有 価 証 券 報 告 書

Annual Securities Report

Business year	From January 1, 2024
(22nd fiscal period)	to December 31, 2024

ナブテスコ株式会社

Nabtesco Corporation

E 0 1 7 2 6

Annual Securities Report

1 This document prints out the annual securities report based on Article 24(1) of the Financial Instruments and Exchange Law with the contents and pages attached to the data submitted using the electronic information processing system (EDINET) for disclosure as set forth in Article 27-30-2 of the same law.

2 This report contains the Audit Report attached to the securities report submitted in accordance with the above method and the Internal Control Report and Confirmation Report submitted in conjunction with the above-mentioned securities report.

In this report, Nabtesco Corporation is hereinafter referred to as the "the Company" and Nabtesco Group is hereinafter referred to as "the Group."

(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.

Contents

(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]	Annual Securities Report
[Articles of Basis]	Article 24(1) of the Financial Instruments and Exchange Act
[Submit to]	Kanto Finance Bureau
[Submission date]	March 27, 2025
[Fiscal year]	22nd fiscal period (from January 1, 2024 to December 31, 2024)
[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)

(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 one 【Corporate Information】

No.1 【Overview of the Company】

1 【Changes in Major Management Indicators】

(1) Consolidated management indicators

Fiscal term		18th	19th	20th	21st	22nd
Fiscal year		2020/12	2021/12	2022/12	2023/12	2024/12
Net sales	(Million yen)	279,358	299,802	308,691	333,631	323,384
Income before income taxes	(Million yen)	33,718	101,966	15,763	25,629	15,747
Net income attributable to owners of the parent	(Million yen)	20,505	64,818	9,464	14,554	10,119
Net income	(Million yen)	23,512	67,893	11,387	16,430	11,696
Comprehensive income attributable to owners of the parent	(Million yen)	20,201	71,444	17,956	21,064	19,145
Comprehensive income	(Million yen)	23,291	75,795	20,505	23,519	21,969
Equity attributable to owners of the parent	(Million yen)	198,031	239,910	248,696	260,470	270,093
Total assets	(Million yen)	351,723	481,718	459,293	422,065	445,544
Equity attributable to owners of the parent per share	(Yen)	1,594.10	1,999.10	2,071.87	2,169.52	2,248.31
Total basic earnings per share	(Yen)	165.18	534.67	78.87	121.25	84.25
Diluted earnings per share	(Yen)	165.09	534.53	78.85	121.23	84.24
Ratio of equity attributable to owners of the parent	(%)	56.3	49.8	54.1	61.7	60.6
Profit ratio of equity attributable to owners of the parent company	(%)	10.6	29.6	3.9	5.7	3.8
Price-earnings ratio	(times)	27.4	6.4	42.7	23.7	33.3
Cash flows from operating activities	(Million yen)	34,203	36,340	7,717	11,177	26,650
Cash flows from investing activities	(Million yen)	-10,710	67,147	13,231	-46,295	-28,733
Cash flows from financing activities	(Million yen)	-17,497	-57,960	-13,456	-13,482	-4,137
Cash and cash equivalents at fiscal year end	(Million yen)	64,665	112,771	124,413	77,835	74,476
Number of employees	(Persons)	7,717	7,844	7,928	8,158	8,227

(NOTE) 1 Figures are rounded to the nearest unit.
2 Consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(2) Non-consolidated management indicators

Fiscal term		18th	19th	20th	21st	22nd
Fiscal year		2020/12	2021/12	2022/12	2023/12	2024/12
Net sales	(Million yen)	150,145	163,288	167,511	176,334	155,923
Ordinary income	(Million yen)	15,486	18,624	19,606	11,653	6,422
Net Income	(Million yen)	12,068	51,529	37,756	14,694	7,581
Common stock	(Million yen)	10,000	10,000	10,000	10,000	10,000
Number of issued shares	(Thousands of shares)	125,134	121,064	121,064	121,064	121,064
Net assets	(Million yen)	118,755	170,375	169,220	174,818	173,831
Total assets	(Million yen)	222,942	311,735	292,573	275,540	274,395
Net assets per share	(Yen)	955.52	1,419.51	1,409.60	1,455.98	1,446.96
Dividends per share (including interim dividends per share)	(Yen)	75.00 (41.00)	77.00 (38.00)	78.00 (39.00)	80.00 (40.00)	80.00 (40.00)
Net income per share	(Yen)	97.21	425.06	314.64	122.41	63.12
Fully diluted Net income per share	(Yen)	97.16	424.95	314.57	122.39	63.12
Equity Ratio	(%)	53.2	54.6	57.8	63.4	63.3
Return on equity	(%)	10.2	35.7	22.2	8.5	4.3
Price-earnings ratio	(times)	46.5	8.0	10.7	23.5	44.5
Dividend payout ratio	(%)	77.2	18.1	24.8	65.4	126.7
Number of employees (Average number of temporary employees)	(Persons)	2,366 (333)	2,369 (342)	2,390 (317)	2,448 (344)	2,485 (334)
Total shareholder return (Comparative index: TOPIX including dividends)	(%) (%)	140.7 (107.4)	108.9 (121.1)	110.1 (118.1)	97.6 (151.5)	97.9 (182.5)
Highest stock price	(Yen)	4,570	5,610	3,805	3,795	2,984
Lowest stock price	(Yen)	2,007	3,120	2,709	2,518	2,121

(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.

(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 【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.

(NOTE) The history of the wholly-owned subsidiaries TS Corporation (formerly Teijin Seiki Co., Ltd.) and NABCO Ltd. is 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	Began manufacturing of automotive oil brake equipment.
November, 1945	Started manufacturing textile machinery.	June 1937	Began 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	Began manufacturing functional parts for aircraft.	February, 1949	Began manufacturing hydraulic equipment.
March, 1959	Began manufacturing of machine tools and industrial machinery.	May, 1949	Listed on the Osaka Securities Exchange
September, 1961	Began manufacturing Hydraulic equipment.	December 1953	Began manufacturing of door systems for railroad vehicles.
September, 1962	Listed on the 1st section of the Tokyo Stock Exchange.	July, 1956	Began manufacturing of automatic door systems for buildings.
October, 1999	Head office moved from Osaka to Tokyo.	June 1963	Began 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.

3 【Description of business】

The group consists of the Company, 64 subsidiaries, and 6 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, construction machinery equipment and other components.
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.

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

As of December 31, 2024

Business Segment	Domestic	Overseas
Component Solutions Business	Nabtesco Corporation T.S. Mechatech Co., Ltd. ※1	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 Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd. ※1 Nabtesco Power Control (Thailand) Co., Ltd. ※1 Nabtesco Power Control Europe GmbH ※1
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 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. ※2 GDS Vostok AG ※2
Others	PACRAFT Co., Ltd. ※1 CMET, Inc. ※1 TMT machinery Inc. ※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
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 Total of 70 affiliates	15 domestic companies	55 overseas companies

※1 Consolidated subsidiaries

※2 Affiliated companies accounted for by the equity method

(NOTE) Changes in Consolidated Subsidiaries and Affiliated companies

(Consolidated Subsidiaries)

Decrease 2 company

Gilgen Door Systems France S.a.r.l. had merged into Copas Systèmes SAS

Gilgen Door Systems Scandinavia AB was liquidated

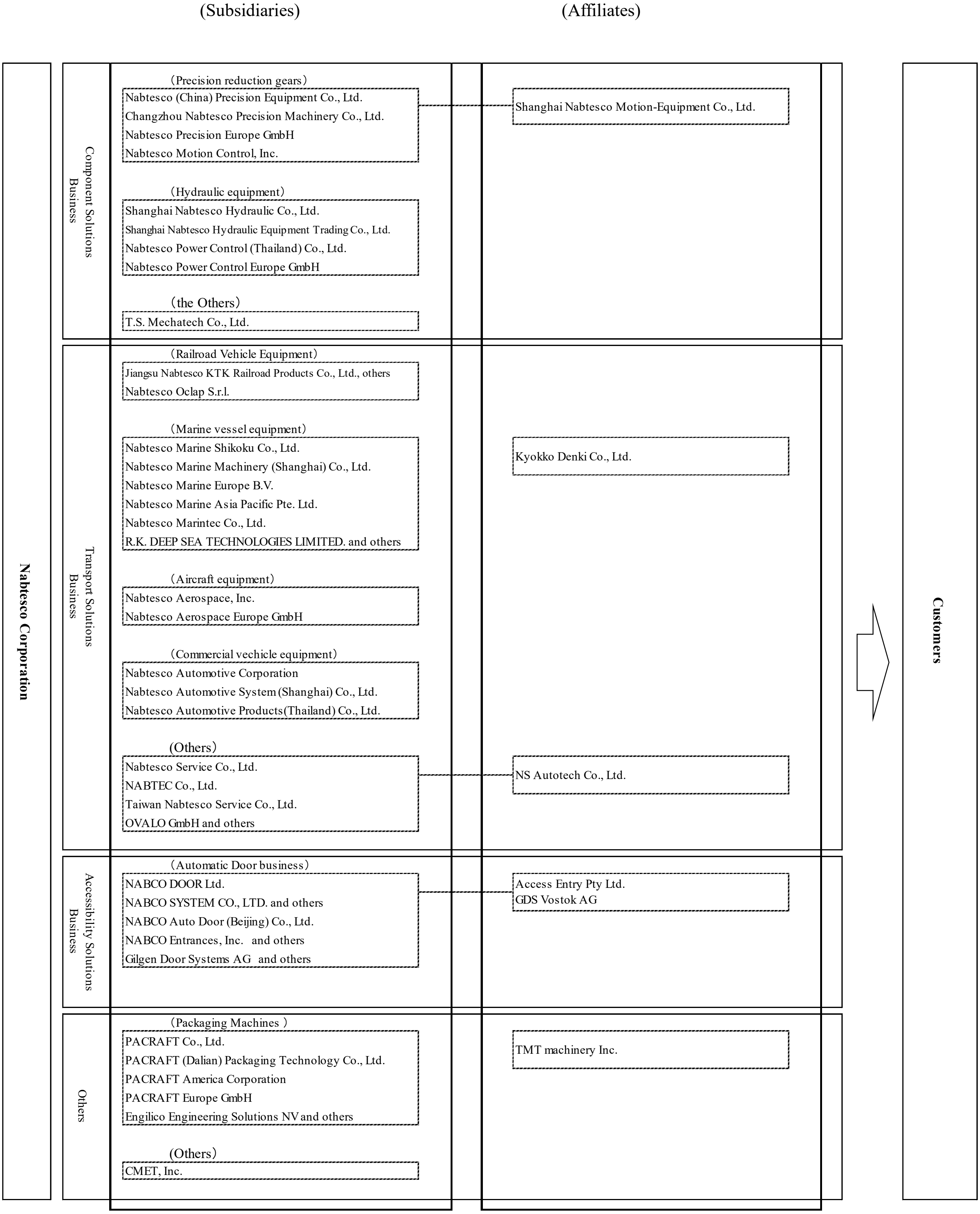
(Affiliated companies)

Decrease 2 company

Nabtesco transfer partial share of Dairiki Tekko Co., Ltd and all share of Minda Nabtesco Automotive Private Limited to the other organization and those company has been excluded from our affiliated companies.

(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.

(3) Organization chart of the business



(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 【Status of Affiliated Companies】

As of December 31, 2024

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. Yes
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
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. Yes
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. Yes
Shanghai Nabtesco Hydraulic Co., Ltd. (Note 3)	China Shanghai City	Thousand of USD 14,500	Component	55.0	Mutual supply of products and parts with the Company Interlocking officers, etc. Yes
Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd.	China Shanghai City	100	Component	67.0	Sales of our products 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 (NOTE5)	Switzerland Bern	Thousand of CHF 2,001	Accessibility	100.0	Interlocking officers, etc. Yes
Nabtesco Precision Europe GmbH	Germany Dusseldorf	Thousands of EUR 51	Component	100.0 (100.0)	Sales of our products Interlocking officers, etc. Yes
Nabtesco Power Control (Thailand)Co., Ltd. (NOTE)3	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 50 companies	—	—	—	—	—
(Equity-method affiliates) TMT machinery Co., Ltd.	Kita-ku,Osaka city Osaka prefecture	450	Others	33.0	Interlocking officers, etc. Yes
5 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 Gilgen Door System AG exceed 10% of total revenue.
(Main items of profit and loss and balance sheet)
(1) Sales 35,075 million yen
(2) Income before tax 2,463 million yen
(3) Net income 2,415 million yen
(4) Net asset 12,721 million yen
(5) Total asset 40,002 million yen

5 【Employee Status】

(1) Consolidated basis

As of December 31, 2024

Business Segment	Number of employees
Component Solutions Business	1,830
Transport Solutions Business	2,192
Accessibility Solutions Business	3,404
Others	416
Company-wide (common)	385
Total	8,227

(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, 2024

Number of employees	Average age(years)	Average length of service (year)	Average annual salary (thousands of yen)
2,485 (334)	42.4	17.1	6,855

Business Segment	Number of employees
Component Solutions Business	967 (268)
Transport Solutions Business	937 (51)
Accessibility Solutions Business	245 (13)
Others	12 (1)
Company-wide (common)	324 (1)
Total	2,485 (334)

(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 length of service is the period of service at the wholly owned subsidiary prior to the merger.

3 Average annual salary includes bonuses and non-standard wages.

4 Figures in (superscription) in the number of employee's column are the average number of temporary employees per year.

(3) Union Information

The labor unions of the submitting companies belong to JAM as a top organization, and as of December 31, 2024, there were 1,972 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
3.0	76.6	81.8	83.2	78.9

(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, 2024

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 71-4, 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＞

・KPIs for human capital of the submitting company is described on "No.2 Business Conditions, 2 Policies and Measures for Sustainability Management (3) Enhance Human Capital Management". For detailed data on employment-related data and diversity initiatives, please refer to the Social (Social) category in ESG data book on our sustainability website.

・We recognize that one of our key initiatives is to fulfill our human resources portfolio and incorporate a diverse range of perspectives in order to realize our long-term vision. By the end of the planning period of the general employer action plan under the Act on Promotion of Women's Participation and Advancement in the Workplace, the submitting company aims to raise the percentage of female workers in managerial positions from the current 3.0% to 4.1%. As part of our pipeline-building measures for the internal development of female managers, we conduct "Female manager candidate training" for mid-level employees and their supervisors as well as "Diversity training" to eliminate the unconscious bias surrounding female employees.

・As a result of analyzing the causes of wage differences between men and women at the submitting companies, the main reasons for the large wage differences are basic remuneration and various allowances for regular workers according to their position because of the percentage difference of senior positions. In addition to the aforementioned pipeline formulation measures, we are promoting the provision of equal opportunities regardless of gender by granting themes that lead to the career development of female employees.

・ We also recognize that an increase in the number of male workers with childcare participation experience leads to the promotion of diversity and the creation of innovation as stated in our long-term vision. Based on this recognition, we have set a goal of taking childcare leave (including special leave) of one month and are working to create an environment in which male workers are encouraged to take proactive childcare leave through the establishment of a Child Care Support Consultation Hotline to support employees taking childcare leave and the implementation of e-learning on childcare leave for all employees, etc.

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.	—	80.0	88.9	88.9	76.7
Nabtesco Service Co., Ltd.	7.4	200.0	81.6	89.6	60.0
Nabtesco Automotive Corporation	4.3	100.0	61.9	69.8	64.3
PACRAFT Co., Ltd.	9.8	66.7	78.0	79.5	34.9
T.S. Mechatech Co., Ltd.	—	75.0	76.1	77.6	88.0
NABCO DOOR Ltd.	1.0	62.5	68.1	69.5	83.1
NABCO SYSTEM CO., LTD.	1.9	58.3	66.9	68.0	74.0

(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, 2024

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 71-4, 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.

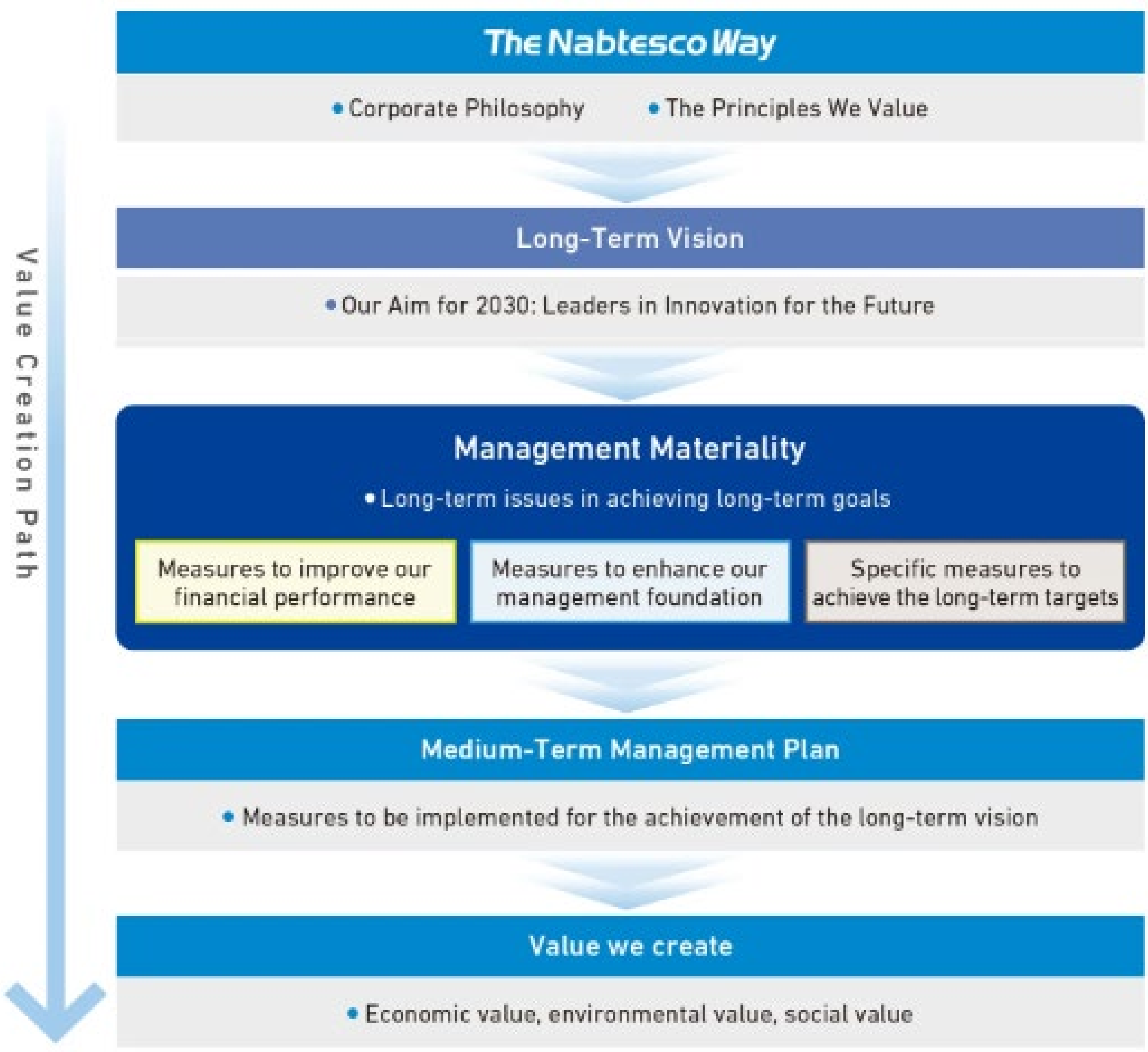
(Translation)
This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

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"t 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＞



(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.

(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 management materiality as the most important management issue. To create long-term value, we are continuously and appropriately adjusting our management materiality in response to changes in the business and societal requirements. Accordingly, we strive to steadily take action on each item to further enhance our management foundation as we pursue the sustainable growth of both society and our group.

Please refer 2 【Policies and Measures for Sustainability Management】(1) Response to overall sustainability for dital.

(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 new medium-term management plan (hereinafter “MTMP) for the three years from fiscal 2025.

【Basic policy of New 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 : 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 CO2 emissions by 50% in 2027
(Baseline year: fiscal 2015/aligned with the SBT 1.5-degree Celsius target)

Our result of previous MTMP (from FY2022 to 2024) was as follows

	FY2022 (Result)	FY2023 (Result)	FY2024 (Result)	FY2024 (Target)
ROIC	4.6%	4.2%	3.4%	10% or over
Dividend payout ratio	98.9%	66.0%	95.0%	35% over
Reduction in CO_2 emissions (Scope1+2、Baseline year: fiscal 2015)	-14.2%	-20.8%	-28.4%	-25%

(NOTES) Figures for FY2024 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】

The Group identified the priority issues to be addressed for management as "Management Materiality," which is a part of Nabtesco's value creation path, we will bring innovation and improve economic value, environmental value and societal value in the long-term, in pursuit of management that sustainably develops both society and our group.

To promote value creation in the long term, we deem it important to "dynamically" change its management materiality according to changes in the business and management environments. We will regularly review our management materiality so as to respond to such changes in a nimble manner. We will steadily take action concerning each management materiality item to further enhance our management foundation.

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."

