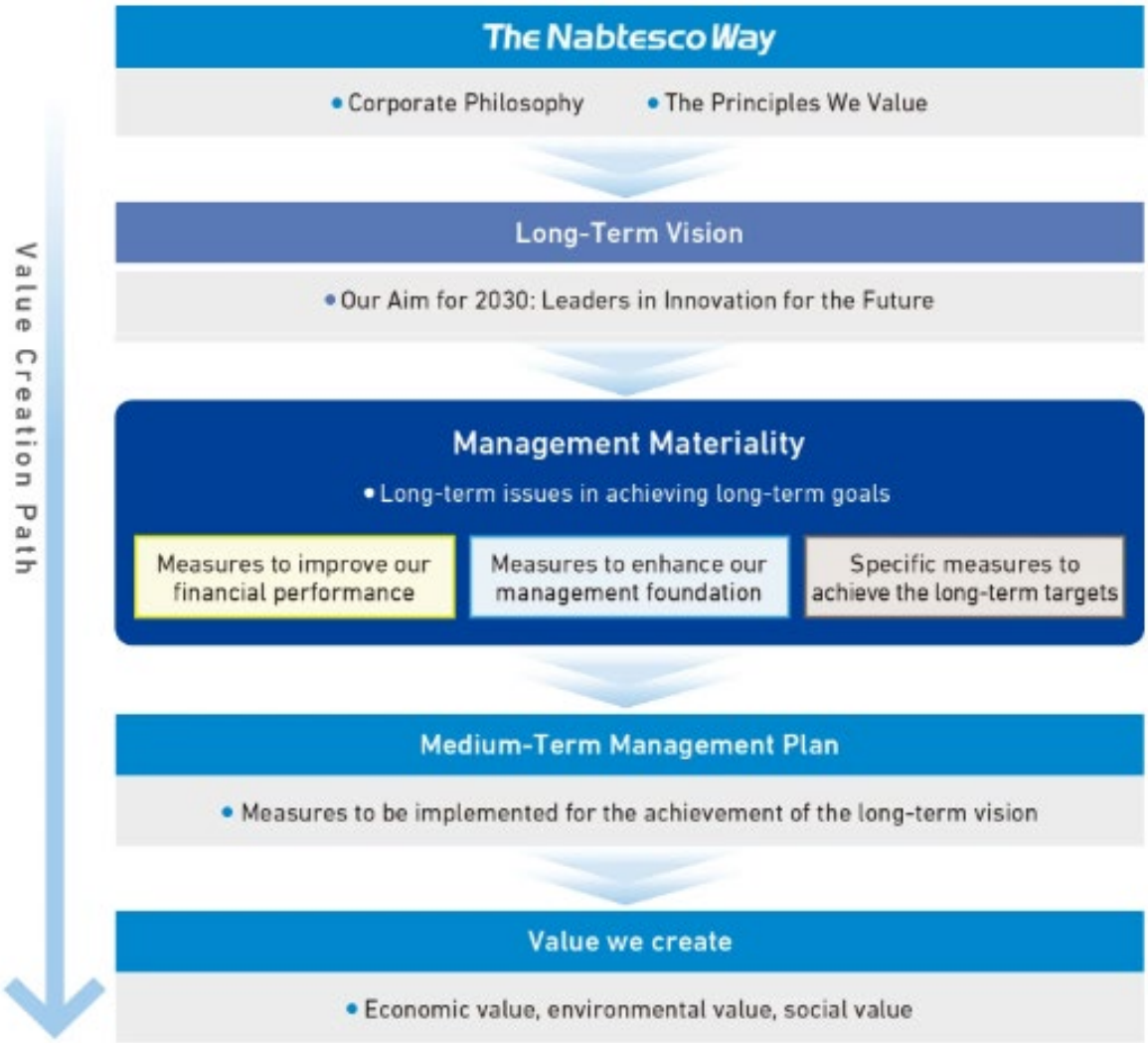
(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

No.2 【Business Conditions】

1 [Management Policies, Management Environment and Issues to be Addressed]

Our Corporate Philosophy is stated "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" The Nabtesco Way is the statement of the stance and mindset that achieves this Corporate Philosophy, as The Principles We Value. Under this philosophy and the principles, we are promoting a long-term value creation story, consisting of the Long-term Vision that illustrates our aim for 2030, Management Materiality that presents the important challenges we need to work on to achieve our Long-term Goals, and the Medium-term Management Plan, which describes measures to achieve our Long-term Targets. Through these measures, we aim to bring innovation while improving economic value, environmental value and social value in the long-term, in pursuit of management that sustainably develops both society and our group.

＜Nabtesco's Value Creation Story＞



(1) The Nabtesco Way

In 2012, the Nabtesco Group formulated "The Nabtesco Way," which describes our Corporate Philosophy and Action Guidelines, and we have been working to put our Corporate Philosophy into practice while conducting activities to spread it throughout the Group.

In 2023, we revised "The Nabtesco Way" with the intention of ensuring that diverse human resources around the world understand and empathize with them and act even more enthusiastically, in light of the recent changes in the external and internal environments. In new "The Nabtesco Way," our Corporate Philosophy has been retained, while Our Promises and Action Guidelines have been revised to reorganize the principles to be passed on to the next generation, and to incorporate a new perspective that takes on challenges, and has been consolidated to the six points of "The Principles We Value." The Company aims to deliver greater than expected satisfaction to society by grasping the needs and issues of customers and society from "See the people. See the planet." perspective, using the spirit of "Be open, fair, and honest.", and "Enjoying the challenge" of valuing "Stay curious. Explore further." while "Create together." with diversity, and promoting autonomous "Improve ourselves. Advance society"

(2) Long-term Vision

The Group has established a long-term vision, "Leaders in Innovation for the Future," as a guideline for realizing the Group's growth and development toward 2030, and "Our Aim for 2030."

Leaders in Innovation for the Future

Innovation In Action

Our Aim for 2030

- Creating new values with our unique technology and intelligence
- Enriching lifestyles and the environment worldwide
- "Moving your heart" by providing safety and security

In order to achieve our long-term vision, we have set the concept of our long-term vision up to 2030 as shown in the diagram below. Based on the "Identity of Nabtesco" accumulated so far, we aim to create new value in the market and become "leaders in innovation" one step ahead of our customers by promoting business while focusing on "technology," "globalization," and "contributions."

(3) Management Materiality

Our group positions its "management materiality" as particularly important management issues in achieving its long-term goals, and aims to realize sustainable growth for both society and the Group by proactively addressing these issues. To this end, the Group has structured its management materiality around three pillars: "Measures to improve our financial performance," "Measures to enhance our management foundation," and "Specific measures to achieve long-term targets." Through initiatives addressing both financial and non-financial aspects, the Group seeks, from a long-term perspective, to achieve a balance between economic value and environmental and social value.

Going forward, the Group will further strengthen its management foundation and continue to create value for its stakeholders by promptly and appropriately reviewing its management materiality in response to changes in the business environment and societal expectations.

Details of the Group's management materiality are described in "2. Approach to and Initiatives on Sustainability, (1) Overall Approach to Sustainability."

(4) Medium-Term Management Plan

The Nabtesco group, toward the realization of the long-term vision for fiscal 2030, which it announced in February 2021, has formulated its medium-term management plan (hereinafter "MTMP) for the three years from fiscal 2025.

【Basic policy of MTMP】

"Reviving Potential, Evolving Excellence."

Reviving Potential; Reviving our profitability by executing Project 10
Evolving Excellence; Evolving our technology from "motion control" to "smart motion control" to provide new value that meets the needs of society

① Management Targets

The Nabtesco Group has set the targets for the medium-term management plan for FY2025 to FY2027 as follows.

ROIC : 10% or over
Return to shareholders : Approximately DOE 3.5% with stable dividend and share buyback in accordance of financial condition
Environmental target : Reduce CO_2 emissions by 50% in 2027
(Baseline year: fiscal 2015/aligned with the SBT 1.5-degree Celsius target)

Our result in FY2025 was as follows

	FY2025 (Result)
ROIC	4.5%
DOE	3.5%
Reduction in CO_2 emissions (Scope1+2、Baseline year: fiscal 2015)	-43.6%

(NOTES) 1. At the Annual General Meeting of Shareholders scheduled to be held on March 26, 2026, the Company proposes an agenda item (resolution) entitled "Appropriation of Surplus." If this proposal is approved, the DOE ratio is expected to be as stated above.
2. Figures for FY2025 out of the above CO_2 emissions reductions are based on the totals as of the filing date.

② Medium- to Long-term Management Strategies

Nabtesco is reviving profitability by executing Project 10 (Reviving Potential) and evolving our technology toward smart motion control (Evolving Excellence) to deliver the value of our products and services, ultimately achieving our long-term vision of becoming a "leaders in innovation for the future."

1) Regain earning power and profitability by executing Project 10
Enhance profits through business growth, cost reduction, and optimization of fixed costs.

2) Smart Motion Control
Our core competence in component technology is evolving from "motion control" to "smart motion control," including electrification, integration and data solutions. This will create new value to address societal challenges in our business fields.

3) Build a resilient corporate foundation
Optimize our portfolio based on our vision (smart motion control) and profitability (ROIC)

(NOTE) Forward-looking statements in this Annual Securities Report are based on information available to the Company as of the end of the fiscal year under review. Actual results may differ from these statements due to factors such as those listed in "3. Business and Other Risks."

2 【Policies and Measures for Sustainability Management】

Within Nabtesco's value creation story, the Group positions its "management materiality," which forms its core, as particularly important management issues. Through initiatives addressing both financial and non-financial aspects, the Group aims to achieve a balance between economic value and environmental and social value, thereby pursuing sustainable growth for both society and the Group.

The Group believes that accurately capturing changes in the business and management environment and promptly and appropriately reviewing its management materiality—referred to as "dynamic materiality"—is essential to promoting long-term value creation. By steadily executing actions based on its management materiality and further strengthening its management foundation, the Group will continue to strive to create value for its stakeholders.

Forward-looking statements in this Annual Securities Report are based on information available to the Company as of the end of the fiscal year under review. Actual results may differ from these statements due to factors such as those listed in "3. Business and Other Risks."

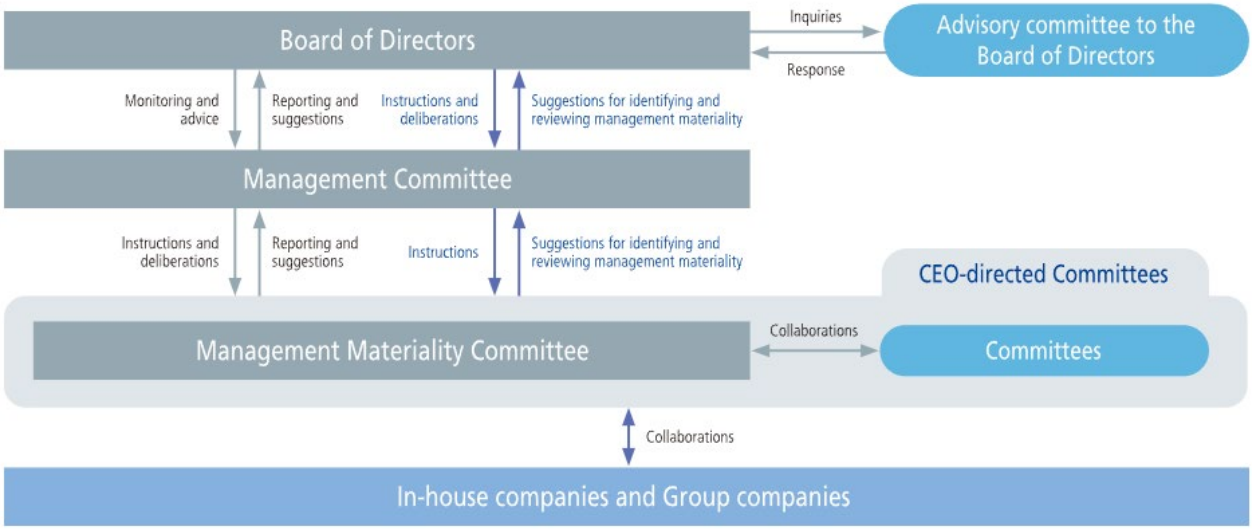
(1) Response to overall sustainability

① Governance

To strengthen sustainability governance, the Nabtesco Group dissolved its former CSR Committee in 2023 and established the "Management Materiality Committee," which reports directly to the CEO. The Committee works in coordination with other committees reporting directly to the CEO, with an executive officer serving as Chair of the Management Materiality Committee providing oversight. The Committee is responsible for setting targets and KPIs for each management materiality item, as well as monitoring progress against those targets.

The activities of the Committee are deliberated by the Management Materiality Committee and the Management Committee, and are subsequently reported to the Board of Directors, thereby enhancing the effectiveness of sustainability governance across the Group.

＜Structure to promote sustainability governance (As of January 1, 2026)＞



② Strategy

■Structure of Our Management Materiality

Our management materiality is comprised of three pillars. By fostering financial and non-financial measures and striving to achieve economic value, environmental value and social value from long-term perspective, we will provide value to our stakeholders, maintaining profitable growth.

For "Measures to improve our financial performance," we will work to consistently achieve our short-term revenue targets, ensure the efficient distribution of our managerial resources, and increase our capital efficiency for the promotion of ROIC-oriented management.

For "Measures to enhance our management foundation," we have identified items that need reinforcement to more effectively contribute to society through our business activities. Consequently, we will implement intensive measures for activities related to ESG items, considering their connections to our profit and growth.

Moreover, by implementing "Specific measures to achieve the long-term goals," we will strengthen our business activities, including social contributions, and thereby promote our long-term growth.

■Management Materiality Identification Process and Regular Reviewing

Our group identifies management materiality by extracting social issues addressed through our business strategy and ESG items closely related to our business, analyzing their significance from the perspectives of impact on our company and stakeholders. In terms of their validity, we engage in deliberations with external experts, conduct reviews within the Management Materiality Committee and the Management Committee, and finalize decisions at the Board of Directors' meeting.

For management materiality, changes are made once a year to respond swiftly and appropriately to shifts in the business and societal requirements. Regardless of whether changes are made, the final decision is made once a year at the Board of Directors' meeting.

(Identification process)

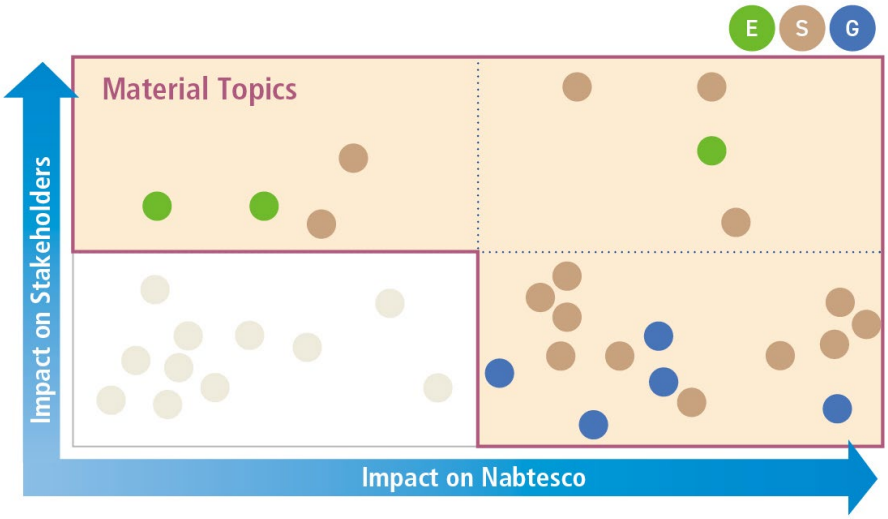
STEP1：Recognition of issues

・Based on social challenges from those addressed through our Group's business strategy and ESG items closely related to our business, the social challenges within the social and business environments surrounding our Group are extracted.

STEP2：Analysis of significance

・Based on the concept of double materiality, the significance of issues or challenges is analyzed from the perspectives of "impact on the Company" and "impact on stakeholders," with the results organized into priority issues.

・Alignment with Group-wide material risks determined based on risk assessment results is assessed.



STEP3：Identification of materiality

・Opinions are exchanged with external experts.

・Materiality is determined by the Board of Directors, following discussions at the Management Materiality Committee and the Management Committee, and an assessment of its validity.

STEP4：Goal setting and monitoring

- Goals and action plans are set based on the priority level of the management materiality item.
- The progress of each action plan is regularly monitored, and efforts toward achieving the goals are managed and promoted.

STEP5：Regular revision

- Changes are made once a year according to changes in the business and societal requirements, expectations from stakeholders, and changes in the business strategies of our Group.

In 2025, we re-evaluated the validity and significance of our recognition of issues, responding to changes in the internal and external environment related to "improving profitability and clarifying innovation areas as required by the Medium-term Management Plan." and "double materiality, a key societal requirement." As a result, we have decided to maintain the management materiality items established in FY2024.

[Measures to improve our financial performance]

Based on our aim to achieve both the optimization of portfolio balance and improvements in ROIC, we manage these measures under the following item:

"Promote ROIC management"

[Measures to enhance our management foundation]

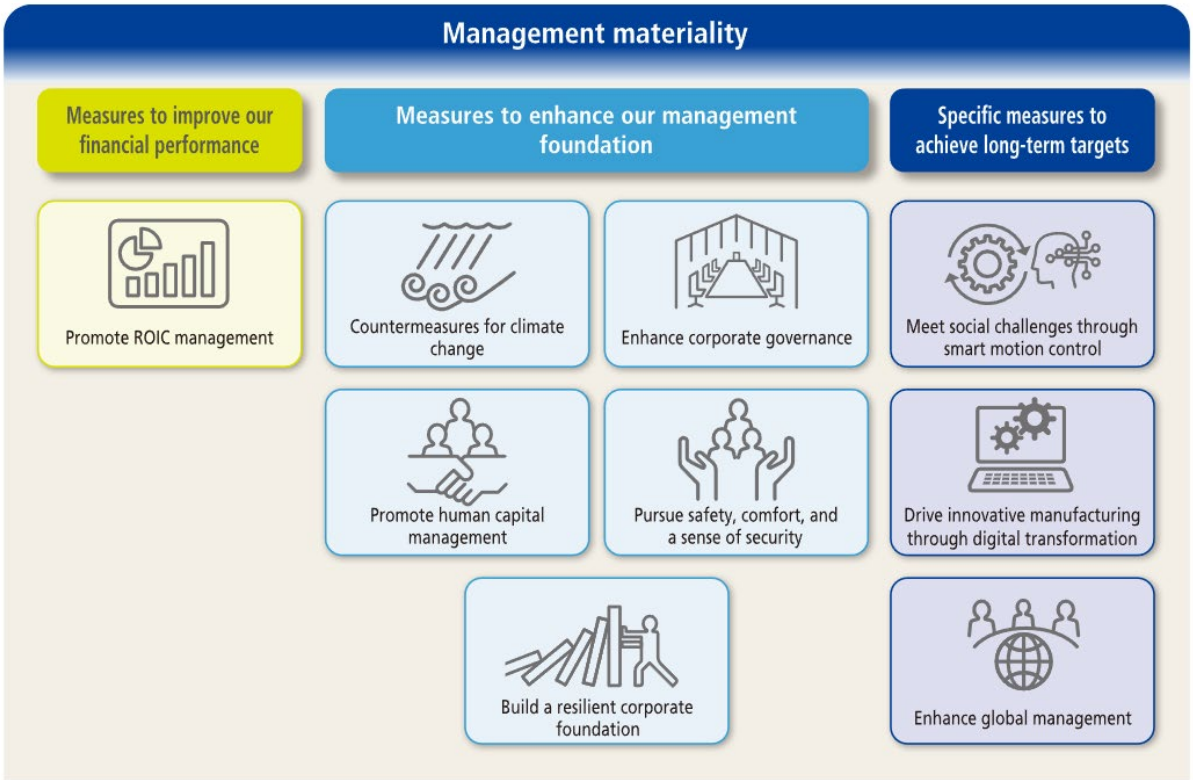
This has been organized from an ESG perspective into the following categories:

E: "Countermeasures for climate change"
S: "Promote human capital management" and "Pursue safety, comfort and a sense of security"
G: "Enhance corporate governance" and "Build a resilient corporate foundation"

[Specific measures to achieve long-term targets]

- To indicate the directions and strategies of the medium-term management plan more clearly, this has been managed to the following: "Meet social challenges through smart motion control," "Drive innovative manufacturing through digital transformation", and "Enhance global management."

In addition, for each management materiality item, sub-materiality and KPIs will be established to strengthen the progress management of various initiatives, thereby enhancing effectiveness.



③ Risk Management

Details of the Group's risk management, including sustainability-related risks, are described in "3. Business Risks."

④ Indicators and Targets

The targets, indicators, key activity results in FY2025 and plans for respective issues concerning "Enhancing our management foundation" with relation to the management materiality are shown below.

＜Targets, indicators, key activity results and plans concerning sustainability＞

ESG Category	Management Materiality items	Desirable Direction/Major Actions	Targets for FY2025 (Extracts)	Results for FY2025 (Extracts)
Environment (E)	Countermeasures for Climate Change	・Strengthen efforts toward decarbonization ・Strengthen efforts toward decarbonization that involve the supply chain	・Reduce CO_2 aligned with medium- to long-term targets (42% reduction compared to FY2015) ・Improve the accuracy of Scope 3 calculation data	・Reduced CO_2 emissions aligned with medium- to long-term targets (43.6% reduction* compared to FY2015) ・Conducted supplier briefings (including individual explanations on data collection methods, etc.)
Society (S)	Pursue Safety, Comfort and a Sense of Security	・Ensure labor safety ・Ensure safety of product and services	・Initiatives to achieve zero workplace accidents and zero major incidents ・Implement product safety screening and employee training program	・Implemented Group-wide labor safety training ・Implemented product safety screening and employee product safety training for newly developed items
	Enhance Human Capital Management	・Organizational culture that fosters innovation ・Align business strategy and human resources strategy	・Implement internal communication initiatives ・Plan and implement measures for the mobilization of internal human resources ・Promotion of activities to ensure that the personnel system is well-established ・Plan and implement initiatives for human resources data visualization and utilization	・Held town hall meetings with the CEO to facilitate dialogue with management ・Implemented measures to revitalize the Job Challenge Program ・Implemented measures to promote understanding and ensure proper implementation of the personnel system
Governance (G)	Enhance corporate governance	・Ensure transparency of management ・Promote compliance	・Continue the effectiveness evaluation of the Board of Directors based on an analysis of self-assessments from each executive ・Conduct training and enhance collaboration with relevant locations to strengthen compliance	・Implemented measures to revitalize the Job Challenge Program ・Implemented measures to promote understanding and ensure proper implementation of the personnel system
	Build a resilient corporate structure	・Ensure business continuity ・Build a resilient supply chain	・Promote information security measures to strengthen cybersecurity ・Integrate Group development meetings with Group-wide intellectual property strategy discussions to promote intellectual property management with the aim of improving core competence (intellectual capital) ・Support suppliers in obtaining resilience certification	・Corrected security vulnerabilities by verifying compliance with security guidelines across all locations ・Conducted Group-wide security training ・Integrated Group development meetings with Group-wide intellectual property strategy discussions to restructure into a unified strategic execution framework ・Achieved suppliers' resilience certification (10 suppliers as planned)

Note Figures for FY2025 out of the above CO_2 emissions reductions are based on the totals as of the filing date.

The activity targets related to our management materiality for FY2026 have been established as follows, after verification of their alignment with our Group-wide material risks.

ESG Category	Management Materiality items	Desirable Direction/Major Actions	Targets for FY2026 (Extracts)
Environment (E)	Countermeasures for Climate Change	・Strengthen efforts toward decarbonization ・Strengthen efforts toward decarbonization that involve the supply chain	・Reduce CO2 emissions aligned with medium- to long-term targets (46% reduction compared to FY2015) ・Promote the development of environmentally conscious products ・Improve the accuracy of Scope 3 emissions calculation data
Society (S)	Pursue Safety, Comfort and a Sense of Security	・Ensure labor safety ・Ensure safety of product and services	・Initiatives to achieve zero workplace accidents and zero major incidents ・Implement product safety screening and employee training programs aimed at enhancing product safety
	Enhance Human Capital Management	・Organizational culture that fosters innovation ・Align business strategy and human resources strategy	・Implement internal communication initiatives ・Implement engagement enhancement initiatives through dialogue, evaluation, and recognition ・Promote role-based organizational and talent management to execute business strategy
Governance (G)	Enhance corporate governance	・Ensure transparency of management ・Promote compliance	・Continue the effectiveness evaluation of the Board of Directors based on an analysis of self-assessments from each executive ・Conduct training and enhance collaboration with relevant locations to strengthen compliance
	Build a resilient corporate structure	・Ensure business continuity ・Build a resilient supply chain	・Promote information security measures to strengthen cybersecurity ・Enhance support and monitoring to raise awareness of business continuity management ・Discuss Group technology development strategies and intellectual property strategies to promote smart motion control at Group development meetings ・Support suppliers in obtaining resilience certification

(2) Disclosure in line with the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD)

The Group expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). Accordingly, we are fostering the disclosure of related information in line with the TCFD's recommendations, including that about the progress made with our climate change-related measures.

① Governance

Nabtesco Corporation's Board of Directors determines and supervises our strategies, basic policies, and the execution of important operations by sharing information through reports on important issues. Regarding climate change, the executive officer in charge of production innovation serves as supervisor and the executive officer in charge of environmental security reports on the progress toward the CO_2 emission reduction goal and the status of major environmental facility investments.

Under the guidance and supervision by the Board of Directors, the President and CEO (hereinafter, "CEO") establishes Nabtesco Group's environmental philosophy, environmental action guidelines, and long-term goals. At the Executive Officers Committee (composed of the CEO and executive officers), the director in charge of environmental security reports the status of CO_2 emissions at internal companies and main group companies. If there is a gap between the current status and the goal, we identify the causes and take measures accordingly. If any item under discussion or report is deemed to affect our business, the CEO determines appropriate measures and reflects them in our business strategies.

As a promoting organization under the direct control of the CEO that is involved in Environment, Safety, and Health (ESH) management, Nabtesco has established the ESH Committee with jurisdiction over the entire Nabtesco Group. The CEO appoints the chairperson and members of the ESH Committee from our officers, including members of the Board of Directors. The chairperson of the ESH Committee collects important information on the environment, safety, and health, including climate change-related risks and opportunities, from our companies and group companies. The chairperson also visits each site to carry out ESH audits and company-wide energy conservation meetings, etc. The ESH Committee uses the results of this monitoring to evaluate importance and deliberate measures for any issues deemed to be important

Meeting	Climate change-related agenda
Board of Directors meeting	Major action (Environment): Reduction of environmental impact (CO_2 emissions, twice a year) Reduction of environmental impact: CO_2 emissions per unit of sales; energy conservation and creation; development of environment-friendly products (four times a year) Introduction of major environmental equipment (as necessary)
Meeting of executive officers	Reduction of environmental impact CO_2 emissions per unit of sales, energy conservation and energy creation (12 times a year)
ESH Committee meeting	Reduction of environmental impact CO_2 emissions per unit of sales, energy conservation and energy creation (At least twice a year)

② Strategies

In order to identify and manage the possible impact of climate change on our business activities, we are analyzing the risks and opportunities across the entire supply chain, including our business partners and customers, using multiple scenarios developed by external parties about temperature rises, including the “below 2 degrees Celsius” scenario.

When the result of the audits by the ESH Committee shows that any issues (risks or opportunities) associated with climate change have an important effect on our business, they are reflected to our business strategies by the determination of the CEO.

The Nabtesco Group identifies “Countermeasures for climate change” as one of the management materiality issues which is the important challenges for the achievement of our long-term vision. The Management Materiality Committee collaborates with the ESH committee and other relevant committees to regularly evaluate these issues. Activities are discussed and determined by the Management Committee and reported to the Board of Directors.

In the future, the following risks are anticipated depending on requests from the market or customers: increase of carbon prices, increase of operating costs due to the purchase of electricity from renewable sources, increase of capital expenditures for the introduction of power generation equipment, etc. using renewable resources and the increase of R&D costs for energy-saving product development. There are also physical risks such as business interruption due to damaged infrastructure or unstable electric power supply caused by wind or water disaster. On the other hand, the following opportunities are also expected: new business opportunities from the establishment of new laws and regulations (e.g. the energy-efficiency labeling system becoming obligatory) and the expansion of opportunities for the Maintenance, Repair, Overhaul (MRO) business, etc. due to a change in consumers' preferences for longer product lives to reduce CO2 emissions as their awareness of climate change increases.

Going forward, Nabtesco Corporation will continue to strive to identify risks and opportunities associated with the environment and make efforts to take measures to address the risks and realize the opportunities, including the further promotion of energy conservation activities.

③ Risk Management

The ESH Committee collects important information related to risks and opportunities associated with climate change from the companies and group companies and evaluates whether or not they have a significant impact on our business activities and discusses measures for issues that are determined to be important. They evaluate and prioritize possible amount of financial impact and probability or feasibility. The ESH Committee draws up and discusses the measures to address highly probable risks on a preferential basis, regardless of their impact. In addition to climate change, the ESH Committee evaluates waste, chemical substances, and employees' safety and health.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

<Measures taken in line with the TCFD's recommendations: Results of risk assessment (Scenario we referred to: IEA450IEA NZE 2050/RCP2.6/RCP8.5)>

■Transition risk ▲ : Risks ● : Opportunities

Type	Climate change related risk item	Impact assessment	Business risk/Opportunity (Short-term)	(Medium-term)	(Medium- to long-term)	(Long-term)	Measures taken by Nabtesco
Regulatory	Higher carbon tax rate	Large			▲Increase in energy & procurement costs ●Differentiation by low-carbon products ●Better evaluation due to appropriate information disclosure		・Promote the use of renewable energy • Introduce carbon pricing • Promote efficient replacement with substitute materials
	Regulation (energy conservation & low carbon)	Large	▲Increase in energy conservation cost ●Larger sales of products with higher fuel efficiency	▲Increase in development cost to deal with regulations (Example: TRS segments and Others) ●Increase in demand for products that comply with the regulations (Example: TRS segments and Others)	▲Decrease in demand for old models due to new regulations (Example: TRS segment) ●Increase in demand for more efficient new models (Example: TRS segment)		• Operate the energy-saving product certification system • Follow the guidelines on capital investment and energy conservation • Expand the lineup of products with higher fuel efficiency • Develop products for which new types of fuels can be used
	Policies	Large	▲Increase in cost to deal with laws and regulations				・Invest in the development of technologies and products • Strategically disclose climate change-related information
Technology	Replacement with low-carbon products	Medium	▲Increase in cost to acquire new element technology ●Entry into a new market by the development of new element technology		▲Increase in cost due to the diversification of needs		•Make technological investments, develop products and form partnerships with other companies in line with the regulatory and development trends • Develop new mobility products
Market	Changes in consumption behavior	Large	▲Lagging behind competitors in development activities ●Need for electrification (Example: CMP segment)		●Higher competitiveness based on technologies superior to those of competitors		
	Market uncertainties	Large	▲Increase in cost due to increased need to reduce CO2 emissions ●Increase in demand due to modal shift and electrification (Example: TRS segment)		▲Increase in the operational cost due to RE100 measures ●Better evaluation due to appropriate information disclosure		・Promote the use of renewable energy
Reputation	Criticism against the industry	Medium	▲Negative reputation due to a delay in environmental measures ●Increase in sales of environmentally friendly products ●Better brand image due to the implementation of environmental measures				・Promote the use of renewable energy • Strategically disclose climate change-related information

■Physical risk ▲ : Risks ● : Opportunities

Type	Climate change related risk item	Impact assessment	Business risk/Opportunity (Short-term)	(Medium-term)	(Medium- to long-term)	(Long-term)	Measures taken by Nabtesco
Acute	Frequent occurrence of typhoons	Large	▲Damage to infrastructure, suspension of operations ●Increase in need to increase the resilience of power infrastructure (Example: CMFS equipment for wind turbines)				・Foster BCP • Procure components from multiple suppliers • Increase the resilience of the electricity system • Optimize the on-site assignment of employees • Use weather forecast services and take emergency measures
	Heavy rain/ drought events	Large	▲Damage to infrastructure, suspension of operations ●Increase in need to establish water resource infrastructure (Example: CMP segment) ●Increase in demand for construction machinery for reconstruction activities (Example: CMP segment)				
Chronic	Changes in precipitation patterns	Large				▲Suspension of operations due to floods ●Increase in the need to establish water resource infrastructure (Example: CMP segment)	・Examine measures against storms and floods with suppliers • Increase resilience of the electricity system • Review the location of bases • Reuse water and review the water circulation system • Use weather forecast services and take emergency measures
	Rise in average temperatures	Large				▲Increase in air-conditioning and capital investment costs ▲Increase in electricity costs due to lower power generation efficiency ●Increase in the need for higher efficiency at plants (Example: CMP segment)	

(NOTE) As for impact, we classified the size into "Large," "Medium" and "Small" based on the frequency of occurrence and financial impact.
Frequency of occurrence: Occurs frequently/Has occurred/May occur/May not occur/Will never occur
Financial impact: Serious (¥5 billion or more)/Large (¥2.5 billion to ¥5 billion)/Medium (¥500 million to ¥2.5 billion)/Minor (¥100 million to ¥500 million)/Very minor (Less than ¥100 million)

④ Indicators and Goals

The Nabtesco Group are aiming to reduce CO_2 global emissions from the entire Nabtesco Group by 63% as of FY2030 and by 100% as of FY2050 compared to FY2015 levels. This target has been approved by the SBT Initiative. By Fiscal Year 2025, we achieved a cumulative reduction of 43.6%, and the Group are steadily reducing emissions at a pace in line with our target. In addition, the group are expanding activities from the company alone to our suppliers as well. Of the greenhouse gas emissions from the entire supply chain, the percentage of emissions from purchased goods and services (category 1 of Scope 3 emissions) is high, making it essential for our suppliers to take initiatives to reduce their greenhouse gas emissions. In response, we conduct a survey of our main suppliers (the top suppliers constituting 70% of annual purchases) to see if they have set voluntary targets to reduce their greenhouse gas emissions. As of FY2024, 63% of our main suppliers have set voluntary targets to reduce their greenhouse gas emissions and begun to take initiatives to achieve these targets.

Starting in FY2025, the Company has begun providing support to suppliers for the calculation of Scope 3 greenhouse gas emissions. To enable suppliers to address greenhouse gas reductions across the entire supply chain, including their own emissions, the Company continues to strengthen its support framework.

＜Long-term emissions reduction targets (aligned with the 1.5 degrees Celsius scenario/Scope1+2)＞

	FY2015 (Baseline year)	FY2030 (Down 63%)	FY2050 (Down 100%)
Global emissions (t-CO_2)	54,803	20,277	0

＜CO_2 Emission Reduction Result CO_2 (t-CO_2)

	FY2021	FY2022	FY2023	FY2024	FY2025
Direct emissions (Scope 1)	4,061	3,893	4,929	4,173	4,038
Indirect emissions through the use of electricity and others (Scope 2)	41,021	43,140	38,495	34,763	26,861

(NOTES)1 Figures for FY2025 out of the above emissions are current totals as of the filling date, and figures obtained from third-party guarantees will be disclosed on our website.
2 The calculation scope includes Nabtesco Corporation, and major Japanese and overseas consolidated subsidiaries.
3 The calculation policy and standards comply with the Act on the Regional Use of Energy and the Act on the Promotion of Global Warming Countermeasures, and are aligned with the internal Guidelines on the Management of Environmental Information.

＜Emissions from the supply chain (Scope 3) FY2024 Results (NOTE)1, 2＞

Category		Emissions (t-CO_2)	Rate (%)	Remarks
1	Purchased goods and services	745,904	69.71%	
2	Capital goods	99,144	9.27%	
3	Fuel- and energy-related activities	6,118	0.57%	
4	Upstream transportation and distribution	191,617	17.91%	
5	Waste generated in operations	954	0.09%	
6	Business travel	6,380	0.60%	
7	Employee commuting	1,703	0.16%	
8	Upstream leased assets	—	—	N/A (No corresponding leased assets)
9	Downstream transportation and distribution	—	—	N/A (Completed products transported on consignment are included in Category 4)
10	Processing of sold products	—	—	N/A (Nabtesco products are completed products and not processed after being sold)
11	Use of sold products	17,445	1.63%	
12	End-of life treatment of sold products	773	0.07%	
13	Downstream leased assets	—	—	N/A (No corresponding leased assets)
14	Franchises	—	—	N/A (No corresponding franchises)
15	Investments	—	—	N/A (No corresponding investments)
Total		1,070,037	100%	

(NOTES) 1 As the results for FY2025 are being compiled, information on the results for FY2024 are presented.
2 The Scope 3 calculations for FY2024 were made by the following method and for the following period and scope.
:Calculation method: As shown in the basic guidelines on the calculation of greenhouse gas emissions from supply chains set by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
:Calculation period: January 1 to December 31, 2024

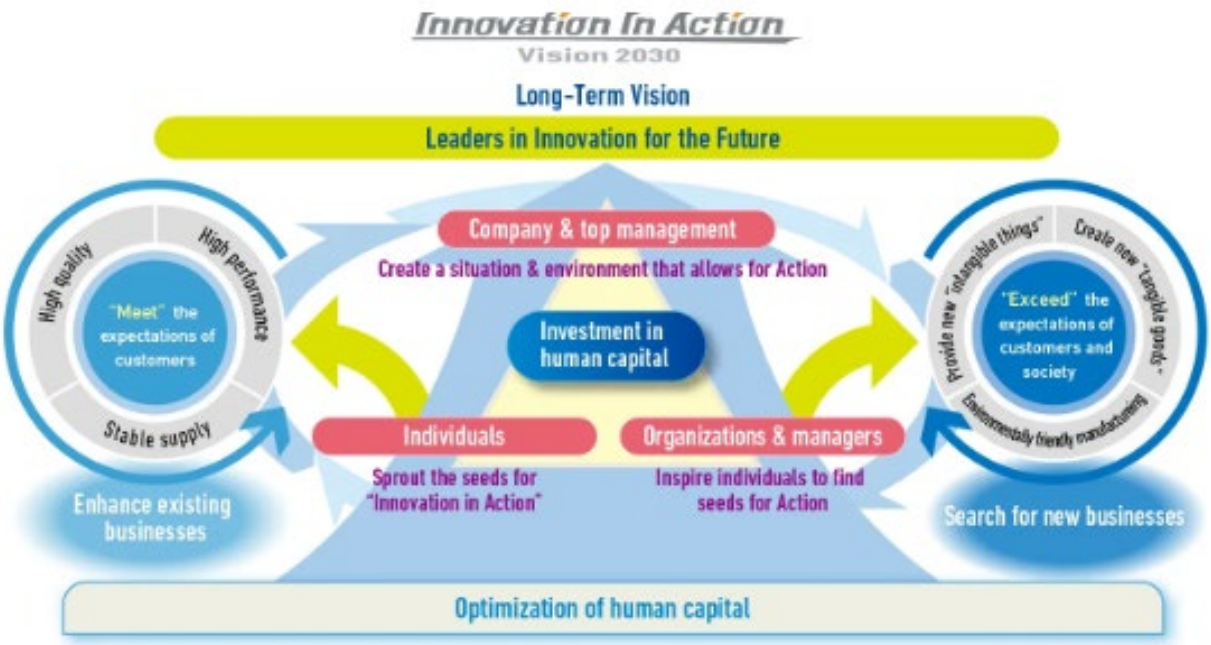
(3) Enhance Human Capital Management

Under the slogan, "Leaders in Innovation," as upheld in its long-term vision, the Nabtesco group has been striving to increase its corporate value, with a focus on meeting customer needs and exceeding the expectations of both customers and society alike. This effort carries on a long tradition dating back not only to the Company's founding but also to the aims of its two predecessor companies prior to their integration. Toward this goal, we are striving to enhance both our financial impact and social impact by boosting our performance and contributing to the solution of social challenges.

To this end, we need to enhance our existing businesses while also searching for new businesses, as proposed in the theory of organizational ambidexterity. To meet this requirement, we must foster reforms for the various categories of capital that provide us with a foundation for innovation. In particular, human capital is essential for our value creation process, and the group accordingly aims to manage and optimize its human capital toward becoming "Leaders in Innovation."

In order to "meet" the expectations of customers, we need personnel who are strongly committed to meeting the needs of customers through unyielding technological innovation, performance & quality improvement and higher productivity. To take the next step of then exceeding the expectations of customers and society, we need to develop and attract personnel who can expand our existing business domains and launch new businesses to create and propose expectation-exceeding value.

As an organization, we also need to gain the ability to respond agilely to changes in our business environment. To this end, managers are required to play important roles to encourage individual employees to take actions autonomously and independently and to serve as an intermediary to foster not only traditional top-down measures taken under the leadership of top management but also bottom-up measures taken at the initiative of general employees. Our group's human capital management is thus based on measures promoted by the three actors: top management, middle managers, and individual employees. The group will proactively make investments to support these three actors in fulfilling their respective roles and will strongly repeat the cycle of meeting and exceeding the expectations of customers and society toward the achievement of its long-term vision.



① Vision for Human Capital Management

The group believes that the creation of new value will be promoted by the fulfillment of defined roles by the company & top management, organizations & managers, and individual employees. Based on this recognition, we have set a vision for each of the above for the optimization of human capital.

The role of the company & top management is to create a situation & environment that allows for Action. The role of organizations & managers is to inspire individuals to find seeds for Action. The role of individual employees is to sprout those seeds for "Innovation in Action." The group upholds this vision for its human capital management.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

② Gaps between Reality and Vision: Identification of Issues

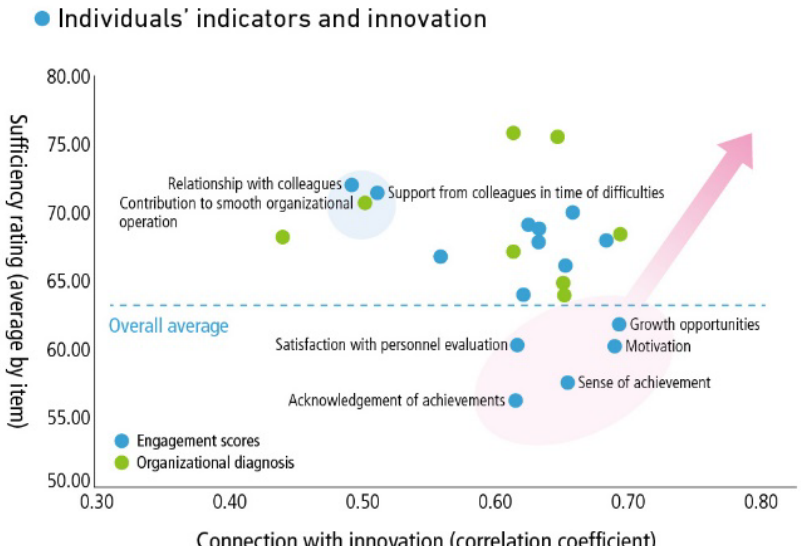
The group regularly conducts an employee engagement & organizational diagnosis survey to grasp employees' subjective ideas based on their Engagement Scores (ES) and clarify the present situation from the viewpoint of individuals and organizational culture.

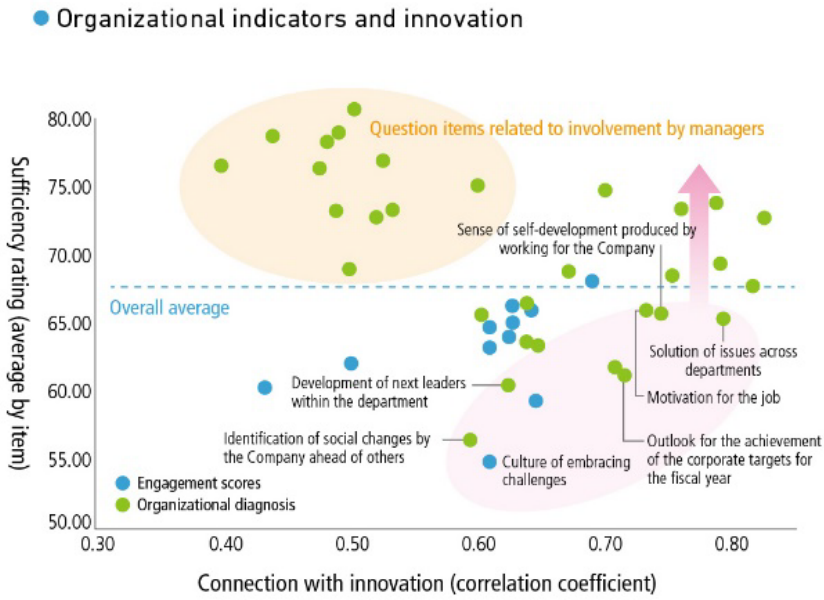
When designing the questionnaire for organizational diagnosis, we first set "innovation items" that are thought to be highly related to challenges, co-creation, learning and creativity—elements that help foster innovation.

We then classified the questions into those related to individuals (individuals' indicators) and those related to the organization (organizational indicators). For these two types of indicators, we analyzed the survey results with a focus on correlations between the sufficiency rating given to each of the question items, including both innovation items and others, and the item's connection to innovation.

The graph shown below indicates the level of each item's connection to innovation (horizontal axis) and its sufficiency rating (vertical axis).The items shown on the lower right side of the two graphs are items that are strongly connected to innovation but for which the sufficiency rating is low. As for individuals, the survey results imply that a driving force for innovation would be individual employees feeling satisfied with their jobs and able to feel a sense of achievement and self-growth.

For the organizational indicators set for the company & top management and for organizations & managers, the key items are "Outlook for the achievement of targets," "Identification of social changes by the company ahead of others" and "Creation of a culture of embracing challenges" for the former and are "Solution of issues across the departments" and "Development of the next generation of leaders" for the latter. Based on the survey results, we have formulated the following hypothesis: To become "Leaders in Innovation," it is essential for Nabtesco to focus more on these key items to promote measures gathering the "company & top management," "organizations & managers" and "individuals" to narrow the gap.





③ Indicators and Goals

In order to narrow the gap as described on the previous page, we have set indexes for innovation, linkage and engagement as indicators to realize the vision set for each of the three actors, which is the "company & top management," "organizations & managers" and "individuals." These three indicators are set based on the results of the organizational diagnosis and the engagement scores, and we have also set the third quartile value for FY2022 as the immediate target for each indicator.

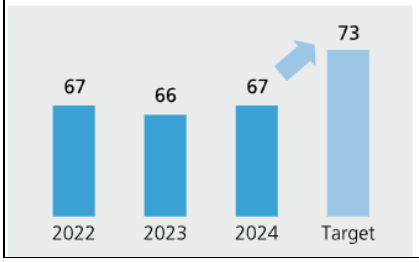
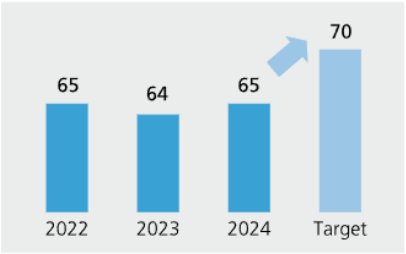
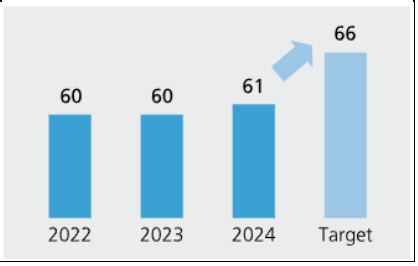
The innovation index is an indicator intended for the creation of the situation & environment that allows for Action. We will further instill The Nabtesco Way across the board and enhance our human resources portfolio to encourage both organizations and individuals to take actions toward their shared goal for innovation.

The linkage index is an indicator designed to enhance support for individual employees through the establishment and improvement of the personnel assignment, education and evaluation systems and new business creation systems toward encouraging employees to take actions to "meet" and "exceed" our customers' expectations, being inspired to find seeds for Action.

The engagement index is an indicator intended to encourage individuals to sprout seeds for "My Innovation in Action" by implementing The Nabtesco Way with ownership, developing their careers in an autonomous manner, and by fostering reskilling to develop an innovation mindset.

We will sophisticate our human capital management by adjusting the KPIs on human capital in line with changes in related issues, while monitoring progress made with the implementation strategies and for each of the indicators.

＜Key performance indicators (KPIs) for human capital＞

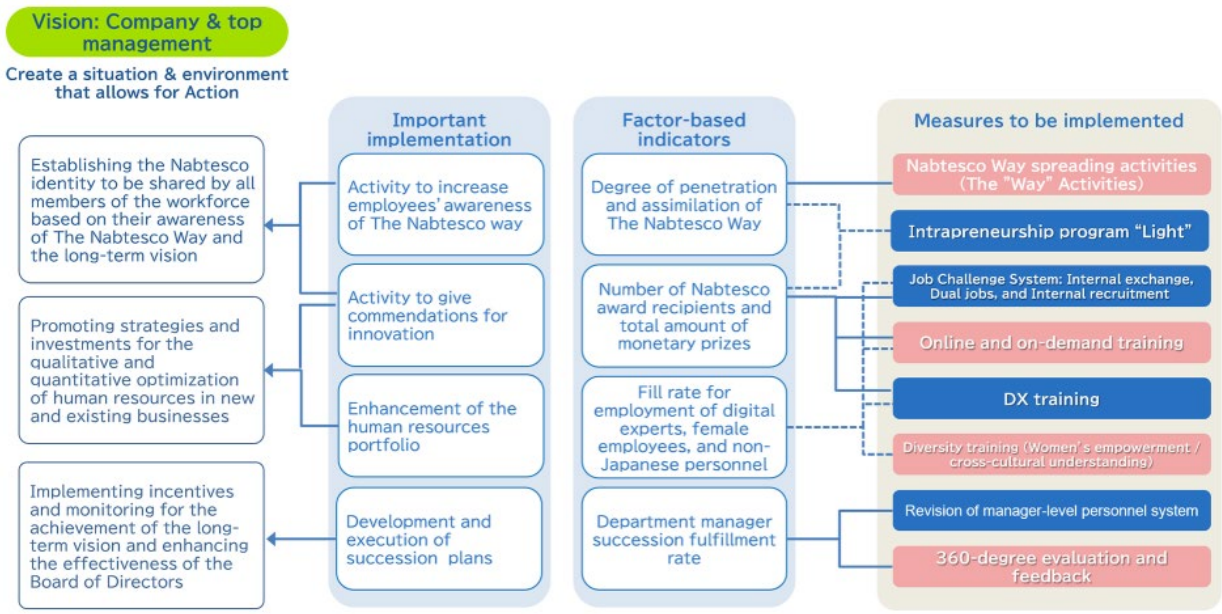
[Company & top management] Innovation index	[Organizations & managers] Linkage index	[Individuals] Engagement index
		

(NOTES) 1. As the results for FY2025 are being compiled, information on the results for FY2024 is presented.

2. The figures for FY2022 have been retrospectively adjusted as a result of using divisional averages to align both data for the aggregation of organizational audits and engagement surveys. In conjunction with this revision, the target for human capital KPI has also been retroactively revised to the third quartile figure for FY2022.