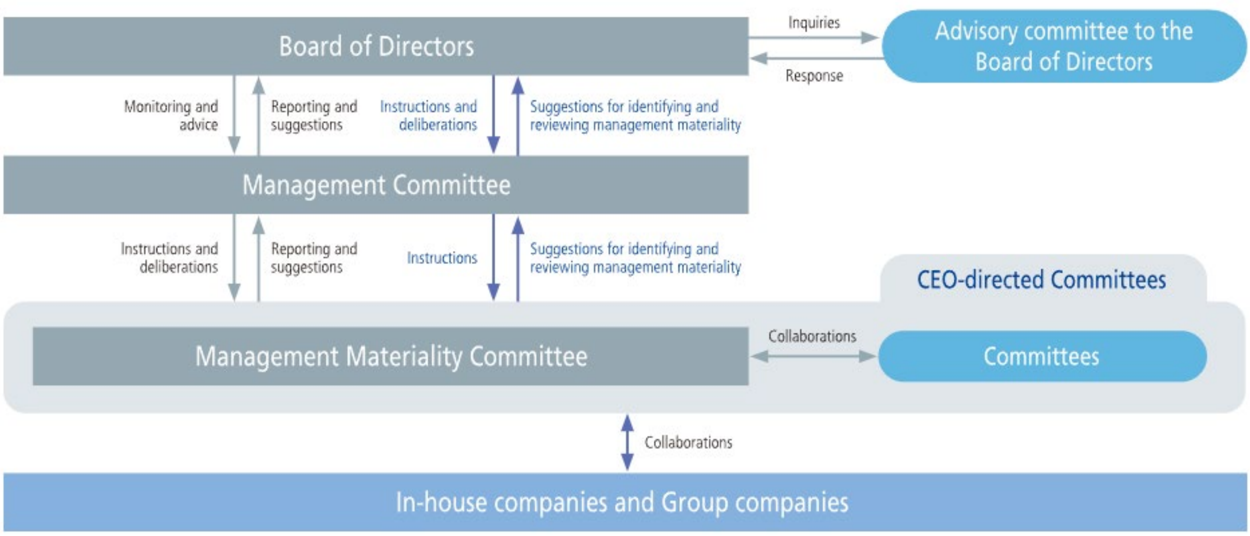
(1) Response to overall sustainability

① Governance

To enhance our sustainability governance, our group dissolved our previous CSR Committee in 2023 to pave the way for its existence as the newly established CEO-directed Management Materiality Committee.

Collaborating with other CEO-directed committees, the Committee oversees the setting of goals and KPIs for each management materiality item, along with their progress and management. The activities are deliberated and determined at the Management Committee and reported to the Board of Directors' meeting to enhance the effectiveness of group-wide sustainability governance.

＜Structure to promote sustainability governance (As of January 1, 2025)＞



(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 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 keep providing 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.

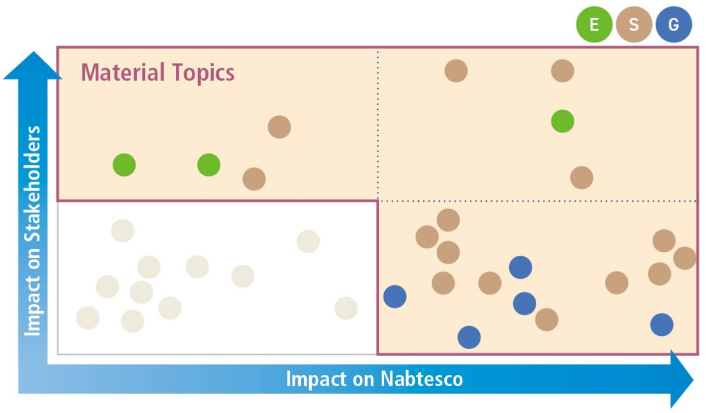
(Identification process)

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 keywords.



STEP3 : Identification of materiality

・Opinions are exchanged with external experts.

・Materiality is identified after obtaining approval from the Board of Directors, following discussions in the Management Materiality Committee and the Management Committee.

STEP4 : Goal setting and monitoring

・Goals and action plans are set based on the priority level of the management materiality item.

・The status of efforts on the goals and action plans are continually monitored.

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.

(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.

In 2024, we re-evaluated the validity and significance of our recognition of issues and changed materiality items to incorporate the aspects of "Improve profitability and clarify innovation areas as required by the new Medium-Term Management Plan" and "Double materiality, a key societal requirement."

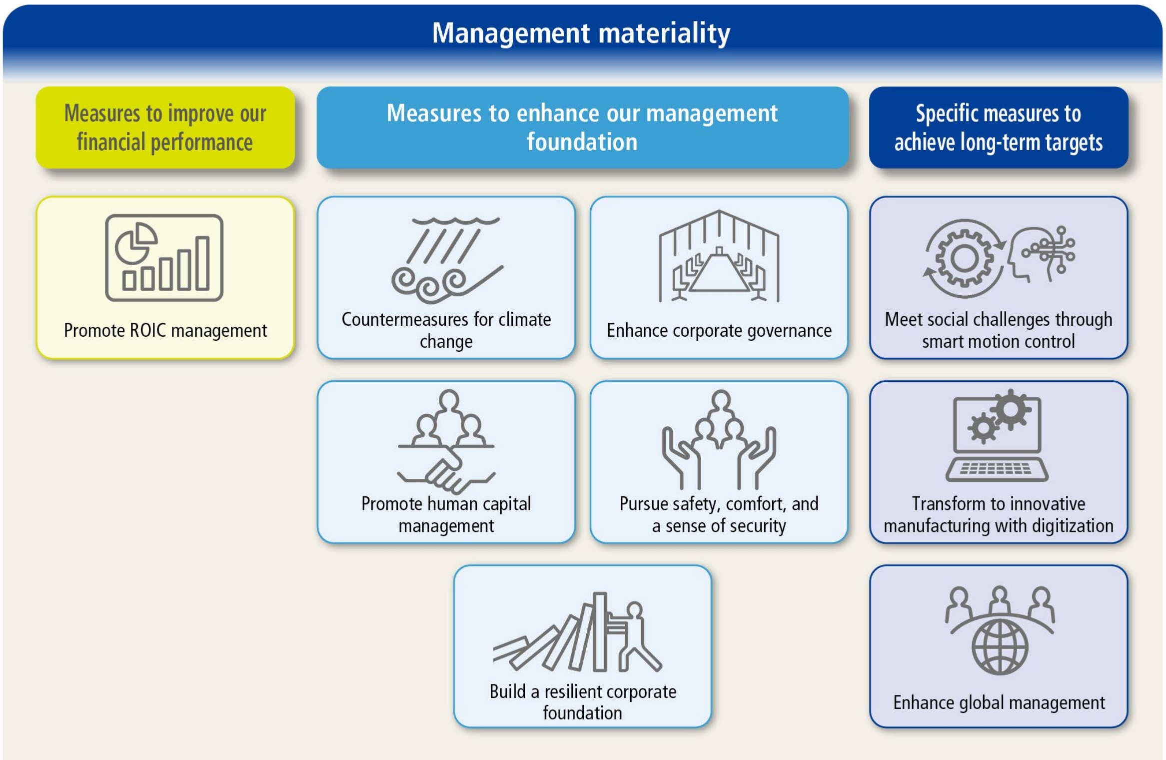
[Measures to improve our financial performance]
Given that the new Medium-Term Management Plan further promotes optimization of portfolio balance and ROIC improvement, this item has been integrated into "Promote ROIC management"

[Measures to enhance our management foundation]
This has been reorganized 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 new medium-term management plan more clearly, this has been revised to the following: "Meet social challenges through smart motion control," "Transform to innovative manufacturing with digital tranformation ," 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

■Basic Approach to Risk Management

With the aim of maintaining and enhancing corporate value, the Group manages risk by appropriately identifying various risks associated with our business activities and mitigating the damages and losses through appropriate crisis management if any risks materialize.

1) We manage risk while paying attention to trends in financial conditions and business environments.
2) We manage risk in accordance with the relevant laws and regulations and from the perspective of Nabtesco Group's social responsibilities, while also striving to disclose information promptly to minimize the impact and losses attributable to incidents that have occurred.
3) We validate concrete risk management processes after the occurrence of incidents and strive to prevent their recurrence.

■Risk Management Basic Policy

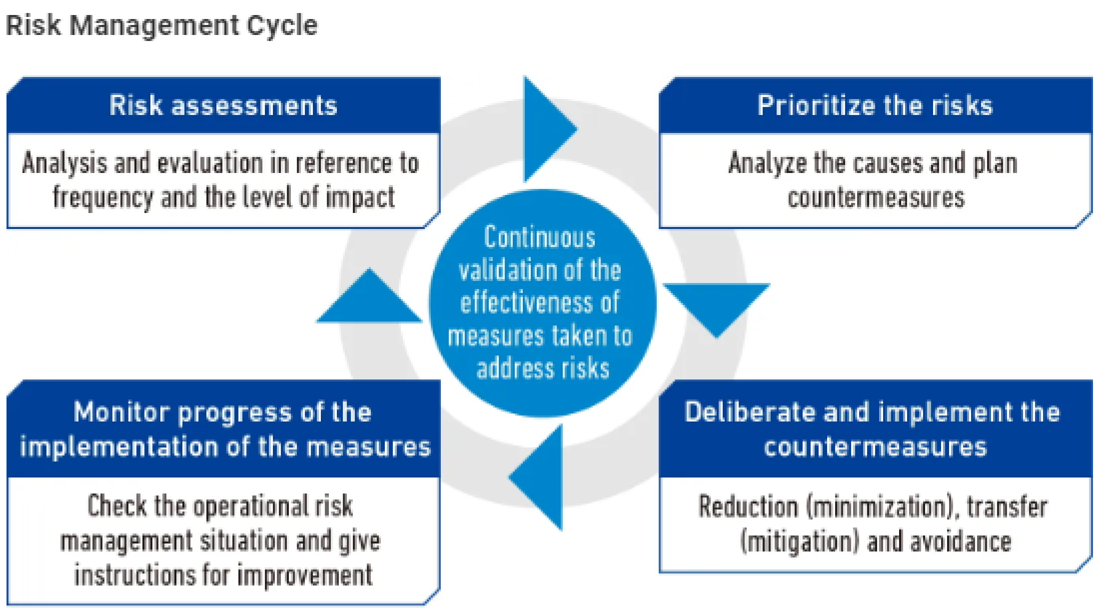
We have systems in place to ensure that profits, losses, asset efficiency, quality and disasters, among other matters, are reported to the Board of Directors properly and in a timely manner with respect to the execution of duties. By leveraging these systems, we strive for the early identification of 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. In addition, the Chairperson of the Risk Management Committee (Managing Executive Officer) consults and coordinates with the members of the Management Materiality Committee, Quality & PL Committee and Environment, and Safety and Health Committee, as required, and provides reports at management meetings such as Executive Officers Committee attended by CEO and Board of Directors meetings regarding the risk management initiatives periodically (approximately twice a year).

■Risk Management Methods

・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)



■Serious Risks and Countermeasures

Every year, the Company assess the risks faced by the entire Group in Japan and in other countries to identify serious risks. Then, for the identified serious risks, each department in charge of risk formulates and implements countermeasures based on their expertise. The following are some of the serious risks that have been identified and the measures taken to address them.

※Other serious risks are described on "3. Business Risks."

Serious risk		Risk priority *1	Freq. *2	Impact *3	Effects on the Group	Risk tolerance *4	Measures
Overseas business development	Geopolitical risks	★	C	C	・Delay or suspension of procurement, business and service activities	Medium to high	・Collection of information in the local area ・Distribution of suppliers ・Enhancement of the effectiveness of BCP
Environment	Climate change	★	C	B	・Increase in costs caused by carbon tax regulations, etc. ・Physical damage caused by torrential rains, etc. ・Increasing customer requests for the reduction of GHG emissions	Low to medium	・Set long-term goals for SBT certification ・Utilize renewable energy ・Implement environmental education ・Awareness raising activities regarding climate change risks for suppliers
Work-related accident	Occupational health and safety risk	★★	A	C	・Suspension of business and service activities	Low	・We have established a safety and health management framework in each office and allocated a manager of safety and health as well as a person in charge of safety management ・Periodic health examinations are conducted twice a year ・Industrial doctors visit the workplace
Product quality	Quality risk	★★	C	B	・Increase in costs due to loss and damage compensation, etc. ・Lower brand value	Low	・Establish management rules ・Obtain quality management system certification at production sites ・Implement training

*1 Risk priority: Risks are prioritized based on the following criteria.

★★★ : Measures need to be implemented promptly.

★★ : Measures need to be implemented as appropriate.

★ : Measures need to be implemented on a continual basis.

*2 Occurrence frequency: A (extremely high), B (high), C (medium), D (low), E (almost never occurs)

*3 Degree of impact: A (extreme), B (large), C (medium), D (small)

*4 Risk tolerance: The identified risks are categorized into the following risk tolerance levels.

Low: Should not be tolerated.

Medium: Should be tolerated as necessary, in consideration of the benefits and merits.

High: Should be tolerated proactively for the creation of opportunities, while implementing countermeasures as necessary.

■Emerging Risks

For “emerging risks” caused by changes in the external environment and other factors, we conduct regular reviews to check and manage their impact on our business

Emerging risks	Risks related to securing human resources (Risk of shortage of human resources in the manufacturing industry due to population decline)	Risks related to information security (Cyber attack risk)
Description of risks	The Group has identified the shortage of human resources in the machinery manufacturing industry due to Japan's declining and aging population as an emerging risk. The Group maintains a high market share in niche machine parts and components by hiring and training a wide range of talented individuals in manufacturing, development, sales, and other specialized fields. The manufacture of Nabtesco's machine parts requires a high level of expertise in turning, machining, and assembly, and it takes time to become established and skilled in the field. These are the main factors that are increasing the risk of difficulties in securing and training sufficient human resources, most notably a young workforce.	Through its business activities, the Group may obtain the personal information and/or confidential information of its customers and business partners, and also possesses confidential business and technical information. However cyber-attacks against companies and public institutions are becoming more sophisticated worldwide, and we are required to respond to higher level of risk by strengthening our defense system and information leakage protection.
Potential impacts on business	The human resource shortage in Japan is directly related to the shortage of personnel at our mother factories in Japan as well as the shortage of specialists to continue to develop our special technologies and inspect our products. From a medium- to long-term perspective, this could reduce productivity and the pace of technological innovation, leading to a decline in competitiveness, which could affect the Group's performance and financial position.	There is a risk that cyber-attacks, which are complex and spreading worldwide, may result in the leakage of the above information, destruction or falsification of important data, or shutdown of systems and other equipment. In addition, the Group produces products used in public infrastructure and by public institutions, such as those in the railroad vehicle equipment business, those in the aviation equipment business, and railroad station platform doors, which may have an impact that compromises public safety. We recognize that this risk may become apparent in the medium to long term if cyber attacks become more common.
Risk reduction measures	The Group actively hires foreign nationals and elderly employees (rehiring after retirement) not only because of the shortage of human resources but also from the perspective of diversity. In addition, we minimize the business impacts of risks by adopting the following two main measures. One is enhancement of our technical training program. All new hires in the engineering field undergo Basic Technical Training for three years. After that, they are assigned to divisions to learn more about specialized technologies as well as company-wide cross-functional technologies, which leads to innovation. The other is to promote the introduction of process innovation, which is a way to reduce labor by automating factory production lines through the use of AI. In addition, we aim to stabilize quality by automating product inspections and visual inspections by having AI memorize the work content, check items, and judgment criteria of skilled workers, and by layering in machine learning, regardless of who is doing the work.	To minimize the impacts of cyber attack risks, Nabtesco has taken the following measures. 1) Information security incident response We have established standards for responding to information security incidents and have a dedicated incident response team (CSIRT). This CSIRT works both to prevent the spread of damage caused by incidents and to quickly restore operations. We also conduct incident response verifications at least twice a year. 2) Maintenance of various basic management regulations The Nabtesco Group has established and manages various regulations, including the Basic Rules for Information Management, the Information Security Management Standards, and the Information Security Incident Response Standards. 3) Information security education To raise awareness of information security, we conduct annual Information Security Training for all employees. In addition, new employees and mid-career hires are required to take information security training upon joining the company. The training content is updated annually to reflect the latest trends in information security in a timely manner.

④ Indicators and Targets

The targets, indicators, key activity results in FY2024 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 items having a major impact on financial issues

ESG Category	Management Materiality items	Desirable Direction/Major Actions	Targets for FY2024 (Extracts)	Achievements in FY2024(Extracts)
Environment (E)	Countermeasures for Climate Change	・Achieve medium-to long-term CO_2 emissions reduction targets	・Reduce CO_2 emissions by 25% relative to 2015 in line with the MTMP target ・Launch environment-friendly leading-edge plants (the Hamamatsu and Tarui Plants)	・Reduced CO2 emissions by 28.4% relative to 2015 in line with the MTMP target*2 ・Launched operations of environment-friendly leading-edge plants (the Hamamatsu and Tarui Plants)
Society (S)	Deliver Solutions for Social Challenges Through Business	・Promote environment-and safety- conscious design and development ・Create new businesses and products that contribute to the social challenges	・Foster the use of the intrapreneurship program (Phase II) and the in-house company innovation system ・Promote the intrapreneurship activities of the venture units ・Create new businesses and products that contribute to the social challenges	・Implemented the intrapreneurship program (Phase II) and promoted the launch of projects that were approved in Phase I ・Continued fostering the use of the in-house company innovation system ・Obtained Innovation Endorsement certification for the vessel condition monitoring system "Cassandra"
	Build a Resilient Supply Chain	・Deal with supply risks posed by suppliers ・Help suppliers solve ESG issues ・Support suppliers in BCP	・Promote sustainability audits ・Foster sustainability awareness-raising activities ・Support the acquisition of resilience certification	・Conducted sustainability audits of accumulative total of 117 companies to identify ESG risks faced by suppliers, propose remedial measures, and promote corrective actions ・Supported accumulative total of 60 companies in the acquisition of resilience certification, with accumulative total of 41 companies acquiring resilience certification by the end of 2024
Governance (G)	Increase the Effectiveness of Our Management Entities	・Build a diversity-based management system ・Enhance discussions on medium- to long-term strategies at Board of Directors' meetings.	・Increase the management efficiency of the Board of Directors ・Foster the deliberation of important issues (global strategies, technological strategies and others)	・Expanded opportunities for information gathering to enhance external directors' understanding of the Company ・Deliberated on key issues at the Board of Directors' meetings (global strategies, MTMP and others)

(NOTES) Figures for Fiscal Year 2024 out of the above CO_2 emissions reductions are based on the totals as of the filing date.

(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.

■ESG items that drive sustainability power

ESG Category	Management Materiality items	Desirable Direction/Major Actions	Targets for FY2024 (Extracts)	Achievements in FY2024(Extracts)
Environment(E)	Foster Environmental Management	・Efficient use of raw materials and waste reduction ・Conserve biodiversity	・Waste/ Water/ Chemical substance management: Lowered than the previous year per sales unit ・Extend the impact assessment survey for biodiversity to the value chain	・Waste/Water: Lowered than the previous year per sales unit ・Chemical substance: Failed to achieve the target of being lower than the previous year per sales unit ・Extended the impact assessment survey for biodiversity to the value chain
Society(S)	Pursue Safety, Comfort and a Sense of Security	・Advance quality and safety management	・Achieve the product safety-related targets ・Promote functional safety measures	・Product safety-related targets -Targeted rate for the achievement of the plans to conduct product safety reviews: Result 100% -Targeted rate for the achievement of the plans to educate employees for product safety: Result 100% ・Provided support for obtaining functional safety standards
			・Establish and put into practice the Group-wide safety standards ・Implement the Safety Model Workplace Improvement Program (at 8 sites in Japan and 5 sites outside Japan)	・Conducted initial implementation of Group-wide safety standards ・Implemented the Safety Model Workplace Improvement Program and conducted a reporting session
	Enhance Human Capital Management	・Shift to business focused management of human resources ・Promote diversity & inclusion/ Advance the management of human rights ・Improve employee engagement	・Revise the personnel system for general employees, and put the personnel system for managers into practice and get it well-established ・Enhance the implementation of measures, monitoring of KPIs and indicators, and disclosure of information about human capital ・Implement activities to promote The Nabtesco Way ・Set and work to achieve priorities for health management ・Introduce "one-on-one" meetings across the entire Group and make use of the talent management system	・Revised the personnel system for general employees and put the personnel system for managers into practice to ensure that it was well-established ・Executed initiatives to fulfill the human resources portfolio (DX, women, global, and seniors) ・Planned and executed various initiatives based on key priority items for human capital KPIs ・Implemented activities to promote The Nabtesco Way ・Introduced "one-on-one" meetings across the entire Group and held engagement workshops ・Certified as a "Health & Productivity Management Outstanding Organization (Certified KIH Outstanding Organization)"
	Promote Engagement with Local Community	・Promote community investment	・Promote community investment in the areas of the environment, education and welfare	・The company newly sponsored an organization (sponsorship activities for the Japan Inclusive Football Federation and others)
Governance(G)	Ensure Management Transparency	・Enhance corporate governance ・Ensure risk management and compliance ・Proactively engage in dialogue with stakeholders	・Revise the system for regulation of responsibilities and authority to speed up decision-making ・Provide education to ensure compliance with anti-monopoly laws in Europe and appropriately respond to the EU directive on the protection of whistle-blowers ・Enhance the disclosure of non-financial information	・Currently reviewing further delegation of authority ・Provided education to ensure compliance with anti-monopoly laws in Europe and appropriately responded to the EU directive on the protection of whistle-blowers ・Enhanced the disclosure of non-financial information in the securities report and issued an integrated report

Our Group has been reviewing its management materiality since FY2025. The latest activity goals are as follows:

ESG Category	Management Materiality items	Desirable Direction/Major Actions	Targets 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
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
	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
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 ・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

(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 measurers.

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 director in charge of production innovation serves as supervisor and the director 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 2023, we achieved a cumulative reduction of 28.4%, 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 FY2023, 72% of our main suppliers have set voluntary targets to reduce their greenhouse gas emissions and begun to take initiatives to achieve these targets. We will provide support so that all of our main suppliers set voluntary reduction targets by 2025.

＜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)

	FY2020	FY2021	FY2022	FY2023	FY2024
Direct emissions (Scope 1)	4,491	4,061	3,893	4,929	4,202
Indirect emissions through the use of electricity and others (Scope 2)	48,073	41,021	43,140	38,495	35,060

(NOTES)1 Figures for FY2024 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) FY2023 Results (NOTE)1, 2＞

Category		Emissions (t-CO_2)	Rate (%)	Remarks
1	Purchased goods and services	856,494	79.68%	
2	Capital goods	30,922	2.88%	
3	Fuel- and energy-related activities	6,445	0.60%	
4	Upstream transportation and distribution	154,878	14.41%	
5	Waste generated in operations	1,101	0.10%	
6	Business travel	5,442	0.51%	
7	Employee commuting	1,695	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	170,061	1.58%	
12	End-of life treatment of sold products	924	0.09%	
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		1,074,907	100%	

(NOTES) 1 As the results for FY2024 are being compiled, information on the results for FY2023 is presented.
2 The Scope 3 calculations for FY2023 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
:Targeted period: January 1 to December 31, 2023

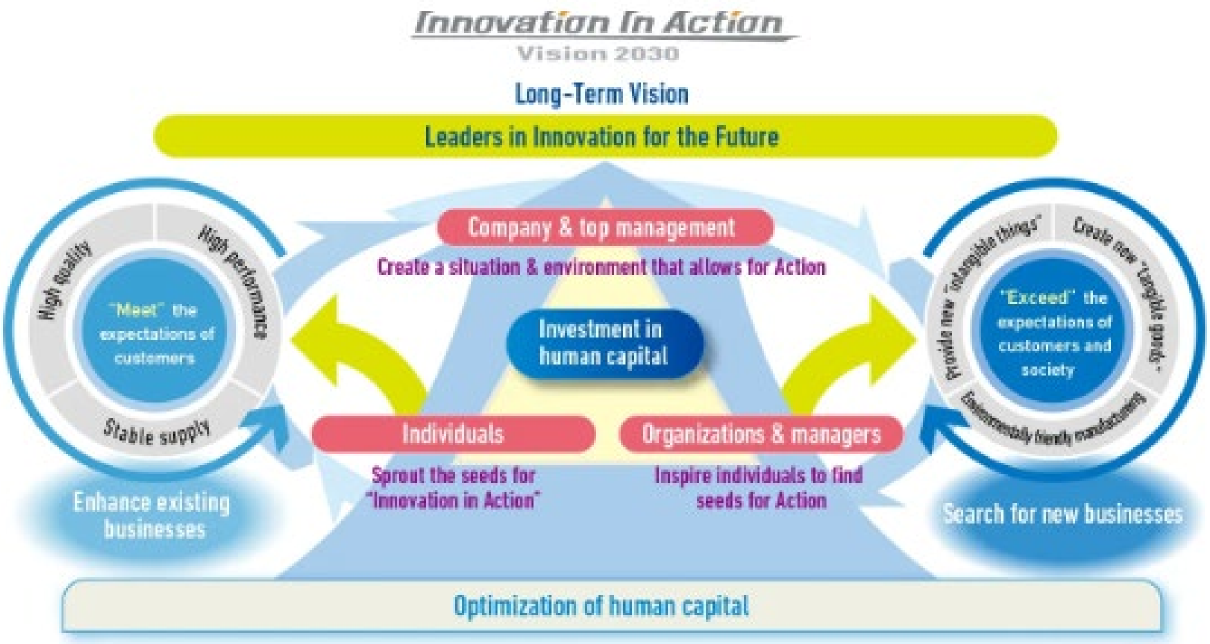
(3) Enhance Human Capital Management

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

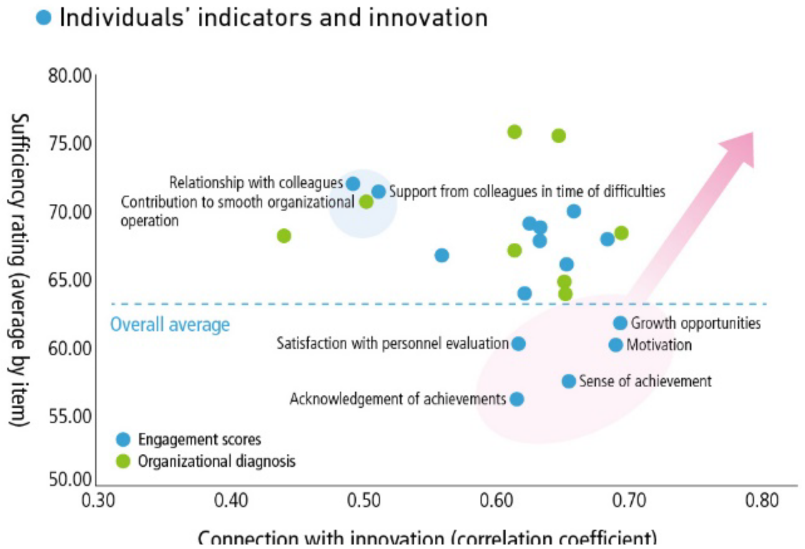
The group regularly conducts an employee engagement & organizational diagnosis survey to grasp employees' subjective ideas based on their Engagement Scores (ES) and clarify the present situation from the viewpoint of individuals and organizational culture.

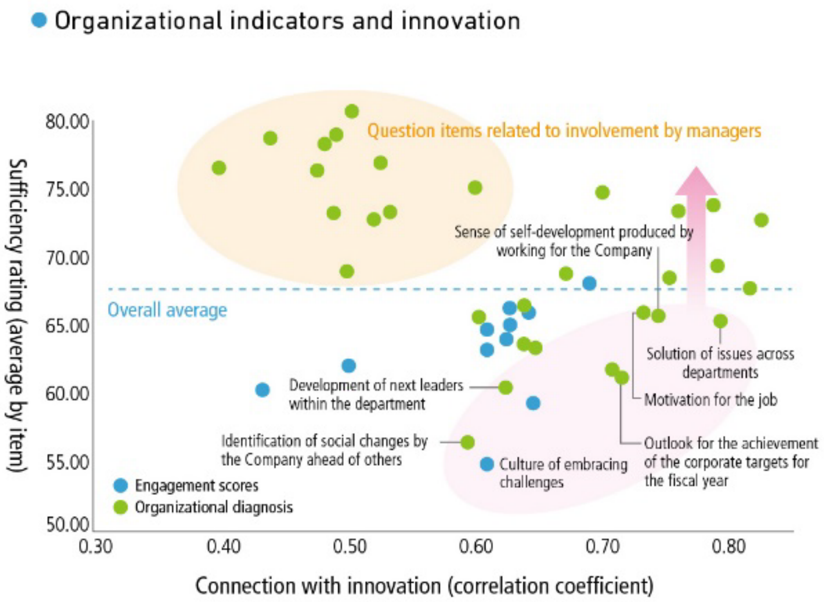
When designing the questionnaire for organizational diagnosis, we first set "innovation items" that are thought to be highly related to challenges, co-creation, learning and creativity—elements that help foster innovation.

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.





(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.

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.

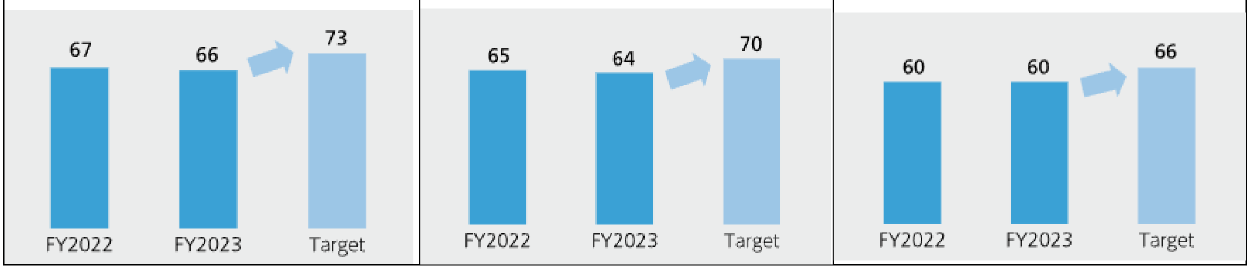
The linkage index is an indicator designed to enhance support for individual employees through the establishment and improvement of the personnel assignment, education and evaluation systems and new business creation systems toward encouraging employees to take actions to “meet” and “exceed” our customers’ 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＞

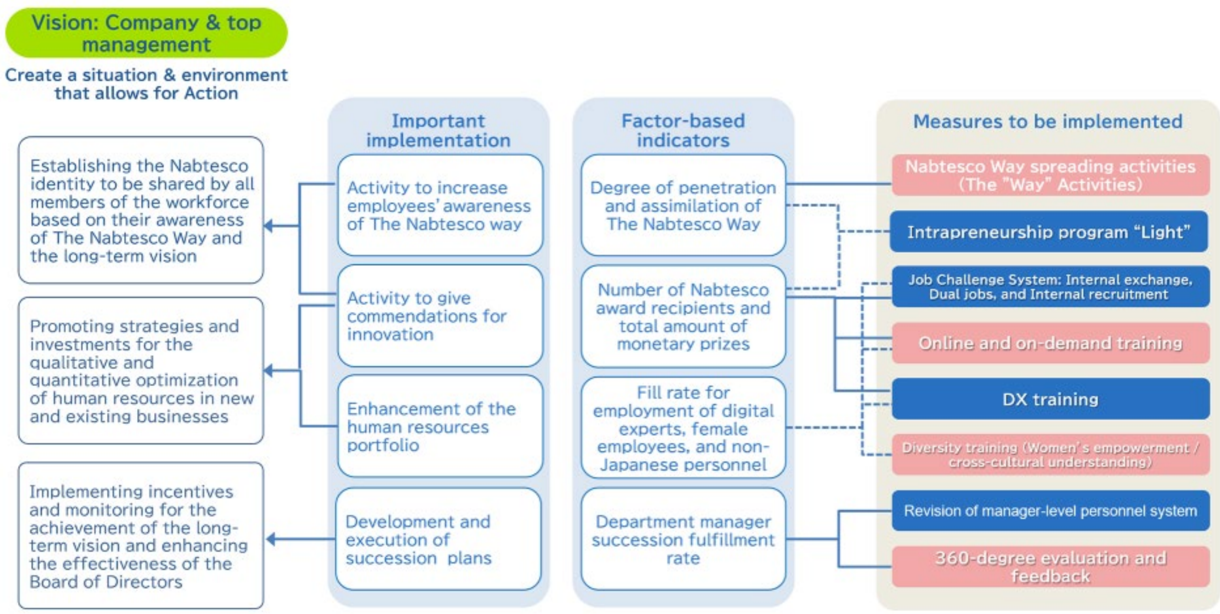
[Company & top management] Innovation index	[Organizations & managers] Linkage index	[Individuals] Engagement index



(NOTES) 1. As the results for FY2024 are being compiled, information on the results for FY2023 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

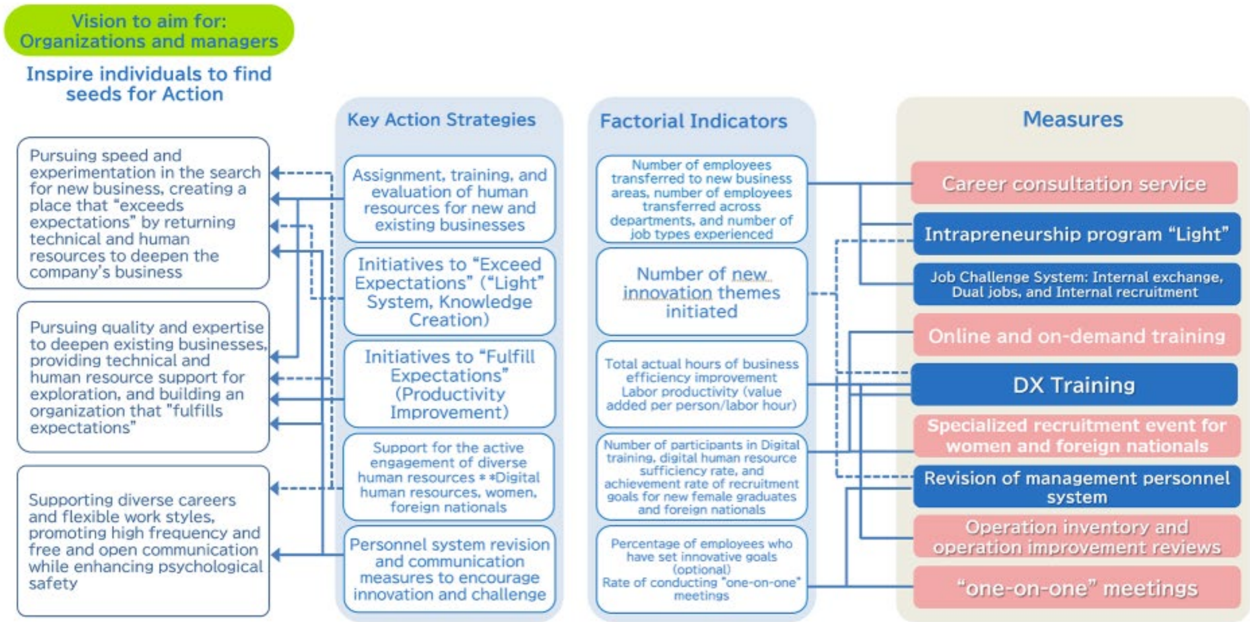
Systematic measures to improve the Innovation Index



(Translation)
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.

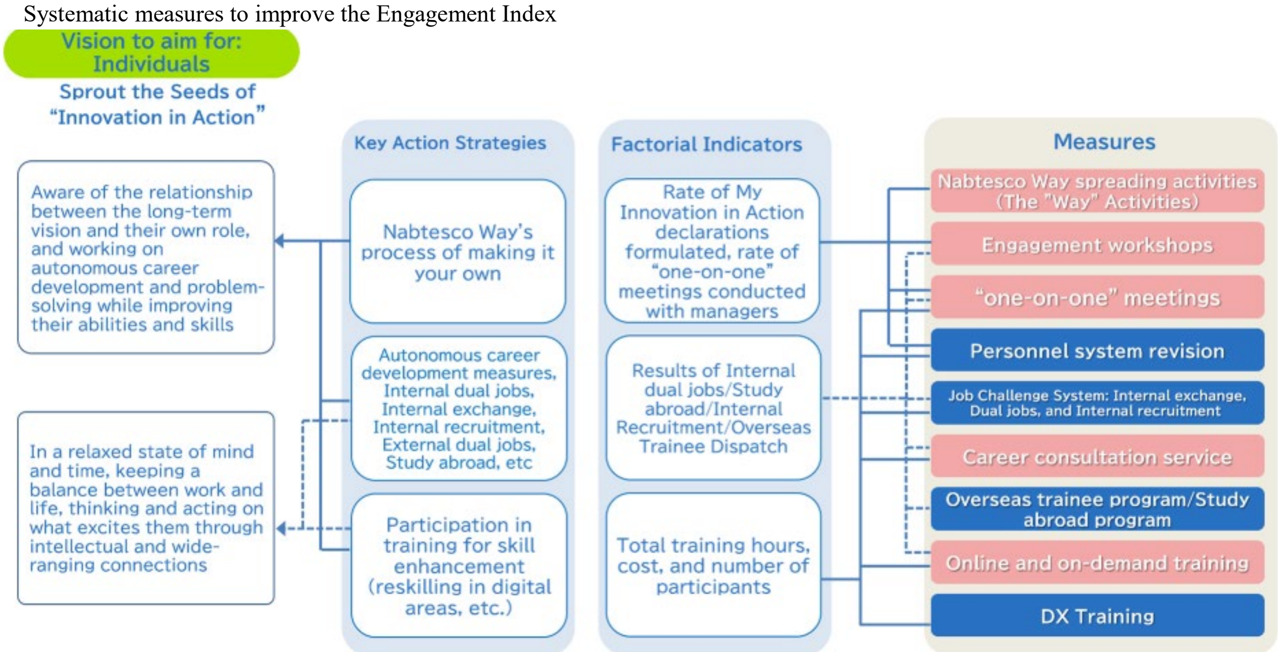
[Organizations & managers] Linkage index

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.

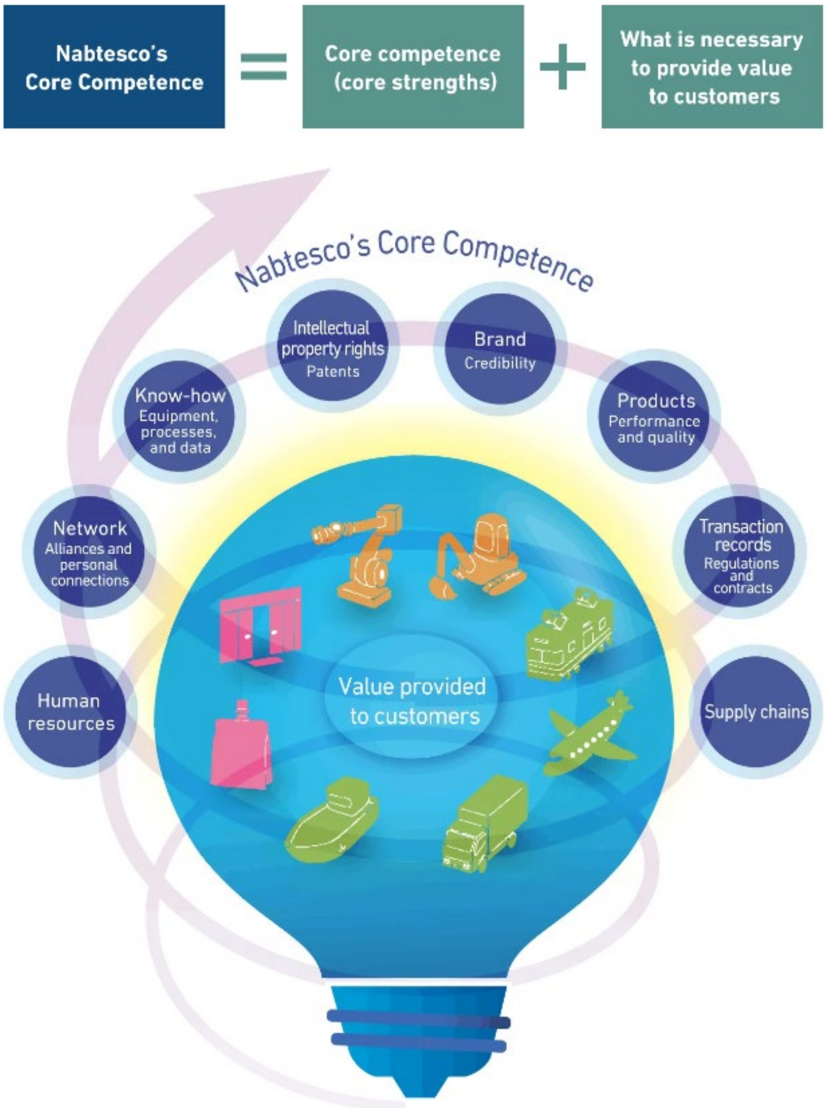
Nabtesco's Core Competence entails not only so-called core competence (core strengths) but also the technologies, etc. necessary to provide value to customers, even those owned by competitors.

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

We have the Group Intellectual Property Strategy Committee comprising Nabtesco's CEO and executives, which meets once a year to discuss and deliberate on the basic policies for group wide intellectual property strategies. In line with the policies set by the Committee, the Company Intellectual Property Strategy Committee, which is established by each of the in-house companies and Group companies, meets twice a year to discuss and deliberate on the company's own intellectual property strategies. This Committee is composed of the in-house/Group company's executives, including the in-house company president, who serves as chairperson of the Committee. Moreover, we have the Nabtesco Intellectual Property Strategy Subcommittee, which meets also twice a year to share information about the activities of the Company Intellectual Property Strategy Committees and intellectual property related issues faced commonly by the in-house and Group companies. This Subcommittee is composed of the heads of the administrative departments and representatives of the in-house and Group companies and is chaired by the head of the Technology and R&D Division. What the Subcommittee discussed at its meetings is reported to the Group Intellectual Property Strategy Committee in the form of a proposal about the strategies to be deliberated by the Committee, and the deliberation results are referred to when the Committee sets the basic policies on group wide intellectual property strategies for the next year. As described above, the activities of the Group Intellectual Property Strategy Committee, the Company Intellectual Strategy Committees and the Nabtesco Intellectual Property Strategy Subcommittee are organically linked for the spiral development of their activities.