[Company & top management]Innovation index

Systematic measures to improve the Innovation Index



(Translation)
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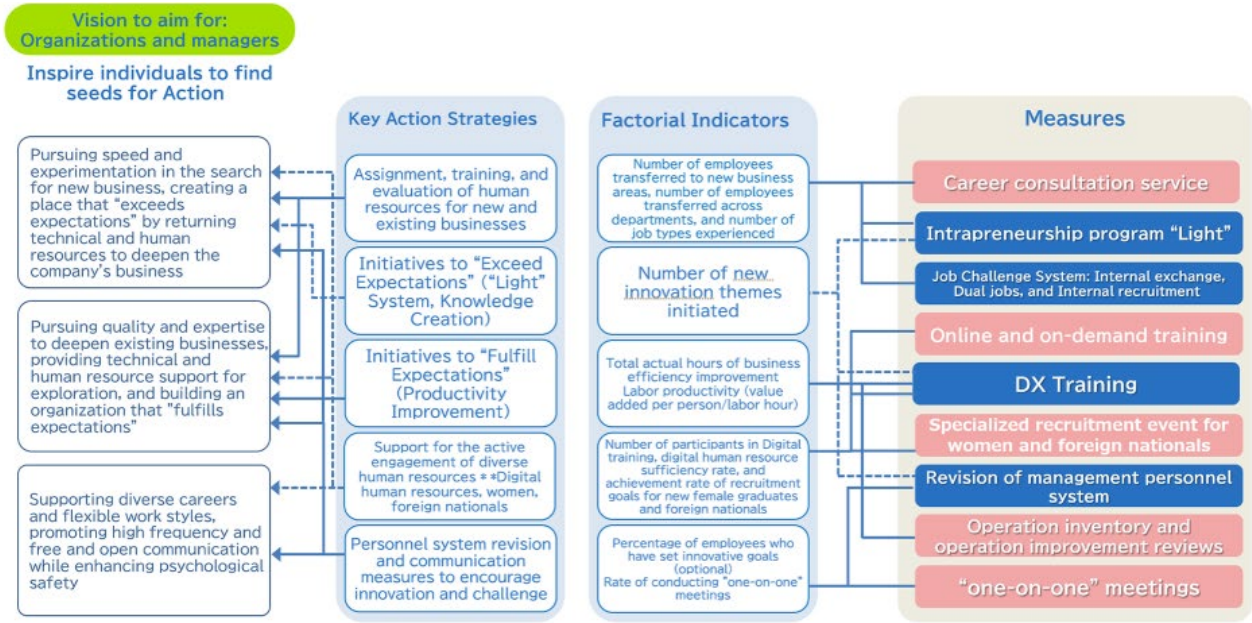
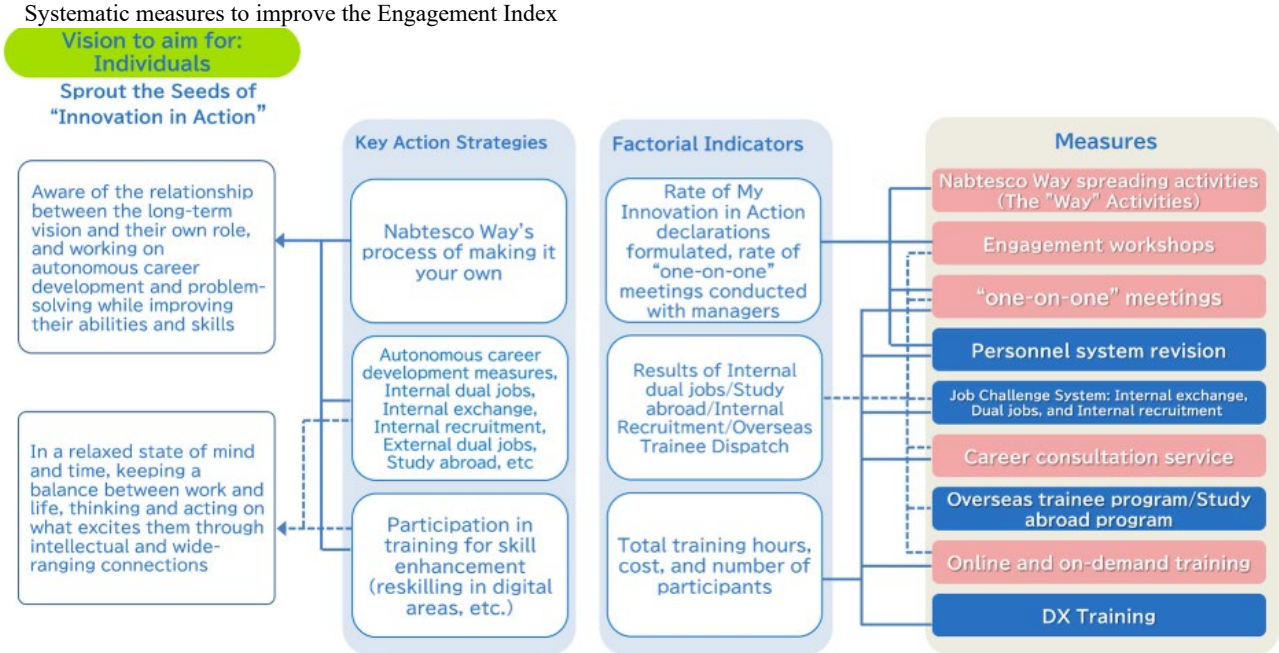
[Organizations & managers] Linkage index

Systematic measures to improve the Linkage Index



[Individuals] Engagement index

Systematic measures to improve the Engagement Index



(4) Intellectual Property Management Strategies to Lead Sustainable Innovation Creation

The Nabtesco Group has positioned its intellectual property as a core value generating competitiveness in the pursuit of sustainable growth and expansion in business for all of its stakeholders, including customers and partner companies. It seeks to bolster corporate value by developing its Intellectual Property Management Strategy, which focuses on protecting and enhancing competitive advantages, across the Group.

Nabtesco's Core Competence entails not only so-called core competence (core strengths) but also the technologies, etc. necessary to provide value to customers, even those owned by competitors.

Since we cannot provide value to customers with core competence alone, we refer to a broader scope which includes intellectual properties and intangible assets that cover not only intellectual property rights such as patents, but also know-how, transaction records, and supply chains.

We also determine the core competence we currently hold (current core competence) and the core competence we will need in the future (future core competence) for each business.

In addition, current and future core competences are visualized and shared in a company-wide perspective (functions and objectives).

＜Nabtesco's Core Competence＞

① Governance

From FY2025, in order to discuss technology development strategy and intellectual property strategy in an integrated manner, the Group dissolved the company-wide intellectual property strategy deliberation framework that had previously been in place and began holding an annual Group Development Meeting. This meeting, attended by the CEO and senior management, discusses and deliberates the basic policies for the Group-wide technology development strategy and intellectual property strategy.

Based on the basic policies determined at the Group Development Meeting, the Company holds Company Roadmap Meetings approximately three times a year to discuss and deliberate company-specific technology development strategies and intellectual property strategies for each in-house company and group company. These meetings are attended by the presidents and senior executives of the respective in-house companies and group companies, together with the Head of the Technology Division and senior members of the Technology Division. The Company Roadmap Meetings were previously forums focused primarily on technology development within each in-house company; however, in FY2024, they were integrated with the Company Intellectual Property Strategy Deliberation meetings in order to enable integrated discussions of technology development strategy and intellectual property strategy.

In addition, from FY2025, the Company has been holding Technology Division Heads Meetings approximately six times a year to share the status of activities at each Company Roadmap Meeting and to discuss and deliberate common technology and intellectual property issues across the in-house companies and group companies. These meetings are attended by the Head of the Technology Division, as well as heads of technology divisions from the corporate functions and in-house companies. The Technology Division Heads Meetings previously focused mainly on common technology issues across the Group; however, in FY2025, they were integrated with the Intellectual Property Enhancement Committee, which had served as a forum for discussing Group-wide intellectual property issues, in order to enable integrated discussions of technology and intellectual property issues.

Matters discussed at the Technology Division Heads Meetings are formulated as strategic proposals and deliberated at the Group Development Meeting, where they are reflected in the basic policies for the following fiscal year. In this way, the activities of the Group Development Meeting, Company Roadmap Meetings, and Technology Division Heads Meetings are organically linked and evolve in a spiral manner.

In addition, since FY2022, the basic policy for the Company-wide intellectual property strategy has been reported to the Board of Directors once a year and is subject to its oversight. Intellectual property strategies related to individual businesses are incorporated into business strategies and are reported to, and overseen by, the Board of Directors as appropriate.

② Strategies

■Creation of New Businesses through IP Landscape Analysis

The Nabtesco Group is working to enhance its core value and acquire new value by searching for new market/customer needs by the effective use of IP landscape analysis. Regarding the equipment and systems for which the Group's products and services are adopted, we globally collect information available in the public domain, including patent and other intellectual property information, as well as information available from papers, magazines and other companies, in order to conduct macro analyses of the related technologies, market trends and customer needs.

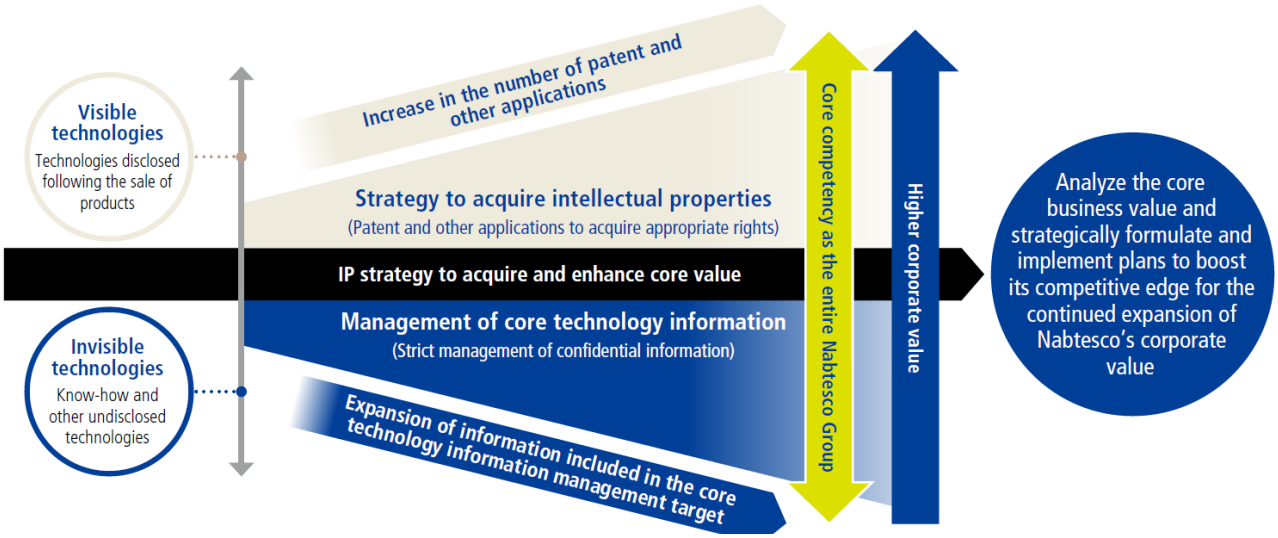
Based on the analysis results, we search for new business themes and new market/customer needs, verify our development themes, and also search for open innovation partners in our effort to set our future business policies and promote discussion across internal organizations, such as in-house companies, about collaboration with other companies.

■Management of Core Technological Information and Strategy to Acquire Intellectual Property Rights

The Nabtesco Group's competitive advantages, which provide us with core value (intellectual properties and intangible assets), include not only invention but also deep relationships of trust with customers, successful branding in the market, ideas for products and services, design and manufacturing know-how, its supply chain and human resources. For the core value that we can keep confidential, we impose strict management controls to protect them as confidential technological information, while for technologies that we cannot keep confidential because we sell them, we protect them based on our strategy to acquire intellectual property rights proactively.

We will protect our existing and future intellectual properties as our core value through the management of core technological information and the strategy to acquire intellectual property rights, thereby continuing to enhance the Nabtesco Group's core competency regarding intellectual property, in turn, increasing our corporate value.

●Intellectual property strategies for acquiring and strengthening core value



③ Risk Management

■Confidential Information Management and Strategy to Acquire Intellectual Property Rights

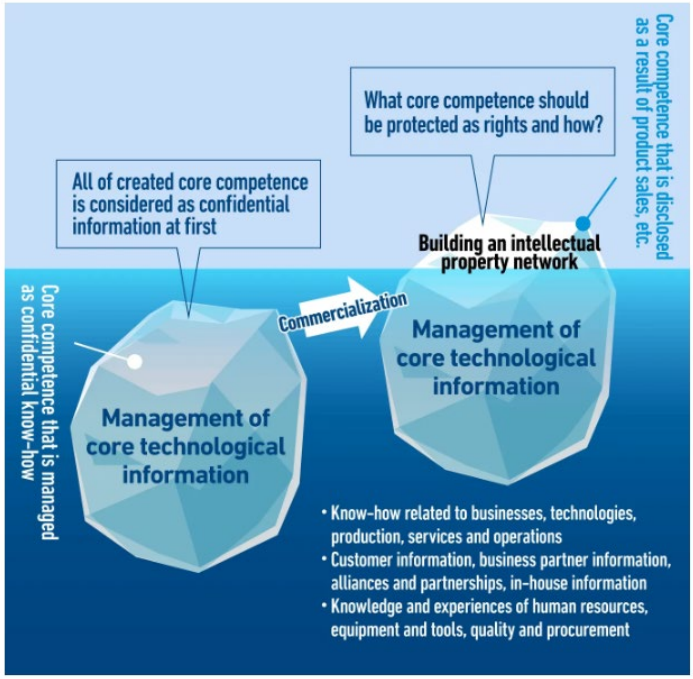
The Nabtesco Group identifies its core value as a source of competitiveness. The Group's core value includes the unwavering trust of customers, brand perception established in the marketplace and technological as well as design/manufacturing ideas and know-how related to products and services provided. These core value elements, including a number of patents, designs, trademarks and marketing intelligence, are protected by safeguards for intellectual assets.

As for created core competence (intellectual properties and intangible assets), we impose strict management controls to protect it as core technological information (confidential information) in principle. As part of our efforts to manage core technological information, we provide information management education to all officers and employees (including temporary staff) every year and ensure to collect evidences that can be valid in trials in Japan and overseas. In addition, we endeavor to maintain the management system in collaboration with the Business Auditing Department.

Meanwhile, for technological core competence that cannot be kept confidential because we disclose it in our business activities such as product sales, we protect it based on our strategy to acquire intellectual property rights by building an intellectual property network. As of the end of 2025, we have built the intellectual property portfolio comprising a number of patents, utility models, and designs (including those under application) (approx. 2,200 cases in Japan, approx. 1,200 cases in Asia, approx. 1,100 cases in Europe, and approx.. 500 cases in the Americas).

We will protect our current core competence as well as our future core competence which is yet to be created through the management of core technological information and the strategy to acquire intellectual property rights, thereby continuing to enhance the Nabtesco group's comprehensive ability regarding intellectual properties and intangible assets and increase our corporate value.

Basic concept of protecting technological core competence



■Execution of Intellectual Property Clearance

Since Nabtesco Group considers protecting customer's business and products as an essential factor, Group conducts intellectual property clearance as a part of the commercialization process, making it essential to protect customers' businesses and products. More specifically, it undertakes activities during the commercialization process, including those related to core technology information management, the acquisition of intellectual property rights, protection against the infringement of intellectual property right by other companies, compliance with technological agreements, anti-counterfeiting, and the protection of trademarks or copyrights.

We have conducted intellectual property clearance for more than 190 products and services since 2018.

■Elimination of Counterfeits

In order to ensure that customers who trust Nabtesco's brand and purchase its products do not suffer any damage, the Nabtesco Group has a policy of thoroughly eliminating counterfeits of its brands, even if it incurs costs.

In addition to information from in-house companies and Group companies within and outside Japan, we visit exhibitions and monitor the status of listings on EC sites and corporate websites on a regular basis, and periodically monitor companies that stopped infringing on our products after warning them in the past in an effort to detect any counterfeits as soon as possible.

As a result, we have provided more than 420 infringement warnings since 2018.

④ Indicators and Goals

■Transition from a quantity-driven approach to a quality-driven approach

Since 2017, we have systematized the Intellectual Property Strategy activities to acquire and reinforce our core competence (intellectual properties and intangible assets) by adding Intellectual Property Creation to the criteria for evaluating the performance of in-house companies and Group companies. Each of the in-house and Group companies is now obliged to develop Intellectual Property Strategy activities as business plans for each fiscal year, as set forth in the Medium-Term Business Plan of each in-house company and Group companies, and to implement them accordingly.

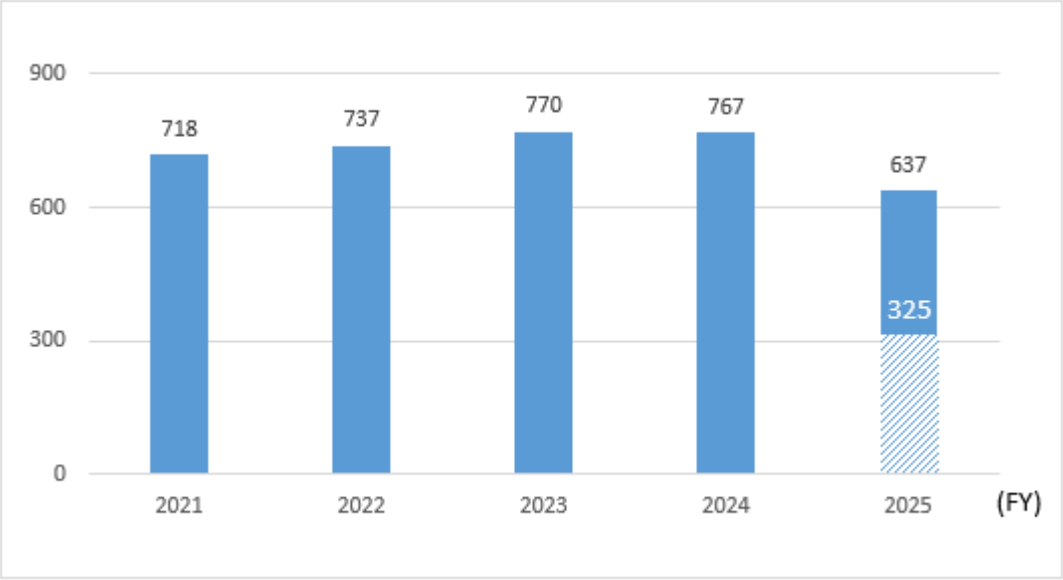
Furthermore, the Nabtesco Group strives to develop a corporate culture facilitating the creation of new businesses, ideas about new technologies, and design/manufacturing know-how among all engineers. To this end, employees are encouraged to be proactive as part of an evaluation target for business performance of respective in-house companies. In an attempt to motivate individual employees to become more innovative, Nabtesco gives awards to engineers with spectacular innovations which contribute our business (a total of 256 engineers have been awarded until 2025), to honor their achievements at a ceremony for the corporate foundation anniversary.

Through these initiatives, the number of intellectual property creation filings relating to inventions, designs, and know-how has been maintained at a certain level or higher, as shown in the graph below.

In FY2025, the Company shifted its activities with the objective of further enhancing quality rather than quantity, and set target numbers for intellectual property creation filings related to Smart Motion Control in order to accelerate the resolution of social issues through Smart Motion Control. As a result, the number of intellectual property creation filings related to Smart Motion Control amounted to 325, exceeding the planned target of 180.

On the other hand, the number of intellectual property creation filings related to development themes other than Smart Motion Control and to production technologies declined, resulting in a total of 637 filings overall. Going forward, while continuing to focus on intellectual property creation activities related to Smart Motion Control and managing them against specific targets, the Company will also strive to maintain a certain level of intellectual property creation filings overall.

＜Number of notifications on intellectual property creation＞



Note1 Figures above does not include Hydraulic Equipment
2 Stright part of the chart in 2025 is smart motion control related creation

■Measures to Promote Innovation through Intellectual Exploration

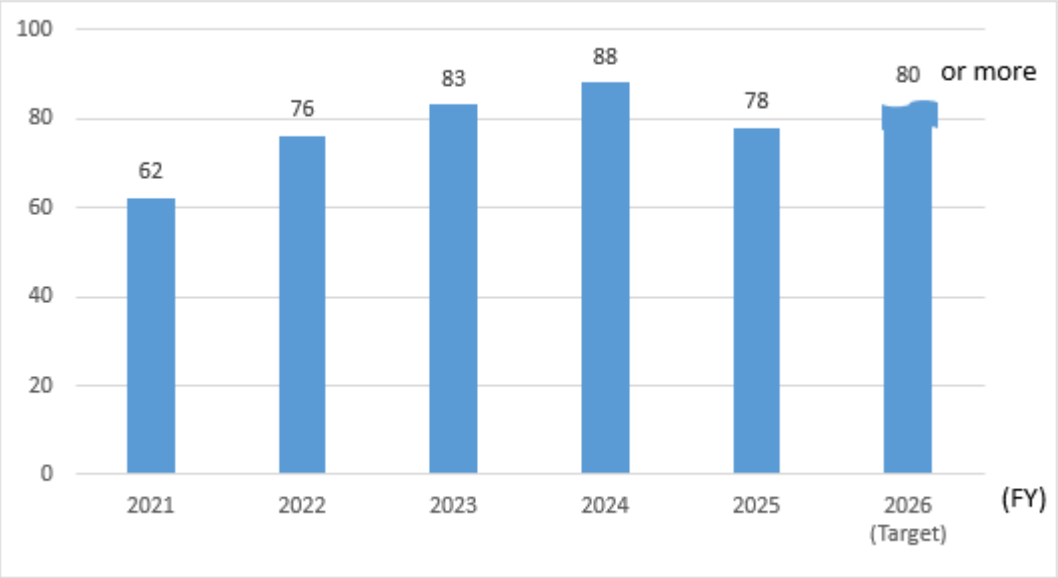
As part of efforts to stimulate innovation through so-called intellectual exploration, we have been promoting activities to increase diversity of intellectual property creators since 2022. The ratio of inventors has been set as an indicator for such activities.

The ratio of inventors is the ratio of actual number of inventors who notified intellectual property creation to the total number of our engineers including not only those engaging in development but also production engineers. The ratio, which is calculated in each financial year, indicates whether diversity is maintained and improved on a continuous basis. The target is set at 80% or higher, and to sustain this level, the Company is implementing various initiatives, including small group activities.

The target was not achieved, partly due to the impact of a shift from FY2025 toward activities aimed at further enhancing quality over quantity, including the strengthening of intellectual property creation related to smart motion control. In FY2026, the Company aims to achieve the target by once again strengthening support for intellectual property creation by developers, designers, and production engineers working on development themes other than smart motion control.

In addition, we will strive to promote innovation as a unified team across the company based on the system for intellectual property creation supporters, such as sales representatives who have identified new market needs and brought about innovation.

＜Ratio of inventors (including know-how and design inventors)＞



Note Figures above does not include Hydraulic Equipment

3 【Business and Other Risks】

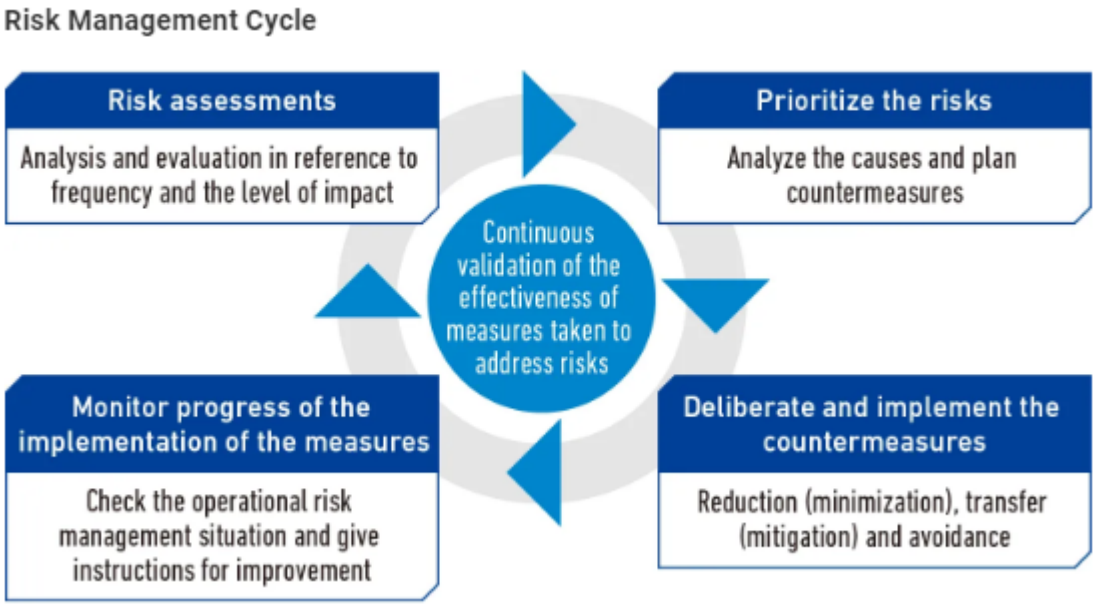
(1) The Group's Risk Management Structure

We have systems in place to ensure that profits, losses, asset efficiency, quality and disasters, among other matters, are reported to the Board of Directors properly and in a timely manner with respect to the execution of duties. By leveraging these systems, we strive for the early identification of risks and the minimization of losses.

With an eye on the sustainable enhancement of corporate value, we established the Risk Management Committee as an organization under the direct supervision of the CEO that is responsible mainly for deliberating important matters. The committee members are appointed by the CEO. The Chairperson of the Risk Management Committee (Managing Executive Officer) provides reports at management meetings such as Management Committee attended by CEO, Board of Directors meetings and etc. regarding the risk management initiatives periodically.

(2) Risk Management

The Risk Management Committee has been identifying serious risks related to the entire company based on the results of risk assessments made by the administrative departments, in-house companies and Group companies, discussing countermeasures for these risks, and also following up on the progress made for the implementation of the countermeasures. We also analyze the factors that have caused the risk to materialize in the past. Then we prioritize the risks to be addressed and check our tolerance for the risks, make plans to deal with them, discuss the plans, and implement them. Furthermore, specialized staff at head office departments, such as the internal control department, carry out audits on the operational risk management situation of our workplaces, give necessary and appropriate expert advice for operational improvements, and report the details to the Board of Directors to ensure the appropriate monitoring of the responses made to risks at each of the workplaces. To deal with risks, Nabtesco implements the following procedures: (1) risk analysis, (2) risk assessment, and (3) risk judgment. In risk analysis, we analyze the materiality of each risk based on its occurrence frequency (by five-grade evaluation) and level of impact (by four-grade evaluation). Based on the results gained from the risk analysis, we give the risk an overall score (by four-grade evaluation) and then specify the level of necessary countermeasures for the risk (also by four-grade evaluation)

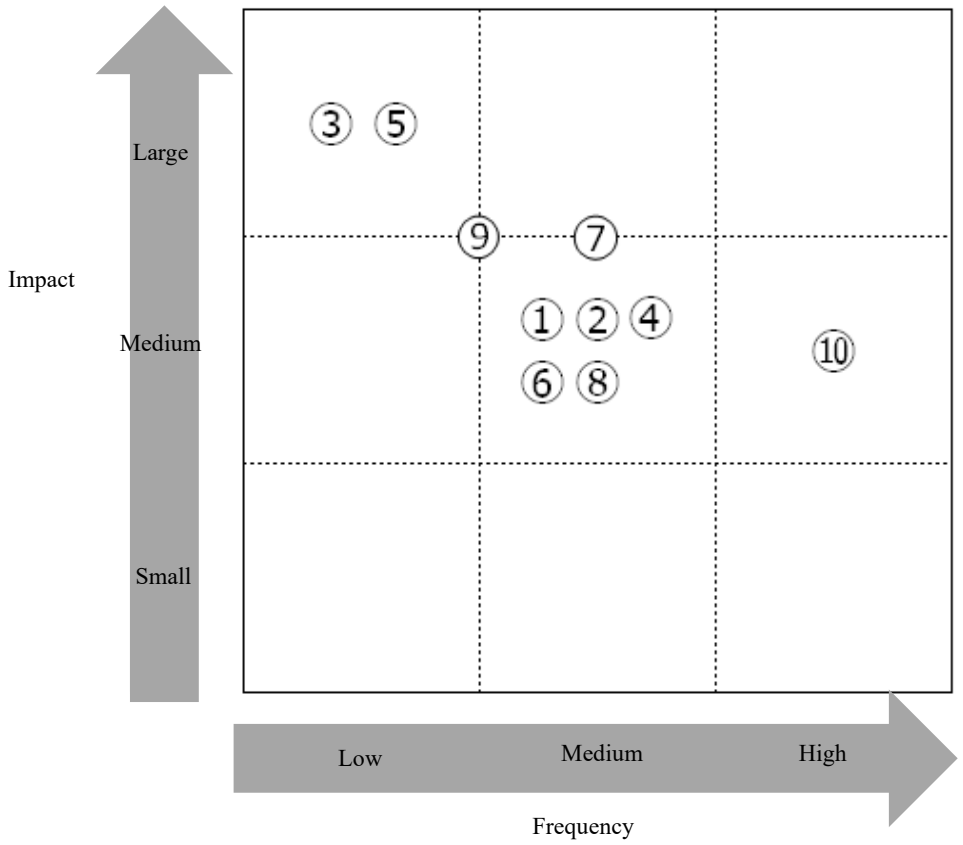


(3) Major Risks

Principal risks relevant to the business and accounting status of the Group described in the Annual Securities Report and deemed significant are as follows. If such risks materialize, they may affect our group's performance and financial position. 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.

Major risks on the Group		Frequency	Impact
①	Risks relevant to the economy, markets and currency	Medium	Medium
②	Risk relevant to geopolitical factors	Medium	Medium
③	Risks relevant to large-scale disasters and climate change	Low	Large
④	Risks relevant to procurement	Medium	Medium
⑤	Risks relevant to product quality	Low	Large
⑥	Risks relevant to competition	Medium	Medium
⑦	Risks relevant to information security	Medium	Medium to Large
⑧	Risks relevant to intellectual property	Medium	Medium
⑨	Risks relevant to company acquisitions	Low to Medium	Medium to Large
⑩	Risks relevant to recruiting human resources	High	Medium

Risk Map



① Risks relevant to the economy, markets and currency

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

Frequency	Medium	Impact	Medium
Countermeasure	The Group mitigates risks associated with economic fluctuations by operating businesses across a wide range of industries that are subject to different economic cycles. In addition, the Group seeks to minimize the impact of economic fluctuations on its financial performance by expanding its MRO (Maintenance, Repair and Overhaul) business, which is less susceptible to economic cycles. Furthermore, as one of the basic policies of the Medium-Term Management Plan launched in 2025, the Group has set forth the evolution of its core strength in “motion control” into “smart motion control” (electrification, integration, and data utilization). Through this initiative, the Group is working to create new value by addressing social issues related to its business domains. By responding to increasingly diverse and sophisticated customer needs and providing new value-added solutions, the Group aims to expand its businesses. With regard to the impact of fluctuations in foreign exchange rates, the Group implements risk hedging measures, including the use of forward exchange contracts.		

② Risks relevant to geopolitical factors

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 operating results of the Group.

Frequency	Medium	Impact	Medium
Countermeasure	The Group regularly monitors political and social conditions, public security, and other relevant factors at and around the locations of its business sites, and strives to implement appropriate measures as necessary. In addition, the Group holds regular compliance liaison meetings and security trade control liaison meetings for operationally responsible personnel at its domestic and overseas group companies, through which it shares information across the Group on developments in new laws and regulations in each country, economic sanctions, and export control regimes. With respect to risks such as procurement disruptions arising from geopolitical risks, the Group is advancing initiatives including multiple sourcing, as described in the section “Risks Related to Procurement” below.		

③ Risks relevant to large-scale disasters and climate change

The Group operates business sites around the world, including factories in Japan and overseas. In recent years, risks associated with various disasters—such as wind and flood damage stemming from global climate change, large-scale earthquakes, pandemics, and other factors leading to social disruption—have been increasing. As a result, the Group's business performance and financial condition may be adversely affected by personal and property damage, delays in the procurement of materials, and disruptions to logistics networks. In addition, there is no assurance that losses arising from such events will be sufficiently covered by insurance or other measures.

Frequency	Low	Impact	Large
Countermeasure	Within the Group, the ESH Committee, which serves as a CEO-direct reporting body responsible for promoting ESH management, collects important information related to the environment, safety, disaster prevention, and health, including risks and opportunities associated with climate change. The Committee deliberates on the assessment of materiality and on measures to address matters assessed as material. As part of its initiatives to address global climate change, the Group has set long-term greenhouse gas emission reduction targets on a Group-wide basis and is advancing activities at its business sites in Japan and overseas to achieve CO_2 emission reduction targets. Through these initiatives, the Group is promoting activities to fulfill its social responsibilities related to climate change. In response to the increasing severity and frequency of natural disasters in recent years, the Group is committed to implementing consistent measures for initial response at the time of a disaster and for business continuity, as well as to conducting ongoing education and training during normal times. Specifically, the Group is systematically and organizationally implementing initiatives such as: (i) conducting voluntary drills at each site in addition to legally required drills to verify and improve the effectiveness of manuals; (ii) enhancing the knowledge and decision-making capabilities of all domestic employees through e-learning programs; (iii) promoting the assignment of personnel certified under the BCAO (Business Continuity Advancement Organization) qualification; and (iv) supporting the establishment of site-level frameworks for business continuity and resumption in the event of a disaster. In preparation for large-scale earthquakes and similar events, the Group is thoroughly implementing seismic retrofitting of existing buildings, ensuring seismic resistance in the construction of new factories and facilities, and carrying out measures to prevent the overturning of shelves, cabinets, and similar fixtures at all business sites. In addition, through annual ESH audits and regular safety patrols conducted at each site, the Group continues to rigorously promote initiatives to prevent human-caused accidents.		

④ Risks relevant to procurement

The Group procurement mainly metal parts and electronic and electrical components from approximately 1,600 suppliers of various sizes. If the supply of parts is disrupted and alternative suppliers cannot be secured due to external factors such as natural disasters or cyberattacks that suspend procurement functions, or due to the bankruptcy of suppliers, the Group's business performance and financial condition may be adversely affected as a result of deteriorating product margins and the occurrence of opportunity losses.

Frequency	Medium	Impact	Medium
Countermeasure	The Group has established a framework to promote supply chain BCP (Business Continuity Planning) activities to address large-scale disasters and risks in general, and is working to enhance the resilience of the entire supply chain by encouraging its suppliers to obtain resilience-related certifications. With respect to cyberattacks, the Group regularly assesses the information security levels of its suppliers and continues to provide support for improvement. In addition to these initiatives, the Group maintains regular communication with its suppliers through measures such as questionnaire surveys. Furthermore, the Group regularly conducts risk assessments and monitoring of major components and raw materials, and promotes multiple sourcing to establish a procurement structure that does not rely on specific supply sources.		

⑤ 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 litigation, recall and so on could adversely impact the Group's business performance and financial position.

Frequency	Low	Impact	Large
Countermeasure	The Group conducts its product development, manufacturing, and sales activities in accordance with ISO 9001, the international standard for quality management systems. In addition, where required, the Group has obtained certifications for industry-specific quality management systems (QMS), such as IATF 16949 and JIS Q 9100, and has established management frameworks tailored to the requirements of each industry. To ensure the quality and safety of products shipped to the market, the Group conducts rigorous quality and product safety reviews during the development and design stages prior to product launch. Furthermore, the stability of manufacturing processes is continuously monitored, and appropriate inspections are conducted prior to shipment, enabling the Group to provide products that meet customer expectations. In addition, the Group has established the Quality and Product Liability (PL) Committee as a body reporting directly to the CEO to promote quality and PL management, and is working to enhance quality and safety standards across the Group.		

⑥ 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 share of its products were to fall due to the delays in the development of new products or the development of new products by other companies, the Group's business performance and financial position could be adversely impacted.

Frequency	Medium	Impact	Medium
Countermeasure	The Group is engaged in the development of differentiated products with cost competitiveness that accurately captures customer needs. In addition to its core technologies—such as mechanical design, electrical and electronic design, and quality assurance—which have been accumulated and continuously enhanced through responding to customer needs, the Group possesses advanced elemental technologies including various analytical capabilities such as CAE and thermal analysis, as well as control technologies. By integrating these capabilities, the Group has established its proprietary motion control technologies. Furthermore, by leveraging cutting-edge elemental technologies and development methodologies strengthened through open innovation—such as advanced electronic control technologies, model-based development, and digital twins—the Group has built a development framework capable of responding to increasingly diverse customer needs and accelerating development speed. Looking ahead, the Group will further advance electrification, system integration, and data utilization to accelerate the evolution toward smart motion control, and will promote the development and provision of products and services, including those for predictive maintenance.		

⑦ Risks relevant to information security

The Group obtains personal information and confidential information of its customers and trading partners through business activities, and holds confidential information of its business and technologies. In the event of a leakage of information, or destruction or falsification of important data, or system halt due to the unexpected levels of cyber-attacks, unauthorized access, or intrusion of computer viruses, etc., this could result in production stoppages and a deterioration of trust, potentially affecting the Group's business performance and financial condition.

Frequency	Medium	Impact	Medium to Large
Countermeasure	In response to the increasing information security risks in recent years, the Group has established an Information Security Committee with the objective of enhancing information security levels across the Group. The Committee formulates basic policies on information security, works to strengthen security measures, and enables prompt responses to serious security incidents. In addition, the Group has established various management regulations to promote organizational and continuous implementation of security measures for information assets, ensures that these regulations are thoroughly communicated to all employees, and conducts regular education and training on the proper management of information assets. To address risks to information assets such as unauthorized access, leakage, falsification, loss, destruction, and obstruction of use, the Group has implemented security systems designed to mitigate risks and enable the rapid recovery of operations, while continuously conducting vulnerability assessments and implementing countermeasures. Furthermore, the Group is establishing system management with strict access controls, including restricting access to data on a user-by-user basis. In addition, the Group conducts regular internal and external audits of its information security initiatives to ensure continuous improvement of information security management.		

⑧ Risks relevant to intellectual property

The Group seeks to protect its proprietary technologies through the management of intellectual property rights, including patents, as well as the management of confidential information, and appropriately manages intellectual property and other intangible assets related to its proprietary technologies. At the same time, the Group exercises the utmost care to avoid infringing upon the intellectual property rights or other rights of third parties.

However, if third parties were to infringe upon the Group's intellectual property rights, if confidential information were to be leaked, or if the Group were to be alleged by third parties to have infringed upon their intellectual property rights, such events could adversely affect the Group's business performance and financial condition.

Frequency	Medium	Impact	Medium
Countermeasure	To ensure the sustainable competitive advantage of its intellectual property and intangible assets (core value), which serve as the source of the Group's business competitiveness, the Group promotes close collaboration between its intellectual property division and business divisions. From the product and service planning and development stages, technologies that can be effectively analyzed are protected through intellectual property rights, while design know-how that is difficult to analyze and manufacturing know-how continuously generated during mass production are protected through rigorous management of confidential information. In particular, with respect to confidential information management, in addition to strictly enforcing the execution of non-disclosure agreements prior to disclosure of confidential information to third parties, the Group has established a confidential information protection framework that enables it to demonstrate, both domestically and internationally, its legitimate ownership of such confidential information. Through this framework, the Group also addresses the risk of unintended leakage of confidential information. Furthermore, in products, countries, and regions where counterfeit products are prevalent, the Group regularly conducts investigations into counterfeit products and undertakes elimination measures, utilizing local experts as appropriate. With regard to brand counterfeiting in particular, the Group places emphasis on preventing the distribution of counterfeit products in order to protect customers who may otherwise suffer harm by purchasing products they believe to be genuine. At the same time, to prevent the occurrence of litigation and other significant business risks at an early stage, the Group has established a framework for intellectual property clearance in close collaboration between its intellectual property division and business divisions. This framework involves conducting investigations and analyses of third-party intellectual property rights—including not only patents but also trademarks and copyrights—not only during the product and service planning and development stages but also thereafter, as well as obtaining non-infringement opinions and licenses through internal and external patent attorneys and lawyers, as necessary.		

⑨Risks relevant to company acquisitions

The Group seeks to enhance the production system for its products in Japan and overseas, its sales and service systems, and its technology platform through company acquisitions. However, if the effects that were expected at the time of the acquisition cannot be gained in the future, the Group may recognize impairment loss of fixed asset such as goodwill and the Group's business performance, and financial position may be affected.

Frequency	Low to Medium	Impact	Medium to Large
Countermeasure	The Group has established Group M&A Guidelines to clarify its acquisition processes. In addition, during the consideration stage of potential acquisitions, the Group conducts due diligence on target companies and reviews the post-acquisition operation and management of such companies.		

⑩Risks relevant to recruiting human resources

The Group seeks to promote global business activities and maintain and improve its competitiveness by recruiting and developing a broad range of human resources with competence in manufacturing, development, sales and other specialized fields. However, failure to recruit and develop a sufficient number of personnel due to intensified competition over human resources and the retirement of employees may lead to a drop in competitiveness, affecting the Group's business performance and financial position.

Frequency	High	Impact	Medium
Countermeasure	To secure a diverse pool of talent, the Group is promoting initiatives such as adopting various recruitment methods, including alumni recruitment[1] and referral recruitment[2], as well as establishing a professional track system to attract and retain highly specialized professionals. In addition, from the perspective of health and productivity management, the Group implements initiatives that contribute to maintaining employee health, including tailored support through the assignment of occupational health professionals and collaborative health promotion activities jointly undertaken by the health insurance association and the Company (collabo-health). Furthermore, the Group operates an internal job posting system aimed at employee retention and is committed to fostering employee engagement and maintaining a vibrant organization by creating a workplace where employees feel motivated and energized.		

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

4 【Management's Analysis of Financial Condition, Results of Operations and Cash Flows】

(1) Summary of Business Results and Others

① Operating Results

As the Company announced on July 31, 2025, in the "Notice Concerning the Company Split (Simplified Absorption-Type Company Split) of the Hydraulic Equipment Business and the Execution of the Share Purchase Agreement and the Shareholders' Agreement with Comer Industries S.p.A.," a resolution was made regarding the company split of the hydraulic equipment business and the transfer of shares of the subsidiary succeeding the business. Therefore, from the third quarter of this consolidated fiscal year, the business is classified as a discontinued operation in accordance with IFRS 5. Accordingly, net sales, operating income, and income before tax are presented excluding the discontinued operations from the beginning of this consolidated fiscal year, while net income and Net income attributable to owners of the parent are shown as the sum of continuing and discontinued operations.

During the consolidated fiscal year under review, showed an increase in demand for Component solutions, Transport solutions and Accessibility solutions business. As a result, the Group's net sales amounted to ¥307,912 million. Operating income amounted to ¥20,956 million, despite the positive impact of increased revenue and the profitability improvement activities under Project 10, due to loss on liquidation of subsidiaries related to railway vehicle equipment and impairment losses of goodwill associated with Deep Sea Technologies. Income before tax was ¥21,983 million and net income attributable to owners of the parent was ¥15,255 million.

(Million yen)

	Net sales	Operating income	Income before income taxes	Profit attributable to the owners of the parent
Current consolidated fiscal year (ended December 31, 2025)	307,912	20,956	21,983	15,255
Previous fiscal year (ended December 31, 2024)	280,458	13,157	14,225	10,188
YoY change (%)	9.8	59.3	54.5	49.7

The following is an overview of the business results by segment for the fiscal year under review.

[Net Sales]

(Million yen)

	Previous fiscal year (ended December 31, 2024)	Current consolidated fiscal year (ended December 31, 2025)	YoY change (%)
Component Solutions Business	67,646	79,325	17.3
Transport Solutions Business	88,727	100,473	13.2
Accessibility Solutions Business	106,771	110,668	3.7
Others	17,315	17,445	0.8
Total	280,458	307,912	9.8

[Operating income]

(Million yen)

	Previous fiscal year (ended December 31, 2024)	Current consolidated fiscal year (ended December 31, 2025)	YoY change (%)
Component Solutions Business	2,667	5,420	103.2
Transport Solutions Business	12,389	13,698	10.6
Accessibility Solutions Business	9,340	9,541	2.1
Others	1,043	2,194	110.3
Corporate or elimination	-12,282	-9,897	—
Total	13,157	20,956	59.3

② Financial Position

(Million yen)

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)	YoY change
Assets	449,845	466,632	16,787
Liabilities	160,101	176,264	16,163
Equity	289,744	290,368	624

(Assets)

Total assets as of December 31, 2025 were ¥466,632 million, an increase of ¥16,787 million from December 31, 2024, consisting of ¥256,426 million in current assets and ¥210,206 million in non-current assets. The key contributing positive factors were an increase of ¥43,665 million in assets held for sale due to the classification of the hydraulic equipment business as a discontinued operation in accordance with IFRS 5. The key contributing negative factors were a decrease of ¥13,512 million in operating receivable and a decrease of ¥12,657 million in tangible fixed assets.

(Liabilities)

Total liabilities as of December 31, 2025 were ¥176,264 million, an increase of ¥16,163 million from December 31, 2024, reflecting ¥134,677 million in current liabilities and ¥41,587 million in non-current liabilities. The key contributing positive factors were an increase of ¥13,129 million in borrowings under current liabilities and an increase of ¥12,256 million in liabilities directly related to assets held for sale due to the classification of the hydraulic equipment business as a discontinued operation based on IFRS 5. The key contributing negative factors were a decrease of ¥9,181 million in other liabilities.

(Equity)

Total equity as of December 31, 2025 stood at ¥290,368 million. Equity attributable to owners of the parent was ¥273,466 million, an increase of ¥907 million from December 31, 2024. The key contributing positive factors were an increase in net income attributable to owners of the parent of ¥15,255 million and an increase of ¥4,834 million in other capital caused by factors such as exchange differences on foreign operations. Meanwhile, the main contributing negative factor was a decrease of ¥20,089 million in retained earnings due to dividend payment and the retirement of treasury stock. As a result of the above, the ratio of equity attributable to owners of the parent was 58.6%, and equity attributable to owners of the parent per share was ¥2,333.54.

(2) Cash Flow

(Million yen)

	Previous fiscal year (ended December 31, 2024)	Current consolidated fiscal year (ended December 31, 2025)
Cash flows from operating activities	26,650	32,824
Cash flows from investing activities	-28,733	-15,725
Free cash flow	-2,083	17,098
Cash flows from financing activities	-4,137	-13,559

Cash and cash equivalents (hereinafter, “cash”) on a consolidated basis as of December 31, 2025 stood at ¥73,340 million, a decrease of ¥1,136 million from December 31, 2024 as a result of the use of funds acquired from operating activities primarily for capital expenditures, mainly reflecting capital investment, and dividend payment.

[Cash flows from operating activities]

Net cash generated from operating activities for the fiscal year totaled ¥32,824 million. The principal positive factors included increases in net income, depreciation and amortization. Meanwhile, the main negative factors were an increase in inventories and the decrease in operating liabilities.

[Cash flows from investing activities]

Net cash used in investing activities for the fiscal year amounted to ¥15,725 million. The main factor for decreases were payments for the purchase of property, plant, and equipment.

[Cash flows from financing activities]

Net cash used in financing activities for the fiscal year under review was ¥13,559 million. The main factor for decrease was proceeds from long-term borrowings. The main factor for decrease was the acquisition of treasury stock and the dividend payments.

(3) Status of production, orders and sales

① Production Results

Production results by segment for the fiscal year under review are as follows:

Segment name	Production (Million yen)	YoY change (%)
Component Solutions Business	81,841	20.4
Transport Solutions Business	101,796	11.2
Accessibility Solutions Business	112,394	4.2
Others	19,504	16.3
Total	315,535	11.0

(NOTE) The above amounts are figures after elimination of intersegment transactions.

② Orders Received

The results of orders in the fiscal year under review by business segment are as follows:

Segment name	Orders received (Million yen)	YoY change (%)	Order backlog (Million yen)	YoY change (%)
Component Solutions Business	82,428	16.2	19,666	18.7
Transport Solutions Business	109,354	8.4	100,199	9.7
Accessibility Solutions Business	111,145	8.7	47,803	1.0
Others	20,326	14.5	12,387	30.3
Total	323,254	10.8	180,055	9.3

(NOTE) The above amounts are figures after elimination of intersegment transactions.

③ Sales Results

Sales results by business segment for the fiscal year under review are as follows.

Segment name	Sales (Million yen)	YoY change (%)
Component Solutions Business	79,325	17.3
Transport Solutions Business	100,473	13.2
Accessibility Solutions Business	110,668	3.7
Others	17,445	0.8
Total	307,912	9.8

(NOTE) 1 The above amounts are figures after elimination of inter-segment transactions.
2 No customer accounts for more than 10% of total sales.

(4) Analysis and examination of the status of operating results, etc. from the management's perspective

① Important Accounting Policies and Estimates

Important accounting policies and estimates used in the consolidated financial statements of our Group are as described in "5. Accounting Status 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements, Note 3. Significant Accounting Policies and Notes 6. Significant Accounting Judgments, Estimates and Assumptions."

② Recognition, analysis, and consideration of the status of operating results for the fiscal year under review

1) Net sales (Excluding discontinued operations)

Net sales for the current consolidated fiscal year increased by 9.8% year on year to ¥307,912 million. This increase was increased demand in the Component Solutions Business, the Transport Solutions Business, and the Accessibility Solutions Business.

2) Operating income (Excluding discontinued operations)

Operating income increased 59.3% to ¥20,956 million, despite the positive impact of increased revenue and the profitability improvement activities under Project 10, due to loss on liquidation of subsidiaries related to railway vehicle equipment and impairment losses of goodwill associated with Deep Sea Technologies. The ratio of operating income to net sales was 6.8%.

3) Income before tax (Excluding discontinued operations)

Financial income came to ¥992 million due to foreign exchange gains, etc. Financial costs were ¥1,105 million due to the recording of interest expenses and other expenses. Equity in earnings of affiliates was ¥1,140 million.

As a result, income before tax ended at ¥21,983 million, increased by 54.5% year-on-year.

4) Net income attributable to owners of the parent (Including discontinued operations)

In total, net income attributable to owners of the parent increased by 49.7% year-on-year to ¥15,255 million, net of income tax expenses of ¥ 5,833 million and net income attributable to non-controlling interests of ¥1,930 million.

Total basic earnings per share increased by ¥43.04 year-on-year to ¥127.87.

Results by business segment for the fiscal year under review are as follows.

(Component solutions business)

Orders received for component solutions increased by 16.2% year-on-year, to ¥82,428 million. Net sales increased by 17.3% year-on-year, to ¥79,325 million, and operating income increased by 103.2% year-on-year, to ¥5,420 million.

Sales of precision reduction gears increased year-on-year as the inventory of industrial robots, which had been prolonged, reached an appropriate level, and demand remained steady.

(Transport solutions business)

Orders received for transport solutions increased by 8.4% year-on-year, to ¥109,354 million. Net sales increased by 13.2% year-on-year, to ¥100,473 million, and operating income increased by 10.6% year-on-year, to ¥13,698 million.

Sales of railroad vehicle equipment increased year-on-year due to strong demand for new railroad vehicles and MRO (Maintenance, Repair and Overhaul) both domestically and internationally.