Moreover, since 2022, the basic policies on group wide intellectual property strategies have been annually reported to and checked by the Board of Directors. As for the intellectual property strategies for individual businesses, reports are made to and the details are checked by the Board of Directors as necessary.

Since 2024, we have integrated our intellectual property and technology strategies and conducted a partial review of our councils to discuss and deliberate on the entire company roadmap. In 2025, we plan to review the meetings to discuss not only the internal company level but also the Group level, integrating intellectual property and technology strategies.

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.

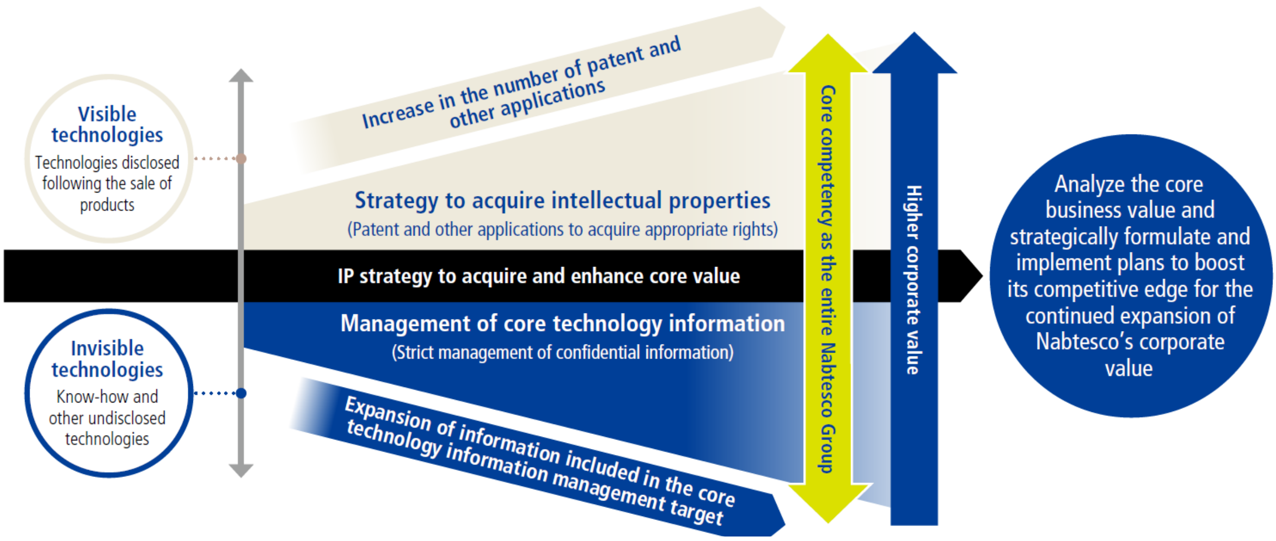
Based on the analysis results, we search for new business themes and new market/customer needs, verify our development themes, and also search for open innovation partners in our effort to set our future business policies and promote discussion across internal organizations, such as in-house companies,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

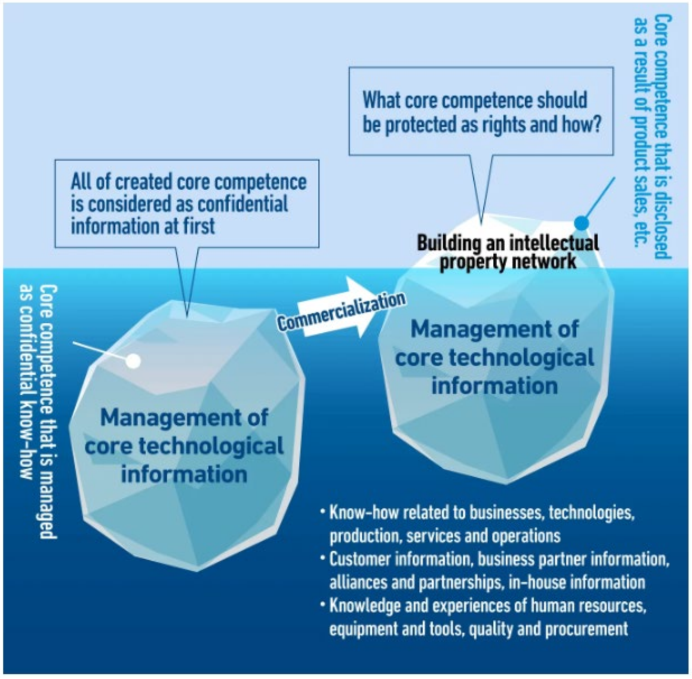
The Nabtesco Group identifies its core value as a source of competitiveness. The Group's core value includes the unwavering trust of customers, brand perception established in the marketplace and technological as well as design/manufacturing ideas and know-how related to products and services provided. 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 2024, we have built the intellectual property portfolio comprising a number of patents, utility models, and designs (including those under application) (approx. 2,400 cases in Japan, approx. 1,600 cases in Asia, approx. 1,150 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 160 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 360 infringement warnings since 2018.

④ Indicators and Goals

■Adding Intellectual Property Creation to the Criteria for Performance Evaluation

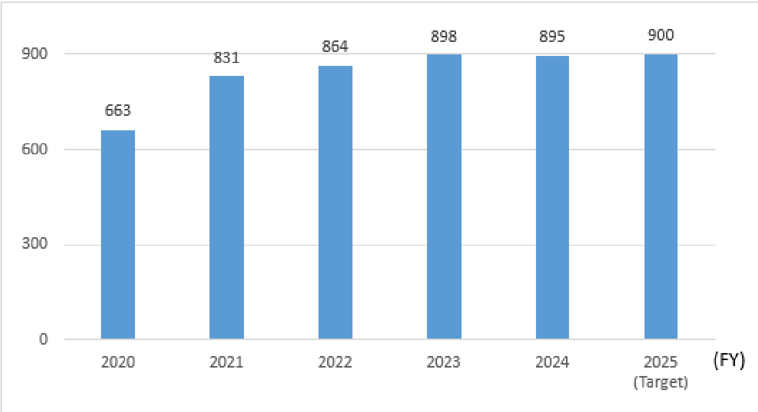
Since 2017, we have systematized the Intellectual Property Strategy activities to acquire and reinforce our core competence (intellectual properties and intangible assets) by adding Intellectual Property Creation to the criteria for evaluating the performance of in-house companies and Group companies. 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 234 engineers have been awarded until 2024), to honor their achievements at a ceremony for the corporate foundation anniversary.

As a result of these activities, the number of notifications on intellectual property creation related to inventions, designs and know-how has seen consistent growth, as indicated by the following chart:

Because the number of notifications on intellectual property creation through past efforts, the company will set different actions and targets to improve not only quantitiy but also quality.

＜Number of notifications on intellectual property creation＞



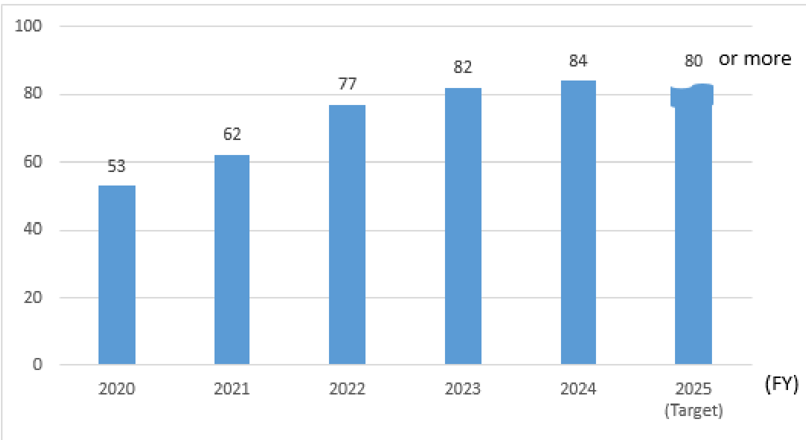
■Measures to Promote Innovation through Intellectual Exploration

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.

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)＞



3 【Business and Other 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.

(1) Risks relevant to the economy and markets

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

(2) Risks relevant to overseas operations

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

(3) Risks relevant to large-scale disasters

With the aim of minimizing damage and loss arising from disasters such as earthquakes, typhoons, floods and pandemics, terrorism, war, and other social disruptions, the Group has implemented the formulation of a business continuity plan, establishment of personnel crisis response rules along with the establishment of an emergency contact system, and has also conducted drills. However, the occurrence of human and material damage, stagnation in material procurement, and disruption of logistics networks due to such disasters may affect the Group's business performance and financial position. Furthermore, there is no guarantee that damage caused by these disasters will be fully covered by property and/or other insurance.

(4) Risks relevant to exchange rate fluctuations

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

(5) Risks relevant to procurement

The Group ensures stable procurement by purchasing raw materials and components from multiple sources. However, if the prices of raw materials surge, or the supply of certain components becomes disrupted and alternate suppliers cannot be found, the Group’s business performance and financial position may be affected by lower profit margins on products or by opportunity loss.

(6) Risks relevant to product quality

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

(7) Risks relevant to competition

The Group has a wide lineup of products with high market shares in the domestic and overseas markets and develop cost competitive differentiated products that meet the needs of our customer. If the market shares 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.

(8) 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. The Group implements the enhancement of control systems and employee education for the management of such information, and takes appropriate security measures, including both the hardware and software of information systems. However, 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., the Group's credibility could suffer or its business performance and financial position could be adversely impacted.

(9) Risks relevant to intellectual property

The Group protects internally developed technologies under intellectual property rights, including patents, and holds such intellectual property rights under strict management, while paying close attention not to infringe the intellectual property rights of third parties. If, however, a third party infringes the intellectual property rights of the Group, or the Group faces any infringement alleged by a third party, the Group's business performance and financial position could be adversely affected.

(10) Risks relevant to laws, ordinances and regulations

The Group operates its businesses globally, and is subject to the laws and regulations of the relevant countries and regions. In addition to thorough compliance with laws and regulations relating to its businesses, the Company has established a Code of Corporate Ethics of an even higher standard to reinforce its compliance system. Despite these intense efforts, however, it is impossible to completely eliminate risks concerning compliance, including individual illegal acts. In case of a material violation against laws and regulations, the Group's business performance and financial position could be adversely affected.

(11) Risks relevant to environment

Recognizing the impacts of business activities on the global environment, the Group exerts efforts to improve energy efficiency, save resources, reduce hazardous substances and raise recycling efficiency in planning, developing, and designing its products. Furthermore, in manufacturing, selling, and distributing products, and providing services, the Group strives to cut down environmental burdens by positively introducing and applying advanced environmental technologies in pursuit of the reduction of CO2 emissions, effective use of resources, and challenges to zero emission. However, in the case of environmental pollution caused by the Group's business activities, the Group's business performance and financial position could be adversely affected due to decontamination costs and compensation for damage, etc. and the loss of credibility.

(12) Risks 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. During the consideration phase of a company acquisition, the Company conducts due diligence on the target company and verifies the operations of the target company after the acquisition. However, if the effects that were expected at the time of the acquisition cannot be gained in the future, the Group's business performance and financial position may be affected. .

(13) Risks relevant to impairment of non-current assets

The Group owns non-current assets, goodwill and intangible assets. In the event that profitability drops due to rapid changes in the business environment or other circumstances, and it is deemed that sufficient cash flows cannot be generated, the Group's business performance and financial position may be affected due to the recording of an impairment loss on the relevant assets.

(14) Risks 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.

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

(1) Summary of Business Results and Others

① Operating Results

During the consolidated fiscal year under review, showed favorable demand for automatic door and the effects of exchange rates, as well as strong demand in aircraft equipment and marine vessels equipment. Meanwhile, in precision reduction gears, a global decline in automotive related capital expenditures and demand for construction machinery in hydraulic equipment declined. As a result, the Group’s consolidated net sales came to ¥323,384 million.

Operating income was ¥14,788 million due to the decrease in sales in component solutions business, despite the increase in operating income resulting from the increase in sales in transport solutions and accessibility solutions businesses. Income before taxes was ¥15,747 million and net income attributable to owners of the parent was ¥10,119 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, 2024)	323,384	14,788	15,747	10,119
Previous fiscal year (ended December 31, 2023)	333,631	17,376	25,629	14,554
YoY change (%)	-3.1	-14.9	-38.6	-30.5

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, 2023)	Current consolidated fiscal year (ended December 31, 2024)	YoY change (%)
Component Solutions Business	138,089	110,571	-19.9
Transport Solutions Business	80,787	88,727	9.8
Accessibility Solutions Business	96,275	106,771	10.9
Others	18,480	17,315	-6.3
Total	333,631	323,384	-3.1

[Operating income]

(Million yen)

	Previous fiscal year (ended December 31, 2023)	Current consolidated fiscal year (ended December 31, 2024)	YoY change (%)
Component Solutions Business	10,376	4,523	-56.4
Transport Solutions Business	7,828	12,502	59.7
Accessibility Solutions Business	6,167	9,003	46.0
Others	3,385	1,043	-69.2
Corporate or elimination	-10,380	-12,282	
Total	17,376	14,788	-14.9

② Financial Position

(Million yen)

	End of previous fiscal year (as of December 31, 2023)	End of current fiscal year (as of December 31, 2024)	YoY change
Assets	422,065	445,544	23,479
Liabilities	146,171	158,267	12,096
Equity	275,894	287,278	11,384

(Assets)

Total assets as of December 31, 2024 were ¥445,544 million, an increase of ¥23,479 million from December 31, 2023, consisting of ¥229,083 million in current assets and ¥216,461 million in non-current assets. The main contributing positive factors were an increase of ¥9,737 million in trade receivables, an increase of ¥2,417 million in inventories, an increase of ¥6,814 million in tangible fixed assets, and an increase of ¥3,214 million in right of use assets. The key contributing negative factor was a decrease of ¥3,359 million in cash and cash equivalents.

(Liabilities)

Total liabilities as of December 31, 2024 were ¥158,267 million, an increase of ¥12,096 million from December 31, 2023, reflecting ¥117,111 million in current liabilities and ¥41,156 million in non-current liabilities. The key contributing positive factors were an increase of ¥10,312 million in borrowings, an increase of ¥3,410 million in contractual liabilities, an increase of ¥3,094 million in lease liabilities and an increase of ¥2,695 million in other non-current liabilities. The main contributing negative factors was a decrease of ¥7,362 million in other payables.

(Equity)

Total equity as of December 31, 2024 stood at ¥287,278 million. Equity attributable to owners of the parent was ¥270,093 million, an increase of ¥9,623 million from December 31, 2023. The key contributing positive factors were an increase in net income attributable to owners of the parent of ¥10,119 million and an increase of ¥6,622 million in other capital caused by factors such as exchange differences on foreign operations. Meanwhile, the main contributing negative factor was a decrease of ¥9,651 million in retained earnings due to dividend payment.

As a result of the above, the ratio of equity attributable to owners of the parent was 60.6% and equity attributable to owners of the parent per share was ¥2,248.31.

(2) Cash Flow

(Million yen)

	Previous fiscal year (ended December 31, 2023)	Current consolidated fiscal year (ended December 31, 2024)
Cash flows from operating activities	11,177	26,650
Cash flows from investing activities	-46,295	-28,733
Free cash flow	-35,118	-2,083
Cash flows from financing activities	-13,482	-4,137

Cash and cash equivalents (hereinafter, “cash”) on a consolidated basis as of December 31, 2024 totaled at ¥74,476 million, a decrease of ¥3,359 million from December 31, 2023 as cash gained from operating activities and long term borrowings was mainly appropriated to capital expenditure and dividend payments.

[Cash flows from operating activities]

Net cash generated from operating activities for the fiscal year ended December 31, 2024 totaled ¥26,650 million. The main positive factors included increases in net income, depreciation and amortization. Meanwhile, the main negative factors were an increase in trade receivables and the payment of income taxes.

[Cash flows from investing activities]

Net cash used in investing activities for the fiscal year ended December 31, 2024 amounted to ¥28,733 million. The main factor for decrease was payments for the purchase of property, plant, and equipment.

[Cash flows from financing activities]

Net cash used in financing activities for the fiscal year ended December 31, 2024 under review was ¥4,137 million. The main factor for increase was proceeds from long-term borrowings. The main factor for decrease was 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	111,372	-18.8
Transport Solutions Business	91,572	12.0
Accessibility Solutions Business	107,877	11.8
Others	16,776	-9.6
Total	327,596	-1.9

(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	114,229	1.4	18,760	24.2
Transport Solutions Business	100,845	0.5	91,319	15.3
Accessibility Solutions Business	102,244	0.9	47,326	-8.7
Others	17,751	-3.8	9,506	4.8
Total	335,069	0.7	166,911	7.5

(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	110,571	-19.9
Transport Solutions Business	88,727	9.8
Accessibility Solutions Business	106,771	10.9
Others	17,315	-6.3
Total	323,384	-3.1

(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 4. 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

During the consolidated fiscal year under review, showed favorable demand for automatic door and the effects of exchange rates, as well as strong demand in aircraft equipment and marine vessels equipment. Meanwhile, in precision reduction gears, a global decline in automotive related capital expenditures and demand for construction machinery in hydraulic equipment declined. As a result, the Group's net sales for the fiscal year under review decreased 3.1% from the previous fiscal year to ¥323,384 million.

2) Operating income

Operating income declined 14.9%, to ¥14,788 million due to the decrease in sales in component solutions business, despite the increase in operating income resulting from the increase in sales in transport solutions and accessibility solutions businesses. The ratio of operating income to net sales was 4.6%.

3) Income before tax

Financial income came to ¥1,140 million due to foreign exchange gains, etc. Financial costs were ¥918 million due to the recording of interest expenses and other expenses. Equity in earnings of affiliates was ¥737 million.

As a result, income before tax decreased by 38.6% year-on-year to ¥15,747 million.

4) Net income attributable to owners of the parent

In total, net income attributable to owners of the parent decreased by 30.5% year-on-year to ¥10,119 million, net of income tax expenses of ¥ 4,051 million and net income attributable to non-controlling interests of ¥1,577 million.

Total basic earnings per share decreased by ¥37.00 year-on-year to ¥84.25.

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

(Component solutions business)

Orders received for component solutions increased by 1.4% year-on-year, to ¥114,229 million. Net sales decreased by 19.9% year-on-year, to ¥110,571 million, and operating income decreased by 56.4% year-on-year, to ¥4,523 million.

Sales of precision reduction gears decreased year-on-year due to a slow recovery in EV related capital investment as well as prolonged inventory adjustment of industrial robots.

Sales of hydraulic equipment decreased year-on-year due to continued sluggish demand in the U.S. and European markets, despite an increase in demand for Southeast Asia.

(Transport solutions business)

Orders received for transport solutions increased by 0.5% year-on-year, to ¥100,845 million. Net sales increased by 9.8% year-on-year, to ¥88,727 million, and operating income increased by 59.7% year-on-year, to ¥12,502 million.

Sales of railroad vehicle equipment increased year-on-year due to solid demand for new railroad vehicles in Japan and MRO (Maintenance, Repair, Overhaul) demand in overseas.

Sales of aircraft equipment increased year-on-year due to growth in demand resulting from increased defense-related expenditures and favorable demand for MRO in commercial aircraft.

Sales of commercial vehicle equipment decreased year-on-year due to weak demand from Southeast Asian and domestic markets.

Sales of marine vessel equipment increased year-on-year due to strong demand for new vessels and MRO, as well as a result of consolidation of Deep Sea as a subsidiary.

(Accessibility solutions business)

Orders received for accessibility solutions increased by 0.9% year-on-year, to ¥102,244 million. Net sales increased by 10.9% year-on-year, to ¥106,771 million, and operating income increased by 46.0% year-on-year, to ¥9,003 million.

Sales of the automatic doors business increased year-on-year due to favorable demand of automatic doors for building and platform doors both in domestic and overseas, as well as foreign exchange effects.

(Others)

Orders received for others businesses decreased by 3.8% year-on-year, to ¥17,751 million. Net sales decreased by 6.3% by year-on-year, to ¥17,315 million, and operating income decreased by 69.2% year- on-year to ¥1,043 million.

Sales of packaging machines decreased year-on-year due to the postponement of capital expenditures and the impact of delays in the timing of product deliveries both domestically and overseas, despite the strong performance of MRO.

In the fiscal year under review, the company recorded an impairment loss of ¥656 million on goodwill related to Engilico, a consolidated subsidiary in Europe.

(Corporate or elimination)

During the fiscal year under review, the Company recorded an impairment loss of 976 million yen on non-business related real estate (investment property).

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 new building for precision reduction gears and renewal of building for hydraulic equipment in component solutions segment. Finansing activity include ¥10,000 million of long-term borrowing by Syndicated Loans.

In the FY2025, the Group plans to invest ¥18,000 million of capital expenditures.

The funds required for the Group’s business activities are mainly procure through the use of ou 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 ¥31,884 million yen, an increase of ¥10,312 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 and a consolidated dividend payout ratio of 35% or more as management targets in our medium-term management plan starting in Fiscal Year 2022. The trends in each indicator during the period of the current medium-term management plan are as follows.

	20th fiscal year (FY2022)	21st fiscal year (FY2023)	22nd fiscal year (FY2024)
ROIC(%)	4.6	4.2	3.4
Consolidated dividend payout ratio (%)	98.9	66.0	95.0

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
	United States Woodward HRT, Inc.	Manufacturing and sales contract of Rotary rudder servo actuator, canopy actuator, speed brake actuator, directional control valve and aerial refueling directional valve for F-15 fighter equipment.	July, 2015	Until June 2025
	United States Woodward FST, Inc.	Manufacturing technology and sales contract of fuel injection nozzles for aircraft.	August, 1981	Until June 2025

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

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 regard to R&D investment, we are promoting R&D to create a new motion control "Smart Motion Control" product to realize leaders in innovation in 2030. This product combines hardware and component technologies that have strengths with software technologies such as AI and IoT by focusing on "electrification, systematization/integration and data solutions"

R&Dexpenses for the fiscal year under review were ¥12,051 million.

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-Z series for industrial robots, 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 ¥1,991 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 for railcars for the global market (Launch of brake discs for Europe, energy-saving brake controllers (GB1) with disc brake systems for China, launch of oil-free compressor with improved dust environmental performance, the development of electric actuators for flight control, the launch of vessel speed optimization units “TELEGRAPH AGENT” to reduce crew workload, fuel consumption, the development of “HyperPilot” which collaborate with TELEGRAPH AGENT to output the optimized route and speed plan, the development of vessel attitude and speed control system for realization of unmanned vessels, 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, and the development of emergency driving stop systems for retrofit (EDSS) that contribute to improving the safety of existing buses. Research and development expenses in this segment totaled ¥3,436 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 development 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 launch of new moderl for wheel unit for rollators with a speed control braking system and the others. Research and development expenses in this segment totaled ¥3,629 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, 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 materials for stereolithography system, sand-mold lamination molding equipment, the development of CMFS equipment for overseas-made wind power generation. Research and development expenses in this segment totaled ¥757 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 new business fields, we began joint research with Gifu Pharmaceutical University in FY2024 on hydrogen and ammonia production technology. Research and development expenses related to the Corporate Division are ¥2,238 million.

(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.3 【Status of Facilities】

1. 【Overview of Capital Expenditures】

In our group, we invested primarily in expanding domestic capacity and improving productivity, and in overseas, in upgrading facilities. As a result, capital expenditures for the fiscal year under review totaled ¥20,125 million (investments in property, plant and equipment and intangible assets).

In component solutions business, capital expenditures totaled ¥13,898 million, mainly for the construction of a Hamamatsu Plant building in precision reduction gears, increased production at the Tsu Plant, and rebuilding of the Japanese Plant in hydraulic equipment.

Capital expenditures in transport solutions business amounted to ¥2,591 million, mainly for R&D capital expenditures in marine vessels equipment, and for capital expenditures in railroad vehicle equipment and aircraft equipment.

In accessibility solutions business, capital expenditures totaled ¥2,243 million, mainly for productivity improvements and facility upgrades at automatic door.

In the others segment, capital expenditures totaled ¥405 million, mainly for capital expenditures in upgrade of facilities.

Capital expenditures of ¥988 million were made for companywide and common assets, mainly for updating information management systems.

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, 2024

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	7,171	13,237	1,755 (118,602)	1,935	24,098	596
Land for the Hamamatsu Plant (Hamana-ku, Hamamatsu)	Component Solutions	Factory land for precision reduction gears	15,994	6,192	5,660 (181,700)	10,632	38,478	64
Kobe Plant (Nishi-ku, Kobe)	Transport Solutions	Production facilities for brake systems and other equipment of railroad vehicles	1,626	596	3,431 (27,000)	292	5,945	349
Seishin plant (Nishi-ku, Kobe)	Transport Solutions and Component Solutions	Production facilities for marine vessels equipment, hydraulic equipment and others	1,094	1,072	698 (70,780)	364	3,227	315
Tarui Plant (Tarui-cho, gifu Prefecture)	Component Solutions	Production facilities for hydraulic equipment	3,517	720	29 (43,495)	975	5,241	172
Gifu Plant (Tarui-cho, gifu Prefecture)	Transport Solutions	Production facilities for aircraft equipment	5,024	1,845	541 (81,323)	321	7,731	399
Konan Plant (Higashinada-ku, Kobe)	Accessibility Solutions	Production facilities for automatic doors for buildings and others	475	83	90 (11,018)	260	908	245
Rental real estate (Matsuyama, Ehime)	Common to Head Office	Land for factories, buildings and structures	76	1	735 (58,786)	0	812	—

(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 ¥303 million.

(2) Domestic subsidiaries

As of December 31, 2024

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 m^2)	Right-of-use assets	Others	Total	
Nabtesco Automotive Corporation Yamagata Plant (Murayama City, Yamagata Prefecture) 2 other business sites	Transport Solutions	Production facilities for brake systems and others in automobiles	1,146	498	745 (43,957)	—	685	3,074	253
NABCO SYSTEM CO., LTD. (Chiyoda-ku, Tokyo) 3 other companies	Accessibility Solutions	Head Office and sales facilities	1,953	152	542 (31,311)	3,284	8,780 (NOTE)3	14,711	1,008
NABCO DOOR Ltd. Head Office (Kita-ku, Osaka) 23 other business sites	Accessibility Solutions	Head Office and sales facilities	520	—	1,759 (4,133)	658	80	3,017	438
PACRAFT Co., Ltd. Iwakuni Plant (Iwakuni City, Yamaguchi Prefecture) 6 other business sites	Others	Production facilities for packaging machines	892	234	944 (35,639)	161	133	2,364	306

(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 ¥8,499 million.

(3) Foreign subsidiaries

As of December 31, 2024

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)	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	1,554	1,386	—	309	91	3,341	142
Changzhou Nabtesco Precision Machinery Co., Ltd. Head Office and Plant (Jiangsu Province, China)	Component Solutions	Production facilities for reduction gears	—	1,002	—	—	8	1,010	115
Nabtesco Power Control (Thailand) Co., Ltd. Head Office and Plant (Chonburi, Thailand)	Component Solutions	Production facilities for hydraulic equipment	150	240	515 (47,988)	21	82	1,008	99
Shanghai Nabtesco Hydraulic Co., Ltd. Head Office and Plant (Shanghai, China)	Component Solutions	Production facilities for hydraulic equipment	708	1,431	—	77	169	2,384	256
Gilgen Door Systems AG (Bern, Switzerland) 7 other companies	Accessibility Solutions	Production facilities for automatic doors for buildings and others	995	355	407 (26,271)	3,584	345	5,687	1,356

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

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, 2025 (new construction and expansion) was ¥18,000 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 Business	8,100	Renewal facility in precision reduction gears, renewal of hydraulic equipment plat buildings, etc.	Own funds
Transport Solutions Business	4,200	Investment for development and productivity improvement in Marine vessel equipment, renewal of facility in Railroad vehicle equipment, investment for productivity improvement in Aircraft equipment, new product development in Commercial vehicle equipment, etc.	Own funds
Accessibility Solutions Business	3,600	Productivity improvement in Automatic Doors and renewal of plant building for subisidiaries, etc.	Own funds
Others	500	Renewal of facility and productivity improvement in Packaging machines, etc.	Own funds
Company-wide and common	1,600	Infromation management systems, R&D, environmental 情 measures, etc.	Own funds
Total	18,000	—	—

(2) Disposal of major facilities

With the exception of retirements and sales for recurring equipment renewals, there are no plans for the retirement or sale of significant equipment.

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, 2024	Number of shares outstanding (shares) as of the date of filing (March 27, 2025)	Name of stock exchange listings	Content
Common shares	121,064,099	121,064,099	Tokyo Stock Exchange Prime section	The number of shares per unit is 100 shares.
Total	121,064,099	121,064,099	—	—

(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, 2025 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, 2024)	As of the end of the previous month of the filing date (February 28, 2025)
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, 2024)	As of the end of the previous month of the filing date (February 28, 2025)
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)	54	36
Class of shares for stock options	Common shares	Same as left
Number of shares for stock options	5,400 (Note 1)	3,600(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

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

(5) 【Breakdown of Shareholders】

As of December 31, 2024

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	1	54	36	283	316	70	21,761	22,521	—
Number of shares held (Unit)	10	359,414	48,669	164,839	488,619	228	147,703	1,209,482	115,899
Percentage of number of shares held (%)	0.00	29.72	4.02	13.63	40.40	0.02	12.21	100.00	—

(NOTE) 1 Treasury stock of 422,664 shares is included in "Individuals and others" and 4,226 units and 64 shares are included in "Shares less than one unit."

2 "Financial Institutions" includes 5,172 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 30 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, 2024

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	18,322	15.19
Custody Bank of Japan (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	11,562	9.58
Central Japan Railway Company	1-4, Meieki 1-chome, Nakamura-ku, Nagoya-shi, Aichi, JR central towers	5,171	4.29
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	5,168	4.28
FANUC CORPORATION	3580 Shibokusa, Oshinomura, Minamitsuru-gun, Yamanashi	3,760	3.12
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	3,310	2.74
Harmonic Drive Systems Inc.	25-3, Minami-Oi 6-chome, Shinagawa-ku, Tokyo	3,265	2.71
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, To	2,947	2.44
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing agent) Mizuho Bank, Ltd.	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. 15-1, Konan 2-chome, Minato-ku, Tokyo Shinagawa Intercity Tower A	2,276	1.89
STATE STREET BANK AND TRUST COMPANY 505001 (Standing agent) Mizuho Bank, Ltd.	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS 15-1, Konan 2-chome, Minato-ku, Tokyo Shinagawa Intercity Tower A	1,921	1.59
Total	—	57,701	47.83

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

2 The following corporation submitted a report on the change of 7,767,000 shares by two companies on August 7, 2024. However, as the number of shares beneficially owned in the name of the said corporation cannot be confirmed as of December 31, 2024, it is not included in the above "Status of Major Shareholders."

1) Nomura Securities Co.,Ltd.
2) Nomura Asset Management Co., Ltd.

3 The following corporation submitted a report on the change of 9,001,000 shares by two companies on November 21, 2024. However, as the number of shares beneficially owned in the name of the said corporation cannot be confirmed as of December 31, 2024, it is not included in the above "Status of Major Shareholders."

1) Sumitomo Mitsui Trust Asset Management Co., Ltd.
2) Nikko Asset Management Co., Ltd.,

(7) 【Status of voting rights】

① 【Shares outstanding】

As of December 31, 2024

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 422,600 (Mutually Held Shares) Common shares 15,000	—	— —
Shares with full voting rights (other)	Common shares 120,510,600	1,205,106	—
Shares less than one unit	Common shares 115,899	—	Shares less than one unit (100 shares)
Number of shares outstanding	121,064,099	—	—
Voting rights of all shareholders	—	1,205,106	—

(NOTE) 1 Common shares in the "Shares less than 1 unit" column include 64 shares of treasury stock owned by the Company and 30 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 517,200 shares (5,172 voting rights) of ours owned by the Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the "Stock Benefit Trust (BBT)" plan. The 5,172 voting rights are not exercised.

② 【Treasury stock】

As of December 31, 2024

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	422,600	—	422,600	0.35
(Mutually Held Shares) Kyokko Denki Co., Ltd.	2-4 Aratacho 1-chome, Hyogo-ku, Kobe-shi, Hyogo	15,000	—	15,000	0.01
計	—	437,600	—	437,600	0.36

(NOTE) The above numbers of shares held do not include 517,200 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) (the "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.

517,230 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

2 【Status of acquisition of treasury stock】

【Class of Share】 Acquisition of common shares pursuant to Item 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】

Not applicable.

(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	863	2,180,711
Treasury stock acquired during the period	50	134,453

(NOTE) Shares of less than one unit purchased from March 1, 2025 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	―	―	―	―
Acquired treasury stock transferred in connection with the merger, share exchange, share issuance, and company split	―	―	―	―
Others (Note 2,3)	13,869	62,351,002	1,800	8,085,042
Number of treasury stock held (Note 4)	422,664	―	420,914	―

(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, 2025 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 (13,800 shares, 62,040,798 yen) and the sale based on request for purchase less than one unit (69 shares, 310,204 yen)

3 The breakdown for the current term is due to the disposition by the exercise of stock options.

4. 517,230 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】

Based on the performance of our Group as a whole, we strive to ensure strategic growth investment, financial soundness, balance shareholder returns, and appropriately allocate corporate earnings in consideration of stable dividends.

In addition, as a dividend policy during the period of the Medium-Term Management Plan up to FY2024, we aim to achieve a consolidated dividend payout ratio of 35% or more and to continuously increase the amount of dividends per share without setting a cap.

Based on the above policy, the 22nd Ordinary General Meeting of Shareholders on March 26, 2025 resolved to pay a year-end dividend of 40 yen per share. As a result, the annual dividend, together with the interim dividend (40 yen per share), is set at 80 yen per share.

(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, 2024 Board of Directors	4,826	40
March 26, 2025 Annual Shareholders' Meeting	4,826	40

Regarding shareholder returns during the three-year period of our new medium-term management plan starting from FY2025, our policy is to "stable dividends with a target DOE (dividends on equity attributable to owners of the parent company) of approximately 3.5% and flexible share buybacks." Based on this policy, we will implement a stable dividend policy that is not affected by short-term profit fluctuations due to sudden changes in the environment.

For the next fiscal year, we plan to pay an annual dividend of 80 yen per share (interim dividend of 40 yen and year-end dividend of 40 yen). The Company plans to pay dividends twice a year on the record dates of June 30 and December 31.

The Articles of Incorporation stipulate that we may pay interim dividends as set forth in Paragraph 5 of Article 454 of the Companies Act.

(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 【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.

① 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 15 meetings were held in FY2024. Attendance by individual directors in the current fiscal year is as follows.

Name, etc		Attendance/number of meetings (Note 1)
Chairman of the Board	Katsuhiro Teramoto (Note 2)	4 times/4 times
Representative Director	Kazumasa Kimura	15 times /15 times
	Atsushi Habe (Note 4)	15 times /15 times
Director	Toshiya Fujiwara (Note 4)	15 times /15 times
	Seiji Takahashi	15 times /15 times
	Kiyoshi Ando (Note 3)	11 times /11 times
Outside Directors	Mari Iizuka	15 times /15 times
	Naoko Mizukoshi	15 times /15 times
	Naoki Hidaka	15 times /15 times
	Toshiya Takahata	15 times /15 times
	Seiichiro Shirahata	15 times /15 times

(NOTE)1 Figures are based on the number of meetings held during the period of service.
2 Retired on March 26, 2024.
3 Appointed on March 26, 2024.
4 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 23 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:

Chair person: 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（Chair Person）	3 times/3 times
	Naoko Mizukoshi	3 times/3 times
	Naoki Hidaka	3 times/3 times
Audit & Supervisory Board Membe (independent)	Tetsuro Hirai	3 times/3 times

(NOTE) Figures 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:

Chair person 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 four meetings of the Compensation Committee to discuss and report to the Board of Directors on the remuneration of directors in FY2024 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	4 times/4 times
Outside Director	Mari Iizuka	4 times/4 times
	Naoko Mizukoshi （Chair Person）	4 times/4 times
	Toshiya Takahata	4 times/4 times
Audit & Supervisory Board Membe (independent)	Takemi Nagasaka (Note 2)	1times/1 times
	Masatoshi Hitomi	3 times/3 times

(NOTE) 1 Figures are based on the number of meetings held during the period of service.

2 Retired on March 26, 2024

[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:

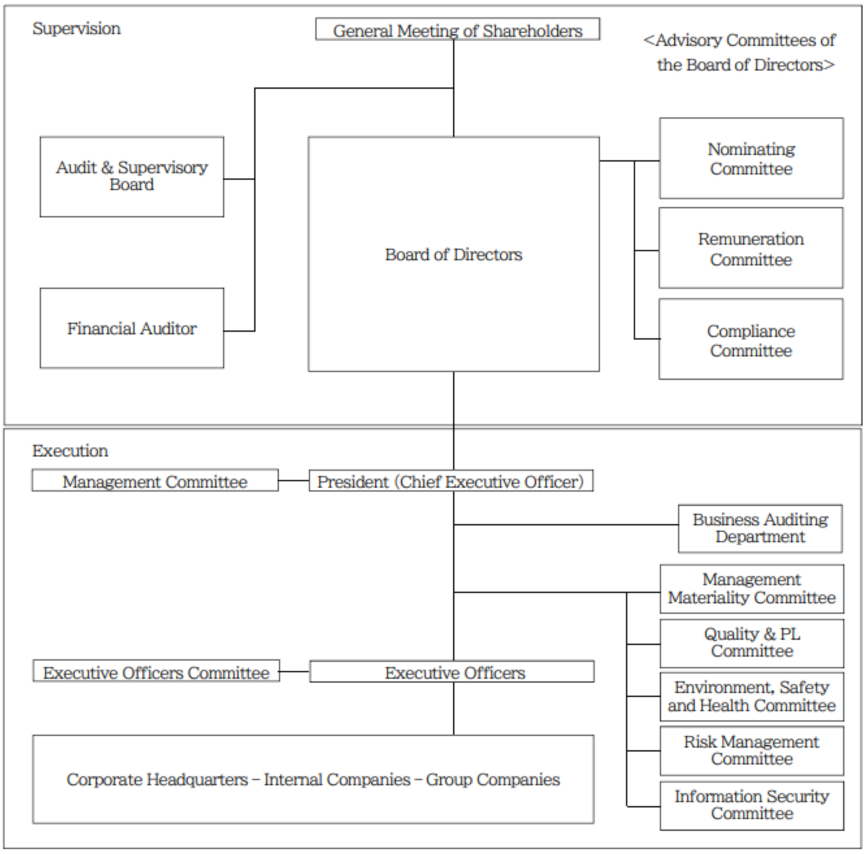
Chairman: Kazumasa Kimura (Representative director)

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 (nine 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 Implementation 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 implement and thoroughly 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 for the purpose of 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) Messrs. 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.

(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) 【Directors and Audit & Supervisory Board Members】

① Directors and Audit & Supervisory Board Members

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	7,494
			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	3,909
			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, Component Solution Segment, President, Power Control Company	Kiyoshi Ando	Jan. 10, 1964	Apr. 2008	General Manager, Development Department, Precision Equipment Company of Nabtesco Corporation	Note 3	8,388
			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 (to present)		
			Mar. 2024	Director of Nabtesco Corporation (to present)		
			Jan. 2025	Executive Officer, Component Solution Segment (to present)		
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	2,308
			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 (to present) 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)		

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.) 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)	Note 3	382
Director	Naoko Mizukoshi	Sep. 23, 1967	Apr. 1995 Registered at Osaka Bar Association Joined Miyazaki Law Firm 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)	Note 3	458
Director	Naoki Hidaka	May 16, 1953	Apr. 1976 Joined SUMITOMO CORPORATION 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 (to present)	Note 3	1,143
Director	Toshiya Takahata	Nov. 19, 1963	Apr. 1986 Joined Seiko Epson Corporation 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)	Note 3	535
Director	Seiichiro Shirahata	Mar. 3, 1961	Apr. 1983 Joined Nippon Paint Co., Ltd. (current Nippon Paint Holdings Co., td.) 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)	Note 3	342

(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.

Position Name	Position Name	Date of birth	Brief history		Term	Number of shares of the Company held
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	13,700
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	7,747
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	1,171
Audit & Supervisory Board Members (independent)	Yasuhiro Tanabe	Nov. 7, 1960	Apr. 1987 May 2010 Dec. 2010 Jul. 2012 Apr. 2013 Jan. 2014 Nov. 2014 Dec. 2015 Jun. 2017 Nov. 2019 Apr. 2021 Jun. 2022 Oct. 2023 Nov. 2023 Dec. 2023 Mar. 2024	Appointed Public Prosecutor Deputy General Manager, Special Trial Department of Tokyo District Public Prosecutors Office Deputy Superintending Prosecutor of Sendai District Public Prosecutors Office General Manager, Special Trial Department of Tokyo District Public Prosecutors Office General Manager, Criminal Affairs Department of Tokyo District Public Prosecutors Office General Manager, Criminal Affairs Department of Tokyo High Public Prosecutors Office Chief Prosecutor of Naha District Public Prosecutors Office Deputy Superintending Prosecutor of Osaka District Public Prosecutors Office Deputy Superintending Prosecutor of Osaka High Public Prosecutors Office Chief Prosecutor of Osaka District Public Prosecutors Office Superintending Prosecutor of Sapporo High Public Prosecutors Office Superintending Prosecutor of Fukuoka High Public Prosecutors Office (retired in July 2023) Special Advisor, National Institute of Advanced Industrial Science and Technology (to present) Registered at Dai-ni Tokyo Bar Association Joined Tokyo Fuji Law Office (to present) Audit & Supervisory Board Member of Nabtesco Corporation (to present)	Note 5	—
Total						47,577

(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.
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	Norimasa Takagi	President, Aerospace Company
Managing Executive Officer	Michihito Suzuki	President, Railroad Products Company
Executive Officer	Kiyoshi Ando	Component Solution Segment President, Power Control Company
Executive Officer	Hiroshi Usui	Corporate Planning, Accounting & Finance, Information Systems, and Corporate Communication
Executive Officer	Ataru Inoue	President, Nabtesco Automotive Co., Ltd.
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	Takeshi Hanafusa	President, Accessibility Innovations Company
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.