Sales of aircraft equipment increased year-on-year due to increased demand from increased defense spending and increased revenue from commercial aircraft.

Sales of marine vessels equipment increased year-on-year due to strong demand for new vessels and MRO.

Sales of commercial vehicle equipment remained at the same level as the same period of the previous fiscal year due to demand in the Southeast Asian market continued to stagnate, while domestic market demand remained solid.

In the fiscal year under review, we recorded loss on liquidation of subsidiaries of ¥1,324 million related to railway vehicle equipment and an impairment loss of ¥989 million on goodwill related to Deep Sea Technologies.

(Accessibility solutions business)

Orders received for accessibility solutions increased by 8.7% year-on-year, to ¥111,145 million. Net sales increased by 3.7% year-on-year, to ¥110,668 million, and operating income increased by 2.1% year-on-year, to ¥9,541 million.

Sales from the automatic doors business increased year-on-year due to steady demand for doors and platform doors in Japan.

(Others)

Orders received for others businesses increased by 14.5% year-on-year, to ¥20,326 million. Net sales increased by 0.8% year-on-year, to ¥17,445 million, and operating income decreased by 110.3% year- on-year to ¥2,194 million.

Sales of packaging machines remained at the same level as the same period of the previous fiscal year due to domestic demand for equipment renewal was steady, but overseas capital investment continued to be postponed.

③ Analysis of capital resources and fund liquidity

Our Group's main cash requirements for operating activities include working capital required for production activities (raw materials, personnel expenses, etc.), selling expenses for acquiring orders, and R&D expenses for strengthening the competitiveness of existing businesses and creating new products and businesses. Investing activities include capital expenditures, primarily for capacity expansion and others for precision reduction gears in component solutions segment. Financing activity includes ¥12,900 million of short-term borrowing.

In the FY2026, the Group plans to invest ¥12,500 million of capital expenditure.

The funds required for the Group's business activities are mainly procure through the use of own funds, borrowings from financial institutions, etc., and the Group selects the optimal financing methods while closely monitoring indicators such as the ratio of equity attributable to owners of the parent and ROE. The balance of loans at the end of the fiscal year under review was ¥44,985 million yen, an increase of ¥13,101 million yen from the previous fiscal year-end.

④ Objective indicators for judging the status of achievement of management policies, strategies and targets

We have set financial targets of ROIC 10% or over as management targets in our medium-term management plan starting in FY2025. The trends in each indicator in the current fiscal year is as follows.

	23rd fiscal year (FY2025)
ROIC (%)	4.5
DOE (%)	3.5

NOTE The Company proposes an agenda item (resolution) entitled "Appropriation of Surplus" at the Annual General Meeting of Shareholders scheduled to be held on March 26, 2026. If this proposal is approved, the DOE ratio is expected to be as stated above.

5 【Significant Management Contracts】

(Agreement on the Introduction of Technology, etc.)

Name of Contract Company	Technology adopters	Subject of the contract	Conclusion agreement Effective Date	Contract period
Nabtesco Corporation	United States Parker-Hannifin Corporation	Manufacturing and sales contract of nose steering, input nose steering and flap drives which are equipped with F-15 fighter.	January, 1983	Until December 2028
		Technology and sales contracts of helicopter equipment	January, 1989	Until December 2028

(NOTE) As compensation for the above-mentioned contracts, the Company pays a fixed amount or a fixed rate of sales.

(Share Transfer Agreement and shareholders' Agreement)

On July 31, 2025, the Company's Board of Directors resolved to execute a share transfer agreement with Comer Industries S.p.A., under which the Company would transfer 70% of the issued shares of Comtesco Corporation to Comer Industries S.p.A., after consolidating the Company's hydraulic equipment business by transferring to a newly established wholly owned subsidiary of the Company (Comtesco Corporation) through an absorption-type company split. At the same time, the Board also resolved to execute a shareholders' agreement concerning Comtesco Corporation with Comer Industries S.p.A. The share transfer was completed effective January 1, 2026.

For further details, please refer to "Part V: Financial Information, 2. Financial Statements, Notes (Business Combinations)."

6【R&D activities】

Based on our corporate philosophy of "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," our group sets the goal of our R&D activities for profitable growth and engages in R&D by formulating R&D plans in cooperation with our business strategies.

With respect to the direction of its research and development activities, the Group is promoting various R&D initiatives aimed at creating "smart motion control" products that can only be realized by the Group. Building on its core strength in mechanical and component technologies, the Group combines electrification with system integration, sensing technologies, data analytics, and software technologies to drive innovation in smart motion control.

Research and development expenses for the current consolidated fiscal year amounted to ¥13,436 million. These expenses include research and development costs related to the hydraulic equipment business.

The research objectives, major issues, research results, and R&D expenditures by segment are as follows.

(1) Component Solutions Business

The Precision Equipment Company and Power Control Company are the main R&D centers for Precision reduction gears and its systems, as well as Hydraulic equipment for construction machinery and its systems. Major achievements in the fiscal year under review included the expansion of models for RV series for industrial robots, newly innovated product such as small size of precision reduction gears "RVmini® series" and "Monocrank® series," development of condition monitoring sensors, the development of gear head series for semicondoctors and FPD market, the development of series of AGV drive units, the launch of energy-saving pump and valve systems for construction machinery, the strengthening of lineup of running and turning units for construction machinery, the launch of compact and high power density VC series motor models for construction machinery, and the study of equipment compatible with ICT and electrification of construction machinery. Research and development expenses in this segment totaled ¥2,044 million.

(2) Transport Solutions Business

The Railroad Products Company, Aerospace Company, Marine Control Systems Company and Nabtesco Automotive Co., Ltd. are responsible for the research and development of brake systems for railroad vehicles and door systems, aircraft flight control equipment and systems, marine engine control systems, and various devices and equipment for commercial vehicle brakes and passenger vehicle clutches. Major achievements during the fiscal year under review included the development of brake control systems and equipment (vehicle control) for railcars for the global market, development of oil-free compressor with improved dust environmental performance, the development of electric actuators for flight control, engaging in system integration development for autonomous vessels by applying the ship speed and engine power control unit "TELEGRAPH AGENT," the development of control equipment and fuel injection valves for environmentally friendly engines, the Group launched high-pressure solenoid valves for engine starting, the development of electric compressors that respond to the electrification of commercial vehicles in addition to the development of conventional air brake equipment for commercial vehicles. Research and development expenses in this segment totaled ¥3,077 million.

(3) Accessibility Solutions Business

The Accessibility Innovations Company plays a central role in R&D of automatic door for buildings, automatic platform gates, platforms screen doors, and welfare equipment. Major achievements during the fiscal year under review included the development of high-value-added automatic door, the launch of designated fire prevention facilities (combined fire prevention facilities) with smoke shielding performance (CAS certified), the business expansion of automatic door with digital signage and starting advertisement delivery business, the development of automatic platform gates and high-value-added screen doors for railway station platforms, the development and launch of assist units for cart, development of small and oversea type of wheel unit for rollators and the others. Research and development expenses in this segment totaled ¥4,067 million yen.

(4) Others

PACRAFT Co., Ltd. and CMET Inc. play a central role in the R&D of such products as automated filling/sealing packaging machines and stereolithography system (3D printers) respectively. Major achievements during the fiscal year under review included the development of packaging machines in response to high productivity demands, the development of labor-saving and automation equipment in the front and rear processes of packaging machines, the development of medium size of stereolithography system "ATOMm-4000II"for manufacturing industry, the development of CMFS equipment for overseas-made wind power generation, completion of full-scale testing and transition to mass production of CMFS for 3 MW wind turbines owned by a major European power generation operator; development of CMFS cloud services and commencement of services in Japan and overseas; and development of gear tooth surface life diagnostics for yaw gears within the cloud platform, among other initiatives. Research and development expenses in this segment totaled ¥920 million.

(5) Corporate division

The Corporate Division actively engages in R&D activities related to fundamental technologies and new business fields that are common to the entire Group, as well as joint R&D activities with universities, research institutes, and other companies.

In 2024, the Group established an innovation hub in North America and has been continuously exploring technological seeds and potential collaboration partners. Research and development expenses related to the Corporate Division are ¥3,328 million.

(Translation)
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No.3 【Status of Facilities】

1. 【Overview of Capital Expenditures】

In our group, we invested primarily in expanding domestic capacity and improving productivity, and, upgrading facilities in overseas. As a result, capital expenditures for the fiscal year under review totaled ¥11,587 million (investments in property, plant and equipment and intangible assets). These expenses include capital expenditures related to the hydraulic equipment business.

In component solutions business, capital expenditures totaled ¥5,736 million, mainly for the capacity expansion and other investment in precision reduction gears.

Capital expenditures in transport solutions business amounted to ¥2,931 million, mainly for R&D capital expenditures in marine vessels equipment, and for renewal of capital expenditures related to facility and productivity improvement in railroad vehicle equipment and aircraft equipment.

In accessibility solutions business, capital expenditures totaled ¥1,862 million, mainly for R&D and facility upgrades at automatic door.

In the others segment, capital expenditures totaled ¥343 million, mainly for capital expenditures in upgrade of facilities and R&D.

Capital expenditures of ¥715 million were made for companywide and common assets, mainly for updating information management systems and building a next-generation IT platform.

In addition, the Company appropriated its own funds to the primary investors in all of its capital requirements.

2 [Status of major facilities]

(1) Submitting Company

As of December 31, 2025

Site name (Location)	Segment Name	Details of facilities	Book value (Million yen)					Number of employees (person)
			Buildings and structures	Machinery and equipment	Land (Area m^2)	Others	Total	
Tsu Plant (Tsu, Mie)	Component Solutions	Production facilities for precision reduction gears	7,271	11,290	1,755 (118,602)	1,662	21,978	552
Land for the Hamamatsu Plant (Hamana-ku, Hamamatsu)	Component Solutions	Production facilities for precision reduction gears	15,182	5,663	5,660 (181,700)	13,721	40,227	69
Kobe Plant (Nishi-ku, Kobe)	Transport Solutions	Production facilities for brake systems and other equipment of railroad vehicles	1,550	640	3,431 (27,000)	350	5,972	360
Seishin plant (Nishi-ku, Kobe)	Transport Solutions and Common to Headquarters	Production facilities for marine vessels equipment, and others	1,081	534	698 (70,780)	178	2,491	209
Gifu Plant (Tarui-cho, Huwa-gun, Gifu Prefecture)	Transport Solutions	Production facilities for aircraft equipment	5,014	1,281	541 (81,323)	253	7,089	393
Konan Plant (Higashinada-ku, Kobe)	Accessibility Solutions	Production facilities for automatic doors for buildings and others	499	113	90 (11,018)	355	1,057	258
Rental real estate (Matsuyama, Ehime Prefecture)	Common to Headquarters	Land for factories, buildings and structures	70	1	676 (57,236)	0	746	—

(NOTE) 1 The book value is the book value in the non-consolidated financial statements based on Japanese GAAP.
2 Other includes tools, furniture and fixtures, and construction in progress.
3.Book value is after the impairment loss.
4 Leased equipment from other than consolidated companies consist primarily of the Tokyo head office building of the submitting company, which is subject to annual rent of ¥302 million.

(2) Domestic subsidiaries

As of December 31, 2025

Company and site name (Location)	Segment Name	Details of facilities	Book value (Million yen)						Number of employees (person)
			Buildings and structures	Machinery and equipment	Land (Area m²)	Right-of-use assets	Others	Total	
Nabtesco Automotive Corporation Yamagata Plant (Murayama City, Yamagata) 2 other business sites	Transport Solutions	Production facilities for brake systems and others in automobiles	1,097	454	745 (43,957)	—	641	2,938	251
NABCO SYSTEM CO., LTD. (Chiyoda-ku, Tokyo) 4 other companies	Accessibility Solutions	Head Office with sales facilities and rental real estate	1,896	113	595 (36,433)	2,770	8,956 Note 3	14,332	1,107
NABCO DOOR Ltd. Head Office (Kita-ku, Osaka) 24 other business sites	Accessibility Solutions	Head Office and sales facilities	494	22	1,759 (4,133)	628	66	2,969	463
PACRAFT Co., Ltd. Iwakuni Plant (Iwakuni City, Yamaguchi) 6 other business sites	Others	Production facilities for packaging machines	888	314	944 (35,639)	219	134	2,500	328
Comtesco Corporation Headquaters (Tarui-cho, Huwa-gun, Gifu) 2 other business sites Note 4	Component Solutions	Production facilities for hydraulic equipment	5,459	1,820	29 (43,495)	1	858	8,167	288

(NOTE) 1 The carrying amount is based on IFRS.
2 Other includes tools, furniture and fixtures, and construction in progress.
3 The amount is included investment property of ¥8,398 million.
4 Classified as discontinued operation

(3) Foreign subsidiaries

As of December 31, 2025

Site name (Location)	Segment Name	Details of facilities	Book value (Million yen)						Number of employees (person)
			Buildings and structures	Machinery and equipment	Land (Area m²)	Right-of-use assets	Others	Total	
Nabtesco (China) Precision Equipment Co., Ltd. Head Office and Plant (Jiangsu Province, China)	Component Solutions	Production facilities for precision reduction gears	1,439	1,076	—	308	84	2,907	132
Changzhou Nabtesco Precision Machinery Co., Ltd. Head Office and Plant (Jiangsu Province, China)	Component Solutions	Production facilities for reduction gears	—	1,079	—	—	16	1,095	135
Nabtesco Power Control (Thailand) Co., Ltd. Head Office and Plant (Chonburi, Thailand) Note 3	Component Solutions	Production facilities for hydraulic equipment	128	197	552 (47,988)	11	71	960	93
Shanghai Nabtesco Hydraulic Co., Ltd. Head Office and Plant (Shanghai, China) Note 3	Component Solutions	Production facilities for hydraulic equipment	664	1,201	—	75	196	2,136	265
Gilgen Door Systems AG (Bern, Switzerland) 8 other companies	Accessibility Solutions	Production facilities for automatic doors for buildings and others	1,027	476	460 (26,271)	4,711	265	6,940	1,464

(NOTE) 1 The carrying amount is based on IFRS.
2 Other includes tools, furniture and fixtures, and construction in progress.
3. Classified as discontinued operation

3 [Plans for new construction, retirement, etc.]

(1) Construction of major facilities

The Group's capital investment plans take into account a comprehensive range of factors, including demand forecasts, production plans, and the ratio of investment to profit plans. Capital investment plans are formulated individually by the Company and each of our consolidated subsidiaries in principle, but the Production Innovation Division plays a central role in coordinating these plans so that the entire Group does not have overlapping investments.

The capital expenditure plan for the year ending December 31, 2026 (new construction and expansion) will be ¥12,500 million, and the breakdown by segment is as follows.

Segment name	Planned amount (Million yen)	Major contents and purpose of facilities	Fund procurement Methods
Component Solutions	2,300	Renewal of facility and environmental investments in precision reduction gears	Own funds
Transport Solutions	5,600	Investment for development and capacity increase in Marine vessel equipment, renewal of facility and productivity improvement in Railroad vehicle equipment and Aircraft equipment, new product development and renewal of facility in Commercial vehicle equipment, etc.	Own funds
Accessibility Solutions	3,100	R&D and renewal of equipment in Automatic Door, etc.	Own funds
Others	500	Renewal of facility and productivity improvement in Packaging machines, etc. Increasing the production capacity of packaging machines and conducting R&D , etc.	Own funds
Headquarters and common	1,000	Information management systems and building a next-generation IT platform, etc.	Own funds
Total	12,500	—	—

(2) Disposal of major facilities

With the exception of removal and sales for recurring equipment renewals, there are no plans for remove or sell any significant equipment.

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No.4 【Status of the Company Submitting the Report】

1 【Status of Shares】

(1) 【Total Number of Shares】

① 【Total number of shares】

Type	Total number of authorized shares
Common stock	400,000,000
Total	400,000,000

② 【Shares outstanding】

Type	Number of shares outstanding (shares) As of December 31, 2025	Number of shares outstanding (shares) as of the date of filing (March 25, 2026)	Name of stock exchange listings	Content
Common shares	118,064,699	118,064,699	Tokyo Stock Exchange Prime section	The number of shares per unit is 100 shares.
Total	118,064,699	118,064,699	—	—

(NOTE) The "Number of shares outstanding as of the filing date" column does not include the number of shares issued upon the exercise of stock acquisition rights to shares from March 1, 2026 to the filing date of this Annual Securities Report.

(2) 【Status of Stock Acquisition Rights】

① 【Details of stock option plan】

	As of the end of the fiscal year (December 31, 2025)	As of the end of the previous month of the filing date (February 28, 2026)
Date of resolution	July 31, 2015	Same as left
Classification and number of grantees	8 directors and 11 executive officers	Same as left
Number of stock options (unit)	10	Same as left
Class of shares for stock options	Common shares	Same as left
Number of shares for stock options	1,000 (Note) 1	Same as left
Payment on exercise price of stock options (Yen)	1 per share	Same as left
Period for exercising stock options	From August 21, 2015 to August 20, 2040	Same as left
Issue price for shares upon exercise of stock options and appropriation to capital (Yen)	Issue price 2,420 Amount incorporated into capital 1,210	Same as left
Conditions for exercising the new stock options	(NOTE) 2	Same as left
Items related to transfer of stock options	Transfer of share options shall require the approval of the board of directors.	Same as left
Matters concerning the delivery of the stock options in connection with the organizational restructuring	(NOTE) 3	Same as left

(NOTE) 1 The number of shares subject to the stock options;

The number of shares subject to each stock options (hereinafter referred to as the "number of granted shares") shall be 100 shares. Provided, however, that in the event that we effect a share split or reverse share split after the Allotment Date, the number of granted shares shall be adjusted according to the following formula:

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split and reverse stock split

Such adjustment shall be made with respect to the number of shares subject to the stock acquisition rights that have not been exercised at that time, and any fraction less than 1 share resulting from the above adjustment shall be discarded. In addition to the above, in the event that we effect a merger, a company split, or a share exchange, or in any other event that requires an adjustment to the number of granted shares in accordance with such circumstances, we shall be entitled to make an adjustment to the number of granted shares as deemed necessary by the Board of Directors to the extent reasonable.

2 Conditions for exercising the new stock options

①A holder of the rights to subscribe for new shares may exercise the rights only within 10 days (if the tenth day falls on a holiday, then no later than the next business day) from the day following the day on which the holder of the rights to subscribe for new shares has lost the position of both the directors and the executive officers of the Company.

②The exercise of stock options shall be effected by collectively exercising all of the number of stock options allotted.

③In the event of the death of a holder of stock options who has been allotted, only one of the direct legal heirs of such holder of stock options may inherit the rights of such holder of stock options.

④Other conditions shall be as set forth in the "Stock Option Allotment Agreement" concluded between the Company and holders of stock options by resolution of the Board of Directors of the Company with respect to the issuance of stock options.

3 Matters concerning the delivery of the stock options in connection with the organizational restructuring

In the event of a merger (limited to the case where we cease to exist due to a merger), an absorption-type demerger or an incorporation-type demerger (limited to the case where each of us becomes a split company), or a share exchange or a share transfer (limited to the case where each of us becomes a wholly-owned subsidiary) (hereinafter collectively referred to as "organizational restructuring"), the share warrants of the corporation (hereinafter referred to as "the restructured corporation") as set forth in Article 236, Paragraph 1, Item 8 (a) to (e) inclusive of the Companies Act shall be delivered to the holder of the share warrants who holds the share warrants which remain immediately before the effective date of the organizational restructuring.

①Type of stock of the Company to be restructured to be subject to the stock options

The type of stock shall be common stock of the Company to be restructured.

②Number of restructured companies subject to stock options

Decisions shall be made in accordance with (NOTE) 1 above after taking into consideration the conditions of the organizational restructuring.

③Assets to be contributed at the time of exercise of the rights

The value of assets to be contributed upon the exercise of each of the stock options to be delivered shall be the amount obtained by multiplying the exercise price after the realignment stipulated below by the number of shares of the restructured company subject to each of such stock options to be determined in accordance with ② above. The exercise price after the reorganization shall be one yen per share of the restructured company's shares that can be delivered by exercising each stock acquisition right to be delivered.

④Exercise period for the rights

The period from the date of commencement of the period during which the stock options may be exercised or the effective date of the organizational restructuring, whichever is later, until the expiration date of the period during which the stock options may be exercised.

⑤Restriction on acquisition of stock options by transfer

Acquisition of the rights to subscribe for new shares by transfer shall require approval by a resolution of the Board of Directors of the Company to be restructured.

	As of the end of the fiscal year (December 31, 2025)	As of the end of the previous month of the filing date (February 28, 2026)
Date of resolution	April 28, 2016	Same as left
Classification and number of grantees	7 directors and 12 executive officer	Same as left
Number of stock options (unit)	36	18
Class of shares for stock options	Common shares	Same as left
Number of shares for stock options	3,600 (Note 1)	1,800(Note 1)
Payment on exercise price of stock options (Yen)	1 per share	Same as left
Period for exercising stock options	From May 21, 2016 to May 20, 2041	Same as left
Issue price for shares upon exercise of stock options and appropriation to capital (Yen)	Issue price 2,564 Amount incorporated into capital 1,282	Same as left
Conditions for exercising the new stock options	(NOTE) 2	Same as left
Items related to transfer of stock options	Transfer of share options shall require the approval of the board of directors.	Same as left
Matters concerning the delivery of the stock options in connection with the organizational restructuring	(NOTE) 3	Same as left

(NOTE) 1 The number of shares subject to the stock options;

The number of shares subject to each stock options (hereinafter referred to as the "number of granted shares") shall be 100 shares. Provided, however, that in the event that we effect a share split or reverse share split after the Allotment Date, the number of granted shares shall be adjusted according to the following formula:

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split and reverse stock split

Such adjustment shall be made with respect to the number of shares subject to the stock acquisition rights that have not been exercised at that time, and any fraction less than 1 share resulting from the above adjustment shall be discarded. In addition to the above, in the event that we effect a merger, a company split, or a share exchange, or in any other event that requires an adjustment to the number of granted shares in accordance with such circumstances, we shall be entitled to make an adjustment to the number of granted shares as deemed necessary by the Board of Directors to the extent reasonable.

2 Conditions for exercising the new stock options

①A holder of the rights to subscribe for new shares may exercise the rights only within 10 days (if the tenth day falls on a holiday, then no later than the next business day) from the day following the day on which the holder of the rights to subscribe for new shares has lost the position of both the directors and the executive officers of the Company.

②The exercise of stock options shall be effected by collectively exercising all of the number of stock options allotted.

③In the event of the death of a holder of stock options who has been allotted, only one of the direct legal heirs of such holder of stock options may inherit the rights of such holder of stock options.

④Other conditions shall be as set forth in the "Stock Option Allotment Agreement" concluded between the Company and holders of stock options by resolution of the Board of Directors of the Company with respect to the issuance of stock options.

3 Matters concerning the delivery of the stock options in connection with the organizational restructuring

In the event of a merger (limited to the case where we cease to exist due to a merger), an absorption-type demerger or an incorporation-type demerger (limited to the case where each of us becomes a split company), or a share exchange or a share transfer (limited to the case where each of us becomes a wholly-owned subsidiary) (hereinafter collectively referred to as "organizational restructuring"), the share warrants of the corporation (hereinafter referred to as "the restructured corporation") as set forth in Article 236, Paragraph 1, Item 8 (a) to (e) inclusive of the Companies Act shall be delivered to the holder of the share warrants who holds the share warrants which remain immediately before the effective date of the organizational restructuring.

①Type of stock of the Company to be restructured to be subject to the stock options

The type of stock shall be common stock of the Company to be restructured.

②Number of restructured companies subject to stock options

Decisions shall be made in accordance with (NOTE) 1 above after taking into consideration the conditions of the organizational restructuring.

③Assets to be contributed at the time of exercise of the rights

The value of assets to be contributed upon the exercise of each of the stock options to be delivered shall be the amount obtained by multiplying the exercise price after the realignment stipulated below by the number of shares of the restructured company subject to each of such stock options to be determined in accordance with ② above. The exercise price after the reorganization shall be one yen per share of the restructured company's shares that can be delivered by exercising each stock acquisition right to be delivered.

④Exercise period for the rights

The period from the date of commencement of the period during which the stock options may be exercised or the effective date of the organizational restructuring, whichever is later, until the expiration date of the period during which the stock options may be exercised.

⑤Restriction on acquisition of stock options by transfer

Acquisition of the rights to subscribe for new shares by transfer shall require approval by a resolution of the Board of Directors of the Company to be restructured.

② 【Details of rights plan】

Not applicable.

③ 【Status of other stock acquisition rights】

Not applicable.

(3) 【Status of Exercise of Bonds with Stock Acquisition Rights with Exercise Price Adjustment, etc.】

Not applicable.

(4) 【Changes in the number of issued shares, capital stock, etc.】

Date	Number of shares outstanding increase/decrease	Number of shares outstanding as the end of therm.	Change in capital (Million yen)	Balance of capital (Million yen)	Change in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
July 15, 2021 (Note)	-4,069,700	121,064,099	—	10,000	—	26,274
December 10, 2025 (Note)	-2,999,400	118,064,699	—	10,000	—	26,274

(NOTE) Decrease in shares due to cancellation of treasury stock.

(5) 【Breakdown of Shareholders】

As of December 31, 2025

Classification	Status of Shares (100 shares per unit)								Less than one unit Status of Shares
	Govern-ment/Local public entity	Financial institution	Securities firms	Other corporations	Overseas investors		Individuals and others	Total	
					Non-individuals	Individuals,			
Number of shareholders	2	51	52	309	361	77	23,377	24,229	—
Number of shares held (Unit)	13	362,144	55,540	131,342	488,072	347	141,844	1,179,302	134,499
Percentage of number of shares held (%)	0.00	30.71	4.71	11.14	41.39	0.03	12.03	100.00	—

(NOTE) 1 Treasury stock of 421,264 shares is included in "Individuals and others" and 4,212 units and 64 shares are included in "Shares less than one unit."

2 "Financial Institutions" includes 4,589 shares held by Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the "Stock Benefit Trust (BBT=Board Benefit Trust)" (hereinafter referred to as "Stock Benefit Trust (BBT)") system, and 12 shares in "Shares of less than 1 unit."

3 "Other corporations" includes 60 units of shares in the name of the Japan Securities Depository Center, Inc.

(6) 【Major Shareholders】

As of December 31, 2025

Shareholders	Address	Number of Shares Held (thousands)	Shareholding ratio to number of shares outstanding (excluding treasury stock) (%)
The Master Trust Bank of Japan (Trust Account)	8-1 Akasaka 1-chome, Minato-ku, Tokyo AKASAKA INTERCITY AIR	19,855	16.88
Custody Bank of Japan (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	11,210	9.53
Central Japan Railway Company	1-4, Meieki 1-chome, Nakamura-ku, Nagoya-shi, Aichi	5,171	4.40
FANUC CORPORATION	3580 Shibokusa, Oshino-mura, Minamitsuru-gun, Yamanashi	3,760	3.20
BBH (LUX) FOR FIDELITY FUNDS-GLOBAL TECHNOLOGY POOL (Standing agent) MUFG Bank, Ltd.	2A RUE ALBERT BORSCHETTE LUXEMBOURG L-1246 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,556	3.02
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing agent) MUFG Bank, Ltd.	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A. 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,501	2.98
BNYM AS AGT/CLTS 10 PERCENT (Standing agent) MUFG Bank, Ltd.	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A. 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,806	2.39
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (Standing agent) MUFG Bank, Ltd.	VERTIGO BUILDING-POLARIS 2-4 RUE EUGENE RUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,579	2.19
GOLDMAN SACHS INTERNATIONAL (Standing agent) Goldman Sachs Securities Co., Ltd.	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. 6-1, Toranomon 2-chome, Minato-ku, Tokyo, Toranomon Hills Station Tower	2,049	1.74
STATE STREET BANK WEST CLIENT-TREATY 505103 (Standing agent) Mizuho Bank, Ltd.	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS 15-1, Konan 2-chome, Minato-ku, Tokyo Shinagawa Intercity Tower A	1,676	1.42
Total	—	56,163	47.74

(NOTE) 1 Number of shares held is rounded to the nearest thousand.

2 The following corporation submitted a report on the change of 6,554,000 shares by four companies on November 10, 2025. However, as the number of shares beneficially owned in the name of the said corporation cannot be confirmed as of December 31, 2025, it is not included in the above "Status of Major Shareholders."

1) Nomura Securities Co.,Ltd.
2) NOMURA SECURITIES INTERNATIONAL, Inc.
3) Nomura Asset Management Co., Ltd.

3 The following corporation submitted a report on the change of 4,682,000 shares by following company on November 6, 2025. However, as the number of shares beneficially owned in the name of the said corporation cannot be confirmed as of December 31, 2025, it is not included in the above "Status of Major Shareholders."

1) Eastspring Investments.

(7) 【Status of voting rights】

① 【Shares outstanding】

As of December 31, 2025

Classification	Number of shares	Number of voting rights	Content
Non-voting stock	—	—	—
Shares with restricted voting rights (Treasury stocks)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock held) Common shares 421,200 (Mutually Held Shares) Common shares 15,000	—	— —
Shares with full voting rights (other)	Common shares 117,494,000	1,174,940	—
Shares less than one unit	Common shares 134,499	—	Shares less than one unit (100 shares)
Number of shares outstanding	118,064,699	—	—
Voting rights of all shareholders	—	1,174,940	—

(NOTE) 1 Common shares in the "Shares less than 1 unit" column include 64 shares of treasury stock owned by the Company and 12 shares of our stock owned by Japan Custody Bank, Ltd. (Trust Account E) as trust assets under the "Stock Benefit Trust (BBT)" plan.

2 "Shares with full voting rights (other)" column includes 6,000 shares (60 voting rights) in the name of the Japan Securities Depository Center, Inc. and 458,900 shares (4,589voting rights) of ours owned by the Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the "Stock Benefit Trust (BBT)" plan. The 4,589 voting rights are not exercised.

② 【Treasury stock】

As of December 31, 2025

Owner's name	Address of the holder	Number of treasury stock	Number of shares held in the name of others	Total number of shares to be own	Ratio of shares held to total number of shares outstanding (%)
(Treasury stock held) Nabtesco Corporation	7-9, Hirakawacho 2-chome, Chiyoda-ku, Tokyo	421,200	—	421,200	0.36
(Mutually Held Shares) Kyokko Denki Co., Ltd.	2-4 Aratacho 1-chome, Hyogo-ku, Kobe-shi, Hyogo	15,000	—	15,000	0.01
計	—	436,200	—	436,200	0.37

(NOTE) The above numbers of shares held do not include 458,900 shares of our company owned by Japan Custody Bank, Ltd. (Trust Account E) as trust assets under the "Stock Benefit Trust (BBT)" plan.

(8) 【Details of executive and employee stock ownership plans】

① Outline of Directors' and Employees' Stock Ownership Plan

We have introduced a Stock Benefit Trust (BBT, hereinafter referred to as "Plan") as a stock-based compensation plan for our directors and executive officers (excluding outside directors, hereinafter referred to as "Directors, etc.").

Under this system, shares of the Company are acquired through a trust (hereinafter referred to as the "Trust") using money to be contributed by the Company. Under this system, shares of the Company are awarded points (hereinafter referred to as "Share Grant Points") each year according to position, performance, etc. based on the Directors' Share Benefit Regulations established by the Company, and cash equivalent to the amount of the Company's shares and the liquidation proceeds of the Company's Shares (hereinafter referred to as "Shares of the Company") is awarded or benefits through the Trust (hereinafter referred to as "Grant Points") according to the number of such Share Grant Points at a predetermined time.

The grants under this system include "grants at the time of service" in which points are awarded to directors in conjunction with the degree of achievement of the medium-term management plan, and "grants at the time of service" in which shares are awarded to directors, etc. at a certain time during their service, and "grants at the time of retirement" in which points are awarded to directors, etc. at the time of retirement.

②Total number of shares to be acquired by directors, etc.

458,912 shares

③ Scope of persons entitled to receive beneficial interest or other rights under the said officer's and employee's stock ownership plan

Directors, etc. who satisfy the requirements for beneficiaries set forth in the Regulations Governing the Transfer of Shares by Directors

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

2 【Status of acquisition of treasury stock】

【Class of Share】 Acquisition of common shares pursuant to Item 3 and 7, Article 155 of the Companies Act

(1) 【Status of Acquisition by Resolution at the General Meeting of Shareholders】

Not applicable

(2) 【Status of acquisition by resolution of the Board of Directors】

Classification	Number of shares	Total value (yen)
Status of resolutions at the Board of Directors meeting (July 31, 2025) (Period of acquired from August 1, 2025 to December 30 2025)	4,000,000	10,000,000,000
Treasury stock acquired before the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	2,999,400	9,999,816,100
Total number and total amount of shares underlying outstanding resolutions	1,000,600	183,900
Percentage unexercised as of the end of the current fiscal year (%)	25.0	0.0
Treasury stock acquired during the period	—	—
Percentage unexercised as of the filing date (%)	25.0	0.0

(3) 【Details of items that are not based on a resolution of the shareholders' meeting or a resolution of the Board of Directors】

Classification	Number of shares	Total value (yen)
Treasury stock acquired in the current fiscal year	400	1,093,983
Treasury stock acquired during the period	156	658,964

(NOTE) Shares of less than one unit purchased from March 1, 2026 to the filing date of the Annual Securities Report are not included in the repurchased shares during the period under review

(4) 【Disposal and holding of treasury stock acquired】

Classification	Current fiscal year		Current term	
	Number of shares	Total value disposed (Yen)	Number of shares	Total value disposed (Yen)
Acquired treasury stock offered to subscribers	—	—	—	—
Acquired treasury stock disposed of by retirement	2,999,400	10,426,844,214	—	—
Acquired treasury stock transferred in connection with the merger, share exchange, share issuance, and company split	—	—	—	—
Others (Note 2,3)	1,800	8,085,042	1,800	6,257,412
Number of treasury stock held (Note 4)	421,264	—	419,620	—

(NOTE) 1 The number of treasury stocks held during the current period does not include the number of treasury stocks purchased and disposed of from March 1, 2026 to the filing date of the Annual Securities Report.
2 The breakdown for the current fiscal year is due to the disposition by the exercise of stock options.
3 The breakdown for the current term is due to the disposition by the exercise of stock options.
4. 458,912 shares of our company owned by Japan Custody Bank, Ltd. (Trust Account E) as trust assets under the "Stock Benefit Trust (BBT)" plan are not included in the above-mentioned treasury stock holdings.

3 【Dividend Policy】

With respect to shareholder returns during the three-year Medium-Term Management Plan period starting in FY2025, the Company's policy is to provide stable dividends with a target DOE (Dividend on Equity attributable to owners of the parent) of approximately 3.5%, together with flexible share repurchases. Based on this policy, the Company will implement a stable dividend policy that is not affected by short-term profit fluctuations resulting from rapid changes in the business environment.

In accordance with the above policy, the Company plans to pay a year-end dividend of ¥40 per share for the current fiscal year. As a result, the annual dividend is expected to total ¥80 per share, including the interim dividend of ¥40 per share.

The year-end dividend of ¥40 per share is subject to approval at the Annual General Meeting of Shareholders scheduled to be held on March 26, 2026.

For the next fiscal year, the Company plans an annual dividend of ¥82 per share (an interim dividend of ¥41 per share and a year-end dividend of ¥41 per share). Dividends are scheduled to be paid twice a year, with record dates of June 30 and December 31.

The Company's Articles of Incorporation provide that interim dividends may be paid in accordance with Article 454, paragraph 5 of the Companies Act.

(NOTE) Dividends of retained earnings with record dates in the current fiscal year are as follows:

Date of resolution	Total dividends (Million yen)	Dividends per share (Yen)
July 31, 2025 Board of Directors	4,826	40
March 26, 2026 Annual Shareholders' Meeting (Plan)	4,706	40

4 【Status of Corporate Governance】

(1) 【Overview of Corporate Governance】

① Basic Approach to Corporate Governance

On the basis of our corporate philosophy of "providing safety, comfort and a sense of security in daily lives as well as any form of transportation with our unique motion control technology," the Nabtesco Group will endeavor to strengthen its corporate governance by practicing the Nabtesco Way, in order to achieve sustained growth of the group, enhance corporate value over the medium and long term and earn greater trust from our stakeholders.

We have developed the "Nabtesco Corporate Governance Basic Policy" by taking fully into account the intent and spirit of the Corporate Governance Code prescribed by Tokyo Stock Exchange, Inc.

② Overview of Corporate Governance Structure

Our business operations are conducted based on the executive officer system and in-house company system, and we have established the Board of Directors, Executive Officers, Audit & Supervisory Board Members, Accounting Auditors, and the Management Committee to deliberate on important matters related to the execution of business operations. The Management Committee clearly distinguishes the functions of management decision-making, supervision, execution and management oversight.

1) Basic Explanation of the Company's Organization

[Board of Directors]

The Board of Directors formulates the Group's basic policies and strategies, makes decisions about the execution of important business matters and supervises the way business is carried out. It shall be composed of up to ten Directors, with at least one-third of them being independent outside directors. The number of members of the Board of Directors is limited to 10, of which at least one-third are independent outside directors. As of the date of submission, the Board of Directors consisted of 9 members, including five independent outside directors.

The Board of Directors received reports on our basic management policy, matters related to important business execution, resolutions on matters stipulated in laws and the Articles of Incorporation, and the status of the execution of important business. In principle, the Board of Directors meets once a month, and 18 meetings were held in FY2025. Attendance by individual directors in the current fiscal year is as follows.

Name, etc		Attendance/number of meetings (Note 1)
Representative Director	Kazumasa Kimura	18 times /18 times
	Seiji Takahashi	18 times /18 times
	Atsushi Habe (Note 3)	4 times /4 times
Director	Kiyoshi Ando	18 times /18 times
	Hiroshi Usui (Note 2)	14 times /14 times
	Toshiya Fujiwara (Note 3)	4 times /4 times
Outside Directors	Mari Iizuka	17 times /18 times
	Naoko Mizukoshi	18 times /18 times
	Naoki Hidaka	18 times /18 times
	Toshiya Takahata	18 times /18 times
	Seiichiro Shirahata	17 times /18 times

(NOTE)1 Figures are based on the number of meetings held during the period of service.
2 Appointed on March 26, 2025.
3 Retired on March 26, 2025.

[Executive Officers Committee]

A body devoted to the execution of business pursuant to the policies and strategies of the Board of Directors and under the supervision of the Board. The current Executive Officers' Committee is composed of 24 Executive Officers.

[Audit & Supervisory Board]

The Audit & Supervisory Board audits the execution of duties of the Board of Directors and prepares Audit Reports. As a way of strengthening audit functions of the Group in line with the reinforcement of the Group management, the Audit & Supervisory Board has strengthened its audit system by establishing the Group Audit & Supervisory Board, membership of which includes the Audit & Supervisory Board Members of the Group companies. The Audit & Supervisory Board shall be composed of five or less Audit & Supervisory Board Members, of whom half or more of the members shall be Audit & Supervisory Board Members (Independent). The current Audit & Supervisory Board is composed of five members including three Audit & Supervisory Board Members (Independent).

[Management Committee]

In line with the policies decided by the Board of Directors, the Management Committee serves as the body that discusses important matters relating to execution of the Group's business and reports on results and the execution of business. It is composed of the President (CEO), the Presidents of the in-house companies, Executive Officers of Corporate Headquarters, and Senior General Managers, etc.

[Nomination Committee]

The Company established the Nominating Committee as a consultative body of the Board of Directors to deliberate on the nomination of candidates for Director, Audit & Supervisory Board Member, President (CEO) and Representative Director positions as well as a successor plan for the new President (CEO), etc., and to report the results to the Board of Directors.

The Nominating Committee is composed of five or fewer members, including one internal director and three or more independent outside directors. As of the date of submission, there were five independent outside directors, including four outside directors, as follows:

Chairperson: Mari Iizuka (Outside Director)

Member: Naoko Mizukoshi (Outside Director), Naoki Hidaka (Outside Director), Tetsuro Hirai (Outside Audit & Supervisory Board Member), Kazumasa Kimura (Representative director)

In the fiscal year under review, we held three meetings of the Nominating Committee, which mainly deliberated on the appointment of executive officers and director candidates in FY2025, and reported to the Board of Directors. Attendance by individual members is as follows.

Name, etc		Attendance/number of meetings (Note)
Representative director	Kazumasa Kimura	3 times/3 times
Outside Director	Mari Iizuka（Chairperson）	3 times/3 times
	Naoko Mizukoshi	2 times/3 times
	Naoki Hidaka	3 times/3 times
Audit & Supervisory Board Membe (independent)	Tetsuro Hirai	3 times/3 times

(NOTE) Numbers are based on the number of meetings held during the period of service.

[Remuneration Committee]

The Remuneration Committee, as a consultative body of the Board of Directors, deliberates on remuneration of the management team, etc. and reports the results to the Board of Directors

The Remuneration Committee is composed of five or fewer members, including 1 internal director and three or more independent outside directors. As of the date of submission, there were five independent outside directors, including four outside directors, as follows:

Chairperson Naoko Mizukoshi (Outside Director)

Member: Mari Iizuka (Outside Director), Toshiya Takahata (Outside Director), Masatoshi Hitomi (Outside Audit & Supervisory Board Member), Kazumasa Kimura (Representative director)

In the fiscal year under review, we held two meetings of the Compensation Committee to discuss and report to the Board of Directors on the remuneration of directors in FY2025 based on the perspectives of the remuneration system and the concept of performance-linked remuneration as indicators. Attendance by individual members is as follows.

Name, etc		Attendance/number of meetings (Note)
Representative director	Kazumasa Kimura	2 times/2 times
Outside Director	Mari Iizuka	2 times/2 times
	Naoko Mizukoshi（Chairperson）	2 times/2 times
	Toshiya Takahata	2 times/2 times
Audit & Supervisory Board Membe (independent)	Masatoshi Hitomi	2 times/2 times

(NOTE) Numbers are based on the number of meetings held during the period of service.

[Compliance Committee]

The Compliance Committee as a consultative body of the Board of Directors establishes and revises the "Nabtesco Group Code of Ethics" and deliberates priority challenges concerning the Group's compliance system, and reports the results to the Board of Directors. The Compliance Committee is composed of members including independent outside directors and outside experts. As of the date of filing, the composition of the Compliance Committee is as follows:

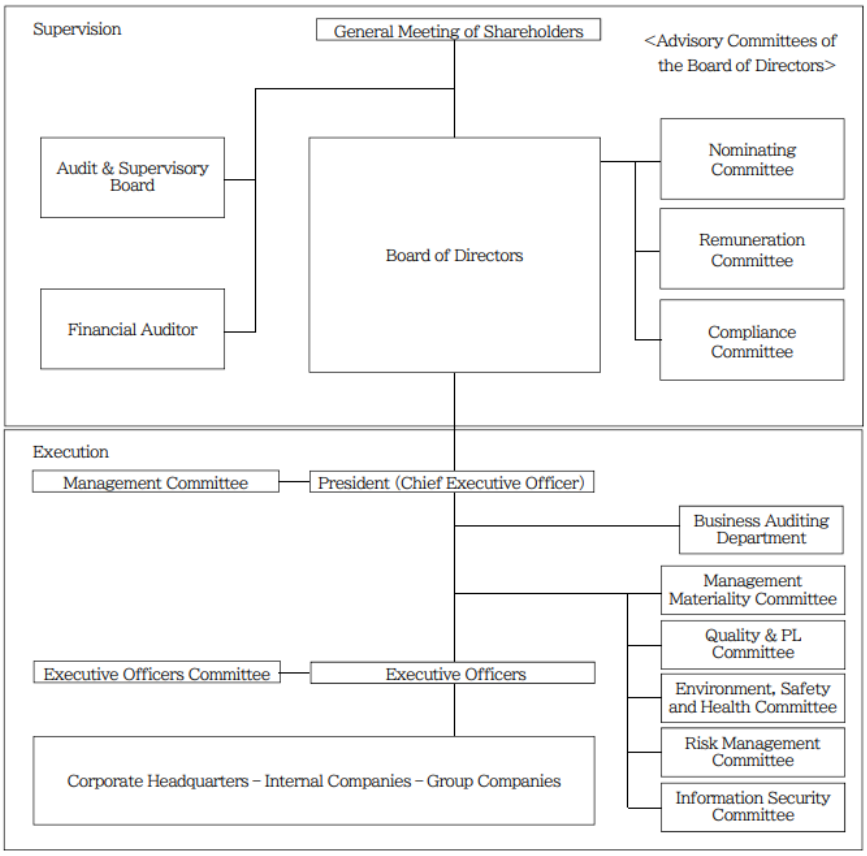
Chairperson: Kazumasa Kimura (Representative director)

Member: Seiji Takahashi, Hiroshi Usui, Tomoaki Shiramizu, Tomohiro Kiriyama, Yasuhiro Tanabe (Outside Audit & Supervisory Board Member), Makoto Matsuo (Partner of MOMO-O, MATSUO & NAMBA)

[Business Auditing Department (10 members)]

The Business Auditing Department conducts internal business audits of Corporate Headquarters, internal companies and Group companies.

2) Corporate Governance Related Diagram



3) Current Status of Internal Control System

Based on its Basic Polices for the Construction of an Internal Control System, Nabtesco is working to enhance all the areas associated with internal control such as increased efficiency of management, compliance, information management, risk management and collaboration with the Audit & Supervisory Board Members under consistent principles, and integrate them to construct an internal control system.

Outline of the Basic Policy for Establishing an Internal Control System

Internal control for the Nabtesco Group shall be based on making The Nabtesco Way and the Nabtesco Group Code of Ethics cornerstones of proper and fair business activities, and requiring the Group's directors, Audit & Supervisory Board Members and employees to comply with these norms and rules.

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

4) Corporate Ethics on the practice and thorough implementation

We have established the Nabtesco Group Code of Ethics in order to ensure that the entire Group will behave in a manner rooted in a higher sense of ethics, and we are working to practice and thorough implement corporate ethics.

In addition, the Legal and Compliance Department, which is dedicated to compliance, promotes activities aimed not only at complying with laws and regulations, but also at establishing a higher standard of corporate ethics with the aim of enhancing the Group's corporate value over the medium to long term.

In addition, we have established the Corporate Ethics Hotline and the Corporate Auditor Hotline to prevent and detect misconduct caused by violations of laws or illegal activities in our Group. Through the collection of information that is not reported on the ordinary line of office and appropriate measures, we are improving the self-cleansing function of the organization and ensuring social trust.

③ Risk Management System

We have systems in place to ensure that profits, losses, asset efficiency, quality and disasters, among other matters, are reported to the Board of Directors properly and in a timely manner with respect to the execution of duties. By leveraging these systems, we strive for the early identification of risks and the minimization of losses.

In order to eliminate antisocial forces, the Nabtesco Group Code of Ethics stipulates that the Nabtesco Group should cease any relationship with antisocial forces, and should an unreasonable demand from an antisocial force arise, it should take a firm stance, and that it should not respond to such demands. The Nabtesco Group strives to strengthen relations by, for example, obtaining the latest information on antisocial forces and receiving advice through daily cooperation with the police and anti-violence organizations, etc.

Committees organized to enhance corporate governance including risk management include the following:

[Management Materiality Committee]

Through the identification of management materiality in our group, the formulation of action plans for materiality, and the management of progress, we aim to realize our long-term vision and improve our social, environmental, and economic value from both financial and non-financial perspectives from a long-term perspective.

[Quality and PL Committee]

Quality control and PL (Product Liability of products within our Group: Product safety control related to product liability) The objective of this system is to maintain and improve quality and ensure safety by establishing organizational and management standards for preventing quality defects, including safety defects, and for responding appropriately in the event of quality defects or PL issues. The system also aims to ensure the reliability of customers and contribute to the development of management.

[ESH Committee] (Environment, Safety & Health: ESH)

In addition to complying with basic policies concerning environmental preservation, safety, disaster prevention, and health, as well as domestic and overseas laws and regulations related to all of our business activities, from research and development to production, distribution, and sales of products, we have established standards for items that should be managed company-wide, with the aim of ensuring the environmental preservation of the local community, the safety and health of employees and those engaged in business activities together with employees, and coexisting with the global environment, and fulfilling our corporate social responsibilities.

[Risk Management Committee]

The aim is to maintain and strengthen our group's risk management system by identifying major risks in our group, discussing countermeasures against them, and monitoring the status of risk management related to such risks.

[Information Security Committee]

The aim is to establish basic rules for cyber security in our group and to promote efforts to improve the level of cyber security, and to respond swiftly in the event of a serious incident.

④ Status of Development of Systems to Ensure the Appropriateness of the Operations of Subsidiaries of the Reporting Company

In addition to clarifying responsibilities and authority related to business execution in the Group Responsibility and Authority Regulations, our Group endeavors to execute business appropriately and efficiently by establishing a division of duties among each division.

In addition, we have dispatched our officers and employees to our group companies as directors or corporate auditors to create a system that enables us to regularly and continuously comprehend important matters of our group companies, reports on business execution, monthly financial statements, and other details of the management of our group companies.

⑤ Outline of limited liability agreement

As the Company stipulates in the Articles of Incorporation provisions to enable the conclusion of limited liability agreements with Outside Directors and Audit & Supervisory Board Members (Independent), a limited liability agreement has been concluded with Outside Directors Mari Iizuka, Naoko Mizukoshi, Naoki Hidaka, Toshiya Takahata, and Seiichiro Shirahata, and Audit & Supervisory Board Members (Independent) Tetsuro Hirai, Masatoshi Hitomi, and Yasuhiro Tanabe. The details of the agreement are as follows.

- Liability for damages under the agreement will be limited to 10 million yen or the amount set forth by laws and regulations, whichever is higher.
- The limitation of liability mentioned above applies only if the Outside Director or Audit & Supervisory Board Member (Independent) acts in good faith and without gross negligence when performing their duties.

⑥ Matters concerning Directors and Officers liability insurance contract

The Company has a Directors and Officers liability insurance contract (management risk protection insurance contract) in effect, as stipulated in Article 430-3 of the Companies Act, covering all Directors, Audit & Supervisory Board Members and Executive Officers of the Company and all its subsidiaries. An overview of the said contract is as follows.

- The contract covers the liability of the insured for legal dispute fees and compensation for damages, etc. arising from company lawsuits, third-party lawsuits, shareholder's derivative suits, etc.
- Damages, etc. arising from criminal acts, etc. by the insured are not covered as a measure to prevent the impairment of the appropriateness of execution of duties by the insured.
- The Company is fully responsible for insurance fees under the said contract.

⑦ Number of directors

The Articles of Incorporation stipulate that we have no more than 10 directors.

⑧ Selection of directors

The Articles of Incorporation of the Company provide that the resolution for the election of directors at the general meeting of shareholders shall be made by a majority of the votes of shareholders present who hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights and shall not be made by cumulative voting.

⑨ Items that can be resolved at the Board of Directors meeting

1) Purchase of treasury stock

Pursuant to Paragraph 2 of Article 165 of the Companies Act, the Company's Articles of Incorporation provide that it may acquire its own shares by resolution of the Board of Directors. This is aimed at executing a flexible capital policy.