(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 has re-appointed Mari Iizuka as Outside Director, as we expect her to provide supervision and advice utilizing her insight. There are 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. Although Naoko Mizukoshi 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 longterm improvement in corporate value. Based on her experience and insight, the Company has appointed Naoko Mizukoshi as Outside Director, as we expect her to provide supervision and advice utilizing her insight. There are no conflict of interest between Endeavour Law Office, where Naoko Mizukoshi served as Partner; and Leftright Law & IP, where she serves, 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 has appointed Naoki Hidaka as Outside Director, as we expect him to provide supervision and advice utilizing his knowledge. There are 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. There are 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 has appointed Seiichiro Shirahata as Outside Director, as we expect him to provide supervision and advice utilizing his insight. There are 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 are 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 are 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 are no conflict of interest between National Institute of Advanced Industrial Science and Technology, Tokyo Fuji Law Office and the other organizations, whereYasuhiro Tanabe serves, and the Company.

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 shareholder; * 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 meets once a month, and 13 meetings were held in Fiscal Year 2024. Attendance by individual corporate auditors is as follows.

Name, etc		Attendance/number of meetings (Note 1)
Audit & Supervisory Board Members	Isao Shimizu (Note 2)	3 times/3 times
	Koji Nakano	13 times /13 times
	Yasuhito Nakagawa (Note 3)	10 times/10 times
Audit & Supervisory Board Members (Independent)	Zenzo Sasaki (Note 2)	3 times/3 times
	Takemi Nagasaka (Note 2)	3 times/3 times
	Tetsuro Hirai	13 times /13 times
	Masatoshi Hitomi (Note 3)	10 times /10 times
	Yasuhiro Tanabe (Note 3)	10 times /10 times

(NOTE) 1 Figures are based on the number of meetings held during the period of service.
2 Retired on March 26, 2024.
3 Appointed on March 26, 2024

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, 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	15 times	■	■
Opinion Exchange Meeting with Representative Directors	2 times	■	■
Participation in the Advisory Committee	7 times		■
Attendance at the Management Committee	21 times	■	
Attendance at Executive Officers Committee	12 times	■	
Attendance at CEO Committees	10 times	■	
Attendance at internal control reporting meeting	1 times	■	
Interviews with directors and executive officers	12 times	■	
Visits to domestic sites	8 times	■	
Participation in physical inventory	12 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.]

② Internal Audit Status

Our Business Audit Department (nine 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.

③ Cooperation 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, 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 quarterly review plan	May	The accounting auditor shall explain to the Audit & Supervisory Board members, the outline of the plan for the audit and quarterly review of the business year.
Quarterly review and audit report meeting	February, May August and November	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 (quarterly) 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

22 years

3) Names of lead CPAs assigned to audit

Takeharu Kirikae, Designated Limited Liability Partner and Managing Partner

Takashi Inoue, Designated Limited Liability Partner and Managing Partner

4) To assist in audit activities

13 CPAs and 36 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	126	―	122	―
Consolidated subsidiaries	16	―	16	―
Total	142	―	138	―

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	―	11	―	15
Consolidated subsidiaries	44	―	68	0
Total	44	11	68	15

Previous consolidated fiscal year

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

Current consolidated fiscal year

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

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)	188	118	35	—	35	6
Corporate Auditors (excluding independent Audit & Supervisory Board Members)	54	54	—	—	—	3
Outside officers	79	79	—	—	—	10

(NOTE) 1 The number of officers eligible to serve as directors includes one retired director during the fiscal year under review.
2 The number of officers eligible for Audit & Supervisory Board Members includes one retired director during the fiscal year under review.
3 The number of officers eligible for outside directors includes two retired independent management during the fiscal year under review.
4 Monthly compensation consists of basic monthly compensation and total performance-linked compensation paid on a monthly straight-line basis.
5 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.
6 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).
7 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.
8 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
4.2%	333,631 million yen	17,376 million yen	14,554 million yen

Performance-linked remuneration for the fiscal year under review is calculated based on the figures for FY2023

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 2024)]

Committee, etc.	Number of meetings
Compensation Committee	Four times
Board of Directors	Twice

(5) 【Status of shareholding】

① Standard and Concept of Classification of 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 pure 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	7	4,788

(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	1	0	Dividend reinvestment by the Supplier Shareholding Association. This share had been sold by the end of FY2024.

(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	324

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	Previous fiscal year	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
	Number of shares	Number of shares		
	Balance Sheet Amount (Millions yen)	Balance Sheet Amount (Millions yen)		
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
	2,568	833		
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. The number of shares increased due to the stock split.	Yes
	1,483	1,792		
Keio Corporation	66,997	66,997	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	Yes
	257	297		
East Japan Railway Company	76,500	25,500	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	None
	214	207		
Kintetsu Group Holdings Co.,Ltd.	43,509	43,509	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	None
	144	195		
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
	78	84		
The Hanshin Diesel Works, Ltd.	20,000	20,000	It is a customer in Transport Solutions business and is owned to maintain and strengthen business relations.	None
	44	40		
West Japan Railway Company	—	45,000	—	None
	—	265		
Tokyu Corporation	—	50,741	—	None
	—	87		
Keihan Holdings Co., Ltd.	—	10,857	—	Yes
	—	40		

(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 during 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 during the current fiscal year

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 prepare 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, 2024 to December 31, 2024) and the financial statements for the fiscal year (January 1, 2024 to December 31, 2024) 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)
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.

1 【Consolidated Financial Statements and Notes on the Consolidated Financial Statement】

(1) 【Consolidated Statement of Financial Position】

① 【Consolidated Statement of Financial Position】

(Million yen)

	Note No.	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	6	77,835	74,476
Trade receivables	7,21	79,196	88,932
Contract assets	23	3,554	3,212
Other receivables	7	1,682	1,361
Inventories	8	50,969	53,387
Other financial assets	21	616	698
Other current assets		6,995	7,016
Total current assets		220,847	229,083
Non-current assets			
Property, plant and equipment	9,11	107,527	114,340
Intangible assets	10,11	11,624	12,955
Right-of-use assets	11,12	8,908	12,122
Goodwill	10,11	25,750	26,259
Investment property	11,13	10,394	9,309
Investments accounted for using the equity method	14	21,139	21,000
Other financial assets	21	12,550	14,648
Deferred tax assets	20	2,313	2,364
Other non-current assets		1,013	3,464
Total non-current assets		201,218	216,461
Total assets		422,065	445,544

(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.

(Million yen)

	Note No.	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating payables	15,21	50,783	51,178
Contract liabilities	23	8,053	11,463
Borrowings	18,21	21,400	21,817
Other payables	15,21	23,392	16,030
Income taxes payable		3,018	2,461
Provisions	16	2,720	2,233
Lease liabilities	18,21	2,799	3,319
Other financial liabilities	21	—	28
Other current liabilities	17	7,327	8,582
Total current liabilities		119,491	117,111
Non-current liabilities			
Borrowings	18,21	173	10,067
Lease liabilities	18,21	8,060	10,634
Liabilities concerning retirement benefit	19	8,736	8,144
Deferred tax liabilities	20	7,045	6,799
Other financial liabilities	21	516	670
Other non-current liabilities	17	2,149	4,844
Total non-current liabilities		26,679	41,156
Total liabilities		146,171	158,267
Equity			
Capital stock	22	10,000	10,000
Share premium	22	15,139	14,998
Retained earnings	22	220,495	223,333
Treasury stocks	22	-3,943	-3,638
Other components of equity	22	18,778	25,400
Equity attributable to owners of the parent		260,470	270,093
Non-controlling interests		15,424	17,185
Total equity		275,894	287,278
Total liabilities and equity		422,065	445,544

② 【Consolidated Statements of Income】

(Million yen)

	Note No.	Previous fiscal year (From January 1, 2023 to December 31, 2023) (Consolidated basis)	Current fiscal year (From January 1, 2024 to December 31, 2024) (Consolidated basis)
Net sales	5,23	333,631	323,384
Cost of sales	24	-250,970	-236,255
Gross profit		82,661	87,129
Other income	25	6,517	1,196
Selling, general and administrative expense	24	-66,861	-71,167
Other expenses	25	-4,941	-2,370
Operating income	5	17,376	14,788
Financial income	26	5,202	1,140
Financial costs	26	-1,090	-918
Equity in earnings of affiliates	14	4,141	737
Income before tax		25,629	15,747
Income tax expense	20	-9,199	-4,051
Net income		16,430	11,696

Net income attributable to			
Owners of the parent		14,554	10,119
Non-controlling interests		1,876	1,577
Net income		16,430	11,696

Net income per share			
Basic earnings per share (Yen)	28	121.25	84.25
Diluted earnings per share (Yen)	28	121.23	84.24

③ 【Consolidated Statements of Comprehensive Income】

(Million yen)

	Note No.	Previous fiscal year (From January 1, 2023 to December 31, 2023) (Consolidated basis)	Current fiscal year (From January 1, 2024 to December 31, 2024) (Consolidated basis)
Net income		16,430	11,696
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liabilities (assets)	22	-162	2,326
Net changes in financial assets measured at fair value through other comprehensive income	22	917	1,219
Total components that will not be reclassified to profit or loss		755	3,546
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations	22	6,334	6,727
Total components that will be reclassified to profit or loss		6,334	6,727
Other comprehensive income after taxes		7,089	10,273
Total comprehensive income		23,519	21,969

Comprehensive income attributable to			
Owners of the parent		21,064	19,145
Non-controlling interests		2,455	2,824
Total comprehensive income		23,519	21,969

(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 【Consolidated Statement of Changes in Equity】

FY2023 (From January 1, 2023 to December 31, 2023)

(Million yen)

	Note No.	Equity attributable to owners of the parent					
						Other components of equity	
		Capital stock	Share premium	Retained earnings	Treasury stocks	Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2023		10,000	15,048	215,670	-4,646	9,361	3,263
Net income		—	—	14,554	—	—	—
Other comprehensive income	22	—	—	—	—	5,771	911
Total comprehensive income		—	—	14,554	—	5,771	911
Acquisition, sales, etc. of treasury stocks	22	—	—	-579	704	—	—
Dividends	22	—	—	-9,506	—	—	—
Transfer from other components of equity to retained earnings		—	—	356	—	—	-529
Share-based compensation transactions	27	—	91	—	—	—	—
Total transactions with owners, etc.		—	91	-9,729	704	—	-529
Balance as of December 31, 2023		10,000	15,139	220,495	-3,943	15,133	3,646

	Note No.	Equity attributable to owners of the parent			Non-controlling interests	Total equity
		Other components of equity				
		Remeasurements of net defined benefit liability (asset)	Total	Total equity attributable to owners of the parent		
Balance as of January 1, 2023		—	12,624	248,696	14,532	263,228
Net income		—	—	14,554	1,876	16,430
Other comprehensive income	22	-173	6,510	6,510	579	7,089
Total comprehensive income		-173	6,510	21,064	2,455	23,519
Acquisition, sales, etc. of treasury stocks	22	—	—	125	—	125
Dividends	22	—	—	-9,506	-1,563	-11,069
Transfer from other components of equity to retained earnings		173	-356	—	—	—
Share-based compensation transactions	27	—	—	91	—	91
Total transactions with owners, etc.		173	-356	-9,290	-1,563	-10,854
Balance as of December 31, 2023		—	18,778	260,470	15,424	275,894

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	220,495	-3,943	15,133	3,646
Net income		—	—	10,119	—	—	—
Other comprehensive income	22	—	—	—	—	5,521	1,213
Total comprehensive income		—	—	10,119	—	5,521	1,213
Acquisition, sales, etc. of treasury shares	22	—	—	-34	304	—	—
Dividends	22	—	—	-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	27	—	-142	—	—	—	—
Total transactions with owners, etc.		—	-142	-7,281	304	—	-112
Balance as of December 31, 2024		10,000	14,998	223,333	-3,638	20,653	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		—	18,778	260,470	15,424	275,894
Net income		—	—	10,119	1,577	11,696
Other comprehensive income	22	2,293	9,026	9,026	1,247	10,273
Total comprehensive income		2,293	9,026	19,145	2,824	21,969
Acquisition, sales, etc. of treasury shares	22	—	—	270	—	270
Dividends	22	—	—	-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	27	—	—	-142	—	-142
Total transactions with owners, etc.		-2,293	-2,404	-9,522	-1,063	-10,586
Balance as of December 31, 2024		—	25,400	270,093	17,185	287,278

⑤ 【Consolidated Statements of Cash Flows】

(Million yen)

	Note No.	Previous fiscal year (From January 1, 2023 to December 31, 2023) (Consolidated basis)	Current fiscal year (From January 1, 2024 to December 31, 2024) (Consolidated basis)
Cash flows from operating activities			
Net income		16,430	11,696
Depreciation and amortization		15,469	16,469
Impairment Loss	11	6,153	1,632
Increase (decrease) in liabilities concerning retirement benefits		84	-249
Interest and dividend income		-463	-456
Interest expenses		569	733
Decrease (Increase) in valuation on investment securities		-3,569	33
Loss (gain) on sale of shares of subsidiaries and associates		-1,144	—
Equity loss (gain) in earnings of affiliates		-4,141	-737
Loss (gain) on sales of fixed assets		282	358
Loss (gain) on exchange of land and buildings	13	-4,243	—
Expenses of income tax		9,199	4,051
Decrease (increase) in trade receivables, contract assets and contract liabilities		207	-3,696
Decrease (increase) in inventories		197	-755
Increase (decrease) in operating payables		-7,055	-1,168
Others		-1,407	1,757
Subtotal		26,569	29,669
Interest received		375	356
Dividend received		901	1,069
Interest paid		-574	-736
Subsidy received		—	2,759
Income taxes refunded (paid)		-16,093	-6,468
Cash flows from operating activities		11,177	26,650
Cash flows from investing activities			
Decrease (Increase) in time deposits		318	-100
Purchases of property, plant and equipment		-22,578	-24,898
Purchases of intangible assets		-3,021	-3,453
Payments for acquisition of shares of subsidiaries resulting in a change in the scope of consolidation	29	-11,619	—
Proceeds from sales of subsidiaries resulting in a change in the scope of consolidation		1,686	—
Payments for acquisition of investment securities		-1,694	-1,128
Proceeds from sale of investment securities		12	749
Payments for settlement of sales price on investment securities		-9,752	—
Other		353	99
Cash flows from investing activities		-46,295	-28,733
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	18	3,000	82
Proceeds from long-term loans payable	18	32	10,092
Repayment of long-term loans payable	18	-2,384	-240
Payments of lease liabilities	18	-3,060	-3,424
Decrease (Increase) in treasury shares		-3	69
Cash dividends paid	22	-9,503	-9,653
Proceeds from payments from non-controlling interests		—	185
Dividends paid to non-controlling interests		-1,563	-1,249
Cash flows from financing activities		-13,482	-4,137
Increase (decrease) in cash and cash equivalents		-48,600	-6,220
Cash and cash equivalents at beginning of term	6	124,413	77,835
Effect of exchange rate changes on cash and cash equivalents		2,021	2,861
Cash and cash equivalents at end of term	6	77,835	74,476

(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.

【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, 2024. Our main businesses are Component Solutions Business, Transport Solutions Business, and Accessibility Solutions Business. The details are described in Note "5. 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 were approved by our Board of Directors on March 26, 2025.

(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 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 income 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

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.

(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)Impairment of non-financial assets

The carrying value of our group's non-financial assets, excluding inventories, 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 ③Other Intangible Assets."

(12) 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.

(13) 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.

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.

(14) 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.

(15) 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, equipment for construction machinery, 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).

(16) 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.

(17) 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.

(18) 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 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.

(19) 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.

(20) Change in accounting policy

The major new or revised pronouncements and interpretations not early adopted by our group as of December 31, 2024 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. 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 8, "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 10, "Goodwill and Intangible Assets," and the impairment of non-financial assets, including goodwill, is described in Note 11, "Impairment of Non-Financial Assets."

①Gilgen's goodwill

Goodwill (carrying amount: ¥17,251 million) related to Gilgen Door Systems AG and 8 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, projections of growth rates since the business plan period, 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 Power Control Company

Goodwill (carrying amount: ¥2,582 million) related to Power Control Company in Component Solutions Business 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 amount of non-financial assets related to Power Control Company 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 in the business plan, projections of growth rates since the business plan period, 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 Goodwill of Deep Sea

Goodwill (carrying amount: ¥4,420 million) related to R.K. DEEP SEA TECHNOLOGIES LIMITED and one of its subsidiaries in Transport Solutions segment were tested for impairment 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 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 in the business plan, projections of growth rates since the business plan period, 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 16, "Reserves," and the contingent liabilities are described in Note 33, "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 “Note 19. 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 20. 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 21, 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 30. Subsidiaries.”

5. 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: 1) the "Component Solutions Business;" 2) the "Transport Solutions Business;" and 3) the "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 and equipment for construction machinery and its 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.

FY2023 (January 1, 2023 to December 31, 2023)

(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	138,089	80,787	96,275	315,151	18,480	333,631	—	333,631
Inter-segment sales	3,072	1,902	15	4,989	314	5,303	-5,303	—
Total sales	141,161	82,689	96,290	320,139	18,794	338,934	-5,303	333,631
Segment income (Operating income)	10,376	7,828	6,167	24,371	3,385	27,756	-10,380	17,376
Financial income	—							5,202
Financial costs	—							-1,090
Equity in earnings of affiliates	—							4,141
Income before tax	—							25,629
Other items								
Depreciation and amortization	6,158	3,870	3,264	13,292	526	13,818	1,651	15,469
Impairment loss	—	1,761	4,392	6,153	—	6,153	—	6,153
Segment assets	137,412	87,987	101,190	326,588	14,262	340,850	81,215	422,065
Increases in tangible fixed assets and intangible fixed assets	22,834	2,624	1,941	27,399	701	28,100	1,574	29,673

(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 ¥81,215 million, consisting mainly of surplus operating funds in the Company (cash and deposits, etc.) and long-term investments (investment securities, etc.).
6. Adjustment to increase in tangible fixed assets and intangible fixed assets is total capex that are not allocated to the respective segments

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	110,571	88,727	106,771	306,069	17,315	323,384	—	323,384
Inter-segment sales	3,050	2,299	11	5,360	42	5,402	-5,402	—
Total sales	113,622	91,026	106,782	311,430	17,356	328,786	-5,402	323,384
Segment income (Operating income)	4,523	12,502	9,003	26,027	1,043	27,071	-12,282	14,788
Financial income	—							1,140
Financial costs	—							-918
Equity in earnings of affiliates	—							737
Income before tax	—							15,747
Other items								
Depreciation and amortization	6,736	3,836	3,824	14,396	465	14,861	1,608	16,469
Impairment loss	—	—	—	—	656	656	976	1,632
Segment assets	145,190	91,875	114,177	351,242	11,648	362,890	82,654	445,544
Increases in tangible fixed assets and intangible fixed assets	13,898	2,591	2,243	18,732	405	19,137	988	20,125

(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 ¥82,654 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

(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 "23. Revenue from Contracts with Customers."

(4) Information by region

Net sales

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Japan	176,094	160,643
China	48,085	48,197
Other Asia	21,413	23,791
North America	26,016	26,274
Europe	59,902	62,300
Other areas	2,121	2,180
Total	333,631	323,384

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

Non-current assets

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Japan	140,194	148,577
China	8,829	8,380
Other Asia	1,846	1,825
North America	2,162	2,325
Europe	11,766	14,399
Total	164,798	175,507

(NOTE) Non-current assets are based on the location of the assets. In addition, financial assets, deferred tax assets, postretirement benefit assets, 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.

6. Cash and cash equivalents

Cash and cash equivalents consisted of:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Cash and deposits	68,836	74,476
Within 3 months of the date of acquisition Short-term investments due	8,999	—
Total	77,835	74,476

(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.

7. Trade and other receivables

(1) Trade receivables

The breakdown of trade receivables is as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Accounts receivable	70,238	77,829
Notes receivable	10,092	12,322
Loss valuation allowance	-1,135	-1,219
Total	79,196	88,932

(2) Other receivables

The components of other receivables are as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Accounts receivable-other	1,682	1,361
Total	1,682	1,361

8. Inventories

Inventories consisted of the following:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Finished goods and merchandise	12,499	13,162
Work in process	19,917	20,115
Raw materials and supplies	18,553	20,109
Total	50,969	53,387

(NOTE) There were no significant write-downs in the amount of inventory write-downs recorded in cost of sales in the previous fiscal year.178 million yen in the current consolidated fiscal year. There were no significant reversals of inventory write-downs recorded in cost of sales in the previous fiscal year. This was 148 million yen for the fiscal year under review, which was due to an increase in net realizable value.

9. 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, 2023	29,817	29,158	4,798	18,018	14,291	96,082
Acquisition	—	—	—	—	26,652	26,652
Increase due to business combination	14	10	11	—	—	36
Depreciation (Note 1)	-2,660	-5,253	-2,350	—	—	-10,263
Impairment loss (Note 2)	-51	-437	-39	—	-64	-590
Transfer (Note 3)	4,050	3,895	2,667	-17	-15,083	-4,487
Disposition	-241	-42	-61	-373	-40	-758
Translation adjustments for foreign operations	491	369	2	107	-114	855
Balance at December 31, 2023	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	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

(NOTE) 1 Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

2 Impairment losses on property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

3 Includes ¥4,487 million in transfers to investment real estate.

(2) Acquisition cost

(Million yen)

	Buildings and structures	Machinery and equipment	Tools, instruments and fixtures	Land	Construction in progress	Total
Balance at January 1, 2023	69,329	99,480	31,762	18,018	14,291	232,880
Balance at December 31, 2023	72,765	103,614	32,558	17,856	25,642	252,436
Balance at December 31, 2024	90,270	113,012	34,097	17,777	13,022	268,179

(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, 2023	39,512	70,322	26,963	—	—	136,798
Balance at December 31, 2023	41,467	75,913	27,529	—	—	144,909
Balance at December 31, 2024	43,307	81,399	29,132	—	—	153,839

10. Goodwill and intangible assets

(1) Reconciliation of book value

(Million yen)

	Goodwill	Software	Customer related asset	Technology assets	Others	Total
Balance at January 1, 2023	17,899	4,689	689	389	605	24,272
Acquisition	—	2,965	—	—	56	3,021
Changes due to business combinations	9,439	1,870	2,096	105	65	13,574
Amortization (Note 2)	—	-1,651	-218	-23	-130	-2,022
Impairment loss (Note 3)	-4,392	—	-24	-305	-62	-4,783
Translation adjustments for foreign operations	2,804	258	172	8	70	3,312
Balance at December 31, 2023	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

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

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

3 Impairment losses on goodwill, customer-related assets and technology assets are included in "Selling, general and administrative expenses" and "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, 2023	30,168	9,483	3,636	576	2,363	46,226
Balance at December 31, 2023	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

(3) Accumulated amortization and impairment loss

(Million yen)

	Goodwill	Software	Customer related asset	Technology assets	Others	Total
Balance at January 1, 2023	12,269	4,794	2,947	187	1,758	21,954
Balance at December 31, 2023	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

(4) Impairment test

The carrying amounts of goodwill allocated to each fund generating unit are as follows:

(Million yen)

Reportable Segments	Fund generation unit	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Component Solutions	Power control Company	2,582	2,582
Transport Solutions	Deep Sea Technologies	4,202	4,420
	Marine Control Systems Company	1,912	2,007
Accessibility Solutions	Gilgen group	16,435	17,251
Others	Engilico group	620	—
Total		25,750	26,259

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 four 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 the inflation rate of the country to which the CGU belongs (1.5% to 2.0%).

At the end of the previous fiscal year, no impairment loss was recognized as a result of the goodwill impairment test discounted to present value using the pre-tax weighted average cost of capital of the CGU (9.4%-19.7%) for cash-generating units, and recognized an impairment loss for certain goodwill. This impairment loss is described in “Note 11. Impairment of Non-Financial Assets.” There is also a risk of impairment occurring when key assumptions used in the impairment test change. A hypothetical 1.5% increase in the pre-tax weighted average cost of capital could result in an impairment loss.

At the end of the fiscal year under review, 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 impairment loss is described in “Note 11. 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.

11. Impairment of non-financial assets

Previous fiscal year (From January 1, 2023, to December 31, 2023)

(Million yen)

Reportable Segments	Type of asset	Impairment loss
Accessibility Solutions	Goodwill	4,392
	Subtotal	4,392
Transport Solutions	Machinery and equipment	437
	Other (fixed assets)	153
	Right-of-use asset	779
	Technology assets	305
	Other (intangibles)	86
	Subtotal	1,761
Total		6,153

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 Gilgen Door Systems AG, 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 Accessibility Solutions business. The recoverable amount is measured at value in use (discount rate before tax: 9.4%).

An impairment test was performed on the fixed assets of the cash-generating unit related to OVALO GmbH, our consolidated subsidiary. As the recoverable amount was less than the carrying amount, an impairment loss on these fixed assets was recognized.

This impairment loss is included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statements of Operations and is recognized in Transport Solutions business. The recoverable amount is measured at value in use (discount rate before tax: 18.0%).

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

(Million yen)

<table>
<tr><th>Reportable Segments</th><th>Type of asset</th><th>Impairment loss</th></tr>
<tr><td rowspan="2">Others</td><td>Goodwill</td><td>656</td></tr>
<tr><td>Subtotal</td><td>656</td></tr>
<tr><td rowspan="2">Elimination or Corporate</td><td>Investment property</td><td>976</td></tr>
<tr><td>Subtotal</td><td>976</td></tr>
<tr><td colspan="2">Total</td><td>1,632</td></tr>
</table>

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.

12. Lease

(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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Buildings and structures as underlying assets	6,866	8,987
Machinery, equipment and vehicles as underlying assets	1,254	2,240
Tools, furniture and fixtures as underlying assets	96	134
On land as the underlying assets	692	761
Total	8,908	12,122

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Depreciation of right-of-use assets		
Buildings and structures as underlying assets	2,441	2,419
Machinery, equipment and vehicles as underlying assets	586	776
Tools, furniture and fixtures as underlying assets	48	49
On land as the underlying assets	30	30
Total depreciation	3,105	3,274
Impairment loss on right-of-use assets		
Buildings and structures as underlying assets	773	—
Machinery, equipment and vehicles as underlying assets	6	—
Total impairment loss	779	—
Interest expense on lease liabilities	207	224
Lease expenses under the exemption from short-term leases	966	1,083
Lease expenses under the exemption from the lease of small-amount assets	1,034	1,011
Total cash outflows from leasing activities	5,060	5,518
Increase in right-of-use assets	2,584	6,700

(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 21. Financial Instruments (2) Liquidity Risk Management".

13. .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, 2023	2,066
Depreciation and amortization	-79
Sale	-323
Transfer (Note 1)	4,487
Gain on exchange (Note 2)	4,243
Balance at December 31, 2023	10,394
Depreciation and amortization	-109
Impairment loss (Note 3)	-976
Balance at December 31, 2024	9,309

(NOTE)(1) Account transfers from property, plant and equipment amounted to ¥4,487 million.

2 During the fiscal year under review, gains arise from the measurement of investment properties acquired in exchange at fair value in connection with the exchange of premises held by domestic consolidated subsidiaries of Accessibility Solutions business.

3 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, 2023	4,543
Balance at December 31, 2023	10,982
Balance at December 31, 2024	10,982

(4) Accumulated depreciation and impairment loss

(Million yen)

Balance at January 1, 2023	2,476
Balance at December 31, 2023	588
Balance at December 31, 2024	1,673

(5) Fair value

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Fair value	9,605	9,481

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 21. Financial Instruments.”

14. 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, 2023, to December 31, 2023)

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, 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

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Our group share of net income	4,141	737
Our group share of comprehensive income	4,141	737
Carrying amount of investments in affiliates	21,139	21,000

(4) Closing date of the affiliate

The fiscal year-end of one affiliated companies is March 31, the fiscal year-end of one affiliated company is June 30, 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.

15. .Trade and other payables

(1) Trade payables

The breakdown of trade payables is as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Accounts payable	16,472	17,914
Notes payable	1,186	1,309
Electronically recorded obligations-operating	33,125	31,955
Total	50,783	51,178

(2) Other liabilities

The components of other liabilities are as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Accounts payable-other	7,201	6,577
Accrued expenses	2,851	3,239
Electronically recorded obligations-operating	11,831	4,476
Others	1,509	1,737
Total	23,392	16,030

16. Provision

(1) Breakdown of provision

The breakdown of the provision is as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Current liabilities	2,720	2,233

(2) Increase or decrease in provision

(Million yen)

	Warranty reserve	Accrual for losses on contracts	Total
Balance at January 1, 2024	1,222	1,499	2,720
Increased during current term	436	191	626
Decrease (intended use)	-172	-669	-841
Decrease (reversal)	-153	-97	-250
Exchange differences on translation of foreign operations	-16	-7	-23
Balance at December 31, 2024	1,316	916	2,233

(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.

② Accrual 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.

17. Government subsidies

Deferred revenue related to government subsidies related to assets recognized at the end of the current fiscal year is included in the following line items in the Consolidated Statements of Financial Position. For the fiscal year under review, government grants related to assets were recognized in profit or loss in the amount of ¥115 million, which is included in "Other income" in the consolidated statements of income.

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Other current liabilities	54	200
Other non-current liabilities	374	2,873

(NOTE) Government subsidies received during the fiscal year under review relate to the land and construction for our Hamamatsu Plant and construction subsidies.

18. Bonds, borrowings and lease liabilities

(1) Breakdown of borrowings

The breakdown of borrowings is as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Current liabilities		
Short-term loans payable	21,176	21,635
Current portion of long-term loans payable Long-term dept due within one year	224	183
Total	21,400	21,817
Non-current liabilities		
Long-term debt	173	10,067
Total	173	10,067

(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 1.56%, 0.67%, and 0.42%, respectively. Long-term debt is due from 2026 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, 2023	17,058	3,251	11,043	-537	30,816
Fluctuations due to cash flows from financing activities	3,000	-2,353	-3,060	—	-2,413
Acquisition of right-of-use assets	—	—	2,584	—	2,584
Decrease due to early cancellation	—	—	-451	—	-451
Exchange differences on translation of foreign operations	1,117	-501	742	—	1,358
Changes in fair value	—	—	—	1,024	1,024
Balance at December 31, 2023	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

(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.

19. .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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Present value of defined benefit obligation	42,753	46,638
Fair value of plan assets	-36,476	-41,271
Asset ceiling adjustments	2,297	—
Obligations for retirement pay	8,736	8,144
Net defined benefit asset	-162	-2,776
Net amount of liabilities and assets recorded in the consolidated statement of financial position	8,574	5,367

③ Changes in the present value of defined benefit obligations

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance at the beginning of year	33,911	42,753
Current service cost	2,081	1,888
Interest cost	676	590
Remeasurements		
Differences in the mathematical calculations due to changes in demographic assumptions	9	0
Differences in the mathematical calculations as a result of changes in financial assumptions	3,059	1,910
Actuarial gains and losses arising from adjustments to actual results	500	-649
Benefits paid	-1,104	-1,113
Foreign currency translation adjustments related to overseas plans	3,621	1,260
Balance at the end of year	42,753	46,638

The weighted average duration of defined benefit obligations was 12.6 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance at the beginning of year	29,458	36,476
Interest income	684	530
Remeasurements		
Return on plan assets	1,049	1,797
Employers' contributions	1,314	1,377
Contributions from employees	725	802
Benefits paid	-1,144	-1,091
Foreign currency translation adjustments related to overseas plans	4,390	1,379
Balance at the end of year	36,476	41,271

Our group plans to contribute ¥2,167 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 FY2023 (as of December 31, 2023)			End of consolidated FY2024 (as of December 31, 2024)		
	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	3,340	—	3,340	2,732	—	2,732
Equity instruments						
Domestic stocks	—	382	382	—	744	744
Foreign stocks	11,341	286	11,627	14,784	428	15,212
Debt instruments						
Domestic bonds	—	1,861	1,861	—	1,703	1,703
Foreign bonds	11,949	525	12,474	13,707	112	13,819
Others	—	6,791	6,791	—	7,062	7,062
Total	26,630	9,845	36,476	31,223	10,048	41,271

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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance at beginning of year	3,892	2,297
Interest income	97	34
Remeasurements		
Effect by restrictions the maximum amount of assets for the net amount of plan assets	-2,362	-2,429
Foreign currency translation adjustments related to overseas plans	670	98
Balance at end of year	2,297	—

⑦ Amounts in the consolidated statements of income

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Defined benefit cost	1,250	1,112

⑧ Major actuarial assumptions

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Discount rate	1.4%	1.1%

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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
To the discount rate In the event of a 0.25% increase	-1,243	-1,418
To the discount rate In the event of a 0.25% decrease	1,322	1,511

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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Expenses related to defined contribution plans	949	995

20. .Corporate income tax

(1) Corporate income tax

① Income taxes recognized in profit or loss

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Current tax expense		
Current fiscal year	7,040	5,398
Current tax expense	7,040	5,398
Current fiscal year		
Use of previously unrecognized tax losses	2,159	-436
Use of previously unrecognized tax losses	—	-910
Subtotal	2,159	-1,347
Total	9,199	4,051

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.

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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Difference in tax rates of foreign operations	-1.4	-1.1
Change in unrecognized deferred tax assets	4.6	-3.8
Entertainment expenses and other permanently non-deductible items	1.2	2.3
Equity in earnings of associated companies	-4.9	-1.4
Tax credit	-3.5	-1.7
Retained earnings of foreign operations and affiliates	2.7	2.2
Impairment loss on goodwill	5.2	1.1
Others	1.3	-2.5
Actual tax rate	35.8	25.7

(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, 2023, to December 31, 2023)

(Million yen)

	Balance at January 1, 2023	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Balance at December 31, 2023
Deferred tax assets				
Loss valuation allowance	44	68	—	112
Write-down of inventories	152	86	—	239
Accounts payable-other	974	-226	—	748
Warranty reserve	184	10	—	193
Accrual for losses on contracts	195	9	—	204
Other current liabilities	367	-25	—	342
Liabilities (assets) concern retirement benefits	2,779	-266	19	2,531
Loss on devaluation of investment to affiliated companies	—	—	—	—
Write-down of golf club membership	5	-0	—	5
Impairment loss	48	1	—	50
Tax loss carryforwards	675	189	—	864
Depreciation and amortization	480	218	—	698
Lease liabilities (NOTE2)	2,162	-41	—	2,121
Other (assets)	1,205	-37	—	1,168
Total	9,270	-14	19	9,275
Deferred tax liabilities				
Special Tax Purpose Reserve	1,174	561	—	1,735
Other financial assets (Net change in fair value) (Note 2)	1,664	-541	227	1,350
Unrealized gain on revaluation of land	971	1,299	—	2,270
Tax adjustments (inventory) relate to foreign operations	303	46	—	349
Retained earnings of foreign operations and affiliates	4,347	687	—	5,034
Identifiable intangible assets	240	66	—	307
Right-of-use assets (NOTE2)	2,149	-48	—	2,101
Other (liabilities)	195	667	—	861
Total	11,043	2,737	227	14,008
Net deferred tax assets (liabilities)	-1,773	-2,751	-209	-4,733

(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.

Current 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	2,531	509	-650	2,390
Write-down of golf club membership	5	11	—	16
Impairment loss	50	191	—	241
Tax loss carryforwards	864	793	—	1,658
Depreciation and amortization	698	-304	—	394
Lease liabilities (NOTE2)	2,121	919	—	3,040
Government subsidies	—	826	—	826
Other (assets)	1,168	-622	—	546
Total	9,275	2,306	-650	10,931
Deferred tax liabilities				
Special Tax Purpose Reserve	1,735	-349	—	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	5,034	343	—	5,377
Identifiable intangible assets	307	-22	—	285
Right-of-use assets (NOTE2)	2,101	930	—	3,031
Other liabilities)	861	-250	—	612
Total	14,008	779	579	15,366
Net deferred tax assets (liabilities)	-4,733	1,527	-1,230	-4,435

(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, ¥651 million and ¥1,804 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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Deductible temporary differences	1,718	2,616
Tax loss carryforwards	16,526	14,355
Total	18,244	16,971

The tax loss carryforwards for which deferred tax assets have not been recognized are scheduled to expire as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	—
Fifth year	—	—
Over after the fifth year	16,526	14,355
Total	16,526	14,355

21. 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, 2023)

(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, 2023	77,929
Changes due to business combinations	1,020
Newly generated and recovered, net	-803
Exchange differences on translation of foreign operations	2,185
Balance at December 31, 2023	80,331

(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, 2023	702
Increase due to new recognition	451
Decrease during the year (direct depreciation)	-53
Decrease during the year (Others)	-55
Exchange differences on translation of foreign operations	89
Balance at December 31, 2023	1,135

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, 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	80,331
Newly generated and recovered, net	7,689
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.

(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, 2023	Book value	Contracted cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over five years
Trade payables	50,783	50,783	50,783	—	—	—	—	—
Other financial liabilities	516	498	47	42	36	373	—	—
Other liabilities	20,546	20,546	20,546	—	—	—	—	—
Borrowings	21,572	21,630	21,456	155	19	—	—	—
Lease liabilities	10,859	12,037	2,955	1,905	1,226	799	566	4,586
Total	104,276	105,495	95,788	2,102	1,281	1,172	566	4,586

(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
Trade payables	51,178	51,178	51,178	—	—	—	—	—
Other financial liabilities	697	503	72	39	392	—	—	—
Other liabilities	12,799	12,799	12,799	—	—	—	—	—
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
Total	110,511	111,611	89,396	2,798	12,351	1,265	1,019	4,782

(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 FY2023 (as of December 31, 2023)			End of consolidated FY2024 (as of December 31, 2024)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Forward exchange contracts (written)						
USD	1,193	—	39	941	—	-28
Currency and interest rate swaps						
Received yen and paid foreign currency	2,585	2,298	-487	2,298	2,010	-640

(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, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
	Income before income taxes	Capital	Income before income taxes	Capital
USD	51	36	38	27
RMB	22	15	41	29
Euro	17	12	35	26
Japanese Yen	-10	-8	20	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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Other comprehensive income	91	116

(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 Derivative financial assets

The fair value of foreign currency forward contracts is calculated based on forward exchange rates and other factors. Note that derivative financial assets are included in "other financial assets" in the Consolidated Financial Statement.

iii Investment securities

Debt instruments, which consist primarily of corporate bonds held for non-trading purposes, are calculated using valuation techniques based on quoted market prices of similar companies. 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 FY2023 (as of December 31, 2023)		End of consolidated FY2024 (as of December 31, 2024)	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Other financial assets (Note 1)	3,543	3,543	3,630	3,630
Total financial assets measured at amortized cost	3,543	3,543	3,630	3,630
Financial assets measured at fair value through profit or loss				
Golf membership	127	127	122	122
Derivative financial assets	39	39	—	—
Investment securities (Notes 1 and 2)	358	358	—	—
Total of financial assets measured at fair value through profit or loss	523	523	122	122
Financial assets measured at fair value through other comprehensive income				
Investment securities	9,100	9,100	11,594	11,594
Total financial assets measured at fair value through other comprehensive income	9,100	9,100	11,594	11,594
Total of financial assets	13,167	13,167	15,346	15,346
Financial Liabilities				
Financial liabilities measured at amortized cost				
Borrowings	21,572	21,572	31,884	31,764
Total financial liabilities measured at amortized cost	21,572	21,572	31,884	31,764
Financial Liabilities measure at fair value through profit or loss				
Derivative financial liabilities	487	487	667	667
Contingent consideration	28	28	30	30
Total financial liabilities measure at fair value through profit or loss	516	516	697	697
Total financial liabilities	22,088	22,088	32,581	32,461

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, contract assets, 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 inputs to the valuation techniques used (available market data). Each level is defined as follows:

Level 1: Fair values measured at quoted prices in actively traded markets

Level 2: Fair values calculated using observable prices, either directly or indirectly, other than Level 1

Level 3: Fair values derived from valuation techniques that include unobservable inputs

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 FY2023 (as of December 31, 2023)	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets to be measured at fair value through profit or loss	—	166	358	523
Financial assets measured at fair value through other comprehensive income	3,945	—	5,156	9,100
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss	—	487	28	516
Financial liabilities measured at fair value through other comprehensive income	—	—	—	—

(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	—	—	—	—

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, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
	Financial assets	Financial Liabilities	Financial assets	Financial Liabilities
Balance at the beginning of year	4,160	—	5,514	28
Total gains and losses	899	—	587	1
Net Income (Loss) (Note 1)	78	—	-28	1
Other comprehensive income (Note 2)	821	—	615	—
Purchase	1,731	—	963	—
Sale	-0	—	-341	—
Changes due to business combinations	-1,277	28	—	—
Balance at the end of year	5,514	28	6,723	30

(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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Time deposits with maturities of more than 3 months	541	659
Golf membership	127	122
Investment securities	9,458	11,594
Others	3,041	2,972
Total	13,167	15,346
Current	616	698
Non-current	12,550	14,648
Total	13,167	15,346

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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
SINFONIA TECHNOLOGY CO., LTD.	833	2,568
Central Japan Railway Company	1,792	1,483
West Japan Railway Techsia Co.,Ltd.	626	994
KANAGAWA NABCO PTY. LTD.	777	843
Kyodo Yushi Co., Ltd.	611	715
WEST JAPAN RAILWAY TECHNOS CORPORATION	558	567
Sea Machines Robotics Inc	427	475
Eologix Sensor Technology GmbH	314	472
Hiboo systems SAS	314	330
Keio Corporation	297	257
Others	2,550	2,891
Total	9,100	11,594
Dividends income	78	82

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, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Fair value	1,092	416
Cumulative gain	529	112

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 ¥529 million and ¥112 million for the previous fiscal year and the current fiscal year, respectively.

22. 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, 2023	400,000,000	121,064,099
Increase	—	—
Decrease	—	—
December 31, 2023	400,000,000	121,064,099
Increase	—	—
Decrease	—	—
December 31, 2024	400,000,000	121,064,099

(NOTE) 1 The shares issued by us are common stock with no par value.
2 The outstanding shares are fully paid in.