2) Interim dividend

Pursuant to Article 454, Paragraph 5 of the Companies Act, the Company's Articles of Incorporation provide that interim dividends may be paid by resolution of the Board of Directors. This is intended to provide flexible returns to shareholders.

3) Exemption of Directors and Corporate Auditors from Liability

The Company's Articles of Incorporation provide that, in the event of bona fide conduct and no gross negligence, the liability of directors and corporate auditors may be exempted from such liability within the limit set by laws and regulations by a resolution of the Board of Directors pursuant to the provisions of Paragraph 1 of Article 426 of the Companies Act. This is aimed at enabling directors and corporate auditors to fully fulfill their expected roles.

⑩ Requirements for Special Resolution at Shareholders Meetings

The Articles of Incorporation of the Company stipulate that the resolutions of general meetings of shareholders pursuant to the provisions of Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the voting rights of shareholders present who hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights. This is intended to facilitate the smooth operation of the General Meeting of Shareholders.

(2) 【Directors and Audit & Supervisory Board Members】

① Directors and Audit & Supervisory Board Members

1) The status of the Company's officers as of March 25, 2026 (the filing date of the Securities Report) is as follows.

12 male and 2 female within management (Female ratio in management: 14.3%)

Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Representative Director Chief Executive Officer (CEO)	Kazumasa Kimura	Aug. 17, 1961	Jun. 2011	General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation	Note 3	8,763
			Jun. 2012	General Manager, Manufacturing department, Tarui Plant, Power Control Company of Nabtesco Corporation		
			Apr. 2015	Representative Director and Vice President of Hyest Corporation (merged into Nabtesco Corporation in Apr. 2016)		
			Mar. 2016	General Manager, Production Management Department, Power Control Company of Nabtesco Corporation		
			Mar. 2017	Executive Officer and President, Power Control Company of Nabtesco Corporation		
			Jan. 2019	Executive Officer, Corporate Planning, Accounting & Finance, Information System and Corporate Communication of Nabtesco Corporation		
			Mar. 2019	Director of Nabtesco Corporation		
			Jan. 2021	Managing Executive Officer, Component Solution Segment, Senior General Manager, Technology and R&D Division, and in charge of Production Innovation of Nabtesco Corporation		
			Jan. 2022	Assistant to Chief Executive Officer of Nabtesco Corporation		
			Mar. 2022	Representative Director (to present), President (to present), and Chief Executive Officer of Nabtesco Corporation (to present)		
Representative Director, Managing Executive Officer, General Administration, Human Resources and Legal & Compliance	Seiji Takahashi	Feb. 12, 1966	Jun. 2010	General Manager, Human Resources Department of Nabtesco Corporation	Note 3	4,121
			Jul. 2015	General Manager, Human Resources Department of Nabtesco Corporation and President of Nabtesco Link Co., Ltd		
			Aug. 2017	General Manager, Human Resources Department, Business Transformation Division of Nabtesco Corporation and President of Nabtesco Link Co., Ltd		
			Mar. 2018	Executive Officer of Nabtesco Corporation		
			Jan. 2021	Vice President, Accessibility Innovations Company, and in charge of Business Management of Nabtesco Corporation		
			Jan. 2022	Vice President, Accessibility Innovations Company of Nabtesco Corporation		
			Jan. 2023	Managing Executive Officer (to present), President, Accessibility Innovations Company of Nabtesco Corporation		
			Mar. 2023	Director of Nabtesco Corporation		
			Jan. 2025	General Administration, Human Resources and Legal & Compliance (to present)		
			Mar. 2025	Representative Director (to present)		
Director, Executive Officer of Nabtesco, Representative director and CEO of Comtesco Corporation	Kiyoshi Ando	Jan. 10, 1964	Apr. 2008	General Manager, Development Department, Precision Equipment Company of Nabtesco Corporation	Note 3	8,430
			Jun. 2015	Executive Officer of Nabtesco Corporation (to present)		
			Feb. 2017	Technology and R&D Division, in charge of European business of Nabtesco Corporation		
			Apr. 2017	Technology and R&D Division, in charge of European business, and General Manager, Advanced Mobility System Division of Nabtesco Corporation		
			May 2017	Technology and R&D Division, in charge of European business, and General Manager of Advanced Mobility System Division of Nabtesco Corporation and President of Nabtesco Europe GmbH		
			May 2018	Technology and R&D Division, in charge of European business, and General Manager, Advanced Mobility System Division of Nabtesco Corporation		
			Jul. 2018	Deputy Senior General Manager, Technology and R&D Division, in charge of Innovation, and General Manager, Advanced Mobility System Division of Nabtesco Corporation		
			Jan. 2019	Deputy Senior General Manager, Technology and R&D Division, in charge of Innovation of Nabtesco Corporation		
			Jan. 2020	Deputy Senior General Manager, Technology and R&D Division of Nabtesco Corporation		
			Jan. 2021	President, Power Control Company of Nabtesco Corporation		
			Mar. 2024	Director of Nabtesco Corporation (to present)		
			Jan. 2025	Executive Officer, Component Solution Segment (to present)		
			Aug. 2025	Representative director and CEO of Comtesco Corporation (to present)		

(Translation)
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Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Director Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication	Hiroshi Usui	Apr. 22, 1965	Dec. 2009	General Manager, Engineering Department, Aerospace Company of the Company	Note 3	2,608
			Apr. 2013	General Manager, Planning Department, Aerospace Company of the Company		
			Mar. 2017	President of Nabtesco Aerospace Inc		
			Jan. 2020	Executive officer of the Company, General Manager, Planning Department, Aerospace Company of the Company		
			Jan. 2023	Vice President, Aerospace Company, and Plant Manager, Gifu Plant of the Company		
			Jan. 2025	Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication of the Company (to present)		
			Mar. 2025	Director of Nabtesco Corporation (to present)		
			Jan. 2026	Managing executive officer of the Company (to present)		
Director	Mari Iizuka	Mar. 29, 1959	Apr. 1982	Joined Henkel Hakusui Corporation (current Henkel Japan Ltd.)	Note 3	594
			Aug. 1987	Joined The World Bank		
			Jul. 1992	Asian Institute of Management Graduate school of Business		
			Apr. 2005	Assistant Professor of Ritsumeikan Asia Pacific University Graduate School of Management		
			Apr. 2007	Associate Professor of Ritsumeikan Asia Pacific University Graduate School of Management		
			Apr. 2008	Professor of Ritsumeikan Asia Pacific University Graduate School of Management		
			Apr. 2010	Professor of Doshisha Business School (to present)		
			Mar. 2020	Director of Nabtesco Corporation (to present)		
Director	Naoko Mizukoshi	Sep. 23, 1967	Apr. 1995	Registered at Osaka Bar Association Joined Miyazaki Law Firm	Note 3	713
			Apr. 1998	Registered at Yokohama Bar Association (current Kanagawa Bar Association) Joined Nomura Research Institute, Ltd		
			Sep. 1999	Registered at Dai-ni Tokyo Bar Association Joined Autodesk Co., Ltd.		
			Sep. 2002	Registered at the State of California Bar Joined Microsoft Co., Ltd. (current Microsoft Japan, Co., Ltd.)		
			Nov. 2006	Joined TMI Associates		
			Jan. 2008	Partner of TMI Associates		
			Mar. 2010	Partner of Endeavour Law Office		
			Jun. 2018	External Director of TIS Inc. (to present)		
			Dec. 2018	Partner of Leftright Law & IP (to present)		
			Mar. 2020	Director of Nabtesco Corporation (to present)		
			Jun. 2021	Co-Founder & Chief Strategy Officer (CSO) of polisee Inc.		
			Apr. 2025	Co-Founder, Director & Chief Strategy Officer (CSO) of polisee Inc. (to present)		
Director	Naoki Hidaka	May 16, 1953	Apr. 1976	Joined SUMITOMO CORPORATION	Note 3	1,779
			Apr. 2001	General Manager, Chicago Branch, Sumitomo Corporation of U.S.A.		
			Apr. 2007	Executive Officer, General Manager of Metal Products for Automotive Industry Division of SUMITOMO CORPORATION		
			Apr. 2009	Managing Executive Officer, Head of Chubu Block of SUMITOMO CORPORATION		
			Apr. 2012	Senior Managing Executive Officer, Head of Kansai Block of SUMITOMO CORPORATION		
			Jun. 2013	Representative Director, Senior Managing Executive Officer, and General Manager, Transportation & Construction Systems Business Unit of SUMITOMO CORPORATION		
			Apr. 2015	Representative Director, Executive Vice President, Executive Officer, and General Manager, Transportation & Construction Systems Business Unit of SUMITOMO CORPORATION		
			Jun. 2018	Special Adviser of SUMITOMO CORPORATION		
			Jun. 2019	Adviser of SUMITOMO CORPORATION (retired in March 2020)		
			Jun. 2020	Outside Director of BROTHER INDUSTRIES, LTD. (to present)		
			Mar. 2021	Director of Nabtesco Corporation (to present)		
			Jun. 2022	Outside Director of TOPCON CORPORATION		
			Jan. 2026	Outside Director (Audit and Supervisory Committee Member) of TOPCON CORPORATION (to present)		
Director	Toshiya Takahata	Nov. 19, 1963	Apr. 1986	Joined Seiko Epson Corporation	Note 3	831
			Apr. 2012	Deputy Chief Operating Officer, Printer Operations Division of Seiko Epson Corporation		
			Jun. 2014	Executive Officer of Seiko Epson Corporation		
			Jun. 2015	General Administrative Manager, Intellectual Property Division of Seiko Epson Corporation		
			Jun. 2016	Executive Officer of Seiko Epson Corporation (retired in March 2021)		
			Oct. 2018	General Administrative Manager, Corporate Planning Division of Seiko Epson Corporation		
			Apr. 2019	General Administrative Manager, DX Division of the Seiko Epson Corporation		
			Jun. 2019	Director of Seiko Epson Corporation (retired in June 2021)		
			Apr. 2020	General Administrative Manager, Corporate Strategy Division, General Administrative Manager, Sustainability Promotion Office of Seiko Epson Corporation		
			Mar. 2022	Director of Nabtesco Corporation (to present)		

Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Director	Seiichiro Shirahata	Mar. 3, 1961	Apr. 1983 Apr. 2009 Apr. 2013 Apr. 2015 Jan. 2018 Mar. 2018 Mar. 2020 Jan. 2022 Mar. 2023 Jun. 2024 Jun. 2025	Joined Nippon Paint Co., Ltd. (current Nippon Paint Holdings Co., td.) Division Director, Surface Treatment of Nippon Paint Co.,Ltd. Executive Officer of Nippon Paint Co., Ltd. Senior Executive Officer of Nippon Paint Holdings Co., Ltd. President, Representative Director of the Board of Nippon Paint Surf Chemicals Co., Ltd. Vice President of Nippon Paint Holdings Co., Ltd. President, Representative Director of the Board of Nippon Paint Marine Coatings Co., Ltd Vice President, Director of the Board of Nippon Paint Holdings Co.,Ltd Vice President of Nippon Paint Holdings Co., Ltd Adviser of Nippon Paint Holdings Co., Ltd. (retired in December 2022) Director of Nabtesco Corporation (to present) Outside Director of LINTEC Corporation (to present) Outside Director of TAKARA HOLDINGS INC. (to present)	Note 3	764
Audit & Supervisory Board Members	Koji Nakano	Jan. 2, 1962	Jun. 2010 Jun. 2015 Mar. 2018 Jan. 2022 Mar. 2023	General Manager, Accounting & Finance Department of Nabtesco Corporation General Manager, Corporate Planning Department of Nabtesco Corporation General Manager of Shanghai Nabtesco Hydraulic Co., Ltd. Executive Officer of Nabtesco Corporation Executive Officer, Business Audit of Nabtesco Corporation Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 4	13,912
Audit & Supervisory Board Members	Yasuhito Nakagawa	May 10, 1963	Jun. 2009 Jun. 2011 Jul. 2013 May 2014 Jan. 2016 Jan. 2020 Mar. 2024	General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation Plant Manager, Tsu Plant, Precision Equipment Company of Nabtesco Corporation Senior Manager, Assistant to General Manager, Production Innovation Division of Nabtesco Corporation Senior Manager, assistant to President, Precision Equipment Company of Nabtesco Corporation President, Nabtesco (China) Precision Equipment Co., Ltd. Executive Officer (to present) and General Manager, Production Innovation Division (to present) of Nabtesco Corporation Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 5	8,023
Audit & Supervisory Board Members (Independent)	Tetsuro Hirai	Dec. 19, 1955	Apr. 1980 Jan. 2006 Jan. 2008 Jun. 2010 Jun. 2011 Apr. 2018 Mar. 2019	Joined Toyota Motor Co., Ltd. (current Toyota Motor Corporation) General Manager, Vehicle Planning Department, Global Strategic Production Planning Division and Project General Manager of China Division of Toyota Motor Corporation General Manager, Machinery Division, Motomachi Plant of Toyota Motor Corporation (retired in Jun. 2010) Executive Officer of Toyota Tsusho Corporation Managing Executive Officer of Toyota Tsusho Corporation Technical Supervisor of Toyota Tsusho Corporation Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 4	—
Audit & Supervisory Board Members (independent)	Masatoshi Hitomi	Nov. 9, 1957	Apr. 1981 Mar. 2003 Feb. 2006 Apr. 2009 Sep. 2010 Feb. 2015 Jul. 2016 Mar. 2017 Jan. 2020 Mar. 2024	Joined Sony Corporation (current Sony Group Corporation) General Manager, Production Planning Department, Microsystems Network Company of Sony Corporation Representative Director and CFO of S-LCD Corporation (current Samsung Display Director, General Manager, Planning Management Department of Sony Energy Devices Corporation EVP & CFO of Sony Electronics Inc The Audit Committee Aide of Sony Corporation General Manager, Administration Department of Soliton Systems K.K Director, General Manager, Administration Department of Soliton Systems K.K. (retired in March 2020) Outside Director of JAI A/S Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 5	1,383

(Translation)
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Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Audit & Supervisory Board Members (independent)	Yasuhiro Tanabe	Nov. 7, 1960	Apr. 1987	Appointed Public Prosecutor	Note 5	—
			May 2010	Deputy General Manager, Special Trial Department of Tokyo District Public Prosecutors Office		
			Dec. 2010	Deputy Superintending Prosecutor of Sendai District Public Prosecutors Office		
			Jul. 2012	General Manager, Special Trial Department of Tokyo District Public Prosecutors Office		
			Apr. 2013	General Manager, Criminal Affairs Department of Tokyo District Public Prosecutors Office		
			Jan. 2014	General Manager, Criminal Affairs Department of Tokyo High Public Prosecutors Office		
			Nov. 2014	Chief Prosecutor of Naha District Public Prosecutors Office		
			Dec. 2015	Deputy Superintending Prosecutor of Osaka District Public Prosecutors Office		
			Jun. 2017	Deputy Superintending Prosecutor of Osaka High Public Prosecutors Office		
			Nov. 2019	Chief Prosecutor of Osaka District Public Prosecutors Office		
			Apr. 2021	Superintending Prosecutor of Sapporo High Public Prosecutors Office		
			Jun. 2022	Superintending Prosecutor of Fukuoka High Public Prosecutors Office (retired in July 2023)		
			Oct. 2023	Special Advisor, National Institute of Advanced Industrial Science and Technology (to present)		
			Nov. 2023	Registered at Dai-ni Tokyo Bar Association		
			Dec. 2023	Joined Tokyo Fuji Law Office (to present)		
			Mar. 2024	Audit & Supervisory Board Member of Nabtesco Corporation (to present)		
Total						51,921

(NOTE)1 Directors of Mari Iizuka, Naoko Mizukoshi, Naoki Hidaka, Toshiya Takahata and Seiichiro Shirahata are independent outside directors.
2 Audit & Supervisory Board Members of Tetsuro Hirai, Masatoshi Hitomi and Yasuhiro Tanabe are independent.
3 From the close of the ordinary general meeting of shareholders held on March 26, 2025 to the close of the ordinary general meeting of shareholders for FY2025 which plan to be held on March 26, 2026.
4 From the close of the ordinary general meeting of shareholders held on March 23, 2023 to the close of the ordinary general meeting of shareholders for FY2026.
5 From the close of the ordinary general meeting of shareholders held on March 26, 2024 to the close of the ordinary general meeting of shareholders for FY2027.
6 Skill matrix of specialization of each Directors and Audit & Supervisory Board Members are as follows.

		Level of independence	Field of specialization						
			Corporate management	Global	Legal, personnel & labor affairs and risk management	Financial accounting	Manufacturing and technology	Sales and marketing	DX
Directors	Kazumasa Kimura		●			●	●		
	Seiji Takahashi		●		●				
	Kiyoshi Ando		●	●			●		●
	Hiroshi Usui		●	●		●	●	●	
	Mari Iizuka	●	●	●	●	●			
	Naoko Mizukoshi	●		●	●				
	Naoki Hidaka	●	●	●				●	
	Toshiya Takahata	●	●		●		●		●
	Seiichiro Shirahata	●	●	●			●		
Audit & Supervisory Board Members	Koji Nakano		●	●	●	●			
	Yasuhito Nakagawa		●	●			●		
	Tetsuro Hirai	●	●	●			●	●	
	Masatoshi Hitomi	●	●	●		●			
	Yasuhiro Tanabe	●			●				

(NOTE) 7 In order to invigorate the Board of Directors by separating decision-making and supervision from execution, the Company has introduced an executive officer system, and the business execution structure is as follows

Position	Name	Duties
President	Kazumasa Kimura	Chief Executive Officer (CEO)
Managing Executive Officer	Seiji Takahashi	General Administration, Human Resources and Legal & Compliance
Managing Executive Officer	Michihito Suzuki	President, Railroad Products Company
Managing Executive Officer	Hiroshi Usui	Corporate Planning, Accounting & Finance, Information Systems, and Corporate Communication
Managing Executive Officer	Takeshi Hanafusa	President, Accessibility Innovations Company
Executive Officer	Kiyoshi Ando	Representative Director and CEO Comtesco Corporation
Executive Officer	Ataru Inoue	President, Nabtesco Automotive Corporation
Executive Officer	Yukihiro Mizutani	President, Marine Control Systems Company
Executive Officer	Koichi Miyaguchi	General Manager, Innovation Strategy Division, and CVC Promotion Department
Executive Officer	Masakazu Kurita	Deputy General Manager, Innovation Strategy Division, and General Manager, New business Promotion Department
Executive Officer	Tomoaki Shiramizu	General Manager, Production Innovation Division
Executive Officer	Akihito Enomoto	Responsible for Sales Management, General Manager, Sales Business Development Department, Railroad Products Company
Executive Officer	Hiroshi Nerima	President, Nabtesco Technology Ventures AG
Executive Officer	Hiroki Higuchi	President, Precision Equipment Company
Executive Officer	Tomohiro Kiriyama	Senior General Manager, Technology and R&D Division, and Innovation Strategy Division
Executive Officer	Kazumasa Shimizu	President, Nabtesco Service Co., Ltd.
Executive Officer	Hiroki Mori	General Manager, Sales Management Department and Sales Business Development Department, Precision Equipment Company
Executive Officer	Isao Ohashi	Deputy Senior General Manager, Technology and R&D Division, and in charge of Smart Motion Control Technology
Executive Officer	Sakiko Honda	General Manager, Human Resources Department, Innovation Strategy Division, and President, Nabtesco Link Co., Ltd.
Executive Officer	Masaru Sasaki	General Manager, Corporate Planning Department, and Innovation Strategy Division
Executive Officer	Masaru Sakamoto	Director, Nabtesco Automotive Co., Ltd.
Executive Officer	Atsushi Takabatake	Director, PACRAFT Co., Ltd.
Executive Officer	Shigehiko Mitsuno	Responsible for Platform Door and Assistive Products Business Unit, Accessibility Innovations Company
Executive Officer	Naruto Tanaka	President, Aerospace Company

(NOTE) The business execution structure consists of 24 members, four of whom also serve as directors.

2) As an agenda item (matter for resolution) at the Annual General Meeting of Shareholders scheduled to be held on March 26, 2026, the Company proposes the election of nine (9) Directors. If this proposal is approved and adopted, the composition of the Company's officers is expected to be as follows:

11 male and 3 female within management (Female ratio in management: 21.4%)

Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Representative Director Chief Executive Officer (CEO)	Kazumasa Kimura	Aug. 17, 1961	Jun. 2011 Jun. 2012 Apr. 2015 Mar. 2016 Mar. 2017 Jan. 2019 Mar. 2019 Jan. 2021 Jan. 2022 Mar. 2022	General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation General Manager, Manufacturing department, Tarui Plant, Power Control Company of Nabtesco Corporation Representative Director and Vice President of Hyest Corporation (merged into Nabtesco Corporation in Apr. 2016) General Manager, Production Management Department, Power Control Company of Nabtesco Corporation Executive Officer and President, Power Control Company of Nabtesco Corporation Executive Officer, Corporate Planning, Accounting & Finance, Information System and Corporate Communication of Nabtesco Corporation Director of Nabtesco Corporation Managing Executive Officer, Component Solution Segment, Senior General Manager, Technology and R&D Division, and in charge of Production Innovation of Nabtesco Corporation Assistant to Chief Executive Officer of Nabtesco Corporation Representative Director (to present), President (to present), and Chief Executive Officer of Nabtesco Corporation (to present)	Note 3	8,763
Representative Director, Managing Executive Officer, General Administration, Human Resources and Legal & Compliance	Seiji Takahashi	Feb. 12, 1966	Jun. 2010 Jul. 2015 Aug. 2017 Mar. 2018 Jan. 2021 Jan. 2022 Jan. 2023 Mar. 2023 Jan. 2025 Mar. 2025	General Manager, Human Resources Department of Nabtesco Corporation General Manager, Human Resources Department of Nabtesco Corporation and President of Nabtesco Link Co., Ltd General Manager, Human Resources Department, Business Transformation Division of Nabtesco Corporation and President of Nabtesco Link Co., Ltd Executive Officer of Nabtesco Corporation Vice President, Accessibility Innovations Company, and in charge of Business Management of Nabtesco Corporation Vice President, Accessibility Innovations Company of Nabtesco Corporation Managing Executive Officer (to present), President, Accessibility Innovations Company of Nabtesco Corporation Director of Nabtesco Corporation General Administration, Human Resources and Legal & Compliance (to present) Representative Director (to present)	Note 3	4,121
Representative Director Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication	Hiroshi Usui	Apr. 22, 1965	Dec. 2009 Apr. 2013 Mar. 2017 Jan. 2020 Jan. 2023 Jan. 2025 Mar. 2025 Jan. 2026 Mar. 2026	General Manager, Engineering Department, Aerospace Company of the Company General Manager, Planning Department, Aerospace Company of the Company President of Nabtesco Aerospace Inc Executive officer of the Company, General Manager, Planning Department, Aerospace Company of the Company Vice President, Aerospace Company, and Plant Manager, Gifu Plant of the Company Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication of the Company (to present) Director of Nabtesco Corporation Managing executive officer of the Company (to present) Representative Director of Nabtesco Corporation (to present)	Note 3	2,608
Director Managing Executive Officer, President of Railroad Products Company	Michihito Suzuki	November 4, 1962	Jun. 2011 Apr. 2012 Apr. 2013 Jul. 2017 Jan. 2020 Jul. 2021 Jan. 2022 Jan. 2025 Mar. 2026	General Manager, Manufacturing Department, Railroad Products Company of the Company General Manager, Administration Department, Railroad Products Company of the Company Plant manager, Kobe Plant of the Company President, Nabtesco Oclap s.r.l Executive Officer of the Company Plant manager, Kobe Plant of the Company President, Railroad Products Company of the Company (to present) Managing Executive Officer of the Company (to present) Director of Nabtesco Corporation (to present)	Note 3	4,077

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Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Director	Mari Iizuka	Mar. 29, 1959	Apr. 1982	Joined Henkel Hakusui Corporation (current Henkel Japan Ltd.)	Note 3	594
			Aug. 1987	Joined The World Bank		
			Jul. 1992	Asian Institute of Management Graduate school of Business		
			Apr. 2005	Assistant Professor of Ritsumeikan Asia Pacific University Graduate School of Management		
			Apr. 2007	Associate Professor of Ritsumeikan Asia Pacific University Graduate School of Management		
			Apr. 2008	Professor of Ritsumeikan Asia Pacific University Graduate School of Management		
			Apr. 2010	Professor of Doshisha Business School (to present)		
			Mar. 2020	Director of Nabtesco Corporation (to present)		
Director	Naoko Mizukoshi	Sep. 23, 1967	Apr. 1995	Registered at Osaka Bar Association Joined Miyazaki Law Firm	Note 3	713
			Apr. 1998	Registered at Yokohama Bar Association (current Kanagawa Bar Association) Joined Nomura Research Institute, Ltd		
			Sep. 1999	Registered at Dai-ni Tokyo Bar Association Joined Autodesk Co., Ltd.		
			Sep. 2002	Registered at the State of California Bar Joined Microsoft Co., Ltd. (current Microsoft Japan, Co., Ltd.)		
			Nov. 2006	Joined TMI Associates		
			Jan. 2008	Partner of TMI Associates		
			Mar. 2010	Partner of Endeavour Law Office		
			Jun. 2018	External Director of TIS Inc. (to present)		
			Dec. 2018	Partner of Leftright Law & IP (to present)		
			Mar. 2020	Director of Nabtesco Corporation (to present)		
			Jun. 2021	Co-Founder & Chief Strategy Officer (CSO) of polisee Inc.		
			Apr. 2025	Co-Founder, Director & Chief Strategy Officer (CSO) of polisee Inc. (to present)		
Director	Naoki Hidaka	May 16, 1953	Apr. 1976	Joined SUMITOMO CORPORATION	Note 3	1,779
			Apr. 2001	General Manager, Chicago Branch, Sumitomo Corporation of U.S.A.		
			Apr. 2007	Executive Officer, General Manager of Metal Products for Automotive Industry Division of SUMITOMO CORPORATION		
			Apr. 2009	Managing Executive Officer, Head of Chubu Block of SUMITOMO CORPORATION		
			Apr. 2012	Senior Managing Executive Officer, Head of Kansai Block of SUMITOMO CORPORATION		
			Jun. 2013	Representative Director, Senior Managing Executive Officer, and General Manager, Transportation & Construction Systems Business Unit of SUMITOMO CORPORATION		
			Apr. 2015	Representative Director, Executive Vice President, Executive Officer, and General Manager, Transportation & Construction Systems Business Unit of SUMITOMO CORPORATION		
			Jun. 2018	Special Adviser of SUMITOMO CORPORATION		
			Jun. 2019	Adviser of SUMITOMO CORPORATION (retired in March 2020)		
			Jun. 2020	Outside Director of BROTHER INDUSTRIES, LTD. (to present)		
			Mar. 2021	Director of Nabtesco Corporation (to present)		
			Jun. 2022	Outside Director of TOPCON CORPORATION		
			Jan. 2026	Outside Director (Audit and Supervisory Committee Member) of TOPCON CORPORATION (to present)		
Director	Seiichiro Shirahata	Mar. 3, 1961	Apr. 1983	Joined Nippon Paint Co., Ltd. (current Nippon Paint Holdings Co., td.)	Note 3	764
			Apr. 2009	Division Director, Surface Treatment of Nippon Paint Co.,Ltd.		
			Apr. 2013	Executive Officer of Nippon Paint Co., Ltd.		
			Apr. 2015	Senior Executive Officer of Nippon Paint Holdings Co., Ltd. President, Representative Director of the Board of Nippon Paint Surf Chemicals Co., Ltd.		
			Jan. 2018	Vice President of Nippon Paint Holdings Co., Ltd. President, Representative Director of the Board of Nippon Paint Marine Coatings Co., Ltd		
			Mar. 2018	Vice President, Director of the Board of Nippon Paint Holdings Co.,Ltd		
			Mar. 2020	Vice President of Nippon Paint Holdings Co., Ltd		
			Jan. 2022	Adviser of Nippon Paint Holdings Co., Ltd. (retired in December 2022)		
			Mar. 2023	Director of Nabtesco Corporation (to present)		
			Jun. 2024	Outside Director of LINTEC Corporation (to present)		
			Jun. 2025	Outside Director of TAKARA HOLDINGS INC. (to present)		

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Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Director	Shinako Matsuyama	April. 19, 1964	Apr. 1988 Apr. 1998 Jul. 2015 Feb. 2017 Jan. 2022 Jul. 2023 Jul. 2024 Jun. 2025 Jul. 2025 Mar. 2026	Joined NEC Informatec Systems, Ltd. (current NEC Solution Innovators, Ltd.) Joined Sony Corporation (current Sony Group Corporation) Joined Milliman, Inc Joined Tokyo Electron Ltd Digital Transformation Promotion, Corporate Innovation Division of Tokyo Electron Ltd. DX Planning and Promotion (Digital Transformation Promotion), Corporate Innovation Division of Tokyo Electron Ltd. Sub-leader of Business Process Reform DX Promotion Project (DX Planning and Promotion, Corporate Innovation Division) of Tokyo Electron Ltd. Outside Director of TANAKA SEIMITSU KOGYO CO., LTD. (to present) Vice President in charge of Promotion, Business Process Design Strategy Division of Tokyo Electron Ltd. (to present) Director of Nabtesco Corporation (to present)	Note 3	-
Audit & Supervisory Board Members	Koji Nakano	Jan. 2, 1962,	Jun. 2010 Jun. 2015 Mar. 2018 Jan. 2022 Mar. 2023	General Manager, Accounting & Finance Department of Nabtesco Corporation General Manager, Corporate Planning Department of Nabtesco Corporation General Manager of Shanghai Nabtesco Hydraulic Co., Ltd. Executive Officer of Nabtesco Corporation Executive Officer, Business Audit of Nabtesco Corporation Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 4	13,912
Audit & Supervisory Board Members	Yasuhito Nakagawa	May 10, 1963	Jun. 2009 Jun. 2011 Jul. 2013 May 2014 Jan. 2016 Jan. 2020 Mar. 2024	General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation Plant Manager, Tsu Plant, Precision Equipment Company of Nabtesco Corporation Senior Manager, Assistant to General Manager, Production Innovation Division of Nabtesco Corporation Senior Manager, assistant to President, Precision Equipment Company of Nabtesco Corporation President, Nabtesco (China) Precision Equipment Co., Ltd. Executive Officer (to present) and General Manager, Production Innovation Division (to present) of Nabtesco Corporation Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 5	8,023
Audit & Supervisory Board Members (Independent)	Tetsuro Hirai	Dec. 19, 1955	Apr. 1980 Jan. 2006 Jan. 2008 Jun. 2010 Jun. 2011 Apr. 2018 Mar. 2019	Joined Toyota Motor Co., Ltd. (current Toyota Motor Corporation) General Manager, Vehicle Planning Department, Global Strategic Production Planning Division and Project General Manager of China Division of Toyota Motor Corporation General Manager, Machinery Division, Motomachi Plant of Toyota Motor Corporation (retired in Jun. 2010) Executive Officer of Toyota Tsusho Corporation Managing Executive Officer of Toyota Tsusho Corporation Technical Supervisor of Toyota Tsusho Corporation Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 4	—
Audit & Supervisory Board Members (independent)	Masatoshi Hitomi	Nov. 9, 1957	Apr. 1981 Mar. 2003 Feb. 2006 Apr. 2009 Sep. 2010 Feb. 2015 Jul. 2016 Mar. 2017 Jan. 2020 Mar. 2024	Joined Sony Corporation (current Sony Group Corporation) General Manager, Production Planning Department, Microsystems Network Company of Sony Corporation Representative Director and CFO of S-LCD Corporation (current Samsung Display Director, General Manager, Planning Management Department of Sony Energy Devices Corporation EVP & CFO of Sony Electronics Inc The Audit Committee Aide of Sony Corporation General Manager, Administration Department of Soliton Systems K.K Director, General Manager, Administration Department of Soliton Systems K.K. (retired in March 2020) Outside Director of JAI A/S Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 5	1,383

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Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
Audit & Supervisory Board Members (independent)	Yasuhiro Tanabe	Nov. 7, 1960	Apr. 1987	Appointed Public Prosecutor	Note 5	—
			May 2010	Deputy General Manager, Special Trial Department of Tokyo District Public Prosecutors Office		
			Dec. 2010	Deputy Superintending Prosecutor of Sendai District Public Prosecutors Office		
			Jul. 2012	General Manager, Special Trial Department of Tokyo District Public Prosecutors Office		
			Apr. 2013	General Manager, Criminal Affairs Department of Tokyo District Public Prosecutors Office		
			Jan. 2014	General Manager, Criminal Affairs Department of Tokyo High Public Prosecutors Office		
			Nov. 2014	Chief Prosecutor of Naha District Public Prosecutors Office		
			Dec. 2015	Deputy Superintending Prosecutor of Osaka District Public Prosecutors Office		
			Jun. 2017	Deputy Superintending Prosecutor of Osaka High Public Prosecutors Office		
			Nov. 2019	Chief Prosecutor of Osaka District Public Prosecutors Office		
			Apr. 2021	Superintending Prosecutor of Sapporo High Public Prosecutors Office		
			Jun. 2022	Superintending Prosecutor of Fukuoka High Public Prosecutors Office (retired in July 2023)		
			Oct. 2023	Special Advisor, National Institute of Advanced Industrial Science and Technology (to present)		
			Nov. 2023	Registered at Dai-ni Tokyo Bar Association		
			Dec. 2023	Joined Tokyo Fuji Law Office (to present)		
			Mar. 2024	Audit & Supervisory Board Member of Nabtesco Corporation (to present)		
Total						46,737

(NOTE)1 Directors of Mari Iizuka, Naoko Mizukoshi, Naoki Hidaka, Seiichiro Shirahata and Shinako Matsushima are independent outside directors.
2 Audit & Supervisory Board Members of Tetsuro Hirai, Masatoshi Hitomi and Yasuhiro Tanabe are independent.
3 From the close of the ordinary general meeting of shareholders held on March 26, 2026 to the close of the ordinary general meeting of shareholders for FY2026.
4 From the close of the ordinary general meeting of shareholders held on March 23, 2023 to the close of the ordinary general meeting of shareholders for FY2026.
5 From the close of the ordinary general meeting of shareholders held on March 26, 2024 to the close of the ordinary general meeting of shareholders for FY2027.
6 Skill matrix of specialization of each Directors and Audit & Supervisory Board Members are as follows.

		Level of independence	Field of specialization						
			Corporate management	Global	Legal, personnel & labor affairs and risk management	Financial accounting	Manufacturing and technology	Sales and marketing	DX
Directors	Kazumasa Kimura		●			●	●		
	Seiji Takahashi		●		●				
	Hiroshi Usui		●	●		●	●	●	
	Michihito Suzuki		●	●			●	●	
	Mari Iizuka	●	●	●	●	●			
	Naoko Mizukoshi	●		●	●				
	Naoki Hidaka	●	●	●				●	
	Seiichiro Shirahata	●	●	●			●		
	Shinako Matsuyama	●	●	●			●		●
Audit & Supervisory Board Members	Koji Nakano		●	●	●	●			
	Yasuhito Nakagawa		●	●			●		
	Tetsuro Hirai	●	●	●			●	●	
	Masatoshi Hitomi	●	●	●		●			
	Yasuhiro Tanabe	●			●				

(NOTE) 7 In order to invigorate the Board of Directors by separating decision-making and supervision from execution, the Company has introduced an executive officer system, and the business execution structure is as follows

Position	Name	Duties
President	Kazumasa Kimura	Chief Executive Officer (CEO)
Managing Executive Officer	Seiji Takahashi	General Administration, Human Resources and Legal & Compliance
Managing Executive Officer	Michihito Suzuki	President, Railroad Products Company
Managing Executive Officer	Hiroshi Usui	Corporate Planning, Accounting & Finance, Information Systems, and Corporate Communication
Managing Executive Officer	Takeshi Hanafusa	President, Accessibility Innovations Company
Executive Officer	Ataru Inoue	President, Nabtesco Automotive Corporation
Executive Officer	Yukihiro Mizutani	President, Marine Control Systems Company
Executive Officer	Koichi Miyaguchi	General Manager, Innovation Strategy Division, and CVC Promotion Department
Executive Officer	Masakazu Kurita	Deputy General Manager, Innovation Strategy Division, and General Manager, New business Promotion Department
Executive Officer	Tomoaki Shiramizu	General Manager, Production Innovation Division
Executive Officer	Akihito Enomoto	Responsible for Sales Management, General Manager, Sales Business Development Department, Railroad Products Company
Executive Officer	Hiroshi Nerima	President, Nabtesco Technology Ventures AG
Executive Officer	Hiroki Higuchi	President, Precision Equipment Company
Executive Officer	Tomohiro Kiriyama	Senior General Manager, Technology and R&D Division, and Innovation Strategy Division
Executive Officer	Kazumasa Shimizu	President, Nabtesco Service Co., Ltd.
Executive Officer	Hiroki Mori	General Manager, Sales Management Department and Sales Business Development Department, Precision Equipment Company
Executive Officer	Isao Ohashi	Deputy Senior General Manager, Technology and R&D Division, and in charge of Smart Motion Control Technology
Executive Officer	Sakiko Honda	General Manager, Human Resources Department, Innovation Strategy Division, and President, Nabtesco Link Co., Ltd.
Executive Officer	Masaru Sasaki	General Manager, Corporate Planning Department, and Innovation Strategy Division
Executive Officer	Masaru Sakamoto	Director, Nabtesco Automotive Co., Ltd.
Executive Officer	Atsushi Takabatake	Director, PACRAFT Co., Ltd.
Executive Officer	Shigehiko Mitsuno	Responsible for Platform Door and Assistive Products Business Unit, Accessibility Innovations Company
Executive Officer	Naruto Tanaka	President, Aerospace Company

(NOTE) The business execution structure consists of 23 members, four of whom also serve as directors.

② Outside Directors and Audit & Supervisory Board Members (Independent)

The Company has five outside directors and three Audit & Supervisory Board Members (Independent)

Mari Iizuka has a high level of expertise in the fields of global management human resources and international management strategies. In addition, she has participated in activities for promoting collaboration and cooperation between industry and academia, and has extensive insight based on such experience. For the Company, she has appropriately supervised management as an Outside Director since March 2020 and has also contributed to the strengthening of governance as chairman of the Nominating Committee and as a member of the Remuneration Committee. Although Mari Iizuka has not been involved in corporate management except as an Outside Director of the Company, the Company expects her to provide supervision and advice utilizing her insight to realize the Company's long-term vision toward 2030 and medium- to long-term improvement in corporate value. Based on her experience and insight, the Company requests the continued appointment of Mari Iizuka as Outside Director, as we expect her to provide supervision and advice utilizing her insight. There is no conflict of interest between The Doshisha and the other organizations, where Mari Iizuka serves, and the Company.

Reasons for nomination as a candidate for Outside Director and overview of expected role: Naoko Mizukoshi has a high level of expertise as an attorney-at-law. In addition, she has held various posts including outside officers of other business entities and posts in public offices, including being a member of Unfair Competition Prevention Subcommittee, Intellectual Property Committee, Industrial Structure Council, Ministry of Economy, Trade and Industry and has extensive insight based on such experience. For the Company, she has appropriately supervised management as an Outside Director since March 2020 and also contributed to the strengthening of governance as chairman of the Remuneration Committee and as a member of the Nominating Committee. Therefore, the Company expects her to provide supervision and advice utilizing her insight to realize the Company's long-term vision toward 2030 and medium- to long-term improvement in corporate value. Based on her experience and insight, the Company requests the continued appointment of Naoko Mizukoshi as Outside Director, as we expect her to provide supervision and advice utilizing her insight. There is no conflict of interest between polisee Inc., Leftright Law & IP, TIS Inc. and other institutions where Naoko Mizukoshi served and the Group.

Naoki Hidaka has diverse operational experience in overseas businesses as well as the business of transportation and construction systems, which are the Company's business domain, and also has extensive insight based on his experience as a corporate manager. For the Company, he has appropriately supervised management as an Outside Director of the Company since March 2021 and also contributed to the strengthening of governance as a member of the Nominating Committee. The Company therefore expects him to provide supervision and advice utilizing his knowledge to realize the Company's long-term vision toward 2030 and medium- to long-term improvement in corporate value, the Company requests the continued appointment of Naoki Hidaka as Outside Director, as we expect him to provide supervision and advice utilizing his knowledge. There is no conflict of interest between BROTHER INDUSTRIES, LTD., TOPCON CORPORATION and the other organizations, where Naoki Hidaka serves, and the Company.

Toshiya Takahata has diverse operational experience in operations related to intellectual property, digital transformation, corporate planning, and sustainability, and also has extensive insight based on his experience as a corporate manager. For the Company, he has appropriately supervised management as an Outside Director since March 2022 and also contributed to the strengthening of governance as a member of the Remuneration Committee. The Company therefore expects him to provide supervision and advice utilizing his knowledge to realize the Company's long-term vision toward 2030 and medium- to long-term improvement in corporate value, the Company has appointed Toshiya Takahata as Outside Director, as we expect him to provide supervision and advice utilizing his insight. In addition, Toshiya Takahata is scheduled to retire upon the conclusion of the Annual General Meeting of Shareholders to be held on March 26, 2026. There is no conflict of interest between Seiko Epson Corporation, and the other organizations, where Toshiya Takahata serves, and the Company.

Seiichiro Shirahata has experience in long-term overseas assignment as an engineer as well as diverse operational experience as a person responsible for the transition into a holding company and the spin-off of business segments, and also has extensive insight based on his experience as a corporate manager. For the Company, he has appropriately supervised management as an Outside Director since March 2023. The Company therefore expects him to provide supervision and advice utilizing his knowledge to realize the Company's long-term vision toward 2030 and medium- to long-term improvement in corporate value, the Company requests the continued appointment of Seiichiro Shirahata as Outside Director, as we expect him to provide supervision and advice utilizing his insight. There is no conflict of interest between organizations, where Seiichiro Shirahata serves, and the Company. Seiichiro Shirahata is to assume office as Outside Director of LINTEC Corporation as of June 20, 2024.

Tetsuro Hirai has broad experience and extensive knowledge and insight on production. Additionally, he has experience as a corporate manager. The Company has appointed Tetsuro Hirai as Audit & Supervisory Board Member (Independent), so that we may seek his fair decisions based on the above, and objectiveness and neutrality toward management to strengthen our corporate governance. There is no conflict of interest between organizations where Tetsuro Hirai serves, and the Company.

Masatoshi Hitomi has been engaged in accounting and administration in Japan and abroad for many years, and possesses broad insight into finance and accounting as well as experience in management. In addition, at Sony Corporation (current Sony Group Corporation), he was engaged in auditing by the Audit Committee. The Company has appointed Masatoshi Hitomi as Audit & Supervisory Board Member (Independent), so that we may seek his fair decisions based on the above, and objectiveness and neutrality toward management to strengthen our corporate governance. There is no conflict of interest between organizations where Masatoshi Hitomi serves, and the Company.

Although Yasuhiro Tanabe has not been directly involved in corporate management, he served as a prosecutor for many years and has a high level of knowledge about laws and regulations. He also has a high level of expertise and insight into organizational management in general. The Company has appointed Yasuhiro Tanabe as Audit & Supervisory Board Member (Independent), so that we may seek his fair decisions based on the above, and objectiveness and neutrality toward management to strengthen our corporate governance. There is no conflict of interest between National Institute of Advanced Industrial Science and Technology, Tokyo Fuji Law Office and the other organizations, where Yasuhiro Tanabe serves, and the Company.

In addition, as a matter for resolution at the Annual General Meeting of Shareholders scheduled to be held on March 26, 2026, the Company proposes the election of nine (9) Directors. If this proposal is approved and adopted, the Company will have five (5) Outside Directors and three (3) Outside Audit & Supervisory Board Members.
Ms. Shinako Matsuyama, a candidate for Outside Director, has been engaged for many years in initiatives related to the promotion of digital technologies (IT/AI) utilization and possesses extensive experience and expertise in the formulation of DX(digital transformation) strategies. Since June 2025, she has served as an Outside Director of TANAKA SEIMITSU KOGYO CO., LTD., where she is involved in overseeing the management of the company. Although Ms. Matsuyama has not been involved in company management other than in her capacity as an Outside Director, the Company expects that she will provide oversight and advice by leveraging her expertise in order to contribute to the achievement of the Company's long-term vision toward 2030 and the enhancement of medium- to long-term corporate value. Accordingly, the Company has nominated her as an Outside Director. There are no special interests between the Company and TANAKA SEIMITSU KOGYO CO., LTD.. or Tokyo Electron Ltd.

The Company has established its own criteria for objectively determining the independence of outside directors and Audit & Supervisory Board Members (independent) (hereinafter collectively referred to as "outside officers"), and all of the Company's outside officers are independent in accordance with the following criteria.

[Criteria for the Impartiality of Outside Directors/Audit & Supervisory Board Members (independent)]

The Company considers an Outside Director/Audit & Supervisory Board Members (independent) to be impartial if all of the following requirements are met.

1) The Outside Director/Audit & Supervisory Board Member is not a current major shareholder* of the Company or an executive of such shareholders; * Person who directly or indirectly holds more than 5% of all voting rights or a person who is listed among the top 10 shareholders in the most recent shareholder registry
2) The Outside Director/Audit & Supervisory Board Member is not an executive of a major lender * of the Group; * A financial institution group (person who belongs to the consolidated group to which the Group's direct lender belongs) from which the Group borrows funds, and from which the Group's total amount of borrowing exceeds 2% of the Group's consolidated total assets as of the end of the previous fiscal year
3) The Outside Director/Audit & Supervisory Board Member is not a major business partner of the Group (defined by a yearly transaction amount that exceeds 1% of consolidated net sales) or its executive.
4) The Outside Director/Audit & Supervisory Board Member is not a person for whom the Group is a major business partner (defined by a yearly transaction amount that exceeds 1% of the counterparty's consolidated net sales) or its executive.
5) The Outside Director/Audit & Supervisory Board Member is not a consultant, accounting professional, or legal professional who receives a large amount of remuneration (more than ¥6 million yearly) from the Group other than officers' remuneration (including a case where an organization such as a corporation or an association to which the Outside Officer belongs receives remuneration);
6) The Outside Director/Audit & Supervisory Board Member is not an executive of an organization such as a corporation or an association that receives a large amount of donations (more than ¥6 million yearly) from the Group.
7) The Outside Director/Audit & Supervisory Board Member is not a spouse or a relative within the second degree of consanguinity of the Group's executive; and
8) The Outside Director/Audit & Supervisory Board Member does not fall under any of the above-mentioned items from (1) through (6) for the past three years.
9) The Outside Director/Audit & Supervisory Board Member holds his/her office as an outside officer of Nabtesco for a period not exceeding eight years in total.

③ Relationship between supervision or auditing by outside directors or Audit & Supervisory Board Members (independent) and internal audits, corporate auditors, and accounting audits, as well as with the internal control division.

The status of coordination and procedures among the Audit & Supervisory Board members (including outside Audit & Supervisory Board members), the accounting auditor, and the internal audit department, as well as the relationship with the internal audit department are described in [(3) Status of audits; ③ Cooperation with internal audits, audits by Audit & Supervisory Board members, and accounting audits.]

(3) 【Status of audits】

① Audits by Audit & Supervisory Board Members

1) Audit & Supervisory Board Members and organization

Our Audit & Supervisory Board consists of five members, two full-time and three Independent (part-time).

Position	Name	Brief history
Audit & Supervisory Board Members	Koji Nakano	He has engaged mainly in finance, accounting and corporate planning divisions, and possesses management experience at Shanghai Nabtesco Hydraulic Co., Ltd., in addition to broad insight in the fields of finance and accounting and internal audit.
	Yasuhito Nakagawa	He served as General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company and Plant Manager of the Plant and served as General Manager, Production Innovation Division. He also chaired the Group's Environment, Safety & Health Committee. He thus has expertise and experience in production, particularly production technology and production management, as well as in environment, safety and health. In addition, he was engaged in management at Nabtesco (China) Precision Equipment Co., Ltd.
Audit & Supervisory Board Members (Independent)	Tetsuro Hirai	He has broad experience and extensive knowledge and insight on production and has management experience.
	Masatoshi Hitomi	He has been engaged in accounting and administration in Japan and abroad for many years, and possesses broad insight into finance and accounting as well as experience in management. In addition, at Sony Corporation (current Sony Group Corporation), he was engaged in auditing by the Audit Committee.
	Yasuhiro Tanabe	Although he has not been directly involved in corporate management, he served as a prosecutor for many years and has a high level of knowledge about laws and regulations. He also has a high level of expertise and insight into organizational management in general.

In addition, we regularly hold liaison meetings (described below with the Group Audit & Supervisory Board) with domestic Group company Audit & Supervisory Board members, which are composed of the Audit & Supervisory Board members of each Group company, with the aim of sharing Group audit policies, priority implementation items, and audit information of each company, and raising the effectiveness of audits at each Group company. At the request of the Audit & Supervisory Board members, two employees are assigned to assist the Audit & Supervisory Board members in carrying out their duties.

2) Activities of Audit & Supervisory Board Members

In principle, the Audit & Supervisory Board Members meet once a month, and 13 meetings were held in Fiscal Year 2025. Attendance by individual corporate auditors is as follows.

Name, etc		Attendance/number of meetings (Note 1)
Audit & Supervisory Board Members	Koji Nakano	13 times /13 times
	Yasuhito Nakagawa	13 times /13 times
Audit & Supervisory Board Members (Independent)	Tetsuro Hirai	13 times /13 times
	Masatoshi Hitomi	13 times /13 times
	Yasuhiro Tanabe	13 times /13 times

(NOTE) Numbers are based on the number of meetings held during the period of service.

The main matters discussed and reported by the Audit & Supervisory Board during the fiscal year under review are as follows. The time required is about one hour per time.

Matters for Consultation	Audit Plan by Audit & Supervisory Board Members, re-appointment of Accounting Auditors, consent to audit fees of Accounting Auditors, Approval of Non-Guarantee Services by Accounting Auditors, audit reports of the Audit & Supervisory Board, Evaluation of the Effectiveness of the Audit & Supervisory Board etc.
Matters to be Reported	Reports on the results of audits, reports on receipt of management confirmation reports, reports on attendance at important meetings, reports on corporate auditors at meetings of the Board of Directors, and summary reports on important matters such as the Management Committee

3) Activities of Audit & Supervisory Board and Audit & Supervisory Board Member

We established audit policies and priority audit items for the current fiscal year as shown in the table below.

Basic Auditing Policy	As an independent body entrusted by shareholders, Audit & Supervisory Board members shall contribute to ensuring the sound management of the Nabtesco Group and establishing a high-quality corporate governance system that responds to social trust by auditing the execution of duties by directors.
Priority audit items	<Development and Operation of Internal Control System> ① Operational effectiveness and efficiency: Governance status of business sites and Group companies ② Reliability of financial reports: Important financial information such as orders, quality claims, delivery dates, and costs ③ Legal Compliance: Compliance System and Awareness ④ Preservation of assets: Acquisition and disposal processes, use and storage status <Individual Priority Issues> ① Efforts to Solve ESG Items ② Initiatives for DX (Digital Transformation) ③ Initiatives for ROIC management

In particular, we closely monitored whether the Group's management policies are properly reflected in the priority issues and action plans of domestic sites and domestic and overseas Group companies, and whether business operations are being executed effectively and efficiently. We confirmed the status of these policies through on-site visits and attending major meetings. The Group companies to be audited are selected based on a comprehensive assessment of the degree of impact on consolidated results and the degree of risk.

To enhance the effectiveness of audits by corporate auditors, the Company invites executive officers and division heads to the Audit & Supervisory Board and conducts interviews as necessary.

Major activities in the current fiscal year are as follows.

Main activities	Frequency of meetings	Full-time Audit & Supervisory Board Members	Audit & Supervisory Board Members (Independent)
Attendance at Board of Directors Meetings	18 times	■	■
Opinion Exchange Meeting with Representative Directors	2 times	■	■
Opinion Exchange Meeting with Independent Directors	1 time	■	■
Participation in the Advisory Committee	8 times		■
Attendance at the Management Committee	19 times	■	
Attendance at Executive Officers Committee	12 times	■	
Attendance at CEO Committees	11 times	■	
Attendance at internal control reporting meeting	1 time	■	■
Interviews with directors and executive officers	11 times	■	
Visits to domestic sites	8 times	■	
Participation in physical inventory	13 times	■	
Visits to Group Companies	7 times	■	
Attendance at the Group Audit & Supervisory Board Meeting	2 times	■	■

(NOTE) Activities related to information collaboration with the internal audit division and accounting auditors are described in [③ Cooperation with Internal Audits, Audits by Audit & Supervisory Board Members, and Accounting Audits.]

②Internal Audit Status

Our Business Audit Department (ten members) conducts internal audits of corporate divisions, in-house companies, and Group companies. The Internal Audit Department conducts surveys and assessments to determine whether overall operations are being processed, and asset management is being properly carried out. The results are compiled into an audit report and follow up on the status of improvements in areas pointed out or requested for improvement. Audit reports and follow-up reports are reported directly at regular meetings of the Audit & Supervisory Board attended by the representative director, full-time Audit & Supervisory Board members, and certain executive officers. The contents of these reports are posted in the Audit Report Database and disseminated to all directors and Audit & Supervisory Board members, including those from outside the Company. In addition, the Internal Audit Division reports periodically to the Board of Directors.

③Cooperation with Internal Audits, Audits by Audit & Supervisory Board Members, and Accounting Audits.

With regard to cooperation between internal audits, audits by the Audit & Supervisory Board members, and accounting audits, the Business Audit Department and the Audit & Supervisory Board members work to enhance internal auditing operations by, for example, exchanging information and opinions on the annual business audit plan and the content of audits at regular audit councils. The Business Audit Department, the Accounting & Finance Department, the Audit & Supervisory Board members, and the accounting auditor exchange opinions and information about the development and operation of the Internal Control System for Financial Reporting. In addition, the Audit & Supervisory Board members receive briefings on the outline of the audit plan from the accounting auditor, and also receive briefings on the Group's accounting and internal control issues, etc. through accounting audit reports and quarterly review reports. Full-time Audit & Supervisory Board members and accounting auditors meet regularly to exchange opinions on important auditing issues and other matters.

Committee Name	Month of implementation	Summary
Audit and intermediate review plan	May	The accounting auditor shall explain to the Audit & Supervisory Board members, the outline of the plan for the audit and intermediate review of the business year.
Intermediate review and audit report meeting	February and August	The accounting auditor shall report to the Board of Corporate Auditors on the outline of the audit and the status of implementation and the results of the intermediate review of the accounting results for the fiscal year.jp
Nabtesco group Audit & Supervisory Board members' meeting	January and August	Audit & Supervisory Board members of each Group company report on their audits and share and discuss information in an effort to achieve uniformity and enhancement of audits. The Business Audit Department shall implement the Audit Operations Report.
Business Audit Report Meeting	On a monthly basis	The results of internal audits conducted by the Internal Audit Department are reported to the Representative Director, Full-time Audit & Supervisory Board Members, and certain executive officers using audit reports and follow-up reports, and opinions are exchanged.
Audit Council	August and November	In order to strengthen cooperation between the Audit & Supervisory Board members and the Business Auditing Department, discussions on audits and exchanges of information and opinions will be held through the Auditing Council. In addition, the Audit & Supervisory Board of the Group shall discuss, report and exchange opinions on audits between the Audit & Supervisory Board members and the corporate auditors of subsidiaries.
J-SOX meeting	January, March, June and December	The Business Audit Department, an independent evaluation division, reports to the full-time corporate auditors, the general manager of the Accounting Department, and the general manager of the Information System Department, and exchanges opinions regarding the implementation plans and progress of the development and operation evaluation of the Internal Control over Financial Reporting based on the Financial Instruments and Exchange Act.

④ Accounting Auditors

1) Name of auditing firm

KPMG AZSA LLC

2) Continuous audit period

23 years

3) Names of lead CPAs assigned to audit

Takeharu Kirikae, Designated Limited Liability Partner and Managing Partner

Toyama Daisuke, Designated Limited Liability Partner and Managing Partner

4) To assist in audit activities

24 CPAs and 50 others

5) Policy and Reasons for Selection of Audit Firms

The Audit & Supervisory Board has decided to appoint KPMG AZSA LLC. as an accounting auditor in consideration of the fact that the accounting auditor is not deemed to fall under any of the items of Paragraph 1 of Article 340 of the Companies Act and the evaluation of the accounting auditor.

6) Evaluation of Audit Firms by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board receives reports from the accounting auditors on the content of audits, audit plans, and quality control systems, and evaluates their independence and appropriateness. During the fiscal year under review, the Board of Corporate Auditors has determined that there are no facts that would cause problems with respect to the activities, independence, and reliability of the accounting auditor.

⑤ Details of Audit Fees

1) Remuneration for Certified Public Accountants

Classification	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation for audit certification services (Million yen)	Compensation for non-audit services (Million yen)	Compensation for audit certification services (Million yen)	Compensation for non-audit services (Million yen)
Submitting Company	122	—	111	—
Consolidated subsidiaries	16	—	16	—
Total	138	—	127	—

2) Remuneration for the same network (KPMG) as audited CPAs, etc. excluding 1)

Classification	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation for audit certification services (Million yen)	Compensation for non-audit services (Million yen)	Compensation for audit certification services (Million yen)	Compensation for non-audit services (Million yen)
Submitting Company	—	15	—	18
Consolidated subsidiaries	68	0	66	1
Total	68	15	66	19

Previous consolidated fiscal year

The non-audit services of the submitting companies mainly consist of advisory services related to ESG and tax.

The non-audit services of consolidated subsidiaries mainly consist of advisory services related to tax.

Current consolidated fiscal year

The non-audit services of the submitting companies mainly consist of advisory services related to ESG and tax.

The non-audit services of consolidated subsidiaries mainly consist of advisory services related to tax.

3) Details of other remuneration based on important audit attestation services

Previous consolidated fiscal year

Not applicable.

Current consolidated fiscal year

Not applicable.

4) Policy for determining audit fees

The policy for determining audit fees for our auditing CPAs is to be determined by obtaining the consent of the Audit & Supervisory Board in accordance with the provisions of Article 399 of the Companies Act, after comprehensively considering the content of audit services, etc.

5) Reasons why the Audit & Supervisory Board agreed to the remuneration, etc. of the accounting auditor

The Audit & Supervisory Board confirms the content of audits by the accounting auditor, audit time and audit plan, trends in remuneration performance, and remuneration estimates. After reviewing the appropriateness of the accounting auditor's remuneration, the Audit & Supervisory Board agrees to Article 399-1 of the Companies Act.

(4) 【Compensation of Directors and Audit & Supervisory Board Members】

① Compensation of Directors and Audit & Supervisory Board Members

1) Total amount of remuneration, etc. by officer classification, total amount of remuneration, etc. by type, and number of officers subject to remuneration

Classification	Total amount of remuneration (Millions yen)	Total remuneration by type (Millions yen)				Be subject to Number of officers (person)
		Fixed compensation	Incentive fee			
		Monthly compensation		Board Benefit Trust (BBT)		
				Benefits at the time of tenure	Retirement benefit	
Director (excluding outside directors)	156	95	20	17	23	6
Corporate Auditors (excluding independent Audit & Supervisory Board Members)	54	54	—	—	—	2
Outside officers	81	81	—	—	—	8

(NOTE) 1 The number of officers eligible to serve as directors includes two retired directors during the fiscal year under review.
2. Monthly compensation consists of basic monthly compensation and total performance-linked compensation paid on a monthly straight-line basis.
3 The amount of stock benefit trust (BBT) represents the amount expensed in the current period under Japanese GAAP based on the number of stock delivery points granted or expected to be granted in the current period.
4 The maximum amount of remuneration is within 400 million yen for directors (including within 70 million yen for outside directors) as resolved at the 21st Ordinary General Meeting of Shareholders (held on March 26, 2024) and 90 million yen for corporate auditors, as resolved at the 14th Ordinary General Meeting of Shareholders (held on March 28, 2017).
5 In addition to the above remuneration, the Company has introduced a stock-based compensation trust (BBT) for directors (excluding outside directors), a stock-based compensation plan resolved at the 14th Ordinary General Meeting of Shareholders (held on March 28, 2017). In accordance with the directors' stock-based compensation regulations stipulated in this plan, the Company contributes to the trust a maximum of 450 million yen (for 3 fiscal years) for directors' stock-based payment at the time of service and 420 million yen (for 3 fiscal years) for retirement benefits. At the 14th Ordinary General Meeting of Shareholders (held on March 28, 2017), the maximum amount of remuneration, which is separate from the remuneration limit stated in 5. above, is set at 56,000 points (one fiscal year) for benefits at the time of service and 51,000 points (one fiscal year) for benefits at the time of retirement.
6 The total amount of remuneration, etc. for each officer is omitted because there is no applicable officer who has paid 100 million yen or more.

② The contents of the policy and the method for determining the amount of Remuneration, etc. for officers or the method for calculating such amount

1) Basic Policy of the Compensation System

・A system that shares the interests of shareholders and management by increasing the linkage between the Company's business performance and stock value
・To act as an incentive to improve the Group's medium-to long-term performance
・The process of determining the compensation system should be objective and transparent.

2) Compensation System

i. The remuneration system for directors consists of "monthly remuneration," which consists of Basic remuneration that is fixed remuneration and Performance-linked compensation reflecting short-term performance, and "stock benefit trust (BBT)," which reflects the degree of achievement of the medium-term management plan and share value.

ii. "Basic remuneration" is a fixed remuneration according to the position of each director and is paid as a monthly remuneration.

iii. "Performance-linked compensation (monthly compensation)" is determined based on the degree of achievement of annual performance using the following formula.

［Short-term performance-linked compensation］

Short-term performance-linked remuneration = Standard amount for payment by position × Performance evaluation coefficient

※Performance assessment coefficient: Determined by a matrix table using ROIC and net income (attributable to owners of the parent) for the previous fiscal year for which thresholds are set as indicators (coefficient: 0.00 to 4.00)

Directors in charge of internal companies will be added or deducted from short-term performance-linked remuneration based on the sales growth rate, degree of improvement in operating income, degree of improvement in ROIC, R&D indicators, environmental indicators, etc. of the company.

iv. Share-based compensation is determined based on the following formula, utilizing the system of the Stock Benefit Trust (BBT) and depending on the degree of achievement of the Medium-Term Management Plan.

[Share-based compensation granted at the time of service]
Share-based compensation delivered at the time of service = Share-based compensation points by position × Performance evaluation coefficient × Mid-term Management Plan achievement coefficient
※Performance assessment coefficient: Determined by a matrix table using ROIC and net income (attributable to owners of the parent) for the previous fiscal year for which thresholds are set as indicators (coefficient: 0.00 to 4.00)
※ Coefficient of achievement under the medium-term management plan (three years): Set based on the degree of achievement of net sales and operating income set forth in the medium-term management plan (0 to 0.5)

The vesting of points will be the date of the ordinary general meeting of shareholders for the last fiscal year ending within three years after the granting of points.

[Stock-based compensation at the time of retirement]
Share-based remuneration at the time of retirement = Share-based remuneration points by position
The vesting of the delivery points shall be the date of resignation as a director.

v. The remuneration of directors is based on a percentage distribution that emphasizes linkage to performance and shareholder value.

Position	Fixed compensation	Incentive fee		
	Basic remuneration	Short-term performance Linked remuneration	Grant-type at the time of service Stock-based compensation	Grant-type at retirement Stock-based compensation
Chairman of the Board and President	25%	35%	25%	15%
Director	25%	35%	25%	15%

(NOTE)This table is a model based on a 100% achievement rate for performance-linked remuneration, with the median value for each position.

vi. Remuneration for Outside Directors and the Audit & Supervisory Board Members is limited to fixed remuneration, in view of the fact that the Company is independent from the execution of business, and the portion reflecting business performance is excluded.

vii. In the event that there is a material change in the performance of the previous fiscal year that serves as the basis for the calculation of performance-linked remuneration as a result of the restatement of prior fiscal years due to inappropriate accounting, etc., or in the event of a serious damage to the Company due to an illegal act of an officer, etc., the Company is able to request the full amount of performance-linked remuneration or the return of a portion of the remuneration.

3) Approach to Performance-Linked Compensation Indicators

The performance-linked remuneration metrics paid to directors (excluding outside directors) are based on "ROIC" and "Net income (attributable to owners of the parent company)", which are the achievements of all employees' activities and the main indices leading to improved ROE. As a result, all directors are aware of the cost of capital and the dividend payout ratio, and we will promote management that is conscious of the sustainable growth of our group. In addition to management indicators such as the degree of ROIC improvement, directors in charge of business operations are provided with R&D indicators for promoting the creation of intellectual property, environmental indicators for reducing CO_2 emissions, and other indicators to provide incentives for improving business performance over the medium to long term.

In addition, for the degree of achievement of the Medium-Term Management Plan, we have adopted "Net sales" and "Operating income" with the aim of promoting activities that are the results of all directors and employees' business activities and that unify the vector.

The above indicators may be added to or deducted from the amount of impact caused by events that are not attributable to our management decisions.

[Results of Key Performance-Based Compensation Indicators]

ROIC	Net sales	Operating income	Net income
3.4%	323,384 million yen	15,012 million yen	10,188 million yen

Performance-linked remuneration for the fiscal year under review is calculated based on the figures for FY2024 which includes hydraulic equipment business result.

4) Method of Determination of Remuneration, etc.

The Compensation Committee, which is composed of one internal director and four independent outside officers, deliberates and reports on the policy, compensation structure, and level of remuneration for directors, as well as the amount paid to each director, and the Board of Directors determines the amount.

Remuneration for Audit & Supervisory Board members is determined after consultation with Audit & Supervisory Board members.

The activities of the Committee for deliberating and determining director remuneration for the current fiscal year are as follows.

[Number of Committee Meetings (from January to December 2025)]

Committee, etc.	Number of meetings
Compensation Committee	2 times
Board of Directors	2 times

(5) 【Status of shareholding】

① SCriteria and principles for classifying investment shares

We do not hold shares for net investment purposes, and all shares are classified as investment shares for purposes other than net investment purposes (hereafter, "strategic shareholdings"). Shares that are for net investment purposes are those whose purpose is to receive profits from changes in stock prices or dividends.

② Investments in shares held for purposes other than net investment

1) Method of verifying the rationality of holding policy and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues

We hold strategic stockholdings only if they contribute to maintaining and enhancing our corporate value. In light of the situation at the end of the most recent fiscal year, the Company's basic policy is to dispose of and reduce strategic shareholdings as soon as possible. Under this policy, the Board of Directors annually examines whether the holding purpose is appropriate for each individual issue and whether the benefits and risks associated with holding are commensurate with the cost of capital, based on certain criteria, and reviews whether or not to continue holding shares and the number of shares. As a result of the verification, any issue deemed inappropriate for continuous holding will be sold without delay after considering the stock price, market trends, and other factors.

2) Number of issues and balance sheet amount

	Number of issues (issue)	Total amount on the Balance Sheet (Million yen)
Unlisted stocks	17	406
Shares other than unlisted shares	5	6,208

(Issues with an increase in the number of shares in the current fiscal year)

	Number of issues (issue)	Total acquisition cost related to increase in number of shares (Million yen)	Reason for the increase in the number of shares
Unlisted stocks	—	—	—
Shares other than unlisted shares		—	—

(Issues with an increase in the number of shares in the current fiscal year)

	Number of issues (issue)	Total sales price related to decrease in number of shares (Million yen)
Unlisted stocks	—	—
Shares other than unlisted shares	3	440

3) Information on the number of shares and the amount recorded on the balance sheet for each issue of specified investment shares and deemed holding shares

Specified investment shares

Issue	Current fiscal year Number of shares Balance Sheet Amount (Millions yen)	Previous fiscal year Number of shares Balance Sheet Amount (Millions yen)	Outline of holding purpose and business alliance, quantitative effect of holding shares and reasons for the increase in the number of shares	Share-holdings in the Company
SINFONIA TECHNOLOGY CO., LTD.	400,000	400,000	We are primarily a business partner in Transport Solutions business and hold them to maintain and strengthen business relations.	Yes
	3,628	2,568		
Central Japan Railway Company	500,000	500,000	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	Yes
	2,169	1,483		
East Japan Railway Company	76,500	76,500	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	None
	316	214		
Sanyo Electric Railway Co., Ltd.	38,587	38,587	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	Yes
	80	78		
The Hanshin Diesel Works, Ltd.	4,000	20,000	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	None
	15	44		
Keio Corporation	-	66,997		Yes
	-	257		
Kintetsu Group Holdings Co.,Ltd.	-	43,509		None
	-	144		

(NOTE) Quantitative holding effects are not shown because they relate to trade secrets. The method of verifying the rationality of the holdings is described in "1) Method of verifying the rationality of holding policy and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues"

③ Investment shares held for pure investment purposes

Not applicable

④ Securities for which the purpose of holding investment shares is changed from a pure investment purpose to a purpose other than a pure investment purpose in the current fiscal year

Not applicable

⑤ Securities for which the purpose of holding investment shares is changed from a purpose other than pure investment to a pure investment purpose in the current fiscal year and during the past 4 fiscal years

Not applicable.

No.5 【Accounting Status】

1. Preparation of Consolidated Financial Statements and Financial Statements

(1) Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to the provisions of Article 312 of the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ministerial Order No. 28 of issued in 1976, hereinafter referred to as the "Regulations Concerning Consolidated Financial Statements").

(2) Our financial statements have been prepared in accordance with the Regulations on Terminology, Forms and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of issued in 1963; hereinafter referred to as the "Regulations on Financial Statements, etc.").

We are a company submitting special financial statements and preparing financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, etc

(3) The consolidated financial statements and financial statements have been rounded to the nearest unit.

2. Audit Certification

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements for the fiscal year (January 1, 2025 to December 31, 2025) and the financial statements for the fiscal year (January 1, 2025 to December 31, 2025) by KPMG AZSA LLC

In addition, we have submitted a Corrections Report of an Annual Securities Report, pursuant to Article 24-2-1 of the Financial Instruments and Exchange Act, and the consolidated financial statements and the non-consolidated financial statements after correction have been audited by KPMG AZSA LLC.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc. and the development of a system to properly prepare the consolidated financial statements, etc. based on IFRS

As shown below, we are making special efforts to ensure the appropriateness of our consolidated financial statements and establishing a system for the proper preparation of consolidated financial statements based on IFRS.

(1) In order to appropriately grasp the content of accounting standards, etc., and develop a system that enables us to respond to changes in accounting standards, etc. in a timely and accurate manner, we have joined the Financial Accounting Standards Corporation and participate in seminars conducted by auditing firms, etc. In addition, internal study meetings on the content of IFRS are held regularly to promote the acquisition of IFRS knowledge to practical personnel.

(2) In applying IFRS, the Company obtains press releases and pronouncements issued by the International Accounting Standards Board from time to time to determine the latest standards. In addition, in order to prepare appropriate consolidated financial statements based on IFRS, we have prepared group-wide accounting policies in accordance with IFRS and account for them based on those policies

(Translation)
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1 【Consolidated Financial Statements and Notes to the Consolidated Financial Statement 】

(1) 【Consolidated Financial Statements】

① 【Consolidated Statement of Financial Position】

(Million yen)

	Note No.	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Assets			
Current assets			
Cash and cash equivalents	8	74,476	73,340
Trade receivables	9,24	88,932	75,421
Contract assets	26	3,212	3,207
Other receivables	9	1,361	1,524
Inventories	10	53,273	52,838
Other financial assets	24	698	715
Other current assets		7,016	5,715
Subtotal		228,970	212,761
Assets held for sale	11	—	43,665
Total current assets		228,970	256,426
Non-current assets			
Property, plant and equipment	12,14	114,340	101,683
Intangible assets	13,14	12,955	13,477
Right-of-use assets	14,15	12,122	12,822
Goodwill	13,14	26,259	25,817
Investment property	14,16	9,309	9,143
Investments accounted for using the equity method	17	24,348	24,976
Other financial assets	24	14,648	17,082
Deferred tax assets	23	3,430	4,381
Other non-current assets		3,464	826
Total non-current assets		220,875	210,206
Total assets		449,845	466,632

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(Million yen)

	Note No.	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating payables	18,24	51,178	45,161
Contract liabilities	26	11,463	13,111
Borrowings	21,24	21,817	34,946
Other payables	18,24	16,030	6,848
Income taxes payable		2,461	6,462
Provisions	19	2,233	3,497
Lease liabilities	21,24	3,319	3,609
Other financial liabilities	24	28	29
Other current liabilities	20	8,582	8,757
Subtotal		117,111	122,421
Liabilities directly associated with assets held for sale	11	—	12,256
Total current liabilities		117,111	134,677
Non-current liabilities			
Borrowings	21,24	10,067	10,039
Lease liabilities	21,24	10,634	11,202
Liabilities concerning retirement benefit	22	8,262	6,454
Deferred tax liabilities	23	8,514	8,303
Other financial liabilities	24	670	898
Provisions	19	—	140
Other non-current liabilities	20	4,844	4,551
Total non-current liabilities		42,990	41,587
Total liabilities		160,101	176,264
Equity			
Capital stock	25	10,000	10,000
Share premium	25	14,998	14,969
Retained earnings	25	225,269	219,443
Treasury stocks	25	-3,638	-3,008
Other components of equity	25	25,930	30,764
Other components of equity related to disposal groups held for sale		—	1,297
Equity attributable to owners of the parent		272,559	273,466
Non-controlling interests		17,185	16,902
Total equity		289,744	290,368
Total liabilities and equity		449,845	466,632

② 【Consolidated Income Statement】

(Million yen)

	Note No.	Previous fiscal year (ended December 2024) (January 1, 2024 to December 31, 2024) (Consolidated basis)	Current fiscal year (ended December 2025) (January 1, 2025 to December 31, 2025) (Consolidated basis)
Continuing operations			
Net sales	7,26	280,458	307,912
Cost of sales	27	-198,589	-214,239
Gross profit		81,869	93,673
Other income	28	1,158	1,862
Selling, general and administrative expense	27	-67,633	-71,626
Other expenses	28	-2,238	-2,954
Operating income	7	13,157	20,956
Financial income	29	1,035	992
Financial costs	29	-917	-1,105
Equity in earnings of affiliates	17	950	1,140
Income before tax		14,225	21,983
Income tax expense	23	-3,920	-5,833
Income from continuing operations		10,305	16,150
Discontinued operations			
Income from discontinued operations	33	1,460	1,035
Net income		11,765	17,185

Net income attributable to			
Owners of the parent		10,188	15,255
Non-controlling interests		1,577	1,930
Net income		11,765	17,185

Net income per share			
Basic earnings per share (Yen)			
Continuing operations		77.95	127.59
Discontinued operations		6.87	0.29
Basic earnings per share (Yen)	31	84.83	127.87
Diluted earnings per share (Yen)			
Continuing operations		77.95	127.58
Discontinued operations		6.87	0.29
Diluted earnings per share (Yen)	31	84.82	127.87

③ 【Consolidated Statements of Comprehensive Income】

(Million yen)

	Note No.	Previous fiscal year (ended December 2024) (January 1, 2024 to December 31, 2024) (Consolidated basis)	Current fiscal year (ended December 2025) (January 1, 2025 to December 31, 2025) (Consolidated basis)
Net income		11,765	17,185
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liabilities (assets)	25	2,326	-1,215
Net changes in financial assets measured at fair value through other comprehensive income	25	1,219	1,311
Total components that will not be reclassified to profit or loss		3,546	96
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations	25	6,590	5,359
Share of other comprehensive income of investments accounted for using equity method	25	284	44
Total components that will be reclassified to profit or loss		6,873	5,403
Other comprehensive income after taxes		10,419	5,500
Total comprehensive income		22,184	22,685

Comprehensive income attributable to			
Owners of the parent		19,360	20,394
Non-controlling interests		2,824	2,291
Total comprehensive income		22,184	22,685

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④ 【Consolidated Statement of Changes in Equity】

FY2024 (From January 1, 2024 to December 31, 2024)

(Million yen)

	Note No.	Equity attributable to owners of the parent					
		Capital stock	Share premium	Retained earnings	Treasury stocks	Other components of equity	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2024		10,000	15,139	222,362	-3,943	15,516	3,646
Net income		—	—	10,188	—	—	—
Other comprehensive income	25	—	—	—	—	5,667	1,213
Total comprehensive income		—	—	10,188	—	5,667	1,213
Acquisition, sales, etc. of treasury shares	25	—	—	-34	304	—	—
Dividends	25	—	—	-9,651	—	—	—
Increase (decrease) in non-controlling interests due to capital increase of subsidiaries		—	—	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	2,404	—	—	-112
Share-based compensation transactions	30	—	-142	—	—	—	—
Total transactions with owners, etc.		—	-142	-7,281	304	—	-112
Balance as of December 31, 2024		10,000	14,998	225,269	-3,638	21,183	4,747

	Note No.	Equity attributable to owners of the parent			Non-controlling interests	Total equity
		Other components of equity		Total equity attributable to owners of the parent		
		Remeasurements of net defined benefit liability (asset)	Total			
Balance as of January 1, 2024		—	19,162	262,721	15,424	278,145
Net income		—	—	10,188	1,577	11,765
Other comprehensive income	25	2,293	9,172	9,172	1,247	10,419
Total comprehensive income		2,293	9,172	19,360	2,824	22,184
Acquisition, sales, etc. of treasury shares	25	—	—	270	—	270
Dividends	25	—	—	-9,651	-1,249	-10,900
Increase (decrease) in non-controlling interests due to capital increase of subsidiaries		—	—	—	185	185
Transfer from other components of equity to retained earnings		-2,293	-2,404	—	—	—
Share-based compensation transactions	30	—	—	-142	—	-142
Total transactions with owners, etc.		-2,293	-2,404	-9,522	-1,063	-10,586
Balance as of December 31, 2024		—	25,930	272,559	17,185	289,744

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FY2025 (From January 1, 2025 to December 31, 2025)

(Million yen)

	Note No.	Equity attributable to owners of the parent					
						Other components of equity	
		Capital stock	Share premium	Retained earnings	Treasury shares	Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2025		10,000	14,998	225,269	-3,638	21,183	4,747
Net income		—	—	15,255	—	—	—
Other comprehensive income	25	—	—	—	—	5,063	1,303
Total comprehensive income		—	—	15,255	—	5,063	1,303
Acquisition, sales, etc. of treasury shares	25	—	—	—	-9,807	—	—
Retirement of treasury stock	25	—	—	-10,437	10,437	—	—
Dividends	25	—	—	-9,651	—	—	—
Change in reporting entities		—	—	—	—	—	—
Changes in ownership interest in subsidiaries l		—	28	—	—	—	—
Other components of equity related to disposal groups held for sale		—	—	—	—	-1,297	—
Transfer from other components of equity to retained earnings		—	—	-993	—	—	-234
Share-based compensation transactions	30	—	-57	—	—	—	—
Total transactions with owners, etc.		—	-29	-21,081	630	-1,297	-234
Balance as of December 31, 2025		10,000	14,969	219,443	-3,008	24,948	5,816

	Note No.	Equity attributable to owners of the parent				Non-controlling interests	Total equity
		Other components of equity		Other components of equity related to disposal groups held for sale	Total equity attributable to owners of the parent		
		Remeasurements of net defined benefit liability (asset)	Total				
Balance as of January 1, 2025		—	25,930	—	272,559	17,185	289,744
Net income		—	—	—	15,255	1,930	17,185
Other comprehensive income	25	-1,226	5,139	—	5,139	360	5,500
Total comprehensive income		-1,226	5,139	—	20,394	2,291	22,685
Acquisition, sales, etc. of treasury shares	25	—	—	—	-9,807	—	-9,807
Retirement of treasury stock	25	—	—	—	—	—	—
Dividends	25	—	—	—	-9,651	-2,637	-12,288
Change in reporting entities		—	—	—	—	130	130
Change in stake in consolidated subsidiaries with continuing control		—	—	—	28	-67	-39
Other components of equity related to disposal groups held for sale		—	-1,297	1,297	—	—	—
Transfer from other components of equity to retained earnings		1,226	993	—	—	—	—
Share-based compensation transactions	30	—	—	—	-57	—	-57
Total transactions with owners, etc.		1,226	-305	1,297	-19,487	-2,574	-22,060
Balance as of December 31, 2025		—	30,764	1,297	273,466	16,902	290,368

⑤ 【Consolidated Statements of Cash Flows】

(Million yen)

	Note No.	FY 2024 (January 1, 2024 to December 31, 2024)	FY 2025 (January 1, 2025 to December 31, 2025)
Cash flows from operating activities			
Net income		10,305	16,150
Net income from discontinued operations		1,460	1,035
Depreciation and amortization		16,469	17,258
Gain from negative goodwill	14	1,632	989
Impairment Loss		—	-461
Increase (decrease) in liabilities concerning retirement benefits		-567	217
Interest and dividend income		-456	-451
Interest expenses		733	864
Decrease (Increase) in valuation on investment securities		33	-39
Equity loss (gain) in earnings of affiliates		-950	-1,140
Loss (gain) on sales of fixed assets		358	167
Provision for loss on liquidation of subsidiaries		—	1,324
Expenses of income tax		4,419	7,599
Decrease (increase) in trade receivables		-3,696	2,165
Decrease (increase) in inventories		-642	-3,632
Increase (decrease) in operating payables		-1,168	-4,264
Others		1,738	296
Subtotal		29,669	38,078
Interest received		356	356
Dividend received		1,069	439
Interest paid		-736	-847
Subsidy received		2,759	—
Income taxes refunded (paid)		-6,468	-5,203
Cash flows from operating activities		26,650	32,824
Cash flows from investing activities			
Decrease in time deposits (Increase)		-100	0
Purchases of tangible fixed assets		-24,898	-13,201
Purchases of intangible fixed assets		-3,453	-2,814
Payments for acquisition of subsidiaries resulting in a change in the scope of consolidation		—	285
Payments for acquisition of investment securities		-1,128	-455
Proceeds from sale of investment securities		749	457
Other		99	1
Cash flows from investing activities		-28,733	-15,725
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	21	82	12,590
Proceeds from long-term loans payable	21	10,092	—
Repayment of long-term loans payable	21	-240	-183
Payments of lease liabilities	21	-3,424	-3,669
Payment for purchase of treasury stock		-2	-10,065
Proceeds from sale of treasury stock		71	67
Cash dividends paid	25	-9,653	-9,648
Proceeds from payments from non-controlling interests		185	—
Dividends paid to non-controlling interests		-1,249	-2,610
Other		—	-39
Cash flows from financing activities		-4,137	-13,559
Increase (decrease) in cash and cash equivalents		-6,220	3,539
Cash and cash equivalents at beginning of term	8	77,835	74,476
Effect of exchange rate changes on cash and cash equivalents		2,861	1,599
Net increase/decrease in cash and cash equivalents included in assets of disposal groups classified as held for sale	11	—	-6,274
Cash and cash equivalents at end of term	8	74,476	73,340

【Notes to Consolidated Financial Statements】

1. Reporting company

Nabtesco Corporation (the "Company") is a company located in Japan. Our consolidated financial statements are composed of the interests in us and our subsidiaries (together, the "Group") and affiliates, with an ended date of December 31, 2025. Our main businesses are Component Solutions Business, Transport Solutions Business, and Accessibility Solutions Business. The details are described in Note "7. Business Segments."

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements have been prepared in accordance with IFRS pursuant to the provisions of Article 312 of the Ordinance on Consolidated Financial Statements as they satisfy all of the requirements of "Designated International Accounting Standards Designated Companies" set forth in Article 1-2 of the Ordinance on Consolidated Financial Statements.

The consolidated financial statements for the fiscal year ended December 31, 2025, which were approved by our Board of Directors on March 25, 2026, were corrected and approved by our Board of Directors on September 30, 2026.

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(2) Basis for measurement

The consolidated financial statements of our group have been prepared on a historical cost basis, except for financial instruments measured at fair value, as described in Note 3, "Significant Accounting Policies," below.

(3) Functional and presentation currencies

The consolidated financial statements of our group represent the Japanese yen, which is our functional currency.

3. Important accounting policies

The significant accounting policies applied in these consolidated financial statements are the same as those applied for all periods presented in these consolidated financial statements, unless otherwise indicated.

(1) Basis of consolidation

① Subsidiary

Subsidiaries are companies controlled by our group. The financial statements of subsidiaries are included in the consolidated financial statements from the date of inception to the date of termination of control. The accounting policies of the subsidiaries have been changed as necessary to align with the accounting policies applied by our group.

Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The difference between the non-controlling interest adjustment and the fair value of the consideration is recognized directly in equity as equity attributable to owners of the parent.

Unrealized gains and losses arising from balances and transactions within our group and from transactions within our group are eliminated in the preparation of the consolidated financial statements.

For subsidiaries with different closing dates, financial statements based on provisional closing as of the consolidated closing date are used.

② Investments in Affiliated Companies.

Affiliated companies are companies over which the Group has significant influence, but not control, over their financial and operating policies. If our group holds more than 20% of the voting power of another company, we estimate that our group has significant influence over that other company.

Investments in affiliates are accounted for using the equity method and are recognized at cost at the time of acquisition. Under the equity method, if there is a difference between the investment at the date of the investment and the corresponding investee's capital,

such difference is included in the carrying amount of the investment as goodwill.

The consolidated financial statements include the recognition of our group's share of net income or loss and other comprehensive income from the date of significant influence through the date of loss of significant influence, and adjustments are made to the amounts invested.

Until our proportionate share of the loss of an affiliate exceeds our proportionate share of the investment in the entity, such proportionate share is charged to net income. No further excess is recognized as a loss unless our group incurs or pays a liability (legal or constructive) on behalf of an affiliate.

In applying the equity method of accounting, we make adjustments necessary to align the accounting policies of our equity method investees with the accounting policies of our group. In addition, the consolidated financial statements include investments in affiliates whose fiscal year-end differs from our fiscal year-end because it is not practicable to unify the fiscal year-end to our fiscal year-end due to relationships with other shareholders and other factors. Significant transactions or events in the period arising from differences in the balance sheet dates are adjusted. The fiscal year-end of the affiliated companies accounted for by the equity method is mainly March 31.

Unrealized gains and losses arising from transactions with affiliates accounted for by the equity method are deducted from investments to the extent of our Group's ownership interest in the investee.

(2) Business Combination

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities of the acquired company are measured at fair value at the date of acquisition.

Goodwill is measured as the excess of the sum of the consideration transferred in a business combination, the amount of the non-controlling interest in the acquired companies, and the fair value of the equity interest in the acquired companies previously held by the acquired companies over the net value of identifiable assets and liabilities at the date of acquisition.

Acquisition-related costs are expensed in the period in which they are incurred.

In addition, with respect to business combination transactions under common control, we account for them based on the book value prior to the occurrence of the business combination transaction.

(3) Foreign currency

① Functional and Presentation Currencies

The financial statements of each company in our group are prepared in the functional currency, which is the currency of the primary economic environment in which the company operates. The consolidated financial statements of our group represent the Japanese yen, which is our functional currency.

② Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the fiscal year are translated into the functional currency at the exchange rates in effect at the end of the fiscal year.

Non-monetary assets and liabilities denominated in foreign currencies measured at cost are translated into the functional currency at the exchange rates in effect at the transaction date.

Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the measurement date of such fair value. Exchange differences arising from translation are recognized in profit or loss. However, differences arising from the translation of financial instruments measured at fair value with the changes recognized in other comprehensive incomes are recorded in other comprehensive income.

③ Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the year-end exchange rates. Revenues and expenses of foreign operations are translated into Japanese yen using the average exchange rate, unless the exchange rate fluctuates significantly.

Translation differences arising from the translation of the financial statements of foreign operations are recognized in other comprehensive income and included in other components of equity. When foreign operations are disposed of, translation adjustments are reclassified to profit or loss.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and present insignificant risk of changes in value.

(5) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined principally based on the average cost method, which includes the cost of acquiring inventories, manufacturing and processing costs, and other costs incurred in bringing the inventories to their current location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to complete and estimated selling costs.

(6) Financial Instruments

① Non-derivative financial assets

Our group initially recognizes financial assets on the transaction date on which our group becomes a party to a contract for that financial instrument.

Financial assets are initially measured at fair value. For financial assets that are not measured at fair value through profit or loss after initial recognition, transaction costs incurred directly to acquire the financial assets are included in the initial measurement amount.

a Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost when the following criteria are met.

- It is held based on a business model whose objective is to hold financial assets to recover contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal balance.

Measurement after initial recognition is carried at amortized cost using the effective interest method.

A loss valuation allowance is recognized for expected credit losses on financial assets measured at amortized cost.

At the end of each fiscal year, our group compares the credit risk of financial assets as of the end of the fiscal year with the initial recognition date to evaluate whether there has been a significant increase in the credit risk associated with financial assets.

If the credit risk associated with a financial asset has increased significantly since initial recognition, we measure the loss valuation allowance associated with that financial asset at an amount equal to the expected credit loss for the full period, and if not significantly increased, at an amount equal to the expected credit loss for the 12-month period. Notwithstanding the foregoing, for trade receivables and contract assets that do not contain a significant financial component, the Company measures the loss valuation allowance at an amount equal to the expected credit loss for the entire period. The provision for loss valuation allowance related to financial assets is recognized in profit or loss. If an event occurs that reduces the loss valuation allowance, the reversal of the loss valuation allowance is recognized in profit or loss.

b Financial assets measured at fair value through other comprehensive income

At initial recognition, our group elects to recognize changes in the fair value of equity instruments other than those held for trading in other comprehensive income, in principle. When the Company elects to recognize through other comprehensive income, the designation is made and applied on an ongoing basis as irrevocable. Subsequent to initial recognition, measurements are carried at fair value through other comprehensive income.

When such financial assets are sold, the cumulative gain or loss recognized is reclassified from other comprehensive income to retained earnings at the time of sale. Dividends from such financial assets are recognized in profit or loss.

c Financial assets measured at fair value through profit or loss

Our group classifies financial assets other than financial assets measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Subsequent to initial recognition, measurements are carried at fair value through profit or loss.

Our group derecognizes financial assets when the contractual rights to cash flows have expired or have been transferred, or substantially all the risks and rewards of ownership have been transferred.

② Non-derivative financial liabilities

Our group initially recognizes the debt securities to be issued on the date of such issuance. All other financial liabilities are recognized on the transaction date on which our group becomes a party to the contract for the financial instrument.

a Financial liabilities measured at amortized cost

Our group initially measures financial liabilities measured at amortized cost with fair value plus direct transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

b Financial liabilities measured at fair value through profit or loss

Our group classifies financial liabilities other than financial liabilities measured at amortized cost as financial liabilities measured at fair value through profit or loss. Subsequent to initial recognition, measurements are carried at fair value through profit or loss. Our group derecognizes financial liabilities when contractual obligations are discharged, cancelled or expired.

③ Derivative Financial Instruments

Our Group holds derivative financial instruments for the purpose of avoiding and mitigating the risk of fluctuations in foreign exchange rates and interest rates.

Derivatives are initially recognized at fair value and the related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, measurements are carried at fair value through profit or loss.

(7) Property, plant and equipment

① Recognition and Measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses using the cost model.

Cost includes the following costs directly related to the acquisition of assets:

- Employee benefits and assembly, installation and other costs directly arising from the manufacture of assets
- Estimates of the costs of dismantling and removing assets if the obligation is to remove or remove them.
- Capitalized borrowing costs

② Depreciation

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective components.

Depreciation is calculated based on the depreciable value. Amortizable value is calculated by subtracting the residual value from the acquisition cost of the assets.

Estimated useful lives are as follows:

Buildings and structures	3	～	50	Year
Machinery and equipment	4	～	17	Year
Tools, furniture and fixtures	2	～	20	Year

Depreciation methods, useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

(8) Goodwill and intangible assets

① Goodwill

Measurement at the initial recognition is described in "(2) Business combinations."

Subsequent to initial recognition, goodwill is stated at cost, less accumulated impairment losses. Goodwill is not amortized but is tested for impairment annually or whenever indicators of impairment exist. Impairment losses related to goodwill are not reversed.

② Research and development costs

Expenditures for research activities conducted for the purpose of obtaining new scientific or technical knowledge and understanding are recognized as profit or loss as incurred.

③ Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses using the cost model.

In addition, intangible assets that are identified in a business combination separately from goodwill are measured at their acquisition date fair values as acquisition costs.

Amortization is based on the straight-line method over the estimated useful life of the asset from the date the asset becomes available for use.

Depreciation is calculated based on the depreciable value. Amortizable value is calculated by subtracting the residual value from the acquisition cost of the assets.

Estimated useful lives are as follows:

Software	3 ～	16	Year
Customer related asset	8 ～	19	Year
Technology assets	8 ～	10	Year
Others	7 ～	20	Year

Amortization methods, useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

Indefinite-lived intangible assets are stated at cost less accumulated impairment losses. In addition, they are not amortized but are tested for impairment annually or whenever indicators of impairment exist.

(9) Lease

(Lessee)

① Lease liabilities

Lease liabilities are recognized from the inception date of the lease and are measured at the present value of lease payments that have not been paid. The discount rate is the calculated interest rate of the lease or the additional borrowing rate of our group if the calculated interest rate cannot be easily determined. Subsequent to the inception date, amounts will increase or decrease due to interest and lease payments on the lease liabilities.

② Right-of-use asset

The right-of-use asset is measured at cost, adjusted for initial direct costs, prepaid lease payments, etc., to the initial measurement of the lease liability from the inception date of the lease. Subsequent to the inception date, the cost model is applied and measured net of accumulated depreciation and impairment losses. Amortized on a straight-line basis over the shorter of the useful life of the right-of-use asset or the end of the lease term from the lease commencement date.

In addition, for short-term leases and leases where the underlying assets are small, the Company applies the exemption from recognition and does not recognize a right-of-use asset or a lease liability, but rather recognizes it as an expense on a straight-line basis over the term of the lease.

(Lessor)

The Group classifies leases into finance leases and operating leases. A lease is classified as a finance lease if substantially all the risks and economic benefits associated with ownership of the underlying asset are transferred to the lessee; if all the risks and economic benefits associated with the ownership of the underlying assets are not substantially transferred to the lessee, then it is

classified as an operating lease.

(10) Investment real estate

Investment real estate is real estate held for the purpose of earning rental income or capital gains or both. The measurement and depreciation methods for investment properties are in accordance with property, plant and equipment. The estimated useful lives of the investment properties are 5 to 60 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

(11) Assets held for sale

Among assets or disposal groups for which the carrying amount is expected to be recovered principally through sale rather than through continuing use, assets that are currently available for immediate sale and for which the Group's management has committed to a plan to sell, with the sale highly probable to be completed within one year, are classified as assets held for sale.

(12)Impairment of non-financial assets

The carrying value of our group's non-financial assets, excluding inventories, contract assets, assets held for sale, deferred tax assets and net defined benefit assets, is determined at each period end for indicators of impairment. If indicators of impairment are present, the recoverable amount of the asset is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use or fair value less costs to sell. In determining value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount.

For assets other than goodwill, previously recognized impairment losses are evaluated at the end of each period for indicators of loss reduction or extinguishment. If the estimates used in determining the recoverable amount change, the impairment loss is reversed. The reversal amount is limited to an amount not to exceed the carrying amount less depreciation and amortization if no impairment loss is recognized.

The treatment of impairment losses related to goodwill is described in "(8) Goodwill and Intangible Assets ①Goodwill" and the treatment of impairment losses related to indefinite-lived intangible assets is described in "(8) Goodwill and Intangible Assets ③ Other Intangible Assets."

(13) Employee benefit

① Postretirement benefits

Our Group has a retirement lump-sum payment plan and a pension plan as a postretirement benefit plan for employees. These plans are classified into defined contribution plans and defined benefit plans.

a Defined contribution plan

Costs related to postretirement benefits for defined contribution plans are recognized as an expense in the period in which the employees provide services.

b Defined benefit plan

The present value of defined benefit obligations and the related current service cost and prior service cost are calculated for each individual plan using the projected unit credit method. The discount rate is determined by establishing a discount period based on the expected period to future benefit payments and by reference to the market yield of high-quality corporate bonds at the end of the period corresponding to the discount period. Liabilities or assets related to defined benefit plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations. Remeasurements of net defined benefit assets or liabilities are recognized in other comprehensive income in the period in which they occur and are transferred to retained earnings.

② Short-term employee benefits

Short-term employee benefits are not discounted and are expensed as the related services are rendered.

For bonuses, we recognize a liability for the estimated amount to be paid under those plans when our group has a current legal and constructive obligation to pay as a result of labor provided by employees in the past and the amount can be reliably estimated.

(14) Reserves and contingent liabilities

Provisions are recognized when, as a result of past events, our group has a legal or constructive obligation that is reasonably estimable and it is probable that an outflow of economic resources will occur to settle the obligation. The allowance is discounted to the present value of estimated future cash flows using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability, if the time value of money is significant. Common stock

Accrued warranty costs are provided for future expenditures, such as repair costs, which are incurred after delivery of the product, by estimating the amount of such costs incurred on a case-by-case basis.

The allowance for losses on orders is provided for future losses on contract awards by individually estimating the estimated amount of losses on contracts awarded as of the end of the period.

The provision for compensation losses is individually estimated and recorded, in order to provide for future losses related to compensation claims.

The provision for losses on restructuring of affiliated companies is individually estimated and recorded, in order to provide for future losses arising from affiliated companies scheduled for restructuring.

The provision for environmental remediation is individually estimated and recorded, in order to provide for future losses relating to environmental measures.

If the Company has a liability that may be incurred as of the end of the fiscal year, and it cannot be ascertained if it is a liability as of the end of the fiscal year, or if it does not meet the recognition criteria for the allowance, it is recorded as a contingent liability.

(15) Shareholders' Equity

① Common stock

Common stock is classified as equity. Additional costs directly related to the issuance of common stock and stock options are recognized net of tax as a deduction of equity.

② Treasury stock

When treasury stock is repurchased, consideration paid, including direct transaction costs, net of tax, is recognized as a deduction to equity. When treasury stock is disposed of, the difference between the consideration received and the carrying amount of treasury stock is recognized as equity.

③ Share-based payment transactions

a Stock option system

Until March 2017, we have introduced a stock option plan for our directors and executive officers (excluding outside directors, hereinafter referred to as "directors, etc.") that allows them to exercise their right to purchase our shares. Under the plan, stock options vest on the grant date of stock-based awards, and therefore are estimated at fair value at the grant date, and recognized as expense in a lump sum at the grant date, with the same amount recognized as equity. The fair value of options granted is determined using the Black-Scholes model, considering the terms and conditions of the options. This system was abolished in March 2017 (however, the stock options already granted to directors and others as stock-based compensation stock options that have not yet been exercised will continue to exist).

b Board Benefit Trust Plan (Equity Settlement Type)

In May 2017, we introduced an equity compensation plan to provide our directors, etc. with their own shares, etc. through trusts. Stock-based compensation is measured at the fair value of the services received and the corresponding increase in equity at the grant date (for equity instruments) and is recorded as an expense over the vesting period, with the same amount recognized as an increase in equity.

(16) Revenue

Our group recognizes revenue based on the following 5-step approach:

Step 1: Identify Contracts with Customers
Step 2: Identify Performance Obligations in Contracts
Step 3: Calculate the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity meets its performance obligations

① Performance obligations fulfilled at a point in time

Our main business of the Group is the manufacture and sale of industrial robot parts, brake systems and door systems for railway vehicles, aircraft parts, brake systems and drive control systems for automobiles, marine vessel control systems, automatic door systems for buildings and general industries, and platform safety equipment. For the sale of these products, we recognize revenue principally at the time of delivery of the product as the customer often determines that control over the product and performance obligations will be satisfied at the time of delivery of the product. Revenue is measured at the consideration promised in customer contracts, less discounts, rebates and returns.

② Performance obligations to be met over a period of time

Our group recognizes revenue in satisfaction of performance obligations over a period of time as control over products or services is transferred over a period of time if any of the following criteria are met:

a Consume the benefits provided by the customer as they perform at the same time.
b The performance creates or appreciates the asset and the customer controls the creation or accretion of the asset.
c It has the enforceable right to receive payment for the performance that it has completed to date, and does not create any other assets that can be diverted.

In our group, the revenue associated with performance obligations that are satisfied over a period of time is the performance obligation for platform safety equipment, etc. Revenue for platform safety equipment and other items is estimated and recognized on a progress basis. Progress is calculated as the ratio of actual costs to total estimated costs (input method).

(17) Government subsidies

Our group initially recognizes government subsidies as deferred revenue at fair value when the ancillary conditions for the subsidies are met and there is reasonable assurance that the subsidies will be received. Subsequent to initial recognition, subsidies related to assets are regularly recognized in profit or loss over the useful life of the asset. Subsidies related to revenue are recognized in profit or loss in the period in which the related expenses are recognized.

(18) Financial income and costs

Financial income consists of interest income, dividend income, gain on valuation of investment securities, foreign exchange gains, etc. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized when our Group's right of receipt is established.

Financial costs consist of interest expense, loss on devaluation of derivatives, and loss on devaluation of investment securities.

(19) Corporate income tax

Income taxes consist of current and deferred income taxes. These are recognized in profit or loss except for items recognized in other comprehensive income, items directly recognized in equity, and items recognized in business combinations.

Current taxes are calculated by multiplying current taxable income by the tax rate enacted or substantially enacted as of the end of the fiscal year.

Deferred income taxes are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are recognized for deductible temporary differences, unused tax credit carryforwards and operating loss carryforwards to the extent that taxable income is expected to be available to recover them, and deferred tax liabilities are recognized for taxable temporary differences in principle.

Deferred tax assets or liabilities are not recorded in the following cases:

- Initial recognition of an asset or liability in a transaction other than a business combination and which does not affect either accounting earnings or taxable income for tax purposes
- Differences on investments in subsidiaries, affiliates, and joint control where it is probable that the differences will not reverse in the foreseeable future
- Taxable temporary differences arising from initial recognition of goodwill

Deferred income taxes are measured using tax rates expected to be in effect when temporary differences reverse under laws enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and income taxes are imposed by the same taxing authority on the same taxable entity.

(20) Basic earnings per share

Basic earnings per share is computed by dividing net income available to our common stockholders by the weighted average number of common shares outstanding, adjusted for treasury stock for the period. Diluted earnings per share is computed by adjusting for the effect of all dilutive potential common shares. Our potential common stock has stock options.

(21) Discontinued operation

The Group classifies a business as a discontinued operation at the point when the business has either been disposed of or meets the criteria to be classified as held for sale, provided that it represents a separate major line of business or geographical area of operations.

(22) Change in accounting policy

The major new or revised pronouncements and interpretations not early adopted by our group as of December 31, 2025 are as follows: The impact of the adoption of this statement on our group is under consideration and cannot be estimated at this time.

Statement of Standards	Standard name	Compulsory application period (year beginning thereafter)	The year of application for our group	Outline of new establishment and revision
IFRS No. 18	Presentation and Disclosure in Financial Statements	January 1, 2027	FY2027	New requirements for the presentation and disclosure of financial performance, primarily in the income statement

4. Additional information

(1) Revision of errors of prior periods

It has come to light that in the calculation of equity in earnings of affiliates at certain of the Company's equity-method affiliates, the financial figures obtained from the said equity-method affiliates, which should have been calculated based on changes in consolidated net assets, including the subsidiaries of said equity-method affiliates, were instead calculated based on changes in non-consolidated net assets. As a result, an error was identified whereby the amounts reported as “Equity in earnings of affiliates” in the Company’s consolidated statements of income and “Investments accounted for using the equity method” in the consolidated statement of financial position have been consistently understated since prior years.

The Company has determined that retrospective restatement was necessary regarding the above error and has revised the consolidated financial statements and other financial statements contained in the Annual Securities Reports, the Semi-Annual Reports and the Quarterly Reports that have already been submitted. We have also revised the other errors contained therein.

5. Change in presentation

In accordance with IFRS 5, the Group classified the hydraulic equipment business as a discontinued operation from the third quarter of the current consolidated fiscal year. As a result, to conform to the presentation for the current consolidated fiscal year, certain items in the consolidated statement of profit or loss, the consolidated statement of cash flows, and related notes to the consolidated financial statements for the previous consolidated fiscal year have been reclassified and presented accordingly.

6. Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates change and in future periods affected.

Major accounting judgments, estimates and assumptions are as follows:

(1) Valuation of inventory

In accordance with "3. Important accounting policies " in the notes to inventories, our group makes assumptions about the cost of sales and selling expenses required to complete the calculation of net realizable value.

Although management's best estimates and judgments determine these assumptions, they may be affected by changes in uncertain economic conditions in the future and could materially impact the consolidated financial statements if a review is required.

The amount of the write-down of inventories is as described in Note "10. Inventories."

(2) Significant assumptions used in the calculation of discounted cash flow projections for testing non-financial assets for impairment

Our Group tests property, plant and equipment, intangible assets, right of use assets and goodwill for impairment in accordance with Note 3, "Important accounting policies." During the fiscal year under review, the following non-financial assets were tested for impairment. The goodwill impairment test is described in "Note 13. Goodwill and Intangible Assets," and the impairment of non-financial assets, including goodwill, is described in Note "14. Impairment of Non-Financial Assets."

① Gilgen's goodwill

Goodwill (carrying amount: ¥19,709 million) related to Gilgen Door Systems AG and subsidiaries in Accessibility Solutions segment (hereinafter referred to as the "Gilgen Group") was tested for impairment on an annual basis in accordance with "Note 3. Important accounting policies." As a result, no impairment loss was recorded for the goodwill as the value in use exceeded its carrying value.

The recoverable amounts of non-financial assets related to Gilgen are measured at value in use. Value in use is calculated by discounting future cash flows determined based on the business plan of the business using a weighted-average cost of capital discount rate. Estimates of value in use include key assumptions such as projections of sales and operating margins in the business plan and discount rates based on weighted average cost of capital.

These assumptions are determined based on management's best estimates and judgments; however, because of the high degree of uncertainty involved in forecasting demand for key market conditions and other factors, if the profitability of the business is reduced and it is determined that sufficient cash flow cannot be generated, the amount of non-financial assets recognized in the consolidated financial statements for the following fiscal year could be materially affected.

② Goodwill of Deep Sea

Goodwill (carrying amount: ¥4,854 million) related to R.K. DEEP SEA TECHNOLOGIES LIMITED and one of its subsidiaries related to Marine Vessel Equipment in Transport Solutions segment were tested for impairment in accordance with "Note 3. Important accounting policies." As a result, impairment loss of ¥989 million was recorded for the goodwill as the value in use below its carrying value.

The recoverable amount of non-financial assets related to Deep Sea is measured at value in use. Value in use is calculated by discounting future cash flows determined based on the business plan of the business using a weighted-average cost of capital

discount rate. Estimates of value in use include significant assumptions such as forecasts of sales and operating income in the business plan and discount rates based on weighted average cost of capital.

These assumptions are determined based on management's best estimates and judgments; however, because of the high degree of uncertainty involved in forecasting demand for key market conditions and other factors, if the profitability of the business is reduced and it is determined that sufficient cash flow cannot be generated, the amount of non-financial assets recognized in the consolidated financial statements for the following fiscal year could be materially affected.

(3) Reserves and contingent liabilities

Our group records reserves for product warranties and other items in the consolidated statements of financial condition. These accruals are based on our best estimate of the expenditures required to settle the obligation, taking into account the risks and uncertainties associated with the obligation at the end of the period.

The amount of expenditures required to settle liabilities is calculated by comprehensively considering possible future results. However, the amount may be affected by the occurrence of unforeseeable events or changes in circumstances. If actual payments differ from the estimates, the amount recognized in the consolidated financial statements for the following fiscal year and thereafter may be materially affected.

Contingent liabilities, if any, are disclosed after considering all available evidence at the date of the financial statements and considering their likelihood and amount of occurrence.

The details of the allowance and its carrying value are described in Note "19. Reserves," and the contingent liabilities are described in Note "37. Contingent Liabilities.

(4) Measurement of defined benefit obligations

Our group has various retirement benefit plans, including defined benefit plans. The present value of the defined benefit obligations and related service costs for each of these plans are based on actuarial assumptions, such as discount rates and mortality rates. Although actuarial assumptions are determined based on management's best estimates and judgments, they may be affected by changes in uncertain economic conditions in the future and could materially impact the consolidated financial statements if a review is required.

For more information on the defined benefit obligation and plan asset amounts and assumptions used, see in Note "22. Employee Benefits."

(5) Corporate income tax

Our group is subject to income taxes in multiple jurisdictions. Significant judgment is required in determining the estimated amount of income taxes in various parts of the world. Depending on the transaction and calculation method, there are many cases where the final tax amount includes uncertainty. When our group is required to make estimates of surcharges, we recognize a liability for anticipated tax examination issues. If the final tax amount related to these matters differs from the amount initially recognized, it could have a material impact on the consolidated financial statements.

Deferred tax assets are also recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. When recognizing deferred tax assets, the Company reasonably estimates the timing and amount of taxable income that may be earned in the future in determining the likelihood of taxable income.

The timing and amount of taxable income may be affected by future changes in uncertain economic conditions, and actual timing and amounts that differ from estimates could materially affect the amounts recognized in the consolidated financial statements in subsequent years.

The breakdown of deferred tax assets by major cause is as described in Note "23. Income Taxes."

(6) Valuation of a financial product

Our group uses valuation techniques that utilize inputs that are not observable in the market when evaluating the fair value of certain financial instruments. Inputs that are not observable are affected by, among other things, changes in uncertain economic conditions in the future. If such input needs to be reviewed, it could have a material impact on the consolidated financial statements.

The Company's assessment of the fair value of certain financial instruments is discussed in Note "24. “Financial Instruments.”

(7) Fair value of assets acquired and liabilities assumed in business combinations

Assets acquired and liabilities assumed in a business combination are measured at fair value at the date of initial acquisition. Future cash flows used as the basis for determining fair value reflect the time value of money and the specific risk of the asset as a discount rate. In addition, although the fair value is determined using management's best estimates, it may be affected by changes in uncertain economic conditions in the future. As a result, there is a risk that the valuation of intangible assets and goodwill may be materially affected.

(8) Scope of subsidiaries

We consider our group to be a subsidiary because we believe that we have substantial control over certain companies with 50% or less of the voting rights that we hold.

Certain companies are discussed in Note "34. Subsidiaries."

7. Business Segments

(1) Summary of reportable segments

The Group's reportable segments are components of the Group 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 classifies its business segments into the following three reportable segments, based on the similarity of business models: "Component Solutions Business;" "Transport Solutions Business;" and "Accessibility Solutions Business."

The main lines of business of each reportable segment are as below.

Business segment	Main lines of business
Component Solutions Business	The design, manufacture, sale, maintenance and repair of industrial robot components
Transport Solutions Business	The design, manufacture, sale, maintenance and repair of brake systems and automatic door operating systems for railroad vehicles, aircraft components, brake systems and drive control units for vehicles, control systems for marine vessels, and components thereof
Accessibility Solutions Business	The design, manufacture, sale, installation, maintenance and repair of automatic door operating systems for buildings and general industry, platform safety systems, and components thereof

(2) Information on reportable segments

The accounting policies of the reportable segments are the same as the accounting policies of our group described in "3. Important accounting policies "in the notes.

Intersegment sales and transfers are based on prevailing market prices.

FY2024 (January 1, 2024 to December 31, 2024)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in summary of consolidated statements of income
	Component	Transport	Accessibility	Total				
Net sales								
Sales to external customers	67,646	88,727	106,771	263,144	17,315	280,458	—	280,458
Inter-segment sales	752	2,299	11	3,062	42	3,104	-3,104	—
Total sales	68,398	91,026	106,782	266,206	17,356	283,563	-3,104	280,458
Segment income (Operating income)	2,667	12,389	9,340	24,396	1,043	25,439	-12,282	13,157
Financial income	—							1,035
Financial costs	—							-917
Equity in earnings of affiliates	—							950
Income before tax	—							14,225
Other items								
Depreciation and amortization	4,963	3,836	3,824	12,622	465	13,088	1,608	14,696
Impairment loss	—	—	—	—	656	656	976	1,632
Segment assets	145,190	91,761	115,243	352,194	11,648	363,843	86,002	449,845
Increases in tangible fixed assets and intangible fixed assets	11,802	2,591	2,243	16,635	405	17,040	988	18,028

(NOTES) 1. "Others" is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machinery, three-dimensional model production device, machine tools, and components thereof.
2. Adjustment to sales is as a result of eliminations of inter-segment transactions.
3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.
4. Adjustment to depreciation and amortizations is total depreciation and amortization that are not allocated to the respective segments.
5. Adjustment to impairment loss is total impairment loss that are not allocated to the respective segments.
6. Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥86,002 million, consisting mainly of surplus operating funds in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).
7. Adjustment to increase in tangible fixed assets and intangible fixed assets is total capex that are not allocated to the respective segments
8. Increase in tangible fixed assets and intangible fixed assets in Component Solutions do not include discontinued operations.

FY2025 (January 1, 2025 to December 31, 2025)

(Million yen)

	Reportable segments				Others	Total	Adjustments	Amount stated in summary of consolidated statements of income
	Component	Transport	Accessibility	Total				
Net sales								
Sales to external customers	79,325	100,473	110,668	290,467	17,445	307,912	—	307,912
Inter-segment sales	645	2,064	21	2,730	28	2,759	-2,759	—
Total sales	79,970	102,538	110,689	293,197	17,473	310,670	-2,759	307,912
Segment income (Operating income)	5,420	13,698	9,541	28,659	2,194	30,853	-9,897	20,956
Financial income	—							992
Financial costs	—							-1,105
Equity in earnings of affiliates	—							1,140
Income before tax	—							21,983
Other items								
Depreciation and amortization	5,705	3,827	4,569	14,100	532	14,632	1,749	16,381
Impairment loss	—	989	—	989	—	989	—	989
Segment assets	109,769	100,249	122,108	332,127	14,494	346,621	120,012	466,632
Increases in tangible fixed assets and intangible fixed assets	4,237	2,931	1,862	9,031	343	9,374	715	10,089

(NOTES) 1. “Others” is a business segment that is not a reportable segment and consists of businesses that are engaged in the design, manufacture, sale, maintenance and repair of packaging machinery, three-dimensional model production device, machine tools, and components thereof.
2. Adjustment to sales is as a result of eliminations of inter-segment transactions.
3. Adjustment to segment income (operating income) is total profit/loss, etc. that are not allocated to the respective segments.
4. Adjustment to depreciation and amortizations is total depreciation and amortization that are not allocated to the respective segments.
5. Total assets of the Company included in adjustment to segment assets, and not allocated to the respective reportable segments are ¥120,012 million, consisting mainly of surplus operating funds in the Company (cash and deposits, etc.), long-term investments (investment securities, etc.), and assets held for sale.
6. Adjustment to increase in tangible fixed assets and intangible fixed assets is total capex that are not allocated to the respective segments.
7. Increase in tangible fixed assets and intangible fixed assets in Component Solutions do not include discontinued operations.

(3) Revenues from major products and services

This information is omitted because the same information is disclosed in "(1) Summary of reportable segments," "(2) Information on reportable segments," and "26. Revenue from Contracts with Customers."

(4) Information by region

Net sales

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Japan	141,901	155,240
China	32,786	43,403
Other Asia	17,512	18,891
North America	25,874	27,490
Europe	60,475	59,671
Other areas	1,910	3,217
Total	280,458	307,912

(NOTE) Net sales are classified by country or region based on the location of the customers.

Non-current assets

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Japan	148,577	137,971
China	8,380	5,729
Other Asia	1,825	726
North America	2,325	2,599
Europe	14,399	16,280
Total	175,507	163,305

(NOTE) Non-current assets are based on the location of the assets. In addition, financial assets, deferred tax assets, postretirement benefit assets, investments accounted for using the equity method, etc. are not included.

(5) Information about major customers

Information about major customers is omitted because sales of certain customers account for less than 10% of net sales in the consolidated statements of income.

8. Cash and cash equivalents

Cash and cash equivalents consisted of:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Cash and deposits	74,476	73,340
Total	74,476	73,340

(NOTE) The balances in "Cash and cash equivalents" in the Consolidated Statements of Financial Position are the same as the balances in "Cash and cash equivalents" in the Consolidated Statements of Cash Flows.

9. Trade and other receivables

(1) Trade receivables

The breakdown of trade receivables is as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Accounts receivable	77,829	68,760
Notes receivable	12,322	8,183
Loss valuation allowance	-1,219	-1,522
Total	88,932	75,421

(2) Other receivables

The components of other receivables are as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Accounts receivable-other	1,361	1,524
Total	1,361	1,524

10. Inventories

Inventories consisted of the following:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Finished goods and merchandise	13,162	13,549
Work in process	20,115	21,370
Raw materials and supplies	19,996	17,920
Total	53,273	52,838

(NOTE) There were write-downs of ¥291 million recorded in cost of sales in the previous fiscal year and no significant write-downs in the current consolidated fiscal year. This was ¥148 million for the previous fiscal year, which was due to an increase in net realizable value. There were no significant reversals of inventory write-downs recorded in cost of sales in the previous fiscal year.

11. Asset held for sales and directly associated liability

The breakdown of assets held for purpose of sale and liabilities directly associated with assets held for sale is as follows.

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Asset held for sales		
Cash and cash equivalents	—	6,274
Trade receivables	—	15,632
Other receivables	—	454
Inventories	—	6,137
Other current assets	—	166
Property, plant and equipment	—	11,567
Intangible assets	—	428
Right-of-use assets	—	303
Goodwill	—	2,294
Other financial assets in non current assets	—	13
Deferred tax assets	—	285
Other non-current assets	—	113
Total	—	43,665
Liabilities directly associated with assets held for sale		
Operating payables	—	3,189
Contract liabilities	—	336
Borrowings	—	461
Other current liabilities	—	5,692
Income taxes payable	—	389
Provisions	—	132
Lease liabilities (current)	—	42
Other current liabilities	—	613
Lease liabilities (Non-current)	—	188
Liabilities concerning retirement benefit	—	931
Deferred tax liabilities	—	242
Other non-current liabilities	—	41
Total	—	12,256

In the current consolidated fiscal year, the assets and liabilities held for purpose of sale relate to the hydraulic equipment business within the Component Solutions segment.

On July 31, 2025, the Company's Board of Directors resolved to transfer the hydraulic equipment business to a newly established wholly owned subsidiary of the Company (hereinafter referred to as "Comtesco Corporation") through an absorption-type company split, to consolidate the relevant businesses of the Group within Comtesco Corporation, and to enter into a share transfer agreement under which 70% of the issued shares of Comtesco Corporation would be transferred to Comer Industries S.p.A. (hereinafter referred to as "Comer"), as well as a shareholders' agreement concerning Comtesco Corporation, with Comer.

12. Property, plant and equipment

(1) Reconciliation of book value

(Million yen)

	Buildings and structures	Machinery and equipment	Tools, instruments and fixtures	Land	Construction in progress	Total
Balance at January 1, 2024	31,420	27,701	5,029	17,735	25,642	107,527
Acquisition	—	—	—	—	16,671	16,671
Depreciation (Note 1)	-2,895	-5,163	-2,475	—	—	-10,533
Transfer (Note 3)	18,074	8,747	2,395	—	-29,216	—
Disposition	-74	-207	-184	-55	-69	-589
Translation adjustments for foreign operations	437	535	200	97	-6	1,263
Balance at December 31, 2024	46,963	31,613	4,965	17,777	13,022	114,340
Acquisition	—	—	—	—	8,748	8,748
Increase due to business combination	7	23	—	75	15	120
Depreciation (Note 1)	-2,810	-5,158	-2,327	—	—	-10,294
Transfer	1,871	1,888	1,894	—	-5,653	—
Transfer to Asset held for sale	-6,259	-3,543	-618	-580	-567	-11,567
Disposition	-45	-23	-17	21	17	-46
Translation adjustments for foreign operations	187	190	50	46	-91	382
Balance at December 31, 2025	39,915	24,991	3,947	17,338	15,492	101,683

(NOTE) Depreciation of property, plant and equipment is included in "Cost of sales," "Selling, general and administrative expenses," and "Net income from discontinued operations" in the Consolidated Statements of Operations.

(2) Acquisition cost

(Million yen)

	Buildings and structures	Machinery and equipment	Tools, instruments and fixtures	Land	Construction in progress	Total
Balance at January 1, 2024	72,887	103,614	32,558	17,735	25,642	252,436
Balance at December 31, 2024	90,270	113,012	34,097	17,777	13,022	268,179
Balance at December 31, 2025	82,627	87,704	29,062	17,338	15,492	232,223

(3) Accumulated depreciation and impairment loss

(Million yen)

	Buildings and structures	Machinery and equipment	Tools, instruments and fixtures	Land	Construction in progress	Total
Balance at January 1, 2024	41,467	75,913	27,529	—	—	144,909
Balance at December 31, 2024	43,307	81,399	29,132	—	—	153,839
Balance at December 31, 2025	42,712	62,713	25,115	—	—	130,540

13. Goodwill and intangible assets

(1) Reconciliation of book value

(Million yen)

	Goodwill	Software	Customer related asset	Technology assets	Others	Total
Balance at January 1, 2024	25,750	8,131	2,715	175	604	37,374
Acquisition	—	3,436	—	—	18	3,453
Amortization (Note 2)	—	-2,112	-264	-26	-150	-2,553
Impairment loss (Note 3)	-656	—	—	—	—	-656
Translation adjustments for foreign operations	1,165	125	146	10	149	1,595
Balance at December 31, 2024	26,259	9,579	2,596	159	621	39,214
Acquisition	—	2,479	—	—	360	2,839
Changes due to business combinations	—	190	204	—	—	394
Amortization (Note 2)	—	-2,566	-341	-36	-325	-3,268
Impairment loss (Note 3)	-989	—	—	—	—	-989
Transfer to assets held for sale	-2,294	-426	—	—	-2	-2,722
Translation adjustments for foreign operations	2,840	560	319	27	79	3,825
Balance at December 31, 2025	25,817	9,816	2,779	150	732	39,294

(NOTE) 1 There are no significant intangible assets with indefinite lives.

2 Amortization of intangible assets is included in "Cost of sales," "Selling, general and administrative expenses," and "Net income from discontinued operations" in the Consolidated Statements of Operations.

3 Impairment losses on goodwill is included in "Other expenses" in the Consolidated Statements of Operations.

(2) Acquisition cost

(Million yen)

	Goodwill	Software	Customer related asset	Technology assets	Others	Total
Balance at January 1, 2024	44,366	14,052	6,336	746	2,775	68,275
Balance at December 31, 2024	46,528	16,953	6,666	783	3,133	74,063
Balance at December 31, 2025	49,525	19,129	7,678	876	3,524	80,731

(3) Accumulated amortization and impairment loss

(Million yen)

	Goodwill	Software	Customer related asset	Technology assets	Others	Total
Balance at January 1, 2024	18,616	5,921	3,622	572	2,171	30,901
Balance at December 31, 2024	20,269	7,374	4,070	625	2,513	34,849
Balance at December 31, 2025	23,708	9,313	4,899	726	2,792	41,437

(4) Impairment test

The book value of goodwill allocated to each fund generating unit is as follows:

(Million yen)

Reportable Segments	Fund generation unit	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Component Solutions	Power control Company	2,582	—
Transport Solutions	Deep Sea Technologies	4,420	3,865
	Marine Control Systems Company	2,007	2,243
Accessibility Solutions	Gilgen group	17,251	19,709
Total		26,259	25,817

Our Group tests goodwill for impairment in accordance with Note 3, "Important accounting policies." Goodwill is not amortized, but is tested for impairment once each period regardless of whether there is an indication of impairment. The Group compares the carrying amount of each cash-generating unit group, including goodwill, with the recoverable amount, and recognizes an impairment loss to the recoverable amount.

Recoverable amount is measured based on value in use. The value in use is discounted to the present value of estimated cash flows based on business plans approved by management. The business plan is for a maximum of five years and reflects management's evaluation of future trends in the industry and historical data. It is prepared based on external and internal information. The growth rate after the final year of the business plan is calculated based on zero or the inflation rate of the country to which the CGU belongs (1.4% to 3.1%).

At the end of the previous fiscal year, the Company tested goodwill for impairment at a discount to present value using the pre-tax weighted average cost of capital (8.0%-17.2%) for cash-generating units, and recognized an impairment loss for certain goodwill. This was recognized as a result of an impairment test factoring in a reassessment of future business prospects, following such unforeseen events as delays in technical exchanges due to the COVID-19 pandemic and discrepancies with customer quality standards. This impairment loss is described in Note "14. Impairment of Non-Financial Assets." There is also a risk of impairment occurring when key assumptions used in the impairment test change. A hypothetical 2.2% increase in the pre-tax weighted average cost of capital could result in an impairment loss.

At the end of the current fiscal year, the Company tested goodwill for impairment at a discount to present value using the pre-tax weighted average cost of capital (7.1.%-17.1%) for cash-generating units, and recognized an impairment loss for certain goodwill. This impairment loss was recognized as a result of an impairment test conducted based on a business plan that reflects a review of future operations, due to the fact that product development required more time than anticipated and the timing of market introduction and commercialization was delayed compared with the original plan. This impairment loss is described in Note "14. Impairment of Non-Financial Assets." There is also a risk of impairment occurring when key assumptions used in the impairment test change. A hypothetical 1.1% increase in the pre-tax weighted average cost of capital could result in an impairment loss.

14. Impairment of non-financial assets

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

Reportable Segments	Type of asset	Impairment loss
Others	Goodwill	656
	Subtotal	656
Elimination or Corporate	Investment property	976
	Subtotal	976
Total		1,632

The main details of impairment of non-financial assets in the previous consolidated fiscal year are as follows.

An impairment test was performed on the goodwill allocated to the cash-generating unit related to Engilico Engineering Solutions NV and the subsidiaries, those are our consolidated subsidiary. As the recoverable amount was less than the carrying amount, an impairment loss on the goodwill was recognized.

This impairment loss is included in "Other expenses" in the consolidated statements of income and is recognized in Others. The recoverable amount is measured at value in use (discount rate before tax: 14.6%).

Due to the decline in profitability associated with changes in the business environment and other factors, the Group calculated the fair value after deducting estimated disposal costs from investment properties located in Matsuyama City, Ehime Prefecture. As a result, the recoverable amount was less than the carrying amount, and accordingly, the Group recognized an impairment loss on these investment properties.

The impairment loss is included in "Other expense" in the consolidated statements of operations and is recognized in Elimination or Corporate.

Fair value less costs of disposal is based on valuations using a market approach by independent real estate appraisal professionals, such as quoted market prices for similar assets that are observable. The fair value of these instruments falls within Level 3 of the fair value hierarchy.

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

Reportable Segments	Type of asset	Impairment loss
Transport	Goodwill	989

The main details of impairment of non-financial assets in the current consolidated fiscal year are as follows.

The Group conducted an impairment test on the goodwill attributable to the cash-generating unit related to its consolidated subsidiary, R.K. DEEP SEA TECHNOLOGIES LIMITED, and its subsidiaries. As a result, since the recoverable amount (¥6,263 million) was lower than the carrying amount, an impairment loss was recognized on such goodwill.

The impairment loss is included in “Other expenses” in the consolidated statement of profit or loss. The recoverable amount was measured based on value in use (pre-tax discount rate: 17.1%)

15. Lease

(Lessee)

(1) Breakdown of the balance of the right-to-use assets and profit and loss

The balance of the right-to-use asset and the breakdown of the profit and loss are as follows:

Our group mainly uses the underlying assets of leases for its business activities.

(Million yen)

Breakdown of the balance of right-of-use assets	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Buildings and structures as underlying assets	8,987	9,465
Machinery, equipment and vehicles as underlying assets	2,240	2,550
Tools, furniture and fixtures as underlying assets	134	114
On land as the underlying assets	761	692
Total	12,122	12,822

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Depreciation of right-of-use assets		
Buildings and structures as underlying assets	2,410	2,431
Machinery, equipment and vehicles as underlying assets	774	880
Tools, furniture and fixtures as underlying assets	48	39
On land as the underlying assets	26	30
Total depreciation	3,258	3,381
Interest expense on lease liabilities	223	252
Lease expenses under the exemption from short-term leases	1,070	994
Lease expenses under the exemption from the lease of small-amount assets	1,010	1,076
Total cash outflows from leasing activities	5,518	5,739
Increase in right-of-use assets	6,700	4,247

(2) Extension and cancellation options

Options for extensions and cancellations are included in the individual leases of our group. Each lease is managed by the management of each Group company, the terms of which are negotiated individually and contain a wide range of contractual terms. The extension and termination options included in the lease are included in the lease liability only if they are exercisable and it is reasonably assured that the lease term will be used.

Maturity analysis of lease liabilities is described in Note "24. Financial Instruments (2) Liquidity Risk Management".

(Lessor)

The Group engages in real estate leasing under operating leases. Assets held for leasing are included in "Investment property" in the Consolidated Statement of Financial Position

(1) Income relating to operating leases

Income from operating leases is as follows.

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Lease income	57	208

(2) Maturity analysis of lease payments relating to operating leases

The maturity analysis of lease payments relating to non-cancellable operating leases is as follows:

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Within 1 year	57	365
1-2 years	—	313
2-3 years	—	313
3-4 years	—	313
4-5 years	—	313
Over 5 years	—	782
Total	57	2,398

16. .Investment real estate

(1) Overview of Investment Properties

Our Group has land and buildings for lease in Tokyo and Ehime Prefecture.

(2) Reconciliation of book value

(Million yen)

Balance at January 1, 2024	10,394
Depreciation and amortization	-109
Impairment loss (Note 3)	-976
Balance at December 31, 2024	9,309
Depreciation and amortization	-107
Sale	-59
Balance at December 31, 2025	9,143

(NOTE) The impairment loss in investment property is included in "Other expense" in consolidated statement of income.

(3) Acquisition cost

(Million yen)

Balance at January 1, 2024	10,982
Balance at December 31, 2024	10,982
Balance at December 31, 2025	10,923

(4) Accumulated depreciation and impairment loss

(Million yen)

Balance at January 1, 2024	588
Balance at December 31, 2024	1,673
Balance at December 31, 2025	1,780

(5) Fair value

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Fair value	9,481	9,425

The fair value of investment properties is based primarily on independent real estate appraisal expert appraisals, such as quoted market prices for similar assets that are observable. The entire valuation falls within Level 3 of the fair value hierarchy. The level of the fair value hierarchy is discussed in Note "24. Financial Instruments."

Rental income from investment properties for consolidated FY2024 and consolidated FY2025 was ¥86 million and ¥238 million, respectively, and is included in "Other income" in the Consolidated Income Statement. Direct expenses incurred in connection with rental income are included in "Other expenses" in the Consolidated Income Statement and have no monetary materiality.

17. Investments in certain entities, which are accounted for on the equity method

(1) Our group's major equity-method affiliates

The major equity-method affiliates of our group are as follows:

Previous fiscal year (From January 1, 2024, to December 31, 2024)

Name	Address	Main business Details	Percentage ownership and voting interest
TMT machinery Inc.	Osaka Prefecture Chuo-ku, Osaka	Manufacture and sale of synthetic fiber manufacturing facilities	33.0

Current fiscal year (from January 1, 2025 to December 31, 2025)

Name	Address	Main business Details	Percentage ownership and voting interest
TMT machinery Inc.	Osaka Prefecture Chuo-ku, Osaka	Manufacture and sale of synthetic fiber manufacturing facilities	33.0

(2) Investments in affiliates that are material to our group

Not applicable.

(3) Investments in affiliates that are not material to our group

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Our group share of net income	950	1,140
Our group share of other comprehensive income	284	44
Our group share of comprehensive income	1,234	1,184
Carrying amount of investments in affiliates	24,348	24,976

(4) Closing date of the affiliate

The fiscal year-end of four affiliated companies is March 31 and the fiscal year-end of one affiliated company is November 30. As it is not practicable to unify the fiscal year-end with our group, the financial statements based on the provisional settlement of accounts carried out as of December 31 of the consolidated fiscal year-end have been used.

18. .Trade and other payables

(1) Trade payables

The breakdown of trade payables is as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Accounts payable	17,914	16,482
Notes payable	1,309	1,056
Electronically recorded obligations-operating	31,955	27,623
Total	51,178	45,161

(2) Other liabilities

The components of other liabilities are as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Accounts payable-other	6,577	900
Accrued expenses	3,239	3,805
Electronically recorded obligations-operating	4,476	432
Others	1,737	1,711
Total	16,030	6,848

19. Provision

(1) Breakdown of provision

The breakdown of the provision is as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Current liabilities	2,233	3,497
Non-current liabilities	—	140
Total	2,233	3,637

(2) Increase or decrease in provision Warranty reserve Accrual for losses on contracts

(Million yen)

	Warranty reserve	Accrual for losses on contracts	Provision for Compensation Losses	Provision for losses on restructuring of affiliated companies	Provision for environmental remediation	Total
Balance at January 1, 2025	1,316	916	—	—	—	2,233
Increased during current term	461	269	57	1,324	140	2,251
Decrease (intended use)	-303	-455	—	—	—	-758
Decrease (reversal)	-28	-16	—	—	—	-44
Exchange differences on translation of foreign operations	30	58	—	—	—	88
Transfer to liabilities directly associated with assets held for sale	-132	—	—	—	—	-132
Balance at December 31, 2025	1,344	772	57	1,324	140	3,637

(3) Overview of the allowance and when the outflow of economic benefits is anticipated

①Warranty reserve

Accrued warranty costs relate to future expenditures such as repair costs incurred after the delivery of products. Such amounts are individually estimated and recorded. The expected timing of the outflow of economic benefits is expected to be within one year.

②Accrual for losses on contracts

The provision for losses on orders is for future losses on contract awards. Such amounts are individually estimated and recorded. The expected timing of the outflow of economic benefits is expected to be within one year.

③Provision for compensation losses

The provision for compensation losses is for future losses on compensation claims. Such amounts are individually estimated and recorded. The expected timing of the outflow of economic benefits is expected to be within one year.

④Provision for losses on restructuring of affiliated companies

The provision for losses on restructuring of affiliated companies is for future losses arising from the affiliated companies scheduled for restructuring. Such amounts are individually estimated and recorded. The expected timing of the outflow of economic benefits is expected to be within one year.

⑤Provision for environmental remediation

The provision for environmental remediation is for future losses relating to environmental measures. Such amounts are individually estimated and recorded. The expected timing of the outflow of economic benefits is expected to be over one

year

20. Government subsidies

Deferred income related to government grants associated with recognized assets is presented in the consolidated statement of financial position as included in the following line items.

In addition, the amounts of government grants related to assets recognized in profit or loss amounted to ¥115 million in the previous consolidated fiscal year and ¥200 million in the current consolidated fiscal year, and are included in "Other income" in the consolidated statement of profit or loss.

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Other current liabilities	200	200
Other non-current liabilities	2,873	2,673

21. Bonds, borrowings and lease liabilities

(1) Breakdown of borrowings

The breakdown of borrowings is as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Current liabilities		
Short-term loans payable	21,635	34,919
Current portion of long-term loans payable	183	27
Total	21,817	34,946
Non-current liabilities		
Long-term debt	10,067	10,039
Total	10,067	10,039

(2) Corporate bonds

Not applicable.

(3) Borrowings

The weighted average interest rates of "Short-term loans payable," "Current portion of long-term loans payable" and "Long-term loans payable" for the fiscal year under review were 1.33%, 1.30%, and 0.42%, respectively. Long-term debt is due from 2027 to 2029.

(4) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

(Million yen)

	Short-term loans payable	Long-term debt (NOTE)1	Lease liabilities (NOTE)2	Derivatives Liabilities and assets (-) (Note 3)	Total
Balance at January 1, 2024	21,176	397	10,859	487	32,919
Fluctuations due to cash flows from financing activities	82	9,853	-3,424	—	6,510
Acquisition of right-of-use assets	—	—	6,700	—	6,700
Decrease due to early cancellation	—	—	-520	—	-520
Exchange differences on translation of foreign operations	377	0	337	—	715
Changes in fair value	—	—	—	152	152
Balance at December 31, 2024	21,635	10,249	13,953	640	46,477
Fluctuations due to cash flows from financing activities	12,590	-183	-3,669	—	8,737
Acquisition of right-of-use assets	—	—	4,247	—	4,247
Decrease due to early cancellation	—	—	-366	—	-366
Exchange differences on translation of foreign operations	1,156	0	876	—	2,032
Changes in fair value	—	—	—	242	242
Transfer to liabilities directly associated with assets held for sale	-461	—	-230	—	-690
Balance at December 31, 2025	34,919	10,066	14,811	881	60,677

(NOTE)(1) Long-term debt includes long-term debt due within one year.
2 Lease liabilities include lease liabilities due within one year.
3 Derivatives are held for the purpose of hedging the foreign exchange rate risk of foreign currency denominated borrowings.

22. .Employee benefit

(1) Outline of the post-retirement benefit plan adopted

We and certain of our consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans to provide for employees' postretirement benefits. Under defined benefit plans, lump-sum or annuity payments are made based on position and service period.

In accordance with laws and regulations, funded defined benefit plans are operated by pension funds, etc., which are separate from our group. In preparation for future benefits, contributions are made and funded based on actuarial calculations based on a certain ratio of wages and salaries. The Pension Fund's Board of Trustees and the Pension Plan Investment Trustees are required by law to act in the interests of plan participants with the highest priority, and are responsible for managing plan assets based on prescribed policies.

(2) Defined contribution plan

Our Group has a defined contribution plan. Benefits are determined based on evaluation factors such as length of service, function and job grade, and position.

①Risks Related to Defined Benefit Plans

Our group is exposed to various risks with respect to our defined benefit plans. Major risks are as follows. Our group is not exposed to significant concentration risk with respect to plan assets.

Change in plan asset	Investments in equity and debt instruments are exposed to fluctuation risk.
Fluctuations in corporate bond interest rates	Decreases in market corporate bond yields increase defined benefit obligations.

②Amounts in the consolidated statements of financial position

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Present value of defined benefit obligation	46,757	48,424
Fair value of plan assets	-41,271	-47,548
Asset ceiling adjustments	—	5,275
Obligations for retirement pay	8,262	6,454
Net defined benefit asset	-2,776	-303
Net amount of liabilities and assets recorded in the consolidated statement of financial position	5,486	6,151

③ Changes in the present value of defined benefit obligations

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance at the beginning of year	43,190	46,757
Current service cost	1,888	2,255
Interest cost	590	509
Remeasurements		
Differences in the mathematical calculations due to changes in demographic assumptions	0	10
Differences in the mathematical calculations as a result of changes in financial assumptions	1,910	-3,145
Actuarial gains and losses arising from adjustments to actual results	-649	-230
Benefits paid	-1,113	-1,427
Past service cost	-337	—
Foreign currency translation adjustments related to overseas plans	1,278	4,575
Transfer to liabilities directly associated with assets held for sale	—	-931
Others	—	51
Balance at the end of year	46,757	48,424

In the previous fiscal year, due to a partial revision of the Company's plan, past service costs of -¥337 million were incurred and recognized in profit or loss.

The weighted average duration of defined benefit obligations was 13.2 years and 13.2 years for the previous and current fiscal years, respectively.

④ Change in fair value of plan assets

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance at the beginning of year	36,476	41,271
Interest income	530	519
Remeasurements		
Return on plan assets	1,797	241
Employers' contributions	1,377	1,480
Contributions from employees	802	855
Benefits paid	-1,091	-1,704
Foreign currency translation adjustments related to overseas plans	1,379	4,887
Balance at the end of year	41,271	47,548

Our group plans to contribute ¥2,437 million to the defined benefit plan in the following fiscal year.

⑤ Breakdown of fair value of plan assets by item

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)			End of consolidated FY2025 (as of December 31, 2025)		
	Securities with quoted market prices in active markets	Securities without quoted market prices in active markets	Total	Securities with quoted market prices in active markets	Securities without quoted market prices in active markets	Total
Cash and cash equivalents	2,732	—	2,732	3,284	—	3,284
Equity instruments						
Domestic stocks	—	744	744	—	637	637
Foreign stocks	14,784	428	15,212	17,354	411	17,765
Debt instruments						
Domestic bonds	—	1,703	1,703	—	1,661	1,661
Foreign bonds	13,707	112	13,819	15,571	118	15,689
Others	—	7,062	7,062	—	8,513	8,513
Total	31,223	10,048	41,271	36,209	11,339	47,548

Plan assets are invested to ensure the sustainability of defined benefit plans. The risk and return targets of investing in plan assets are developed as a policy. The results of investments are appropriately monitored and the policy is reviewed periodically.

⑥ Changes in adjustments due to asset ceiling

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance at beginning of year	2,297	—
Interest income	34	—
Remeasurements		
Effect by restrictions the maximum amount of assets for the net amount of plan assets	-2,429	5,275
Foreign currency translation adjustments related to overseas plans	98	—
Balance at end of year	—	5,275

⑦ Amounts in the consolidated statements of income

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Defined benefit cost	775	1,390

⑧ Major actuarial assumptions

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Discount rate	1.1%	1.6%

In addition, the sensitivity analysis of the impact of the changes in the above actuarial assumptions on the defined benefit obligation is as follows: This sensitivity analysis assumes that all other variables remain constant; however, changes in other actuarial assumptions may actually affect the results.

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
To the discount rate In the event of a 0.25% increase	-1,418	-1,127
To the discount rate In the event of a 0.25% decrease	1,511	1,886

⑨ Asset-liability matching strategy employed

The Company's investment strategy is to ensure that the expected medium-to long-term investment return exceeds the discount rate, thereby limiting the mismatch between assets and liabilities. Our investment strategy focuses primarily on strengthening our management of downside risk rather than maximizing earnings. We expect that this investment policy will generate revenues that will allow us to fulfill long-term contracts.

(3) Defined contribution plan

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Expenses related to defined contribution plans	913	914

23. .Corporate income tax

(1) Corporate income tax

① Corporate income taxes recognized in profit or loss

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Current tax expense		
Current fiscal year	4,886	9,279
Subtotal	4,886	9,279
Deferred tax expense		
Increase (decrease) in temporary differences	-423	-2,799
Increase (decrease) in tax loss carryforwards	-186	-216
Increase (decrease) in valuation allowance	-336	-431
Subtotal	-965	-3,446
Total	3,920	5,833

We assess our exposure to income taxes arising from tax legislation enacted or substantially enacted to introduce the second pillar model rule published by the Organization for Economic Co-operation and Development (OECD). Pillar 2 model rule's exposure to income taxes is immaterial.

Additionally, pillar 2 model rule includes a temporary exemption that waives the requirement to recognize and disclose related deferred tax assets and deferred tax liabilities. As this exemption is applied, the Group does not recognize any deferred tax assets or deferred tax liabilities related to pillar 2 model rule.

② Reconciliation between the statutory tax rate and the actual effective tax rate

A reconciliation of the statutory tax rate of our group to the actual effective tax rate is as follows: The actual effective tax rate is the ratio of income tax expense to income before income taxes.

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Difference in tax rates of foreign operations	-0.5	-3.0
Change in unrecognized deferred tax assets	-4.1	-1.9
Entertainment expenses and other permanently non-deductible items	2.5	1.1
Equity in earnings of associated companies	-2.0	-1.6
Tax credit	-1.8	-2.7
Retained earnings of foreign operations and affiliates	2.6	3.5
Impairment loss on goodwill	1.4	1.4
Others	-1.1	-1.0
Actual tax rate	27.6	26.5

(2) Deferred income taxes

① Components of changes in deferred tax assets and liabilities

The components of changes in deferred tax assets and liabilities are as follows:

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Balance at January 1, 2024	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Balance at December 31, 2024
Deferred tax assets				
Loss valuation allowance	112	-101	—	11
Write-down of inventories	239	-13	—	225
Accounts payable-other	748	-9	—	739
Warranty reserve	193	37	—	231
Accrual for losses on contracts	204	-60	—	143
Other current liabilities	342	130	—	471
Liabilities (assets) concern retirement benefits	2,619	409	-650	2,378
Write-down of golf club membership	5	11	—	16
Impairment loss	50	191	—	241
Tax loss carryforwards	1,278	379	—	1,658
Depreciation and amortization	698	-304	—	394
Lease liabilities (NOTE 2)	2,121	919	—	3,040
Government subsidies	—	826	—	826
Other (assets)	1,168	-622	—	546
Total	9,777	1,793	-650	10,919
Deferred tax liabilities				
Special Tax Purpose Reserve	1,892	-506	—	1,386
Other financial assets (Net change in fair value) (Note 2)	1,350	196	579	2,125
Unrealized gain on revaluation of land	2,270	—	—	2,270
Tax adjustments (inventory) relate to foreign operations	349	-68	—	281
Retained earnings of foreign operations and affiliates	5,389	375	—	5,764
Identifiable intangible assets	307	-22	—	285
Right-of-use assets (NOTE 2)	2,101	930	—	3,031
Other (liabilities)	1,009	-230	82	862
Total	14,667	675	661	16,004
Net deferred tax assets (liabilities)	-4,891	1,118	-1,312	-5,085

(NOTE)1. The difference between the net deferred tax asset (liability) of the amount recognized in profit or loss and the total deferred tax expense as described in "(1) Income Taxes ① Income Taxes Recognized in Net Income (Loss)"is due to changes in foreign exchange rates and other factors.

2. Our group has adopted "deferred income taxes on assets and liabilities arising from a single transaction (an amendment of IAS 12)," and comparative information is presented on a retrospective basis

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Balance at January 1, 2025	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Transfer to assets held for sale	Balance at December 31, 2025
Deferred tax assets					
Loss valuation allowance	11	77	—	0	88
Write-down of inventories	225	-44	—	-0	181
Accounts payable-other	739	53	—	-89	703
Warranty reserve	231	1	—	—	232
Accrual for losses on contracts	143	-3	—	—	141
Other current liabilities	471	-71	—	—	400
Liabilities (assets) concern retirement benefits	2,378	-777	429	31	2,062
Write-down of golf club membership	16	-11	—	—	5
Impairment loss	241	-8	—	-25	208
Tax loss carryforwards	1,658	-65	—	—	1,593
Unrealized profit on inventories	—	681	—	—	681
Depreciation and amortization	394	-88	—	—	306
Lease liabilities (NOTE2)	3,040	138	—	-2	3,176
Government subsidies	826	77	—	—	903
Investment in affiliated companies	—	1,322	-573	—	749
Other (assets)	546	1,764	—	-200	2,110
Total	10,919	3,046	-143	-285	13,538
Deferred tax liabilities					
Special Tax Purpose Reserve	1,386	46	—	—	1,432
Other financial assets (Net change in fair value) (Note 2)	2,125	34	648	—	2,807
Unrealized gain on revaluation of land	2,270	14	—	—	2,256
Tax adjustments (inventory) relate to foreign operations	281	79	—	—	360
Retained earnings of foreign operations and affiliates	5,764	-180	—	—	5,584
Identifiable intangible assets	285	1	—	—	286
Right-of-use assets (NOTE2)	3,031	120	—	-2	3,148
Other (liabilities)	862	944	20	-239	1,585
Total	16,004	1,031	667	-242	17,460
Net deferred tax assets (liabilities)	-5,085	2,016	-810	-43	-3,922

(NOTE)1. The difference between the net deferred tax asset (liability) of the amount recognized in profit or loss and the total deferred tax expense as described in "(1) Income Taxes ① Income Taxes Recognized in Net Income (Loss)"is due to changes in foreign exchange rates and other factors.

2. Our group has adopted "deferred income taxes on assets and liabilities arising from a single transaction (an amendment of IAS 12)," and comparative information is presented on a retrospective basis

In recognizing deferred tax assets, our group considers the possibility that some or all of the deductible temporary differences and carryforwards will be available for future taxable income. The assessment of the recoverability of deferred tax assets considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. For deferred tax assets recognized, the Company believes it is more likely than not that the tax benefits will be realized based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are recognized. Of the deferred tax assets at the end of the previous fiscal year and the end of the current fiscal year, ¥1,804 million and ¥452 million, respectively, are attributable to the taxpayer who has incurred losses.

②Deductible temporary differences and tax loss carryforwards for which deferred tax assets are not recognized

Deductible temporary differences and tax loss carryforwards for which deferred tax assets have not been recognized are as follows: Deductible temporary differences will not expire under current tax laws. Deferred tax assets related to these items are not recognized as it is not more likely than not that future taxable income will be generated that our group will be required to utilize the benefits.

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Deductible temporary differences	2,616	2,428
Tax loss carryforwards	15,171	18,995
Total	17,787	21,423

The tax loss carryforwards for which deferred tax assets have not been recognized are scheduled to expire as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	—
Fifth year	—	—
Over after the fifth year	15,171	18,995
Total	15,171	18,995

③Deductible temporary differences for which deferred tax liabilities are not recognized

Deductible temporary differences related to investments in subsidiaries and affiliates for which deferred tax liabilities have not been recognized are as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Deductible temporary differences	20,367	24,069

24. Financial Instruments

In order to avoid or reduce financial risks (credit, liquidity, and market risks) associated with our business activities, our Group manages financial risks as follows.

(1) Credit Risk Management

Credit risk is the risk that our group will incur financial losses due to the default of counterparties.

For cash and cash equivalents and time deposits greater than three months, which are included in other financial assets (current), we believe that credit risk is limited because our group only transacts with highly creditworthy financial institutions.

Trade receivables, contract assets and other receivables are exposed to counterparty credit risk. With respect to trade receivables, trade notes and accounts receivable, and contract assets, our group establishes and manages credit limits for counterparties in accordance with the Credit Management Regulations. Credit limits are established by reviewing the credit status of new customers at the start of business and existing customers at regular intervals and following internal deliberation and approval procedures. We take measures such as obtaining security deposits and collateral as necessary for business partners with whom we have little credit standing. In addition to the transaction status and financial information of counterparties and others obtained from these credit management practices, the Group recognizes and measures expected credit losses by taking into account trends in macroeconomic conditions, such as the number of corporate bankruptcies. Accounts receivable-other, which are other receivables, are exposed to the credit risk of counterparties, most of which are scheduled to be settled within a short period of time, and the Company has determined that credit risk is limited.

We calculate loss valuation allowances by classifying them into trade receivables, contract assets and other receivables.

For trade receivables and contract assets, the Company records a loss valuation allowance at all times equal to the expected credit loss for the full term. For trade receivables and other receivables other than contract assets, a loss valuation allowance is provided in an amount generally equal to the expected credit loss for a period of 12 months; however, if credit risk is significantly increased, a loss valuation allowance is provided for the financial instrument by estimating the expected credit loss for the entire period on a case-by-case basis. The Company determines whether there has been a significant increase in credit risk based on whether there has been a change in the risk that a financial asset will default subsequent to initial recognition. In evaluating whether there is a change in the risk of default, the Company considers the following:

・Financial difficulties due to deterioration in business performance of business partners
・Significant delays in collection of receivables
・Significant downgrades of credit ratings by external credit institutions

In the event that it is determined that all or a portion of any financial asset cannot be recovered or is extremely difficult to collect, the financial asset is considered to be in default and is treated as a credit impaired financial asset.

Our group's maximum exposure to credit risk is the carrying amount of the financial assets presented in the consolidated statements of financial position. In addition, our group has no exposure to excessively concentrated credit risk to any particular counterparty.

Exposure to credit risk

Changes in trade receivables and loss valuation allowances are as follows:

Previous fiscal year (As of December 31, 2024)

(Million yen)

Trade receivables	Measured at an amount by which the loss valuation allowance equals the expected credit loss for the entire period
Balance at January 1, 2024	83,302
Newly generated and recovered, net	4,718
Exchange differences on translation of foreign operations	2,131
Balance at December 31, 2024	90,151

(Million yen)

Loss valuation allowance	Measured at an amount by which the loss valuation allowance equals the expected credit loss for the entire period
Balance at January 1, 2024	1,135
Increase due to new recognition	51
Decrease during the year (direct depreciation)	-5
Decrease during the year (Others)	-27
Exchange differences on translation of foreign operations	65
Balance at December 31, 2024	1,219

The amount of loss valuation allowance related to contract assets other than trade receivables and other receivables is not stated because it is immaterial.

The provision for and reversal of loss valuation allowances are recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

Current Fiscal Year (As of December 31, 2025)

(Million yen)

Trade receivables	Measured at an amount by which the loss valuation allowance equals the expected credit loss for the entire period
Balance at January 1, 2025	90,151
Changes arising from business combinations	521
Newly generated and recovered (net)	-416
Exchange differences on translation of foreign operations	2,319
Transfer to assets held for sale	-15,632
Balance at December 31, 2025	76,943

(Million yen)

Loss valuation allowance	Measured at an amount by which the loss valuation allowance equals the expected credit loss for the entire period
Balance at January 1, 2025	1,219
Increase due to new recognition	304
Decrease during the year (direct depreciation)	-92
Decrease during the year (Others)	-33
Exchange differences on translation of foreign operations	124
Balance at December 31, 2025	1,522

The amount of loss valuation allowance related to contract assets other than trade receivables and other receivables is not stated because it is immaterial.

The provision for and reversal of loss valuation allowances are recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

(2) Liquidity Risk Management

Liquidity risk is the risk that our group will be unable to make such payments as it settles its maturing financial liabilities. Based on reports from each department, our Group manages the liquidity risk associated with funding by ensuring that the Accounting Department prepares and updates funding plans in a timely manner, ascertains the liquidity situation on hand, and secures an appropriate level of cash on hand. In some regions, the Group has introduced a cash management system that centrally and efficiently manages Group funds located in these regions at regional headquarters, etc., in an effort to reduce liquidity risk. The following is an analysis of the maturity dates of our group's financial liabilities.

(Million yen)

Current consolidated fiscal year As of December 31, 2024	Book value	Contracted cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over five years
Non-derivative financial liabilities								
Trade payables	51,178	51,178	51,178	—	—	—	—	—
Other liabilities	16,030	16,030	16,030	—	—	—	—	—
Borrowings	31,884	32,066	21,915	70	10,060	19	4	—
Lease liabilities	13,953	15,065	3,432	2,690	1,899	1,247	1,015	4,782
Contingent consideration	30	30	—	—	30	—	—	—
Total	113,074	114,369	92,554	2,759	11,989	1,265	1,019	4,782
Derivative liabilities								
Derivative liabilities (received)	667	-3,185	-1,220	-304	-1,662	—	—	—
Derivative liabilities (paid)		3,853	1,321	377	2,154	—	—	—

(Million yen)

Current consolidated fiscal year As of December 31, 2025	Book value	Contracted cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over five years
Non-derivative financial liabilities								
Trade payables	48,350	48,350	48,350	—	—	—	—	—
Other liabilities	12,540	12,540	12,540	—	—	—	—	—
Borrowings	45,446	45,622	35,540	10,060	19	4	—	—
Lease liabilities	15,040	16,197	3,877	3,135	1,877	1,474	1,152	4,683
Contingent consideration	17	17	—	17	—	—	—	—
Total	121,394	122,727	100,307	13,211	1,896	1,478	1,152	4,683
Derivative liabilities								
Derivative liabilities (received)	911	-3,567	-1,905	-1,662	—	—	—	—
Derivative liabilities (paid)		4,477	2,054	2,424	—	—	—	—

(NOTE) Includes "Liabilities directly associated with assets held for sale" stated in the Consolidated Statement of Financial Position. "Liabilities directly associated with assets held for sale" are described in Note "11. Asset held for sale and directly associated liability."

(3) Management of market risk

①Foreign Exchange Risk

Our group conducts business on a global scale and sells products manufactured by our group overseas. As a result, our Group is exposed to the risk of fluctuations in foreign currency exchange rates ("foreign exchange risk") associated with translating foreign currency-denominated trade receivables and payables arising from transactions conducted in currencies other than the functional currency into the functional currency using the exchange rate at the end of the reporting period.

Our Group is exposed to foreign exchange risk with respect to trade receivables and payables denominated in foreign currencies. We hedge this risk by assessing the balance by currency on a monthly basis and, in principle, using forward foreign exchange contracts and other means for net positions. Foreign currency denominated borrowings are hedged by using currency swaps as derivative financial instruments. As a result, we have determined that our Group's exposure to foreign currency risk is limited.

Derivatives

The following is a summary of the main derivatives used by our group to control foreign exchange risk.

Derivative financial instruments for which deferred hedged accounting has not been applied

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)			End of consolidated FY2025 (as of December 31, 2025)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Forward exchange contracts (written)						
USD	941	—	-28	1,631	—	-29
Currency and interest rate swaps						
Received yen and paid foreign currency	2,298	2,010	-640	2,010	1,723	-881

(NOTE) There are no derivative transactions to which hedge accounting is applied.

Foreign exchange sensitivity analysis

If each currency other than the functional currency appreciates by 1% to the functional currency at the exchange rate prevailing at the end of our fiscal year, the effect on income before income taxes and equity would be as follows:

The analysis represents the impact of translating foreign currency denominated financial instruments (including intercompany transactions) for which foreign exchange gains and losses are recognized in profit or loss, and does not include the impact of translating foreign currency denominated revenues and expenses. This analysis is also based on changes in foreign currency exchange rates that our group believes are reasonably possible as of the end of the fiscal year, assuming that other factors will not change.

(Million yen)

Currency	Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
	Income before income taxes	Capital	Income before income taxes	Capital
USD	38	27	56	39
RMB	41	29	53	36
Euro	35	26	19	14
Japanese Yen	20	15	21	15

(NOTE) The impact of the Japanese yen is related to yen-denominated financial assets and financial liabilities held by foreign operations.

② Interest rate risk

Interest rate risk is defined as the risk that the fair value of financial instruments or future cash flows from financial instruments will fluctuate due to changes in market interest rates. A portion of our group's interest-bearing debt is floating-rate borrowings, and the amount of such interest is subject to changes in market interest rates, which exposes us to interest rate risk that will cause the future cash flows of interest to fluctuate.

Our group invests surplus funds in excess of floating-rate borrowings in short-term deposits, etc. In the event that interest rates rise in the future due to changes in the financial market environment, it is possible to curtail funding costs incurred in the future by using interest-bearing debt reduction methods and interest rate swap agreements, etc. to use such surplus funds as a source of repayment.

Accordingly, we believe that interest rate risk as of the end of the period is not material to our group. We believe that our group's exposure to interest rate risk is limited.

③ Price risk

Our group is exposed to the risk of fluctuations in market prices arising mainly from equity instruments (stocks). The Group regularly monitors the fair value of equity instruments held by the Group and the financial condition of the issuer (client company), etc. in the form of shares, and reviews the status of holdings in consideration of relationships with the client company.

The following table summarizes the effect on income before income taxes and other comprehensive income of a 1% appreciation in the share price of each share on the stock market at the end of the fiscal year of our group.

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Other comprehensive income	116	139

(4) Fair value of financial instruments

① Fair Value Measurements

a Financial assets measured at amortized cost

Other financial assets

Fair values of other financial assets are primarily valued based on the present value of these assets discounted at a rate adjusted for credit risk, segregated by certain time periods.

b Financial assets measured at fair value through profit or loss

i Golf membership

The fair value of golf club memberships is valued based on quoted prices and other factors. Golf membership is included in "Other Financial Assets" in the Consolidated Statements of Financial Position.

ii Investment securities

Debt instruments, which consist primarily of corporate bonds held for non-trading purposes, are calculated using appropriate valuation techniques based on the most recent market prices from third-party transactions and other available market data. Investment securities are included in "other financial assets" in the Consolidated Financial Statement.

c Financial assets measured at fair value through other comprehensive income

Investment securities

Equity instruments consisting primarily of stocks held for non-trading purposes. Listed stocks are calculated using quoted market prices on exchanges, and unlisted stocks are calculated using valuation techniques based on market prices of similar companies and valuation techniques based on net asset value. Investment securities are included in "other financial assets" in the Consolidated Financial Statement.

d Financial liabilities measured at amortized cost

Borrowings

The fair value of borrowings is calculated based on the present value of the sum of principal and interest discounted at the interest rate assumed for new similar borrowings.

e Financial liabilities measured at fair value through profit or loss

i Derivative financial liabilities

The fair values of foreign currency swap agreements and interest rate swap agreements are calculated based on prices provided by counterparty financial institutions, etc. The fair value of foreign currency forward contracts is calculated based on forward exchange rates and other factors. Derivative financial liabilities are included in "Other financial liabilities" in the consolidated statements of financial position.

ii Contingent consideration

The fair value of the financial liabilities for contingent consideration is calculated based on the present value of future payments calculated using a Monte Carlo simulation, primarily based on forecasts of performance and other factors. Financial liabilities related to contingent consideration are included in "Other financial liabilities" in the Consolidated Statements of Financial Position.

② Carrying amounts and fair values of each class of financial instruments

The carrying amounts and fair values of financial assets and financial liabilities in the consolidated statements of financial position are as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)		End of consolidated FY2025 (as of December 31, 2025)	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Other financial assets	3,630	3,630	3,477	3,477
Total financial assets measured at amortized cost	3,630	3,630	3,477	3,477
Financial assets measured at fair value through profit or loss				
Golf membership	122	122	157	157
Investment securities	—	—	320	320
Total of financial assets measured at fair value through profit or loss	122	122	477	477
Financial assets measured at fair value through other comprehensive income				
Investment securities	11,594	11,594	13,855	13,855
Total financial assets measured at fair value through other comprehensive income	11,594	11,594	13,855	13,855
Total of financial assets	15,346	15,346	17,809	17,809
Financial Liabilities				
Financial liabilities measured at amortized cost				
Borrowings	31,884	31,764	45,446	45,298
Total financial liabilities measured at amortized cost	31,884	31,764	45,446	45,298
Financial Liabilities measure at fair value through profit or loss				
Derivative financial liabilities	667	667	911	911
Contingent consideration	30	30	17	17
Total financial liabilities measure at fair value through profit or loss	697	697	927	927
Total financial liabilities	32,581	32,461	46,373	46,225

(NOTE) Includes "Assets held for sale" and "Liabilities directly associated with assets held for sale" stated in the Consolidated Statement of Financial Position. Assets held for sale and liabilities directly associated with assets held for sale are described in Note "11. Asset held for sale and directly associated liability."

At initial recognition, the Company did not hold any financial assets or financial liabilities that were irrevocably elected to be designated as financial assets and financial liabilities measured at fair value through profit or loss. Cash and cash equivalents, trade receivables, other receivables, trade payables, and other payables, which are financial instruments measured at amortized cost, are not included in the table above because their carrying amounts approximate fair value due to their short-term maturities.

③ Level-based classification of the fair value hierarchy

The recurring fair values of financial assets and financial liabilities are measured and analyzed as follows: These fair value amounts are categorized into three fair value hierarchies (levels 1 through 3) based on the observability of the inputs (available market data) to the valuation techniques used. Each level is defined as follows:

Level 1: Unadjusted quoted prices of the same asset or liability in an active market

Level 2: Inputs other than quoted prices included in Level 1 that are directly or indirectly observable

Level 3: Unobservable inputs

When multiple inputs are used in the measurement of fair value, the measurement is classified based on the level to which the inputs significant to the overall fair value measurement belong. Transfers between levels of the fair value hierarchy are recognized on the date that the events or changes in circumstances that give rise to the transfer occur.

The following table presents the fair value hierarchy for financial assets and financial liabilities measured at fair value on a recurring basis:

(Million yen)

End of consolidated FY2024 (as of December 31, 2024)	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets to be measured at fair value through profit or loss	—	122	—	122
Financial assets measured at fair value through other comprehensive income	4,872	—	6,723	11,594
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss	—	667	30	697
Financial liabilities measured at fair value through other comprehensive income	—	—	—	—

(Million yen)

End of consolidated FY2025 (as of December 31, 2025)	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets to be measured at fair value through profit or loss	—	157	320	477
Financial assets measured at fair value through other comprehensive income	6,323	—	7,532	13,855
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss	—	911	17	927
Financial liabilities measured at fair value through other comprehensive income	—	—	—	—

The fair value hierarchy for financial instruments measured at amortized cost, which is disclosed in "②Carrying amounts and fair values of each class of financial instruments," is categorized principally in Level 3.

There were no transfers between Levels 1 and 2 and 3 in the previous fiscal year or the current fiscal year.

There were no significant assets or liabilities measured at fair value on a nonrecurring basis at the end of the previous or current fiscal year.

④ Information on Level 3 fair value measurements

a Valuation techniques and inputs

Level 3 other financial assets and other financial liabilities consist primarily of unlisted equity securities and contingent consideration. The fair value of unlisted equity securities is determined using valuation techniques based on quoted market prices for comparable companies and valuation techniques based on net asset value. The fair value of the financial liabilities for contingent consideration is calculated based on the present value of future payments calculated using a Monte Carlo simulation, primarily based on forecasts of performance and other factors.

b Evaluation process

Fair value measurements for Level 3 financial instruments are performed in accordance with relevant internal rules. When measuring fair value, the Company uses valuation techniques and inputs that most appropriately reflect the nature, characteristics and risks of the underlying financial instruments.

c Level 3 sensitivity information for recurring fair value measurements

Significant unobservable inputs for measuring the fair value of Level 3 financial instruments measured at fair value on a recurring basis are EBIT multiples, illiquidity discounts, and other inputs based on financial projections. Fair value is increased (decreased) by an increase (decrease) in EBIT multiples and decreased (increased) by an increase (decrease) in illiquidity discounts.

For instruments classified as Level 3, the increase or decrease in fair value of the change in the inputs that are not observable to reasonably possible alternative assumptions would not be material.

d Reconciliation of financial instruments classified as Level 3 from the beginning of the period to the ending balance

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
	Financial assets	Financial Liabilities	Financial assets	Financial Liabilities
Balance at the beginning of year	5,514	28	6,723	30
Total gains and losses	587	1	669	4
Net Income (Loss) (Note 1)	-28	1	4	4
Other comprehensive income (Note 2)	615	—	665	—
Purchase	963	—	436	—
Sale	-341	—	—	—
Changes due to business combinations	—	—	25	—
Others	—	—	—	-17
Balance at the end of year	6,723	30	7,852	17

(NOTE) 1 Gains and losses recognized in profit or loss primarily represent unrealized gains and losses on financial instruments sold in the current fiscal year and are included in "Financial income" and “Financial Costs” in the Consolidated Statements of Income.

2 Gains and losses recognized in other comprehensive income are included in "Net changes in financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

(5) Other financial assets

The breakdown of other financial assets is as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Time deposits with maturities of more than 3 months	659	672
Golf membership	122	157
Investment securities	11,594	14,175
Others	2,972	2,794
Total	15,346	17,799
Current	698	715
Non-current	14,648	17,082
Total	15,346	17,799

The investment securities held by our group consist primarily of equity instruments. Investment securities held for trading are measured at fair value through profit or loss. Other investment securities are measured at fair value through other comprehensive income, primarily because they are held for the purpose of facilitating business relationships, etc.

Major investments and their fair values consisted of the following:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
SINFONIA TECHNOLOGY CO., LTD.	2,568	3,628
Central Japan Railway Company	1,483	2,169
West Japan Railway Techsia Co.,Ltd.	994	1,155
KANAGAWA NABCO PTY. LTD.	843	926
Kyodo Yushi Co., Ltd.	715	773
WEST JAPAN RAILWAY TECHNOS CORPORATION	567	573
Fossa Systems, S.L.	—	517
Colibri Energy GmbH	—	507
Sea Machines Robotics. Inc	475	470
embotech AG	—	463
Hiboo systems SAS	330	377
eologix sensor technology flexco & Ping Services Pty Ltd.	472	316
Keio Corporation	257	—
Others	2,891	1,982
Total	11,594	13,855
Dividends income	82	96

Our group regularly reviews the efficient use of capital and business relationships. As a result, certain financial instruments measured at fair value through other comprehensive income are derecognized. Equity instruments measured at fair value through other comprehensive income in derecognition are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2024)	Current fiscal year (From January 1, 2024 to December 31, 2025)
Fair value	416	440
Cumulative gain	112	234

Our group recognizes accumulated gains or losses on financial instruments measured at fair value through other comprehensive income as a component of other equity. When a financial instrument is derecognized by disposition or its fair value has clearly declined, it is reclassified from other components of equity to retained earnings. Accumulated gains (losses) on other comprehensive income transferred to retained earnings, net of tax, were ¥112 million and ¥234 million for the previous fiscal year and the current fiscal year, respectively.

25. Shareholders' equity and other equity items

(1) Total authorized shares and total issued shares

Authorized and outstanding shares are as follows:

	Authorized shares	Total number of shares issued (shares)
January 1, 2024	400,000,000	121,064,099
Increase	—	—
Decrease	—	—
December 31, 2024	400,000,000	121,064,099
Increase	—	—
Decrease (NOTE 3)	—	-2,999,400
December 31, 2025	400,000,000	118,064,699

(NOTE) 1 The shares issued by us are common stock with no par value.
2 The outstanding shares are fully paid in.
3 This represents a decrease in the number of shares resulting from the cancellation of treasury shares.

(2) Capital surplus

Capital surplus consists of amounts arising from capital transactions that are not included in common stock.

The Companies Act of Japan ("the Companies Act") provides that half or more of payments or benefits for the issuance of shares be capitalized and the remainder be capitalized as additional paid-in capital, which is included in capital surplus. The Companies Act also provides that additional paid-in capital may be transferred to common stock by resolution of the shareholders.

(3) Retained earnings

Retained earnings consist of legal reserve and other retained earnings. Other retained earnings are primarily the cumulative amount of earnings earned by our group.

The Companies Act provides that an amount equal to one-tenth of the amount to be disbursed as dividends of retained earnings be appropriated as additional paid-in capital or legal reserve until the total amount of additional paid-in capital and legal reserve equals one-fourth of the common stock account. The legal reserve may be used to reduce a deficit. The legal reserve may be reversed by resolution of the shareholders.

(4) Treasury stock

Changes in the number and balance of treasury stock are as follows:

	Number of shares	Amount (million yen)
January 1, 2024	1,025,536	3,943
Acquisition due to purchase request for odd-lot shares	863	2
Sale due to request for sale of odd-lot shares	-69	-0
Decrease due to benefit from stock benefit trust	-50,936	-171
Decrease due to sale of stock benefit trust	-21,700	-73
Decrease due to exercise of stock options	-13,800	-62
December 31, 2024	939,894	3,638
Acquisition pursuant to a resolution of the Board of Directors	2,999,400	10,007
Cancellation pursuant to a resolution of the Board of Directors	-2,999,400	-10,434
Acquisition due to purchase request for odd-lot shares	400	1
Decrease due to benefit from stock benefit trust	-38,518	-130
Decrease due to sale of stock benefit trust	-19,800	-67
Decrease due to exercise of stock options	-1,800	-8
December 31, 2025	880,176	3,008

(NOTE) Details of stock options and stock benefit trust are described in Note "30. Stock-based Compensation."
Shares held by the Board Benefit Trust are presented as treasury stock in shareholders' equity. At the end of the fiscal year under review, the book value of these treasury shares was ¥1,543 billion and the number of shares was 458,912 shares.

(5) Other components of equity

① Remeasurement of net defined benefit liability (asset)

Consists of such items as actuarial gains and losses on defined benefit obligations and returns on plan assets (excluding the amount of interest income on plan assets).

② Net changes in financial assets measured at fair value through other comprehensive income

Changes in the fair value of equity instruments measured at fair value through other comprehensive income.

③ Exchange differences on translation of foreign operations

Translation differences arising from the consolidation of the financial statements of foreign operations prepared in foreign currencies.

(6) Cash dividends

Cash dividends paid are as follows:

Previous fiscal year(from January 1, 2024 to December 31, 2024)

Resolution	Total dividends (Million yen)	Dividends per share (yen)	Record Date	Effective date
March 26, 2024 Ordinary General Meeting of Shareholders (Note 1)	4,825	40	December 31, 2023	March 27, 2024
July 31, 2024 Board of Directors (Note 2)	4,826	40	June 30, 2024	August 30, 2024

(NOTE)1 The total amount of dividends declared by resolution of the Ordinary General Meeting of Shareholders on March 26, 2024 includes dividends of 24 million yen on our shares held by the trust account (re-trustee: Japan Custody Bank, Ltd. (Trust Account E)) of Mizuho Trust & Banking Co., Ltd. related to the stock benefit trust (BBT).

2 Total dividends declared by resolution of the Board of Directors on July 31, 2024 include dividends of 21 million yen on our shares held by the Trust Account (re-trustee: Japan Custody Bank, Ltd. (Trust Account E)) of Mizuho Trust & Banking Co., Ltd. related to the Share Benefit Trust (BBT).

Dividends for which the base date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution	Total dividends (Million yen)	Dividends per share (yen)	Record Date	Effective date
March 26, 2025 Annual Shareholders' Meeting	4,826	40	December 31, 2024	March 27, 2025

(NOTE) The total amount of dividends declared by resolution of the Ordinary General Meeting of Shareholders on March 26, 2025 includes dividends of 21 million yen on our shares held by the trust account (re-trustee: Japan Custody Bank, Ltd. (Trust Account E)) of Mizuho Trust & Banking Co., Ltd. related to the stock benefit trust (BBT).

Current fiscal year (from January 1, 2025 to December 31, 2025)

Resolution	Total dividends (Million yen)	Dividends per share (yen)	Record Date	Effective date
March 26, 2025 Ordinary General Meeting of Shareholders (Note 1)	4,826	40	December 31, 2024	March 27, 2025
July 31, 2025 Board of Directors (Note 2)	4,826	40	June 30, 2025	August 29, 2025

(NOTE)1 The total amount of dividends declared by resolution of the Ordinary General Meeting of Shareholders on March 26, 2023 includes dividends of 21 million yen on our shares held by the trust account (re-trustee: Japan Custody Bank, Ltd. (Trust Account E)) of Mizuho Trust & Banking Co., Ltd. related to the stock benefit trust (BBT).

2 Total dividends declared by resolution of the Board of Directors on July 31, 2025 include dividends of 18 million yen on our shares held by the Trust Account (re-trustee: Japan Custody Bank, Ltd. (Trust Account E)) of Mizuho Trust & Banking Co., Ltd. related to the Share Benefit Trust (BBT).

Dividends for which the base date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Resolution	Total dividends (Million yen)	Dividends per share (yen)	Record Date	Effective date
March 26, 2026 Annual Shareholders' Meeting	4,706	40	December 31, 2025	March 27, 2026

(NOTE) The total amount of dividends declared by resolution of the Ordinary General Meeting of Shareholders on March 26, 2026 includes dividends of 18 million yen on our shares held by the trust account (re-trustee: Japan Custody Bank, Ltd. (Trust Account E)) of Mizuho Trust & Banking Co., Ltd. related to the stock benefit trust (BBT).

(7) Other comprehensive income

The current period amounts for each item of other comprehensive income, the adjustments made to reclassify them into net income or loss, and the impact of tax effects are as follows:

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Before tax	Income tax (expense) or income	After tax
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability (asset)	2,977	-650	2,326
Net changes in financial assets measured at fair value through other comprehensive income	1,799	-579	1,219
Subtotal	4,775	-1,230	3,546
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	6,590	—	6,590
Share of other comprehensive income of investments accounted for using equity method	366	-82	284
Subtotal	6,955	-82	6,873
Total	11,731	-1,312	10,419

(NOTE) There were no reclassification adjustments arising from the above items.

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Before tax	Income tax (expense) or income	After tax
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability (asset)	-1,657	443	-1,215
Net changes in financial assets measured at fair value through other comprehensive income	1,959	-648	1,311
Subtotal	301	-205	96
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	5,931	-573	5,359
Share of other comprehensive income of investments accounted for using equity method	65	-20	44
Subtotal	5,995	-593	5,403
Total	6,297	-798	5,500

(NOTE) There were no reclassification adjustments arising from the above items.

(8) Capital management

In order to maintain and improve the value of our shares, our management takes into account the target levels of return on assets (ROA) and return on equity (ROE) attributable to owners of the parent. In addition, in preparation for a sudden change in the economic environment, we have set a target for the ratio of equity attributable to owners of the parent to total assets, which allows us to maintain a high credit rating that enables us to procure funds regardless of financial conditions.

Our ROA, ROE and ratio of equity attributable to owners of the parent to total assets are as follows

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
ROA (%)	2.3	3.3

ROE (%)	3.8	5.6
Equity attributable to owners of the parent ratio (%)	60.6	58.6

26. Revenue from contracts with customers

(1) Decomposition of Revenues

Our businesses are comprised of Component Solutions Business, Transport Solutions Business, Accessibility Solutions Business and Other Businesses, and are subject to periodic review by our Board of Directors to determine the allocation of management resources and assess performance.

In our group, revenues earned through these businesses are presented as net sales. Net sales are broken down by major products. The relation between these disaggregated net sales and net sales by segment as described in Note "7. Business Segments" is as follows:

(Million yen)

Segment name	Major products	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Component Solutions business	Precision reduction gears	66,906	78,607
	Others	740	718
	Subtotal	67,646	79,325
Transport Solutions business	Railroad vehicle equipment	26,080	29,484
	Aircraft equipment	23,555	25,703
	Commercial vehicle equipment	12,735	12,634
	Marine vessels equipment	20,193	25,446
	Others	6,164	7,206
	Subtotal	88,727	100,473
Accessibility Solutions business	Automatic doors	106,771	110,668
	Subtotal	106,771	110,668
Others	Packaging machines	16,468	16,528
	Others	847	918
	Subtotal	17,315	17,445
Total		280,458	307,912

(NOTE) Amounts are expressed as external sales.

(2) Contract balance

Information regarding receivables, contract assets and contract liabilities arising from contracts with customers is as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Receivables arising from contracts with customers	88,932	75,421
Contract assets	3,212	3,207
Contract liabilities	11,463	13,111

Contract assets are primarily the rights of our group to consideration for performance obligations that have been satisfied over a period of time and are reclassified to receivables when the right to payment becomes unconditional. Receivables arising from contracts with customers are received principally within one year upon satisfaction of performance obligations and due to payment terms set forth separately. In addition, there are no material financial factors in the receivables arising from contracts with customers of our group.

Contract liabilities primarily represent consideration received by our group from customers prior to the delivery of the product. Of the revenue recognized in the current consolidated fiscal year, the amount included in contract liabilities as of the beginning of the fiscal year was ¥10,164 million. The amount of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in prior periods is immaterial.

During the fiscal year under review, there was no impairment loss recognized on receivables arising from contracts with customers (increase due to new recognition of loss valuation allowance) of 304 million yen and no impairment loss recognized on contract assets.

(3) Transaction price allocated to the remaining performance obligation

Transaction prices by time of satisfaction of remaining performance obligations are as follows: Estimates of the amount of variable consideration, for which revenue recognition is restricted, are not included in the transaction price. As the practical expedient method is used, the following amounts do not include transaction amounts with individual expected contract terms of one year or less.

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Within one year	42,568	44,853
Over one year	40,610	46,523
Total	83,178	91,376

(4) Assets recognized from costs to obtain or fulfill contracts with customers

There were no assets recognized from costs to acquire or fulfill contracts with customers during the fiscal year under review. If the asset to be recognized has an amortization period of one year or less, an incremental cost of obtaining a contract is recognized as an expense as incurred, using the practical expedient.

27. Breakdown of expenses by type

The brakedown of cost of sales and selling, general and administrative expenses are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Cost of raw materials paid out	130,544	142,128
Employee benefit expenses (Note 1)	71,885	76,471
Research and development expenses (Note 2)	11,356	12,637
Depreciation and amortization	13,694	14,865
Travel expenses	3,212	3,316
Others	35,531	36,447
Total	266,222	285,864

(NOTE) 1 Employee benefit expenses include benefits for directors and corporate auditors of our group.
2 Research and development expenses include employee benefit costs, depreciation and amortization related to research and development.

28. Other income and other expenses

(1) Other income

The components of other income are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Rental income	86	238
Subsidy from Government etc.	230	335
Gain from negative goodwill	—	461
Compensation income	64	—
Others	778	827
Total	1,158	1,862

(2) Other expenses

The components of other expenses are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Loss on sale and disposal of fixed assets	247	200
Impairment loss (NOTE)	1,632	989
Loss on the liquidation of affiliates	—	1,324
Others	359	441
Total	2,238	2,954

(NOTE) Impairment losses are discussed in Note "14. Impairment of Non-Financial Assets."

29. Financial income and costs

(1) Financial income

Breakdown of financial income is as follows:

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Interest income		
Financial assets measured at amortized cost	304	302
Dividends income		
Financial assets measured at fair value through other comprehensive income	90	100
Gain on valuation of investment securities		
Financial assets measured at fair value through profit or loss	—	39
Foreign exchange gain	641	551
Total	1,035	992

(2) Financial costs

The breakdown of financial costs is as follows:

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Interest expenses		
Financial liabilities measured at amortized cost	509	612
Lease liabilities	223	252
Valuation loss from derivatives transactions		
Financial assets measured at fair value through profit or loss	152	242
Loss on valuation of investment securities		
Financial assets measured at fair value through profit or loss	33	—
Others		
Financial assets measured at fair value through profit or loss	—	—
Total	917	1,105

30. Stock-based compensation

(1) Stock compensation-type stock option plan

①Outline of stock compensation stock option plan

We grant stock options to our directors and executive officers (excluding outside directors, hereinafter referred to as "directors, etc.") with the right to purchase our shares. The Plan is not subject to vesting conditions. With the approval of the 14th Ordinary General Meeting of Shareholders held on March 28, 2017, we have abolished this stock option plan (however, the stock acquisition rights already granted to directors and others as stock compensation-type stock options remain outstanding). Stock options are converted into 100 shares of common stock per share upon exercise.

Details of stock options are as follows.

The grant date	Title and number of people for granted person	Class and number of shares of grants	Settlement method	The exercise period
August 20, 2015	19 Directors, etc.	29,300 shares	Equity-settled type	August 21, 2015 ～ August 20, 2040
May 20, 2016	19 Directors, etc.	53,000 shares	Equity-settled type	May 21, 2016 ～ May 20, 2041

② Number of stock options and weighted average exercise price

	Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
	Number of options (units)	Weighted average exercise Price (yen)	Number of options (units)	Weighted average exercise Price (yen)
Balance at the beginning of year	202	1	64	1
Exercise (NOTE 1)	-138	1	-18	1
Balance at the end of the period (NOTE 2)	64	1	46	1
Exercisable at the end of the year	64	1	46	1

(NOTE)1 The weighted average stock price at the time of exercise of options exercised during the fiscal year was 2,552 yen and 2,772 yen for the previous fiscal year and the current fiscal year, respectively.

2 The exercise price of stock options outstanding at the end of the fiscal year was 1 yen at the end of the previous fiscal year and at the end of the fiscal year under review. The weighted average remaining contractual life was 17.3 years and 16.3 years for the previous fiscal year and the current fiscal year, respectively.

③ Fair value and assumptions of stock options granted during the period

Not applicable.

④ Expenses related to stock-based compensation

Not applicable.

(2) Stock Benefit Trust Plan (Equity Settlement Type)

① Outline of the Board Benefit Trust Plan

We have introduced a stock compensation plan, the Stock Benefit Trust (BBT (=Board Benefit Trust).

The purpose of this system is to further clarify the linkage between the remuneration of directors, etc. and our business performance and stock value compared to the conventional stock-based compensation system, to enable directors, etc. to share with shareholders not only the benefits of rising stock prices, but also the risk of falling stock prices, and to further enhance the mid-to long-term performance of our group as a whole, the willingness to contribute to the increase of corporate value, and management awareness that emphasizes shareholders.

Under this system, the shares of the Company are acquired through a trust using the money we contribute to, and the directors, etc. are awarded annual points according to their position and performance (hereinafter referred to as "share grant points") in accordance with the executive stock benefit regulations stipulated by the Company. Money equivalent to the value disposition of the Company's shares and the Company's shares is awarded or paid through the trust according to the number of share grant points at a predetermined time. The reimbursement points are converted into one share of common stock per point upon the issuance of our shares.

②Number of share grant points

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
	Number of points	Number of points
Balance at beginning of year	250,013	231,208
Grant	55,438	71,700
Exercise	-74,243	-71,654
Balance at end of year	231,208	231,254

There is no exercise price under this system because money equivalent to the amount of cash disposed of in realization of our shares and our shares is delivered or paid through a trust.

③ Fair value of share grant points granted during the period

Fair value is measured based on observable market prices. Expected dividends are not taken into account because the period between the grant date and the exercise date is short. The weighted average fair value of points granted was 2,776 yen and 1,807 yen for the previous and current fiscal years, respectively.

④ Expenses related to employee stock benefit trust plan

Expenses related to the stock benefit trust plan were 115 million yen and 120 million yen for the previous fiscal year and the current fiscal year, respectively. Such expenses are included in "Selling, general and administrative expenses" in the consolidated statements of income.

31. Earnings per shares

(1) Basis for calculating basic earnings per share

Basic earnings per share and the calculation basis are as follows:

		Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Profit attributable to owners of the parent	(Million yen)	10,188	15,255
Weighted average number of shares of common stock	(Thousands of shares)	120,103	119,297
Basic earnings per share	(Yen)	84.83	127.87

(2) Basis for calculating diluted earnings per share

Diluted earnings per share and the calculation basis are as follows:

		Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Diluted net income attributable to owners of the parent	(Million yen)	10,188	15,255
Weighted average number of shares of common stock	(Thousands of shares)	120,103	119,297
Effect of stock options using the stock acquisition rights method	(Thousands of shares)	6	5
Diluted weighted average shares for common stock	(Thousands of shares)	120,109	119,302
Diluted earnings per share	(Yen)	84.82	127.87

32. Business Combination

Previous fiscal year (From January 1, 2024, to December 31, 2024)

Not applicable

Current fiscal year (from January 1, 2025 to December 31, 2025)

Not applicable

33. Discontinued Operations

(1) Overview of Discontinued Operations

As announced on July 31, 2025, in the press release titled "Notice Regarding Company Split (Simplified Absorption-type Company Split) of the Hydraulic Equipment Business and the Conclusion of a Share Transfer Agreement and a Shareholders' Agreement with Comer Industries S.p.A.," the Company resolved to conduct a company split of the hydraulic equipment business and to transfer shares of the subsidiary that would succeed the business. Accordingly, based on IFRS 5, the Group has classified the hydraulic equipment business as a discontinued operation from the third quarter of the current consolidated fiscal year.

(2) Results of Discontinued Operations

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Discontinued Operations		
Revenue	43,505	46,545
Cost	-41,546	-43,744
Pre-tax profit from discontinued operations	1,959	2,801
Income tax expense	-499	-1,766
Net income from discontinued operations	1,460	1,035

(3) Attribution of net income

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Owners of the parent company		
Net income from continuing operations	9,362	15,221
Net income from discontinued operations	825	34
Total	10,188	15,255
Minority interest		
Net income from continuing operations	942	929
Net income from discontinued operations	635	1,001
Total	1,577	1,930

(4) Cash flows of discontinued operations

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Cash flows from operating activities	1,607	3,027
Cash flows from investing activities	-2,364	-3,524
Cash flows from financing activities	-308	-1,776
Total	-1,065	-2,273

34. Subsidiaries

The major subsidiaries of our group are as follows.

Name	Address	Main business Details	Percentage ownership and voting interest	
			End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
NABCO DOOR Ltd.	Osaka Prefecture Kita-ku, Osaka	Accessibility	100.0	100.0
Nabtesco Automotive Corporation	Chiyoda-ku, Tokyo	Transport	100.0	100.0
Nabtesco Service Co., Ltd.	Shinagawa, Tokyo, Japan	Transport	100.0	100.0
NABCO SYSTEM CO., LTD	Chiyoda-ku, Tokyo	Accessibility	85.9	85.9
PACRAFT Co., Ltd.	Minato-ku, Tokyo	Others	100.0	100.0
Comtesco Corporation (NOTE 4)	Tarui-cho, Huwa-gun, Gifu Prefecture	Component	-	100.0
Nabtesco (China) Precision Equipment Co., Ltd.	China Jiangsu province	Component	67.0	67.0
Jiangsu Nabtesco KTK Railroad Products Co., Ltd. (NOTE 2)	China Jiangsu province	Transport	50.0	50.0
Shanghai Nabtesco Hydraulic Co., Ltd. (NOTE 4)	China Shanghai City	Component.	55.0	55.0
Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. (NOTE 3)	China Shanghai City	Component	67.0	-
Nabtesco Aerospace, Inc.	United States Washington state	Transport	100.0	100.0
NABCO Entrances, Inc.	United States Wisconsin state	Accessibility	100.0	100.0
Gilgen Door Systems AG	Switzerland Bern	Accessibility	100.0	100.0
Nabtesco Precision Europe GmbH	Germany Dusseldorf	Component	100.0	100.0
Nabtesco Power Control (Thailand)Co., Ltd. (NOTE 4)	Thailand Chonburi Prefecture	Component	70.0	70.0

(NOTE) 1 The name of the segment is shown in the main business section.

2 Jiangsu Nabtesco KTK Railroad Products Co., Ltd. has determined that we have substantial control as a result of our ownership of 50% of the voting power and our reliance on technology. Accordingly, we have included in the scope of consolidation of our group.

3. Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. transferred its assets to Shanghai Nabtesco Hydraulic Co., Ltd. and was liquidated during the current consolidated fiscal year.

4. Comtesco Corporation, Shanghai Nabtesco Hydraulic Co., Ltd., and Nabtesco Power Control (Thailand) Co., Ltd. are subsidiaries related to the hydraulic equipment business, which is classified as a discontinued operation.

35. Relevant party

(1) Transactions with associated companies

The balances of receivables, payables and transactions with affiliated companies are as follows:

① Balances of receivables and payables to affiliates

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Receivables outstanding	758	507
Debt outstanding	2,190	1,511

(NOTE) There are no collateral or guarantee transactions with affiliated companies. In addition, there is no loss valuation allowance established on the balance of receivables from affiliates.

② Transactions with affiliates

(Million yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Net sales	2,689	2,200
Purchases	5,343	5,832

(NOTE) Transactions with affiliated companies are determined by taking into account market prices and other factors.

(2) Compensation for executives

Our compensation for executives is as follows.

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Total amount of remuneration	Amount of Compensation by Type	
		Basic remuneration	Board Benefit Trust (BBT)
Compensation for executives	183	153	30

(NOTE) Executive is a director of our company.

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Total amount of remuneration	Amount of Compensation by Type	
		Basic remuneration	Board Benefit Trust (BBT)
Compensation for executives	174	169	5

(NOTE) Executive is a director of our company.

36. Commitment

Significant commitments contractually committed to the acquisition of property, plant and equipment are as follows:

(Million yen)

	End of consolidated FY2024 (as of December 31, 2024)	End of consolidated FY2025 (as of December 31, 2025)
Commitment	5,554	2,803

37. Contingent liabilities

Not applicable.

38. Subsequent events

Based on the stock transfer agreement related to our company's and consolidated subsidiaries' hydraulic equipment business signed with Comer Industries S.p.A. on July 31, 2025, we have integrated the business into the newly established wholly-owned subsidiary (Comtesco Corporation) through an absorption-type split as of December 31, 2025, and completed the transfer of 70% of the issued shares of Comtesco Corporation as of January 1, 2026. The impact of the sale price and gains or losses associated with this stock transfer on the consolidated financial statements for the following consolidated fiscal year is currently under review.

(2) [Others]

Interim information for the current consolidated fiscal year

		First 6 months	Full year
Net sales	(Million yen)	165,616	307,912
Interim (current) income before income taxes	(Million yen)	10,255	21,983
Interim (current) profit attributable to owners of the parent	(Million yen)	6,701	15,255
Basic Interim (current) profit per share	(Yen)	55.76	127.87

(NOTE) Net sales and profit before income taxes for the interim consolidated accounting period are presented including amounts related to discontinued operations.

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2. 【Financial Statements】

(1) 【Financial Statements】

① 【Balance Sheet】

(Million yen)

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)
Assets		
Current assets		
Cash and deposits	26,656	22,502
Notes receivable	3,414	3,005
Accounts receivable	※1 49,533	※1 42,931
Merchandise and finished goods	3,504	3,324
Work in process	7,316	7,183
Raw materials and supplies	9,000	9,026
Accounts receivable-other	※1 3,880	※1 5,222
Advances paid	※1 3,869	※1 8,954
Others	※1 1,403	※1 1,704
Total current assets	108,575	103,852
Fixed assets		
Property, plant and equipment		
Buildings	34,972	29,672
Structures	1,894	1,388
Machinery and equipment	24,797	19,861
Vehicles and transportation equipment	286	285
Tools, furniture and fixtures	2,979	2,431
Land	12,939	12,852
Construction in progress	12,439	14,573
Total property, plant and equipment	90,307	81,063
Intangible assets		
Software	3,461	3,457
Others	686	372
Total intangible assets	4,147	3,829
Investments and other assets		
Investment securities	5,194	6,615
Stocks of subsidiaries and affiliates	39,505	55,264
Investments in capital of subsidiaries and affiliates	16,762	15,813
Long-term loans receivable from subsidiaries and affiliates	6,634	6,359
Long-term prepaid expenses	115	111
Deferred tax assets	1,693	4,553
Others	1,368	1,000
Allowance for doubtful accounts	-8	-8
Total investments and other assets	71,263	89,707
Total noncurrent assets	165,717	174,598
Total assets	274,292	278,450

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(Million yen)

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)
Liabilities		
Current liabilities		
Accounts payable	※1 9,637	※1 8,801
Electronically recorded obligations-operating	31,955	27,623
Short-term loans payable	11,300	24,200
Accounts payable-other	※1 9,054	※1 4,529
Income taxes payable	372	4,309
Accrued expenses	2,836	2,471
Contractual liabilities	248	921
Deposits received	※1 15,910	※1 18,096
Provision for product warranties	672	705
Provision for onerous contracts	—	17
Provision for compensation losses	—	57
Provision for losses on restructuring of affiliated companies	—	1,324
Others	28	29
Total current liabilities	82,013	93,084
Long-term liabilities		
Long-term borrowing	10,000	10,000
Liability for retirement benefits	6,135	5,364
Provision for environmental remediation	—	140
Others	2,106	2,343
Total noncurrent liabilities	18,241	17,848
Total liabilities	100,253	110,931
Net assets		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus		
Legal capital surplus	26,274	26,274
Total capital surplus	26,274	26,274
Retained earnings		
Legal reserve	1,077	1,077
Other retained earnings		
Special Tax Purpose Reserve	167	165
Retained earnings brought forward	138,089	129,762
Total retained earnings	139,332	131,004
Treasury stock	-3,638	-3,008
Total shareholders' equity	171,968	164,270
Valuation and translation adjustments		
Valuation difference on securities	2,054	3,238
Total valuation and translation adjustments	2,054	3,238
Stock acquisition right	16	12
Total net assets	174,038	167,519
Total liabilities and net assets	274,292	278,450

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② 【Income Statement】

(Million yen)

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Net sales	※1 155,923	※1 177,112
Cost of sales	※1 133,225	※1 148,262
Gross profit	22,697	28,850
Selling, general and administrative expenses	※2 24,614	※2 24,156
Operating income	-1,916	4,694
Non-operating income		
Interest and dividend income	※1 8,575	※1 9,787
Foreign exchange gain	670	741
Rent income	※1 112	※1 105
Others	145	110
Total non-operating income	9,502	10,744
Non-operating expenses		
Rent expenses	22	18
Interest expenses	174	397
Loss on investment partnerships	380	426
Valuation loss from derivatives transactions	152	242
Others	99	80
Total non-operating expenses	827	1,163
Ordinary income	6,759	14,275
Extraordinary income		
Gain on sales of noncurrent assets	※3 9	※3 6
Gain on sales of investment securities	113	98
Gain on liquidation of affiliates	—	16
Insurance proceeds received	118	147
Subsidy from Government etc.	※4 2,759	—
Total extraordinary income	2,999	265
Extraordinary losses		
Loss on sale and disposal of fixed assets	※5 272	※5 149
Valuation loss from derivatives transactions	※6 976	—
Provision for environmental remediation	—	140
Loss on sale of investment securities	—	13
Provision for losses on restructuring of affiliated companies	—	※7 1,454
Total extraordinary loss	1,247	1,756
Income before income taxes	8,510	12,785
Income taxes	634	4,487
Income taxes-deferred	-80	-3,455
Total income taxes	555	1,032
Net Income	7,956	11,753

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③[Statement of Changes in shareholders' equity]

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Common stock	Legal capital surplus	Total capital surplus	Legal reserve	Special Tax Purpose Reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Opening balance	10,000	26,274	26,274	1,077	188	139,797	141,062	-3,943	173,393
Change during the year									
Dividend of surplus	—	—	—	—	—	-9,651	-9,651	—	-9,651
Reversal of reserve for reduction entry of assets	—	—	—	—	-21	21	—	—	—
Net Income	—	—	—	—	—	7,956	7,956	—	7,956
Purchase of treasury stock	—	—	—	—	—	—	—	-2	-2
Disposal of treasury stock	—	—	—	—	—	-34	-34	307	272
Cancellation of treasury stock	—	—	—	—	—	—	—	—	—
Net change in items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes in current term	—	—	—	—	-21	-1,708	-1,729	304	-1,425
Closing balance	10,000	26,274	26,274	1,077	167	138,089	139,332	-3,638	171,968

	Valuation and translation adjustments		Stock acquisition right	Total net assets
	Valuation difference on securities	Total valuation and translation adjustments		
Opening balance	1,214	1,214	44	174,651
Change during the year				
Dividend of surplus	—	—	—	-9,651
Reversal of reserve for reduction entry of assets	—	—	—	—
Net Income	—	—	—	7,956
Purchase of treasury stock	—	—	—	-2
Disposal of treasury stock	—	—	—	272
Cancellation of treasury stock	—	—	—	—
Net change in items other than shareholders' equity	840	840	-28	812
Total changes in current term	840	840	-28	-612
Closing balance	2,054	2,054	16	174,038

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Current fiscal year (from January 1, 2025 to December 31, 2025)

(Million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Common stock	Legal capital surplus	Total capital surplus	Legal reserve	Special Tax Purpose Reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Opening balance	10,000	26,274	26,274	1,077	167	138,089	139,332	-3,638	171,968
Change during the year									
Dividend of surplus	—	—	—	—	—	-9,651	-9,651	—	-9,651
Reversal of reserve for reduction entry of assets	—	—	—	—	-2	2	—	—	—
Net Income	—	—	—	—	—	11,753	11,753	—	11,753
Purchase of treasury stock	—	—	—	—	—	—	—	-10,001	-10,001
Disposal of treasury stock	—	—	—	—	—	-3	-3	204	201
Cancellation of treasury stock						-10,427	-10,427	10,427	—
Net change in items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes in current term	—	—	—	—	-2	-8,327	-8,329	630	-7,698
Closing balance	10,000	26,274	26,274	1,077	165	129,762	131,004	-3,008	164,270

	Valuation and translation adjustments		Stock acquisition right	Total net assets
	Valuation difference on securities	Total valuation and translation adjustments		
Opening balance	2,054	2,054	16	174,038
Change during the year				
Dividend of surplus	—	—	—	-9,651
Reversal of reserve for reduction entry of assets	—	—	—	—
Net Income	—	—	—	11,753
Purchase of treasury stock	—	—	—	-10,001
Disposal of treasury stock	—	—	—	201
Cancellation of treasury stock				—
Net change in items other than shareholders' equity	1,184	1,184	-5	1,179
Total changes in current term	1,184	1,184	-5	-6,520
Closing balance	3,238	3,238	12	167,519

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[Notes]

(Significant accounting policies)

1 Valuation standards and methods for securities

(1) Held-to-maturity debt securities

Amortized cost (straight-line method)

(2) Stocks of subsidiaries and affiliates

Cost determined by the moving-average method

(3) Other securities

Other than shares, etc. without market price

Market value method based on the market price as of the last day of the fiscal period

(Unrealized gains and losses are included in net assets and the cost of securities sold is determined by the moving-average method.)

Stocks, etc. without market price

Cost determined by the moving-average method

2 Valuation standards and methods for derivatives

Derivative financial instruments are stated at fair market value.

3 Valuation standards and methods for inventories

Valuation criteria

... Cost method (book value devaluation method due to decline in profitability)

Evaluation method

Merchandise and finished goods and work in process

... Mainly the average method (part of which is the specific identification method)

Raw materials and supplies

... Mainly determined by the average method (part of which is the moving-average method)

4 Depreciation method of fixed assets

(1) Property, plant and equipment (excluding leased assets)

... Fixed amount method

Small-amount depreciable assets whose acquisition cost was 0.1 million yen or more but less than 0.2 million yen are depreciated using the straight-line method over 3 years. Property, plant and equipment acquired before March 31, 2007 are amortized on a straight-line basis over 5 years from the fiscal year following the end of amortization to the maximum depreciable amount.

(2) Intangible assets (excluding leased assets)

... Fixed amount method

Software for internal use is depreciated using the straight-line method over its estimated useful life (5 years).

(3) Leased assets

The straight-line method is used with the lease term as the useful life and the residual value as zero.

5 Basis of accruing allowances

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount estimated to be uncollectible.

① General receivables

Bad debt ratio method

② Claims in bankruptcy, reorganization, etc.

Method evaluating financial standing

(2) Warranty reserve

To prepare for future expenditures, such as repair costs incurred after the delivery of products, the amount of such costs is individually estimated and recorded.

(3) Accrual for losses on contracts

To provide for future losses on contract awards, the Company estimates the amount of estimated losses on contract awards at the end of the fiscal year on a case-by-case basis.

(4) Liability for retirement benefits

To prepare for the payment of retirement benefits to employees, the amount deemed to be accrued at the end of the current fiscal year is recorded based on the estimated retirement benefit obligation at the end of the current fiscal year.

① Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute estimated retirement benefits to the period up to the end of the current fiscal year.

② Amortization of actuarial gains and losses and prior service costs

Prior service cost is charged to income as incurred.

Actuarial gains and losses are amortized on a declining-balance method over 10 years, which is shorter than the average remaining years of service of the eligible employees, commencing with the year following the year in which the gain or loss is recognized.

(5) Provision for compensation losses

The provision for compensation losses is recognized based on individually estimated amounts of expected losses as of the end of the reporting period, in order to provide for future losses related to compensation claims.

(6) Provision for losses on restructuring of affiliated companies

The provision for losses on restructuring of affiliated companies is recognized based on individually estimated amounts of expected losses as of the end of the reporting period, in order to provide for future losses arising from the restructuring of affiliated companies.

(7) Provision for environmental remediation

The provision for environmental remediation is recognized based on the estimated future environmental remediation costs that the Company expects to incur, in order to provide for environmental measures.

6 Revenue Recognition

We have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards. We recognize revenue for contracts with customers based on the 5-step approach described below.

Step 1: Identify Contracts with Customers
Step 2: Identify Performance Obligations in Contracts
Step 3: Calculate the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity meets its performance obligations

(Obligations to be fulfilled at one Time)

We mainly manufacture and sell industrial robot parts, equipment for construction machinery, brake systems and door systems for railway vehicles, aircraft parts, marine vessel control systems, automatic door systems for buildings and general industries, and platform safety equipment. For the sale of these products, we recognize revenue principally at the time of delivery of the product as the customer often determines that control over the product and performance obligations will be satisfied at the time of delivery of the product. Revenue is also measured at the consideration promised in customer contracts, net of discounts, rebates and returns.

7 Other important matters that form the basis for preparing financial statements

Accounting for retirement benefits

The accounting method for unrecognized actuarial differences related to retirement benefits differs from the accounting method used in the consolidated financial statements.

(Critical Accounting Estimates)

(Valuation of shares of affiliated companies)

Items for which the amount was recorded in the financial statements for the fiscal year under review based on accounting estimates, which may have a material impact on the financial statements for the following fiscal year, are as follows.

(1) Amount recorded in the financial statements for the current fiscal year

(Million yen)

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)
Stocks of subsidiaries and affiliates	17,999	26,817

(2) Information on the content of critical accounting estimates pertaining to identified items

Investments in Gilgen Door Systems AG in consolidated subsidiaries in Accessibility Solutions business and in R.K. DEEP SEA TECHNOLOGIES LIMITED (hereinafter “Deep Sea”) in consolidated subsidiaries in Transport Solutions business have not been impaired because the actual value has not declined significantly from the book value.

The carrying amount of the shares of our affiliated companies is determined to be the balance sheet value at the acquisition price. If the actual value is deemed to have declined significantly due to the deterioration in the financial position of such affiliated companies, the carrying amount is written down to the actual value, unless it is deemed probable that the value will recover. Even if there is no deterioration in the financial position of the issuing company, the shares of affiliates acquired in business combinations reflecting excess earnings power and other factors are expected to continue to decline substantially in real value due to a decline in excess earnings power and other factors for future periods. If excess earnings power and other factors are no longer expected, the shares of affiliates are written down to their real value as long as the real value has declined significantly.

If it is judged that the real value of the shares of affiliated companies will decline significantly due to the occurrence of an impairment loss on additional goodwill resulting from such factors as a decline in the profitability of the consolidated subsidiary business, there is a possibility that a loss on valuation of shares of affiliated companies will be recorded in the financial statements for the following fiscal year.

(Unadopted Accounting Standards)

- "Accounting Standard for Leases" (ASBJ Statement No. 34, issued on September 13, 2024)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Implementation Guidance No. 33, issued on September 13, 2024)

In addition, related amendments to Accounting Standards, Implementation Guidance, Practical Issues Task Force (PITF) No. Reports, and Transfer Guidance

(1) Overview

In line with international accounting standards, these standards stipulate, among other matters, that assets and liabilities are to be recognized for all leases by lessees.

(2) Scheduled date of adoption

The standards are scheduled to be adopted from the beginning of the FY2028.

(3) Impact of adoption of the accounting standards

The impact of adopting "Accounting Standard for Leases" on the Company's financial statements is currently under examination.

(Additional information)

(Correction of errors of prior periods)

As the same information is disclosed in 1 Consolidated Financial Statements, (1) Consolidated Financial Statements and Notes on the Consolidated Financial Statements, 4 Additional information (1) Correction of errors of prior periods, the disclosure is omitted here.

(Notes to the Balance Sheet)

※1 Notes relating to affiliated companies

The amounts of monetary claims and monetary liabilities to affiliated companies other than those presented separately are as follows:

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)
Short-term monetary claims	22,275Million yen	31,706Million yen
Short-term loans payable	18,564	20,321

2 Guarantee obligations, etc.

Guarantees are provided for loans from financial institutions of affiliated companies as follows.

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)
Nabtesco Automotive Corporation	38Million yen (243Thousands of USD)	39Million yen (246Thousands of USD)
Nabtesco Oclap S.r.l.	412Million yen (2,500Thousands of Euro)	461Million yen (2,500Thousands of Euro)
OVALO GmbH	1,996Million yen (12,102Thousands of Euro)	1,659Million yen (9,000Thousands of Euro)
CMET, Inc.	80Million yen	61Million yen
Gilgen Door Systems AG	6,488Million yen (37,000Thousands of CHF)	6,944Million yen (35,000Thousands of CHF)
Deep Sea Technologies SMPC	412Million yen (2,500Thousands of Euro)	1,106Million yen (6,000Thousands of Euro)
Total	9,427Million yen	10,269Million yen

3 Accounting for notes maturing at the end of the fiscal year is settled on the date of clearing.

As the last day of the current fiscal year was a holiday for a financial institution, the following notes due at the end of the fiscal year are included in the ending balance.

	End of previous fiscal year (as of December 31, 2024)	End of current fiscal year (as of December 31, 2025)
Notes receivable	46Million yen	41 Million yen

(Notes to Income Statements)

※1 Transaction volume with affiliated companies is as follows

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Turnover with business transaction		
Net sales	50,447Million yen	54,665Million yen
Purchases	15,204	17,337
Excluding operating transactions with subsidiary		
Dividends income	8,208	9,402
Rent income	86	79

※2 Major items of selling, general and administrative expenses and their approximate percentages are as follows:

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
Travelling expenses	565Million yen	595Million yen
Salaries and Wages	3,588	3,662
Bonus	1,461	1,236
Retirement benefit costs	-39	92
Legal welfare expense	831	811
Rent expenses	740	738
Depreciation and amortization	1,059	1,158
Research and development costs	7,457	7,065
Approximate percentage		
Selling expenses	14.7%	17.6%
General and administrative expenses	85.3%	82.4%

※3 Breakdown of gain on sale of property and equipment

	Previous fiscal year (January 1, 2024 to December 31, 2024)	Current fiscal year (January 1, 2025 to December 31, 2025)
machinery and equipment	2Million yen	3Million yen
Vehicles and transportation equipment	7	1
Tools, equipment and fixtures	0	2
Total	9	6

※4 Gain on government subsidiaries

Previous fiscal year (from January 1, 2024 to December 31, 2024)

Gain on government subsidiaries relates to subsidies for new industrial location projects related to the Hamamatsu Plant, etc

Current fiscal year (from January 1, 2025 to December 31, 2025)

Not applicable

※5 Breakdown of loss on sales and disposal of property, plant and equipment

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Buildings	162Million yen	90Million yen
Structures	0	1
Machinery and equipment	45	40
Vehicles and transportation equipment	0	0
Tools, furniture and fixtures	10	16
Land	50	-
Others	4	1
Total	272	149

※6 Impairment loss

Previous fiscal year (from January 1, 2024 to December 31, 2024)

Location	Usage	Type of asset	Amount of impairment loss
Matsuyama-shi, Ehime prefecture	Property for lease	Land	976Million yen
Total			976Million yen

We focus on individual rental properties as the smallest unit of grouping that generates cash flow. An impairment loss was recorded in the previous fiscal year due to a significant decline in the market value of the property for lease due to a decline in profitability associated with changes in the business environment and other factors. The recoverable amount is measured at net selling price and is based on an appraised value using a market approach by an independent real estate appraisal expert.

Current fiscal year (from January 1, 2025 to December 31, 2025)

Not applicable.

※7 Addition to provision for losses on restructuring of affiliated companies

Previous fiscal year (from January 1, 2024 to December 31, 2024)

Not applicable.

Current fiscal year (from January 1, 2025 to December 31, 2025)

The addition to the provision for losses on restructuring of affiliated companies mainly represents losses expected to arise in connection with the sale of affiliated companies.

(Notes to Securities)

Previous fiscal year(As of December 31, 2024)

Equity securities issued by subsidiaries and affiliated companies, other than shares without quoted market prices

Not applicable.

(NOTE) Equity securities issued by subsidiaries and affiliates without quoted market prices

Classification	Balance Sheet Amount (Million yen)
(1) Shares of subsidiaries	39,065
(2) Investments in affiliates	441
Total	39,505

Current fiscal year (As of December 31, 2025)

Equity securities issued by subsidiaries and affiliated companies, other than shares without quoted market prices

Not applicable.

(NOTE) Equity securities issued by subsidiaries and affiliates without quoted market prices

Classification	Balance Sheet Amount (Million yen)
(1) Shares of subsidiaries	54,823
(2) Investments in affiliates	441
Total	55,264

(Derivative Transactions)

Derivative financial instruments for which deferred hedged accounting has not been applied

Derivative transactions for which hedge accounting has not been applied are as follows: In the previous fiscal year and the current fiscal year, the Company entered into foreign exchange forward contracts. However, this information is omitted because it is immaterial.

Currency interest rate-related

Previous fiscal year (As of December 31, 2024)

(Million yen)

Classification	Type of transaction	Contract amount, etc.	Over 1 year contract amount	Market value	Appraisal profit or loss
Transactions outside market	Currency and interest rate swaps Yen received Foreign currency paid	2,298	2,010	-640	-640

Current fiscal year (As of December 31, 2025)

(Million yen)

Classification	Type of transaction	Contract amount, etc.	Over 1 year contract amount	Market value	Appraisal profit or loss
Transactions outside market	Currency and interest rate swaps Yen received Foreign currency paid	2,010	1,723	-881	-881

(Deferred tax accounting)

1 Breakdown of principal origins of deferred tax assets and liabilities

	Previous fiscal year As of December 31, 2024	Current fiscal year As of December 31, 2025
Deferred tax assets		
Liability for retirement benefits	1,879Million yen	1,691Million yen
Accounts payable-other	231	379
Write-down of inventories	125	109
Accrued bonuses	471	400
Warranty reserve	206	216
Provision for losses on restructuring of affiliated companies	—	405
Accrued indemnification loss on damages	13	13
Valuation loss on shares of affiliates	439	2,880
Investments in subsidiaries and affiliates due to organizational restructuring	4,749	4,868
Write-down of golf club membership	20	21
Depreciation and amortization	394	306
Tax credits that can be carried forward	—	681
Allowance for doubtful accounts	2	2
Others	472	565
Gross deferred tax assets	9,001	12,535
Valuation allowance	-5,431	-5,598
Total deferred tax assets	3,570	6,937
Deferred tax liabilities		
Special tax purpose reserve	746	742
Valuation difference on securities	1,131	1,642
Total deferred tax liabilities	1,877	2,385
Net deferred tax assets	1,693	4,553

2 Reconciliation of the statutory tax rate to the effective income tax rate

	Previous fiscal year As of December 31, 2024	Current fiscal year As of December 31, 2025
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Items that are not included in permanent deductible expenses such as entertainment expenses	3.5	3.9
Items that are not included to earnings in perpetuity, such as dividend income	-29.1	-21.1
Tax credit for research and development expenses, etc.	-1.5	-2.4
Foreign tax credit	-0.7	-0.7
Increase in valuation allowance	2.3	0.1
Others	1.4	-2.3
Burden rate of income taxes after the application of tax effect accounting	6.5	8.1

(Business Combinations)

The Company transferred its hydraulic equipment business to its subsidiary, Comtesco Corporation, through a company split, with an effective date of December 31, 2025.

(1) Overview of the Transaction

(i) Name of the Transferee Company and Description of the Separated Business

Name of the transferee company: Comtesco Corporation

Description of the separated business: Hydraulic equipment business

(ii) Primary Reasons for the Company Split

In the Medium-Term Management Plan announced on February 12, 2025, the Company communicated that, toward achieving its long-term vision with 2030 as the target year—"Leaders in innovation for the future"—it would restore its earnings capability through Project 10 (reviving potential) and pursue the enhancement of product and service value by evolving toward smart motion control (evolving excellence). Based on this Medium-Term Management Plan, the Company aims to optimize its portfolio balance with a focus on its strategic direction and profitability (ROIC), and to build a resilient corporate foundation that enables both stability and growth.

The target business, led by traveling units for hydraulic excavators with an estimated global market share of approximately 25% (based on the Company's estimates), offers a broad product lineup covering small to large sizes and has been adopted by many customers both in Japan and overseas. However, in recent years, the competitive environment has remained challenging due to the rise of local Chinese hydraulic equipment manufacturers and the increasing in-house production by construction machinery manufacturers, making the recovery of profitability in the target business an issue.

Accordingly, from the perspective of the sustainable growth of the target business and the Company's long-term vision, the Company comprehensively examined the future structure of the business, including potential partnering options. As a result, the Company determined that Comer Industries S.p.A., which possesses sales networks, technologies, and product lineups not available within the Company's Group, could serve as the best owner for the sustainable growth of the target business. Consequently, the Company decided to execute an absorption-type company split followed by a share transfer, and resolved to enter into a share transfer agreement and a shareholders' agreement with Comer Industries S.p.A.

(iii) Effective Date of the Company Split

December 31, 2025

(iv) Legal Form and Other Details of the Transaction

An absorption-type company split, with the Company as the splitting company and Comtesco Corporation as the successor company.

(v) Name of the Combined Entity after the Transaction

Comtesco Corporation

(2) Overview of the Accounting Treatment Applied

(i) Amount of Gain or Loss on Transfer

No gain or loss on transfer was recognized.

(ii) Carrying Amounts of Assets and Liabilities Transferred

Assets: ¥25,887 million

Liabilities: ¥8,540 million

(iii) Accounting Treatment

The transaction was accounted for as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standards for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(Revenue Recognition)

As the same information is disclosed in Notes to the Consolidated Financial Statements, Note "26. Revenue from Contracts with Customers," the disclosure is omitted here.

Basic information necessary to understand revenue from contracts with customers is described in Significant Accounting Policies, 6. Recognition of Revenue and Expenses.

(Significant subsequent events)

As the same information is disclosed in Notes to the Consolidated Financial Statements, Note "38. Material Subsequent Events," the disclosure is omitted here.

④ [Supplementary Schedules]

[Schedule of Property, Plant and Equipment]

(Million yen)

Type of asset	Opening balance	Increased during current term	Decreased during current term	Amortization for the year	Closing balance	Accumulated amount of depreciation
Property, plant and equipment						
Buildings	34,972	1,540	4,603	2,237	29,672	24,172
Structures	1,894	110	444	172	1,388	1,777
Machinery and equipment	24,797	830	1,834	3,931	19,861	43,607
Vehicles and transportation equipment	286	72	13	61	285	241
Tools, furniture and fixtures	2,979	1,330	427	1,451	2,431	15,359
Land	12,939	—	87	—	12,852	976
Construction in progress	12,439	5,970	3,836	—	14,573	—
Tangible fixed assets total	90,307	9,852	11,244	7,853	81,063	86,131
Intangible assets						
Software	3,461	1,711	281	1,434	3,457	—
Others	686	—	314	1	372	—
Intangible fixed assets total	4,147	1,711	594	1,435	3,829	—

(NOTE) 1 Major components of the increase during the fiscal year were as follows:

Buildings	Hydraulic equipment business 1,193 million yen
Machinery and equipment	Precision reduction gears business ¥120 million Marine vessel equipment business ¥110 million
Tools, furniture and fixtures	Precision reduction gears business ¥418 million, Aircraft equipment business ¥109 million, Railroad vehicle equipment business ¥232 million and Automatic door business ¥255 million
Construction in progress	Automatic doors business ¥396 million, Aircraft equipment business ¥218 million, Marine vessel equipment business ¥197 million
Software	Headquarters and others ¥1,011 million, Railroad equipment business ¥254 million, Precision reduction gears business ¥139 million、Marine vessel equipment business ¥107 million, automatic doors business ¥100 million

2 Of the decrease during the current period, the amounts attributable to the absorption-type company split of the hydraulic equipment business were ¥7,190 million for property, plant and equipment and ¥311 million for intangible assets.

3 "Other" in intangible assets is mainly software in progress.

[Schedule of reserves]

(Million yen)

Account title	Opening balance	Increased during current term	Decreased during current term (Intended use)	Decreased during current term (Other)	Closing balance
Allowance for doubtful accounts	8	—	—	0	8
Warranty reserve	672	364	303	28	705
Accrual for losses on contracts	—	17	—	—	17
Provision for Compensation Losses	—	57	—	—	57
Provision for Losses on Restructuring of Affiliated Companies	—	1,324	—	—	1,324
Provision for Environmental Remediation	—	140	—	—	140

(NOTE) 1 Reasons for recording reserves and calculation methods are described in the notes on matters pertaining to significant accounting policies.

2 The "Other" column in "Decrease in provision for product warranties" in the current fiscal year is 28 million yen. This is a reversal due to revision of individual estimates.

(2) [Details of main assets and liabilities]

This information is omitted because the consolidated financial statements have been prepared.

(3) [Others]

Not applicable.

No. 6 [Outline of stock administration of the submitting company]

Business year	From January 1 to December 31
Annual Shareholders' Meeting	During March
Record Date	December 31
Record date for distribution of retained earnings	June 30 and December 31
Number of Shares per Trading Unit	100 shares
Purchase of fractional unit shares Handling place Administrator of Shareholder Registry Brokerage house Purchase commission	(Special Account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo (Special Account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo - The amount calculated by proportionally dividing the amount per unit calculated according to the following formula by the number of shares less than 1 unit purchased as the amount equivalent to commissions for brokerage of shares (Formula) Of the total amount calculated by multiplying the purchase price per share by the number of shares per unit 1.150% for amounts of 1 million yen or less 0.900% for amounts exceeding 1 million yen but not exceeding 5 million yen (Fractions less than 1 yen shall be rounded off.) However, if the calculated amount per unit is less than 2,500 yen, it shall be 2,500 yen.
Posting of public notices	The method of public notices of the Company shall be electronic public notices. Provided, however, that in case electronic public notices are impracticable due to any accident or any other unavoidable reason, the Company shall give its public notices by publishing in the Nihon Keizai Shimbun. Electronic public notices are posted on our website at the following address. https://www.nabtesco.com
Benefits to shareholders	None

(NOTE) Shareholders holding shares less than one unit of the Company (including beneficial shareholders; the same shall apply hereinafter) may not exercise rights other than those listed below with respect to shares less than one unit held by them:

① Rights set forth in Article 189, Paragraph 2 of the Corporation Act

② The right to receive the allotment of Shares for Subscription and the allotment of Share Options for Subscription in proportion to the number of shares held by the shareholders

③ Right to request that the number of shares constituting 1 unit be sold together with the number of shares less than 1 unit held by the shareholders

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

No. 7 [Reference information of the submitting company]

1 [Information on the parent company of the submitting company]

We do not have a parent company, etc.

2 [Other Reference Information]

The following documents have been submitted between the commencement date of the current fiscal year and the filing date of the annual securities report.

(1) Annual Securities Report and Documents attached thereto and written confirmation	Business year (22nd fiscal period) January 1, 2024 to December 31, 2024	March 27, 2025 Submitted to the Director of the Kanto Local Finance Bureau.
(2) Internal Control Report and Its attachments	Business year (22nd fiscal period) January 1, 2024 to December 31, 2024	March 27, 2025 Submitted to the Director of the Kanto Local Finance Bureau.
(3) Semiannual Report and Confirmation	(23rd fiscal period) Interim January 1, 2025 to June 31, 2025	August 8, 2025 Submitted to the Director of the Kanto Local Finance Bureau.
(4)Extraordinary report	(Results of Exercise of Voting Rights at Shareholders Meetings) Extraordinary report based on Article 19(2)(ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.	March 27, 2025 Submitted to the Director of the Kanto Local Finance Bureau.
	Extraordinary Report filed pursuant to Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), items (iii) and (vii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.	July 31, 2025 Submitted to the Director of the Kanto Local Finance Bureau.
(5)Amended Report	Amended Report for (4) Extraordinary report submitted on July 31, 2025	October 23, 2025, December 12, 2025 and January 5, 2026 Submitted to the Director of the Kanto Local Finance Bureau.
(6) Shelf registration statement (straight bonds)		January 20, 2025 Submitted to the Director of the Kanto Local Finance Bureau.
(7)Report on the status of share repurchase		September 16, 2025, October 15, 2025, November 17, 2025 and December 15, 2025 Submitted to the Director of the Kanto Local Finance Bureau.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Part II [Information on Guarantee Companies, etc. of Submitting Companies]

Not applicable.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Independent Auditors' Report and Internal Control Audit Report

September 30, 2026

Nabtesco Corporation

To the Board of Directors

KPMG AZSA LLC.

Tokyo Office

Designated Limited Liability Partners Partners administering the affairs	Certified Public Accountant	Takeharu Kirikae
Designated Limited Liability Partners Partners administering the affairs	Certified Public Accountant	Daisuke Toyama

<Audit of financial statements>

Audit Opinion

We have audited the accompanying consolidated financial statements of Nabtesco Corporation for the period from January 1, 2025 to December 31, 2025, which are included in "Accounting" in the consolidated statements of financial position, consolidated statements of income, comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes to consolidated financial statements, for the purpose of performing the audit certification pursuant to the provisions of Article 193-2-1 of the Financial Instruments and Exchange Law.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nabtesco Corporation and consolidated subsidiaries as of December 31, 2025, and the results of their operations and their cash flows for the year then ended, in conformity with International Accounting Standards prescribed by Section 312 of the Rules for Terminology, Forms and Preparation of Consolidated Financial Statements.

Basis for audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is described under the caption "Auditor's Responsibility in Auditing the Consolidated Financial Statements (It includes provisions applicable to the audits of financial statements of entities with significant social impact)." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions of the Code of Professional Ethics in Japan and we fulfill our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As described in the note on material subsequent events in the notes to the consolidated financial statements, pursuant to the share transfer agreement relating to the hydraulic equipment business of the Company and its consolidated subsidiaries entered into with Comer Industries S.p.A. on July 31, 2025, the Company consolidated such business into a newly established wholly owned subsidiary, Comtesco Corporation, through an absorption-type company split effective December 31, 2025, and completed the transfer of 70% of the issued shares of Comtesco Corporation effective January 1, 2026.

This matter does not affect our audit opinion.

Major audit considerations

Key audit considerations are those that the auditor deems particularly important as professional experts in the audit of the consolidated financial statements for the current fiscal year. The principal audit considerations are the auditing process and the formation of opinions on the consolidated financial statements taken as a whole, and we do not express an opinion on these matters on a case-by-case basis.

Validity of valuation of goodwill related to Gilgen Door Systems AG	
For major audit considerations of content and reason for determination	Audit actions
As discussed in "6. Critical accounting judgments, estimates and assumptions,(2) Significant assumptions used in the calculation of discounted cash flow projections for testing non-financial assets for impairment", Nabtesco Corporation recorded goodwill of ¥25,817 million in the consolidated statement of financial position for the fiscal year under review. Goodwill related to Gilgen amounted to ¥19,709 million, which accounted for 4% of total assets. As described in "Note 3. Important accounting policies (8) Goodwill and intangible assets" to the consolidated financial statements, Nabtesco Corporation tests goodwill for impairment annually or whenever indicators of impairment exist. The recoverable amount in the goodwill impairment test is calculated as the greater of value in use or fair value less costs to sell, and an impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Nabtesco Corporation estimates the recoverable amount of Gilgen Group's goodwill for impairment testing as the value in use, which is the discounted present value of future cash flows based on management's prepared business plan. However, such estimates involve a high degree of uncertainty, primarily due to the inclusion of key assumptions involving management's judgment, including the following: ● Sales forecast in the business plan ● Operating margin forecast in the business plan ● Discount rate based on the weighted average cost of capital Based on the above, we have concluded that the appropriateness of the valuation of goodwill related to Gilgen Group is one of the particularly significant in the audits of the consolidated financial statements for the fiscal year under review and falls under the category of major audit considerations.	We performed the following auditing procedures primarily to review the adequacy of the goodwill assessment for Gilgen. (1)Internal control assessments Assessed the effectiveness of the design and operating status of internal controls related to the goodwill impairment test. (2)Assessment of reasonableness of estimation of recoverable amount In order to assess the reasonableness of the estimates of the recoverable value of the cash-generating unit group, including goodwill, we asked the person responsible for the accessibility solutions business about the key assumptions adopted in the estimates, reviewed the relevant materials, and performed procedures, including the following: ● In addition to analyzing the achievement status of Gilgen Group's historical business plans and the reasons for the differences between the plans and actual results, we also examined whether the effects of these differences are properly considered in preparing the business plans on which future cash flows are based. ● Regarding the forecast of sales in this business plan, the reason was questioned to the person responsible for the accessibility solutions business, and it was compared with the growth rate of past sales and related market forecast data by external organizations. ● Regarding the forecast of operating profit margin in this business plan, this paper asks the manager of the Accessibility Innovation business about the rationale, and compares it with the transition of the past operating profit margin. ● With respect to the discount rate based on the weighted average cost of capital, we engaged experts in the valuation of the domestic network firm to which we belong to assess the appropriateness of the methods used to determine the discount rate and the selection of input data utilized in the calculation.

Validity of valuation of goodwill related to R.K. DEEP SEA TECHNOLOGIES LIMITED group	
For major audit considerations of content and reason for determination	Audit actions
As described in Note “13. Goodwill and Intangible Assets” to the consolidated financial statements, Nabtesco Corporation recognized an impairment loss of ¥989 million in the consolidated statement of profit or loss on goodwill allocated to R.K. DEEP SEA TECHNOLOGIES LIMITED and its subsidiaries (hereinafter referred to as “Deep Sea”), which are consolidated subsidiaries belonging to the Transport Solutions business. This impairment loss was recognized as a result of an impairment test conducted based on revised business plans that incorporated a review of future business prospects, reflecting the fact that product development required a longer period than initially anticipated and that the timing of market entry and product launch was delayed from the original plan. As a result, the amount of goodwill allocated to Deep Sea after impairment amounted to ¥3,865 million, which is included in the total goodwill of ¥25,817 million recognized in the consolidated statement of financial position as of the end of the current consolidated fiscal year. This amount represents approximately 1% of total assets. As described in "Note 3. Important accounting policies (8) Goodwill and intangible assets" to the consolidated financial statements, Nabtesco Corporation tests goodwill for impairment annually or whenever indicators of impairment exist. The recoverable amount in the goodwill impairment test is calculated as the greater of value in use or fair value less costs to sell, and an impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. As described in Note 6, “Significant accounting judgments, estimates and assumptions,” (2) “Key assumptions used in calculating discounted cash flow projections for impairment testing of non-financial assets,” to the consolidated financial statements, Nabtesco Corporation estimates the recoverable amount of Deep Sea’s goodwill for impairment testing as its value in use, representing the discounted present value of future cash flows calculated based on the business plan prepared by management. This estimate is subject to a high degree of uncertainty because it involves key assumptions that require management’s judgment, primarily as follows: ● Sales forecast in the business plan ● Operating margin forecast in the business plan ● Forecast of growth rate after the business plan period ● Discount rate based on the weighted average cost of capital Based on the above, we have concluded that the appropriateness of the valuation of goodwill related to Deep sea is particularly significant in the audits of the consolidated financial statements for the fiscal year under review and falls under the category of major audit considerations.	We performed the following auditing procedures primarily to review the adequacy of the goodwill assessment for Deep Sea. (1)Internal control assessments Assessed the effectiveness of the design and operating status of internal controls related to the goodwill impairment test. (2)Assessment of reasonableness of estimation of recoverable amount In order to assess the reasonableness of the estimates of the recoverable value of the cash-generating unit group, including goodwill, we asked the person responsible for the Transport solutions business about the key assumptions adopted in the estimates, reviewed the relevant materials, and performed procedures, including the following: ● In addition to analyzing the achievement status of Deep sea’s historical business plans and the reasons for the differences between the plans and actual results, we also examined whether the effects of these differences are properly considered in preparing the business plans on which future cash flows are based. ● Regarding the forecast of sales in this business plan, the reason was questioned to the person responsible for the Marine vessel equipment in Transport solutions business, and it was compared with the growth rate of past sales and related market forecast data by external organizations. ● Regarding the forecast of operating profit margin in this business plan, this paper asks the manager of the Marine vessel equipment in Transport solutions business about the rationale, and compares it with the transition of the past operating profit margin. ● With respect to the discount rate based on the weighted average cost of capital, we engaged experts in the valuation of the domestic network firm to which we belong to assess the appropriateness of the methods used to determine the discount rate and the selection of input data utilized in the calculation.

Other Matter

As described in the Reasons for Filing the Amendment Report to the Annual Securities Report, the Company has amended its consolidated financial statements. We previously issued our auditor’s report on the consolidated financial statements before amendment on March 26, 2025. In connection with the amendment, we hereby issue this auditor’s report on the amended consolidated financial statements.

Other information

Other information included in the Annual Securities Report is other than the consolidated financial statements and financial statements and these audit reports. Management is responsible for preparing and disclosing other information. The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to monitor the execution of directors' duties in the development and operation of the reporting process for other descriptions.

Our opinion on the consolidated financial statements does not include any other statements, and we do not express an opinion on them.

Our responsibility in the audits of the consolidated financial statements is to read the other statements and, in the course of readings, to review the other statements for material differences between the consolidated financial statements or the knowledge we have acquired in the course of our audits, and to pay attention to whether there are any other indications of material error other than such material differences.
We are required to report the fact that, based on the work performed, we determine that there are material errors in other descriptions.
There are no other matters that should be reported by our auditing firm.

Responsibility of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This includes establishing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption, and disclosing matters related to a going concern in accordance with International Accounting Standards.
The responsibility of the corporate auditors and the board of corporate auditors is to monitor the execution of directors' duties in the development and operation of the financial reporting process.

Responsibility of the auditor in auditing the consolidated financial statements
Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits, with reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. A misstatement is deemed to be material when it may occur due to fraud or error and individually or when aggregated, if reasonably likely to affect the decisions of users of the consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, the auditor shall, through the course of the audit, make judgments as a professional expert and conduct the following with professional skepticism:

- Identify and assess material misstatement risks due to fraud or error. In addition, design and implement audit procedures in response to the risks of material misstatements. The selection and application of audit procedures are at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of internal control, but the auditor considers internal control relevant to the audit to design audit procedures that are appropriate in the circumstances when conducting a risk assessment.
- Assess the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the reasonableness of related notes.
- To conclude whether it is appropriate for management to prepare the consolidated financial statements on a going concern basis and, based on the audit evidence obtained, whether there is significant uncertainty regarding events or circumstances that raise substantial doubt about the Company's ability to continue as a going concern. If there is a material uncertainty regarding the Company's ability to continue as a going concern, the Company is required to alert the notes to the consolidated financial statements in its audit report or, if the notes to the consolidated financial statements regarding a material uncertainty are not appropriate, to express an opinion on an exclusion to the consolidated financial statements. The auditor's conclusion is based on audit evidence obtained through the date of the audit report, but future events and circumstances may prevent the entity from continuing as a going concern.
- Evaluate the presentation, composition and content of the consolidated financial statements, including the related notes, as well as whether the presentation and the notes to the consolidated financial statements conform to International Accounting Standards, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- To obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries that forms the basis for expressing an opinion on the consolidated financial statements, an audit of the consolidated financial statements shall be planned and implemented. The auditor is responsible for directing, supervising and inspecting the audits of the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditors shall report to the auditors and the board of auditors on the scope of the planned audits and the timing of their implementation, important audit findings, including significant deficiencies in internal controls identified in the course of the audit implementation, and other matters required by the auditing standards.
The auditors shall report to the statutory auditors and the board of statutory auditors on compliance with the provisions of professional ethics in Japan regarding independence, matters that are reasonably likely to affect the auditor's independence, and in cases where countermeasures are taken to eliminate impediments or safeguards are applied to reduce the impediments to an acceptable level.
Among the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, the Audit & Supervisory Board Members shall decide the matters that are deemed to be particularly important in the audit of the consolidated financial statements for the current consolidated fiscal year as major audit considerations and shall be included in the audit report. Provided, however, that such matters shall not be stated in the event that disclosure of such matters is prohibited by laws and regulations, or in the event that the auditor determines that such matters should not be reported because it is reasonably expected that the disadvantage arising from reporting

in the audit report will exceed the public interest, although it is extremely limited.

<Internal Control Audit>

Audit Opinion

We have audited Nabtesco Corporation's report on internal control as of December 31, 2025, in order to provide an audit certification pursuant to the provisions of Article 193-2-2 of the Financial Instruments and Exchange Act.

In our opinion, the internal control report referred to above, which states that Nabtesco Corporation's internal control over financial reporting as of December 31, 2025 was effective, present fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for audit opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under the audit criteria for internal control over financial reporting are described in "Auditor's Responsibility in Internal Control Audits. (It includes provisions applicable to the audits of financial statements of entities with significant social impact)" We are independent of the Company and its consolidated subsidiaries in accordance with the provisions of the Code of Professional Ethics in Japan and we fulfill our other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management, Corporate Auditors, and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

The responsibility of the corporate auditors and the board of corporate auditors is to monitor and verify the design and operation of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility in Internal Control Audits

The auditor's responsibility is to express an opinion on the internal control report based on the internal control audit performed by the auditor on an independent basis in the internal control audit report with reasonable assurance about whether the internal control report is free of material misstatement.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, the auditor shall, through the course of the audit, make judgments as a professional expert and conduct the following with professional skepticism:

- Perform audit procedures to obtain audit evidence about the results of assessment of internal control over financial reporting in the internal control report. The audit procedures for internal control audits are selected and applied based on the significance of the impact on the reliability of financial reporting, in the judgment of the auditor.
- Consider the presentation of the internal control report as a whole, including statements made by management regarding the scope, procedures and results of the evaluation of internal control over financial reporting.
- Plan and implement the audit of internal control in order to obtain sufficient and appropriate audit evidence on the results of the evaluation of internal control over financial reporting in the internal control report. The auditor is responsible for directing, supervising and inspecting the audit of the internal control report. The auditor is solely responsible for the audit opinion.

The auditors shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope of the planned internal control audit and the timing of its implementation, the results of the internal control audit, the material deficiencies to be disclosed in the identified internal controls, the results of the remediation thereof, and other matters required by the standards for the audit of internal controls.

The auditors shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of professional ethics in Japan regarding independence, matters that are reasonably likely to affect the auditor's independence, and in cases where countermeasures are taken to eliminate impediments or safeguards are applied to reduce the impediments to an acceptable level.

<Compensation-related information>

The amount of fees for the Company's and its subsidiaries' audit attestation services and non-audit services to the Company and persons belonging to the same network as the Company is described in Corporate Governance Included in the "Status of the Filing Company" section (3) [Status of Audits]. The compensation for audit and assurance services relating to the amendment reports for the Annual Securities Report and Quarterly Securities Reports for the current consolidated fiscal year is disclosed in the auditor’s report on the consolidated financial statements for the consolidated fiscal year ended December 31, 2026.

Interest

There is no interest between the Company and its consolidated subsidiaries and the auditing corporation or its operating partners that should be stated pursuant to the provisions of the Certified Public Accountants Act.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act.

The end

※1 The original report of the above audit report is maintained separately by our (the company submitting the annual securities report).

2 XBRL are not included in the scope of auditing.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Independent Auditors' Report

September 30, 2026

Nabtesco Corporation

To the Board of Directors

KPMG AZSA LLC.

Tokyo Office

Designated Limited Liability Partners Partners administering the affairs	Certified Public Accountant	Takeharu Kirikae
Designated Limited Liability Partners Partners administering the affairs	Certified Public Accountant	Daisuke Toyama

<Audit of financial statements>

Audit Opinion

We have audited the financial statements of Nabtesco Corporation for the 23rd fiscal period from January 1, 2025, to December 31, 2025, which consists of the balance sheet, income statement, statement of changes in shareholders' equity, significant accounting policies, other notes and supplementary schedules, all of which are listed in "Accounting" for the purpose of providing an audit certification pursuant to the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nabtesco Corporation as of December 31, 2025, and the consolidated results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is set forth under the caption "Auditor's Responsibility in Auditing Financial Statements. (It includes provisions applicable to the audits of financial statements of entities with significant social impact)" We are independent from the Company and fulfill our other ethical responsibilities as an auditor in accordance with the provisions on professional ethics in our country. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As described in the note on material subsequent events in the notes to the consolidated financial statements, pursuant to the share transfer agreement relating to the hydraulic equipment business of the Company and its consolidated subsidiaries entered into with Comer Industries S.p.A. on July 31, 2025, the Company consolidated such business into a newly established wholly owned subsidiary, Comtesco Corporation, through an absorption-type company split effective December 31, 2025, and completed the transfer of 70% of the issued shares of Comtesco Corporation effective January 1, 2026.

This matter does not affect our audit opinion.

Major audit considerations

Key audit considerations are those that the auditor deems particularly important as professional experts in the audit of the financial statements for the current fiscal year. The principal audit considerations are the auditing process and the formation of opinions on the financial statements as a whole, and we do not express an opinion on these matters on a case-by-case basis.

Reasonableness of valuation of investments in Gilgen Door Systems AG	
For major audit considerations of content and reason for determination	Audit actions
As described in the Notes (Significant Accounting Estimates), the ¥55,264 million in shares of subsidiaries and associates recorded on Nabtesco Corporation's balance sheet for the current fiscal year includes ¥17,999 million in investments in Gilgen Door Systems AG (Gilgen). This amount accounts for 6% of total assets. Investments in unlisted subsidiaries and other non-marketable equity securities require the recognition of a write-down in the event of a significant decline in the net asset value due to a deterioration in the financial condition of the issuing company or a decrease in excess earnings capacity, unless the recoverability is supported by sufficient evidence. In evaluating investments in Gilgen, Nabtesco Corporation has determined that it is unnecessary to recognize valuation losses at the end of the current fiscal year because the real value has not declined significantly after comparing the real value with the book value, which reflects the excess earning power obtained from the company. In connection with the calculation of the real value reflecting the excess earnings power of Gilgen, Nabtesco Corporation tests goodwill related to the Company each fiscal year for impairment, as described in "Valuation of Goodwill for Gilgen Door Systems AG" under Major Audit Considerations included in the Audit Report on the Consolidated Financial Statements. Management's judgment in testing goodwill for impairment reported in the consolidated balance sheets also has a significant impact on the valuation of the real value of the stock reflecting such excess earnings power. Based on the foregoing, we have concluded that the adequacy of the valuation of our investments in Gilgen is one of the particularly significant in the audit of our financial statements for the current fiscal year and constitutes a major audit consideration.	We performed the following auditing procedures primarily to review the adequacy of the valuation of our investments in Gilgen. (1)Internal control assessments The effectiveness of the design and operation of internal controls for the evaluation of shares of affiliated companies was evaluated. (2)Examination of the rationality of the real value The examination of the excess earnings power included in the real value of the investment in Gilgen Group is substantially the same as the audit response in the "Valuation of Goodwill Related to Gilgen Door Systems AG Group" of the major audit considerations included in the audit report of the consolidated financial statements. Accordingly, the specific description has been omitted.

Reasonableness of valuation of investments in R.K. DEEP SEA TECHNOLOGIES LIMITED	
For major audit considerations of content and reason for determination	Audit actions
As described in the Notes (Significant Accounting Estimates), the ¥55,264 million in shares of subsidiaries and associates recorded on Nabtesco Corporation's balance sheet for the current fiscal year includes ¥8,817 million in investments in R.K. DEEP SEA TECHNOLOGIES LIMITED (Deep sea). This amount accounts for 3% of total assets. Investments in unlisted subsidiaries and other non-marketable equity securities require the recognition of a write-down in the event of a significant decline in the net asset value due to a deterioration in the financial condition of the issuing company or a decrease in excess earnings capacity, unless the recoverability is supported by sufficient evidence. In evaluating investments in Deep sea, Nabtesco Corporation has determined that it is unnecessary to recognize valuation losses at the end of the current fiscal year because the real value has not declined significantly after comparing the real value with the book value, which reflects the excess earning power obtained from the company. In connection with the calculation of the real value reflecting the excess earnings power of Depp sea, Nabtesco Corporation tests goodwill related to the Company each fiscal year for impairment, as described in "Valuation of Goodwill for R.K. DEEP SEA TECHNOLOGIES LIMITED " under Major Audit Considerations included in the Audit Report on the Consolidated Financial Statements. Management's judgment in testing goodwill for impairment reported in the consolidated balance sheets also has a significant impact on the valuation of the real value of the stock reflecting such excess earnings power.	We performed the following auditing procedures primarily to review the adequacy of the valuation of our investments in Deep sea. (1)Internal control assessments The effectiveness of the design and operation of internal controls for the evaluation of shares of affiliated companies was evaluated. (2)Examination of the rationality of the real value The examination of the excess earnings power included in the real value of the investment in Gilgen Group is substantially the same as the audit response in the "Valuation of Goodwill Related to R.K. DEEP SEA TECHNOLOGIES LIMITED" of the major audit considerations included in the audit report of the consolidated financial statements. Accordingly, the specific description has been omitted.

Based on the foregoing, we have concluded that the adequacy of the valuation of our investments in Deep sea is particularly significant in the audit of our financial statements for the current fiscal year and constitutes a major audit consideration.	

Other Matter

As described in the Reasons for Filing the Amendment Report to the Annual Securities Report, the Company has amended its non-consolidated financial statements. We previously issued our auditor's report on the consolidated financial statements before amendment on March 25, 2025. In connection with the amendment, we hereby issue this auditor's report on the amended consolidated financial statements.

Other information

Other information included in the Annual Securities Report is other than the consolidated financial statements and financial statements and these audit reports. Management is responsible for preparing and disclosing other information. The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to monitor the execution of directors' duties in the development and operation of the reporting process for other descriptions.

Our opinion on the audited financial statements does not include any other statements, and we do not express an opinion on them.

Our responsibility in auditing the financial statements is to read the other statements throughout the course of the reading of the statements by examining whether there are material differences between the content of other statements and the knowledge obtained by us in the course of the auditing, and to pay attention to whether there are any other indications of material error in other statements other than such material differences.

We are required to report the fact that, based on the work performed, we determine that there are material errors in other descriptions.

There are no other matters that should be reported by our auditing firm.

Responsibility of management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan. This includes establishing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing whether it is appropriate to prepare financial statements based on the going concern assumption, and disclosing matters concerning a going concern in accordance with accounting principles generally accepted in Japan when necessary.

The responsibility of the corporate auditors and the board of corporate auditors is to monitor the execution of directors' duties in the development and operation of the financial reporting process.

Auditor's Responsibility in Auditing Financial Statements

The auditor's responsibility is to express an opinion on these financial statements based on the audits conducted by the auditor on an independent basis in the audit report with reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. A mistake is deemed to be material when it may occur due to fraud or error and individually or when aggregated, if reasonably likely to affect the decisions of users of the financial statements.

In accordance with auditing standards generally accepted in Japan, the auditor shall, through the course of the audit, make judgments as a professional expert and conduct the following with professional skepticism:

- Identify and assess material misstatement risks due to fraud or error. In addition, design and implement audit procedures in response to the risks of material misstatements. The selection and application of audit procedures are at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of internal control, but the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances when conducting a risk assessment.
- Assess the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the reasonableness of related notes.
- To conclude whether it is appropriate for management to prepare financial statements on a going concern basis and, based on the audit evidence obtained, whether there is significant uncertainty regarding events or circumstances that raise substantial doubt about the Company's ability to continue as a going concern. If there is a material uncertainty regarding the Company's ability to continue as a going concern, it is required to alert the Company to the notes to the financial statements in its audit report or, if the notes to the financial statements regarding a material uncertainty are not appropriate, to express an opinion on an exclusion to the financial statements. The auditor's conclusion is based on audit evidence obtained through the date of the audit report, but future events and circumstances may prevent the entity from continuing as a going concern.
- Evaluate the presentation, composition and content of financial statements, including the related notes, as well as whether the financial statement presentation and the notes are in accordance with accounting principles generally accepted in Japan, and whether the financial statements fairly present the underlying transactions and accounting events.

The auditors shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope of the planned audits and the timing of their implementation, important audit findings, including significant deficiencies in internal controls identified in the course of the audit implementation, and other matters required by the auditing standards.

The auditors shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on compliance with the provisions of professional ethics in Japan regarding independence, matters that are reasonably likely to affect the auditor's independence, and in cases where countermeasures are taken to eliminate impediments or safeguards are applied to reduce the impediments to an acceptable level.

Among the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, the Audit & Supervisory Board Members shall decide the matters that are deemed to be particularly important in the audit of the financial statements for the current fiscal year as major audit considerations and shall be described in the audit report. Provided, however, that such matters shall not be stated in the event that disclosure of such matters is prohibited by laws and regulations, or in the event that the auditor determines that such matters should not be reported because it is reasonably expected that the disadvantage arising from reporting in the audit report will exceed the public interest, although it is extremely limited.

<Compensation-related information>

Compensation-related information is presented in the auditor's report on the consolidated financial statements.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act.

The end

※1 The original report of the above audit report is maintained separately by our (the company submitting the annual securities report).

2 XBRL are not included in the scope of auditing.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

[Cover]

[Filing]	Amendment to Internal Control Report
[Articles of Basis]	Article 24-4-5(1) of the Financial Instruments and Exchange Act
[Submit to]	Kanto Finance Bureau
[Submission date]	September 30, 2026
[Company name]	Nabtesco Corporation
[English translation name]	Nabtesco Corporation
[Title and Name of Representative]	Kazumasa Kimura, Representative director
[Title and Name of Financial Representative]	Not applicable
[Location of the head office]	7-9, Hirakawacho 2-chome, Chiyoda-ku, Tokyo
[Locations for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1 [Reason for filing the amendment to the Internal Control Report]

The Company is filing this amendment to the Internal Control Report pursuant to Article 24-4-5, paragraph (1) of the Financial Instruments and Exchange Act, as errors were identified in the Internal Control Report for the 22nd fiscal year (from January 1, 2024 to December 31, 2024) filed on March 27, 2025.

2[Matters of amended]

3. Items related to evaluation results

3[Amendments]

Please refer to “3. Items corrected and details of corrections.”

1. Filing date of the Internal Control Report subject to amendment
March 27, 2025

2. Reason for the amendment

(1) Circumstances Leading to the Revision of the Evaluation Results of Internal Control over Financial Reporting

In the course of the accounting procedures for the second quarter of the fiscal year ending December 31, 2026, it came to light that, with respect to the financial figures of certain of the Company's affiliates accounted for using the equity method, amounts should originally have been calculated based on changes in consolidated net assets including the subsidiaries of such affiliates, but had instead been calculated based on changes in the non-consolidated net assets. As a result, amounts such as "equity in earnings of affiliates" in the Company's consolidated statement of income and "investments accounted for using the equity method" in the consolidated statement of financial position had been continuously understated from prior fiscal years. Accordingly, the Company determined that it was necessary to retrospectively correct the accounting treatment relating to the application of the equity method and, on September 30, 2026, filed amendments to its Annual Securities Reports for the fiscal years ended December 31, 2021 through 2025, its Quarterly Reports for the third quarter of the fiscal year ended December 31, 2023 and the first quarter of the fiscal year ended December 31, 2024, and its Semiannual Reports for the interim periods of the fiscal years ended December 31, 2024 and 2025.

Prior to the adoption of IFRS Accounting Standards, because the quantitative materiality of the subsidiaries and other entities of such equity-method affiliates was low and because such equity-method affiliates were unlisted companies that did not prepare consolidated financial statements, the Company adopted the treatment of reflecting changes in the nonconsolidated net assets of such equity-method affiliates in its consolidated financial results.

However, the Company thereafter continued to follow the prior year’s practice, and controls to continuously identify and ascertain the subsidiaries and other entities of such equitymethod affiliates did not operate effectively. As a result, information concerning changes in consolidated net assets, including those of such subsidiaries and other entities, was neither collected nor verified, and information on changes in the net assets attributable to the subsidiaries and other entities of such equity-method affiliates was not properly reflected in the Company’s consolidated financial statements. Accordingly, the Company identified this situation as a deficiency in the design and operation of internal control.

After considering the materiality of the amounts affected by such deficiency, the Company determined that the deficiency has a material impact on its financial reporting and constitutes a material weakness required to be disclosed.

(2) Details of material weaknesses to be disclosed

The details of the material weakness requiring disclosure identified in a portion of the Company’s financial closing and reporting process are as described in “3. Items Corrected and Details of Corrections.”

(3) Reasons for the omission of a description of the material weakness requiring disclosure from the internal control report subject to correction

With respect to the assessment date applied in the internal control report subject to correction, the Company conducted its assessment as of the end of the fiscal year and concluded that such assessment date was appropriate. The Company also concluded that the scope of assessment was appropriate, as the financial closing and reporting process was defined to encompass processes that directly affect the preparation and reliability of the financial statements and included controls over the determination of the scope of application of the equity method. However, the Company subsequently determined that the assessment procedures were not appropriate because, notwithstanding deficiencies in the information contained in the relevant review materials, the assessor’s verification was limited to a formal review and did not include a sufficiently in-depth assessment, such as the identification of changes from prior periods.

As this deficiency was identified in the course of the Company’s financial closing procedures for the second quarter of the fiscal year ending December 31, 2026, the Company had not identified the material weakness requiring disclosure as of the filing date of the internal control report subject to correction. Accordingly, the Company was unable to include a description of such material weakness in that report.

(4) Measures implemented to remediate the material weakness requiring disclosure and the status of remediation

Since the Company recognized this deficiency in the second quarter of the fiscal year ending December 31, 2026, the material weakness required to be disclosed has not yet been remediated as of the date of submission of this amended report. Going forward, as described in “3. Items Corrected and Details of Corrections," the Company will strengthen internal control over the financial closing and reporting process and ensure the reliability of its financial reporting.

3 Items corrected and details of corrections

Corrections are indicated by underlines.

[Items related to evaluation results]

(Before correction)

As a result of performing the above assessment procedures for internal control over financial reporting, the Company determined that its internal control over financial reporting was effective as of December 31, 2025.

(After correction)

The Company determined that the deficiency in internal control over financial reporting described below has a material impact on its financial reporting and constitutes the material weaknesses required to be disclosed. Accordingly, the Company determined that its internal control over financial reporting was not effective as of the end of the fiscal year under review.

Details

In the course of the accounting procedures for the second quarter of the fiscal year ending December 31, 2026, it came to light that, with respect to the financial figures of certain of the Company's affiliates accounted for using the equity method, amounts should originally have been calculated based on changes in consolidated net assets including the subsidiaries of such affiliates, but had instead been calculated based on changes in the non-consolidated net assets. As a result, amounts such as "equity in earnings of affiliates" in the Company's consolidated statement of income and "investments accounted for using the equity method" in the consolidated statement of financial position had been continuously understated from prior fiscal years.

Prior to the adoption of IFRS Accounting Standards, because the quantitative materiality of the subsidiaries and other entities of such equity-method affiliates was low and because such equity-method affiliates were unlisted companies that did not prepare consolidated financial statements, the Company adopted the treatment of reflecting changes in the non-consolidated net assets of such equity-method affiliates in its consolidated financial results. However, the Company thereafter continued to follow the prior year’s practice, and controls to continuously identify and ascertain the subsidiaries and other entities of such equity-method affiliates did not operate effectively. As a result, information concerning changes in consolidated net assets, including those of such subsidiaries and other entities, was neither collected nor verified, and information on changes in the net assets attributable to the subsidiaries and other entities of such equity-method affiliates was not properly reflected in the Company’s consolidated financial statements. Accordingly, the Company identified this situation as a deficiency in the design and operation of internal control.

After considering the materiality of the amounts affected by such deficiency, the Company determined that the deficiency has a material impact on its financial reporting and constitutes the material weaknesses required to be disclosed, and therefore has corrected the results of its assessment of internal control over financial reporting.

In order to correct the amount of "equity in earnings of affiliates" in the consolidated statement of profit or loss and the related financial figures, the Company has decided to correct its financial results for prior fiscal years and to retroactively submit amended internal control reports for those prior fiscal years.

Since this deficiency came to light after the end of the fiscal year under review, it could not be remediated by the end of that fiscal year.

All necessary corrections arising from the above material weaknesses required to be disclosed have been reflected in the amended annual securities reports.

The Company recognizes the importance of internal control over financial reporting, and in order to remediate the material weaknesses required to be disclosed and to design and operate appropriate internal control, the relevant departments will undertake the following measures.

- Reconfirm the knowledge necessary to appropriately apply the equity method.
- Revise reporting formats and collect sufficient information for the application of the equity method in order to continuously identify and ascertain the subsidiaries and other entities of equity-method affiliates and ascertain changes in consolidated net assets.
- Establish a framework for comprehensively obtaining information and checking the results of the review.

(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

[Cover]

[Filing]	Confirmation letter
[Articles of Basis]	Article 24-4-2(1) of the Financial Instruments and Exchange Act
[Submit to]	Kanto Finance Bureau
[Submission date]	September 30, 2026
[Company name]	Nabtesco Corporation
[English translation name]	Nabtesco Corporation
[Title and Name of Representative]	Kazumasa Kimura, Representative director
[Title and Name of Financial Representative]	Not applicable
[Location of the head office]	7-9, Hirakawacho 2-chome, Chiyoda-ku, Tokyo
[Locations for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1 [Matters concerning the appropriateness of the contents of the Annual Securities Report]

Kazumasa Kimura, our representative director, has confirmed that the contents of our 23rd fiscal period (from January 1, 2025 to December 31, 2025) annual securities report are fairly stated in accordance with the Financial Instruments and Exchange Act.

2 [Special Note]

There are no notable items to note when confirming.