(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, 2023	1,058,550	4,646
Acquisition due to purchase request for odd-lot shares	1,033	3
Decrease due to sale of stock benefit trust	-26,847	-111
Decrease due to exercise of stock options	-7,200	-32
Increased due to third-party allotment to BBT	300,000	786
Decrease due to third-party allotment to BBT	-300,000	-1,349
December 31, 2023	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 employee 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

(NOTE) Details of stock options and stock benefit trust are described in Note 27, "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 ¥1,740 billion and the number of shares was 517,230 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 were as follows:

Previous fiscal year (From January 1, 2023, to December 31, 2023)

Resolution	Total dividends (Million yen)	Dividends per share (yen)	Record Date	Effective date
March 23, 2023 Ordinary General Meeting of Shareholders (Note 1)	4,693	39	December 31, 2022	March 24, 2023
July 31, 2023 Board of Directors (Note 2)	4,813	40	June 30, 2023	August 31, 2023

(NOTE)1 The total amount of dividends declared by resolution of the Ordinary General Meeting of Shareholders on March 23, 2023 includes dividends of 12 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, 2023 include dividends of 12 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, 2024 Annual Shareholders' Meeting	4,825	40	December 31, 2023	March 27, 2024

(NOTE) 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).

Current 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, 2023 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).

(7) Other comprehensive income

The reclassification adjustments for each component of other comprehensive income and net income and the effect of tax effects are as follows:

Previous fiscal year (From January 1, 2023, to December 31, 2023)

(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)	-181	19	-162
Net changes in financial assets measured at fair value through other comprehensive income	1,144	-227	917
Subtotal	964	-209	755
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	6,334	―	6,334
Subtotal	6,334	―	6,334
Total	7,298	-209	7,089

(NOTE) There were no reclassification adjustments arising from the above items.

Current 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	6,727	―	6,727
Subtotal	6,727	―	6,727
Total	11,503	-1,230	10,273

(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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
ROA (%)	3.3	2.3
ROE (%)	5.7	3.8
Equity attributable to owners of the parent ratio (%)	61.7	60.6

23. 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 "5. Business Segments" is as follows:

There is no obligation to perform as an agent for our group.

(Million yen)

Segment name	Major products	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Component Solutions business	Precision reduction gears	91,571	65,923
	Hydraulic equipment	46,517	44,649
	Subtotal	138,089	110,571
Transport Solutions business	Railroad vehicle equipment	24,264	26,080
	Aircraft equipment	18,736	23,555
	Commercial vehicle equipment	13,270	12,735
	Marine vessels equipment	17,766	20,193
	Others	6,752	6,164
	Subtotal	80,787	88,727
Accessibility Solutions business	Automatic doors	96,275	106,771
	Subtotal	96,275	106,771
Others	Packaging machines	17,296	16,468
	Others	1,184	847
	Subtotal	18,480	17,315
Total		333,631	323,384

(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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Receivables arising from contracts with customers	79,196	88,932
Contract assets	3,554	3,212
Contract liabilities	8,053	11,463

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 significant 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 ¥6,460 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 51 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 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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Within one year	36,154	42,568
Over one year	38,362	40,610
Total	74,517	83,178

(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.

24. Breakdown of expenses by type

The components of cost of sales and selling, general and administrative expenses are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cost of raw materials paid out	164,864	158,957
Employee benefit expenses (Note 1)	72,025	76,575
Research and development expenses (Note 2)	10,999	12,051
Depreciation and amortization	14,531	15,411
Impairment loss (Note 3)	1,761	—
Travel expenses	3,076	3,309
Others	50,576	41,119
Total	317,831	307,422

(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.
3 Impairment losses are discussed in Note 11, Impairment of Non-Financial Assets.

25. Other income and other expenses

(1) Other income

The components of other income are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Rental income	105	86
Gain on exchange of land and buildings (Note 1)	4,243	—
Gain on sales of shares of subsidiaries and associates (Note 2)	1,144	—
Subsidy from Government etc.	135	230
Compensation income	217	64
Others	673	817
Total	6,517	1,196

(NOTE) 1 Gain on exchange of premises is described in Note 13. Real estate for investment.
2 This was due to the transfer of shares of TS Precision Co., Ltd. in previous fiscal year.

(2) Other expenses

The components of other expenses are as follows:

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Loss on sale and disposal of fixed assets	310	378
Impairment loss (Note)	4,392	1,632
Others	239	361
Total	4,941	2,370

(NOTE) Impairment losses are discussed in Note 11, Impairment of Non-Financial Assets.

26. Financial income and costs

(1) Financial income

Breakdown of financial income is as follows:

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Interest income		
Financial assets measured at amortized cost	385	365
Dividends income		
Financial assets measured at fair value through other comprehensive income	78	90
Gain on valuation of investment securities (Note)		
Financial assets measured at fair value through profit or loss	3,569	—
Foreign exchange gain	1,171	684
Total	5,202	1,140

(NOTE) For Harmonic Drive Systems., LLC. shares sold during the previous fiscal year, the difference between the aggregate amounts of VWAP sold at the average date during the period and the fair value at the end of the year before previous fiscal year.

(2) Financial cost

The breakdown of financial costs is as follows:

(Million yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Interest expenses		
Financial liabilities measured at amortized cost	363	509
Lease liabilities	207	224
Valuation loss from derivatives transactions		
Financial assets measured at fair value through profit or loss	521	152
Loss on valuation of investment securities (Note)		
Financial assets measured at fair value through profit or loss	—	33
Total	1,090	918

27. 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, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
	Number of options (units)	Weighted average exercise Price (yen)	Number of options (units)	Weighted average exercise Price (yen)
Balance at the beginning of year	274	1	202	1
Exercise (Note 1)	-72	1	-138	1
Balance at the end of the period (Note 2)	202	1	64	1
Exercisable at the end of the year	202	1	64	1

(NOTE)The weighted average stock price at the time of exercise of options exercised during the fiscal year was 3,350 yen and 2,552 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 16.8 years and 17.3 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
	Number of points	Number of points
Balance at beginning of year	213,989	250,013
Grant	63,088	55,438
Exercise	-27,064	-74,243
Balance at end of year	250,013	231,208

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 3,253 yen and 2,776 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 212 million yen and 115 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.

28 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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Profit attributable to owners of the parent	(Million yen)	14,554	10,119
Weighted average number of shares of common stock	(Thousands of shares)	120,035	120,103
Basic earnings per share	(Yen)	121.25	84.25

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Diluted net income attributable to owners of the parent	(Million yen)	14,554	10,119
Weighted average number of shares of common stock	(Thousands of shares)	120,035	120,103
Effect of stock options using the stock acquisition rights method	(Thousands of shares)	20	6
Diluted weighted average shares for common stock	(Thousands of shares)	120,055	120,109
Diluted earnings per share	(Yen)	121.23	84.24

29. Business Combination

Previous fiscal year (From January 1, 2023, to December 31, 2023)

(Purchase of Shares of Copas Systèmes SAS)

Our consolidated subsidiary, Gilgen Door Systems AG ("Gilgen"), acquired 100% of the shares of Copas Systèmes SAS on January 3, 2023, making it a wholly owned subsidiary of our group.

(1) The outline of the business combination

① Name and business of the acquired company

Name of acquired company: Copas Systèmes SAS

Business activities: Automatic door sales, construction and maintenance in Southeastern France

② Main reasons for the business combination

In our Automatic Door business, we aim to strengthen our sales structure covering the four major markets of Japan, Europe, North America and China. We are working to establish our position as a global automatic door manufacturer by strengthening our direct sales bases in each market and expanding our value chain through partnerships with distributors. In the European market in particular, we have been engaged in M&A aimed at strengthening sales channels centered on Gilgen, but recently we have made a wholly owned subsidiary of Copas Systèmes SAS, which has a strong customer-network in southeastern France. As a result, we will rebuild the value chain in the French market and further develop our business foundation in Europe.

③ Method of acquiring control of the acquired company

Acquisition of shares for cash consideration

④ Acquisition date

January 3, 2023

⑤ Acquired ownership percentage

100%

(2) Acquisition consideration and its breakdown

Cash	5,459 million yen
Total acquisition consideration	5,459 million yen

(3) Acquisition-related expenses

Acquisition-related expenses amounted to 35 million yen and are included in "Selling, general and administrative expenses" in the consolidated statements of income.

(4) Assets acquired and liabilities assumed

The Company provisionally accounted for this business combination in the first quarter of the current fiscal year. However, the allocation of the purchase consideration to the assets acquired and liabilities assumed has been finalized in the second quarter of the current fiscal year. As a result of the finalization of this provisional accounting treatment, non-current assets and non-current liabilities increased by ¥2,167 million and ¥542 million, respectively, and goodwill decreased by ¥1,625 million.

Assets acquired and liabilities assumed at the date of acquisition were as follows:

(Million yen)

	Amount
Fair value of consideration paid (Note 1)	5,459
Total	5,459
Current assets (Note 2)	1,373
Non-current assets (Note 3)	2,270
Current liabilities	-1,010
Non-current liabilities	-583
Goodwill (Note) 4	3,411
Total	5,459

(NOTE) 1 There is no contingent consideration.

2 Cash and cash equivalents of ¥177 million are included. The aggregate contract amount for the fair value of trade and other receivables acquired of ¥759 million is ¥907 million and the estimated uncollectible amount is ¥147 million.

3 Includes customer-related assets of ¥1,454 million (useful life of 14 years) and software of ¥712 million (useful life of 16 years) that were not recognized by the acquired company.

4 Goodwill primarily reflects excess earning power and is not deductible for tax purposes.

(5) Impact on the performance of our group

Profit and loss information after the acquisition date recognized in the consolidated statement of income for the fiscal year under review and the estimated impact on the consolidated financial statements of the business combination on January 1, 2023, the beginning of the fiscal year under review, are not presented because they are not material.

(Purchase of Shares of R.K. DEEP SEA TECHNOLOGIES LIMITED)

On July 14, 2023, we acquired an additional 85% of the outstanding shares of R.K. DEEP SEA TECHNOLOGIES LIMITED in Cyprus, the 100% parent company of Deep Sea Technologies SMPC ("Deep Sea"), a Greek operating company that provides solutions utilizing AI, making it our wholly-owned subsidiary.

(1) The outline of the Business Combination

① Name and business of the acquired company

Name of the acquired company	R.K. DEEP SEA TECHNOLOGIES LIMITED
Description of business	Provision of solution services for vessels, such as optimum route selection and condition monitoring using AI through Deep Sea Technologies SMPC, a Greek operating company

② Main reasons for the business combination

In July 2021, we invested in Deep Sea, a corporate venture capital firm, through Nabtesco Technology Ventures L.P., and began sales in 2022 of a solution service for vessels led by the industry-leading "Ship Status Monitoring (Cassandra)" and "Ship Optimal Traffic Route Selection (Pythia)". We have also been jointly developing control algorithms for marine control systems with the company.

Through this acquisition, we will combine the Company's leading-edge global AI expertise in proposing optimal shipping routes and speed with our marine engine control system. In this way, we will work to enhance Digital transformation (hereinafter “DX”) in the shipping industry and to develop and market solution services for vessels. Furthermore, we will contribute to the autonomous operation of ships and the achievement of fuel efficiency by using optimal operation control algorithms that utilize numerical modeling techniques based on AI.

Following the acquisition, Deep Sea will remain based in Athens, Greece, and will continue to act as our group-wide AI R&D center. By welcoming AI/IoT specialists, system engineers, and other DX human resources, we will enhance our ability to develop applications, such as optimal control and condition monitoring, and accelerate systemization and DX in various business fields. Through the creation of new innovations, we aim to provide customers with even higher value-added products.

③ Method of acquiring control of the acquired company

Acquisition of shares for cash consideration

④ Acquisition date

July 14, 2023

⑤ Acquired ownership percentage

Percentage of voting rights before the business combination	15%
Percentage of voting rights acquired	85%
Percentage of voting rights after the business combination	100%

(2) Acquisition consideration and its breakdown

Fair value of equity interests held immediately prior to the acquisition date	1,309 million yen
Cash	6,490 million yen
Contingent consideration	28 million yen
Total acquisition consideration	7,826 million yen

(3) Acquisition-related expenses

Acquisition-related expenses amounted to 72 million yen and are included in "Selling, general and administrative expenses" in the consolidated statements of income.

(4) Assets acquired and liabilities assumed

The Company provisionally accounted for this business combination in the third quarter of the current fiscal year, but the allocation of the purchase consideration to the assets acquired and liabilities assumed has been finalized in the current fiscal year. As a result of the finalization of this provisional accounting treatment, current assets increased by ¥210 million, non-current assets by ¥811 million and non-current liabilities by ¥178 million, and the fair value of contingent consideration decreased by ¥309 million, current liabilities by ¥27 million, and goodwill by ¥1,179 million.

Assets acquired and liabilities assumed at the date of acquisition were as follows:

(Million yen)

	Amount
Fair value of consideration paid	7,798
Fair value of contingent consideration	28
Total	7,826

Current assets (Note 1)	432
Non-current assets (Note 2)	1,844
Current liabilities	-228
Non-current liabilities	-250
Goodwill (Note 3)	6,029
Total	7,826

(NOTE) 1 Cash and cash equivalents of ¥153 million are included. The aggregate fair value and contractual amounts of trade and other receivables acquired were ¥34 million and no amount is expected to be uncollectible.

2 Intangible assets include trademarks of ¥50 million (useful life of 10 years), customer-related assets of ¥500 million (useful life of 19 years) and technology-related assets of ¥82 million (useful life of 10 years) that were not recognized by the acquired company.

3 Goodwill primarily reflects excess earning power and is not deductible for tax purposes.

(5) Contingent consideration

The contingent consideration is payable when the performance of the acquired company achieves a certain amount in a certain period of time, and the Company may contractually pay up to 2 million euros.

(6) Gain on subsequent acquisitions

As a result of our remeasurement of our 15% equity interest held prior to the acquisition date at fair value on the acquisition date, we recognize a gain on step acquisitions due to the business combination. This gain was included in ¥9 million in "Financial income" in the consolidated statements of income and in ¥39 million in "Net changes in financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

(7) Impact on the performance of our group

Profit and loss information after the acquisition date recognized in the consolidated statement of income for the fiscal year under review and the estimated impact on the consolidated financial statements of the business combination on January 1, 2023, the beginning of the fiscal year under review, are not presented because they are not material.

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

Not applicable

30. Subsidiary

The major subsidiaries of our group are as follows.

Name	Address	Main business Details	Percentage ownership and voting interest	
			End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
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
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.	China Shanghai City	Component.	55.0	55.0
Shanghai Nabtesco Hydraulic Equipment Trading Co., Ltd.	China Shanghai City	Component	67.0	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.	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.

31. 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 FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Receivables outstanding	898	758
Debt outstanding	391	2,190

(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, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net sales	3,821	2,689
Purchases	4,771	5,343

(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, 2023, to December 31, 2023)

(Million yen)

	Total amount of remuneration	Amount of Compensation by Type	
		Basic remuneration	Board Benefit Trust
Compensation for executives	257	168	89

(NOTE) Executive is a director of our company.

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

(Million yen)

	Total amount of remuneration	Amount of Compensation by Type	
		Basic remuneration	株式給付信託 (BBT)
Compensation for executives	183	153	30

(NOTE) Executive is a director of our company.

32. Commitment

Significant commitments contractually committed to the acquisition of property, plant and equipment are as follows:

(Million yen)

	End of consolidated FY2023 (as of December 31, 2023)	End of consolidated FY2024 (as of December 31, 2024)
Commitment	9,283	5,554

33. Contingent liabilities

Not applicable.

34. Subsequent events

Not applicable.

(2) [Others]

Quarterly information for the current consolidated fiscal year

		First 3 months	First 6 months	First 9 months	Full year
Net sales	(Million yen)	72,181	152,491	229,830	323,384
Quarterly (current) income before income taxes	(Million yen)	5,131	7,839	9,940	15,747
Quarterly (current) profit attributable to owners of the parent	(Million yen)	2,640	4,204	5,659	10,119
Basic quarterly (current) profit per share	(Yen)	21.99	35.01	47.12	84.25

		1st quarter	2nd quarter	3rd quarter	4th quarter
Basic quarterly earnings per share	(Yen)	21.99	13.02	12.11	37.13

(NOTE) Review of Financial Information for the Third Quarter of FY2024 : None

(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. 【Financial Statements】

(1) 【Financial Statements】

① 【Balance Sheet】

(Million yen)

	End of previous fiscal year (as of December 31, 2023)	End of current fiscal year (as of December 31, 2024)
Assets		
Current assets		
Cash and deposits	24,708	26,656
Notes receivable	3,516	3,414
Accounts receivable	※1 48,368	※1 49,533
Marketable securities	8,999	—
Merchandise and finished goods	3,955	3,504
Work in process	6,375	7,316
Raw materials and supplies	8,378	9,000
Accounts receivable-other	※1 5,080	※1 3,880
Advances paid	※1 5,053	※1 3,869
Others	※1 1,466	※1 1,403
Total current assets	115,899	108,575
Fixed assets		
Property, plant and equipment		
Buildings	20,375	34,972
Structures	1,074	1,894
Machinery and equipment	20,779	24,797
Vehicles and transportation equipment	173	286
Tools, furniture and fixtures	2,859	2,979
Land	13,970	12,939
Construction in progress	25,028	12,439
Total property, plant and equipment	84,258	90,307
Intangible assets		
Software	3,441	3,461
Others	785	686
Total intangible assets	4,226	4,147
Investments and other assets		
Investment securities	4,247	5,194
Stocks of subsidiaries and affiliates	38,946	39,505
Investments in capital of subsidiaries and affiliates	16,091	16,762
Long-term loans receivable from subsidiaries and affiliates	8,150	6,634
Long-term prepaid expenses	199	115
Deferred tax assets	2,194	1,796
Others	1,340	1,368
Allowance for doubtful accounts	-11	-8
Total investments and other assets	71,157	71,366
Total noncurrent assets	159,641	165,820
Total assets	275,540	274,395

(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.

(Million yen)

	End of previous fiscal year (as of December 31, 2023)	End of current fiscal year (as of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable	※1 9,355	※1 9,637
Electronically recorded obligations-operating	33,125	31,955
Short-term loans payable	11,300	11,300
Current portion of long-term loans payable	※1 17,397	※1 9,054
Accounts payable-other	656	346
Income taxes payable	2,266	2,836
Accrued expenses	211	248
Contractual liabilities	※1 17,111	※1 15,910
Deposits received	529	672
Warranty reserve	0	—
Accrual for losses on contracts	1	28
Accrued indemnification loss on damages	91,951	81,987
Long-term liabilities		
Long-term borrowing	—	10,000
Liability for retirement benefits	6,714	6,472
Others	2,057	2,106
Total noncurrent liabilities	8,771	18,578
Total liabilities	100,722	100,564
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	188	167
Retained earnings brought forward	139,964	137,881
Total retained earnings	141,229	139,124
Treasury stock	-3,943	-3,638
Total shareholders' equity	173,560	171,760
Valuation and translation adjustments		
Valuation difference on securities	1,214	2,054
Total valuation and translation adjustments	1,214	2,054
Stock acquisition right	44	16
Total net assets	174,818	173,831
Total liabilities and net assets	275,540	274,395

② 【Income Statement】

(Million yen)

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Net sales	※1 176,334	※1 155,923
Cost of sales	※1 149,878	※1 133,447
Gross profit	26,457	22,476
Selling, general and administrative expenses	※2 23,362	※2 24,730
Operating income	3,095	-2,253
Non-operating income		
Interest and dividend income	※1 7,509	※1 8,575
Foreign exchange gain	1,284	670
Rent income	※1 143	※1 112
Gain on investment in partnerships	162	—
Others	216	145
Total non-operating income	9,314	9,502
Non-operating expenses		
Rent expenses	54	22
Interest expenses	109	174
Loss on investment partnerships	—	380
Valuation loss from derivatives transactions	522	152
Others	71	99
Total non-operating expenses	757	827
Ordinary income	11,653	6,422
Extraordinary income		
Gain on sales of noncurrent assets	※3 269	※3 9
Gain on sales of investment securities	—	113
Gain on liquidation of affiliates	—	118
Subsidy from Government etc.	—	※4 2,759
Gain on sales of stock of affiliates	※5 1,630	—
Net gains on derivative instruments	※6 4,230	—
Total extraordinary income	6,129	2,999
Extraordinary losses		
Loss on sale and disposal of fixed assets	※7 322	※7 272
Valuation loss from derivatives transactions	—	※8 976
Total extraordinary loss	322	1,247
Income before income taxes	17,459	8,173
Income taxes	2,487	566
Income taxes-deferred	279	26
Total income taxes	2,766	592
Net Income	14,694	7,581

(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.

③[Statement of Changes in shareholders' equity]

Previous fiscal year (from January 1, 2023 to December 31, 2023)

(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	190	135,353	136,620	-4,646	168,247
Change during the year									
Dividend of surplus	—	—	—	—	—	-9,506	-9,506	—	-9,506
Reversal of reserve for reduction entry of assets	—	—	—	—	-2	2	—	—	—
Net Income	—	—	—	—	—	14,694	14,694	—	14,694
Purchase of treasury stock	—	—	—	—	—	—	—	-789	-789
Disposal of treasury stock	—	—	—	—	—	-579	-579	1,492	913
Net change in items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes in current term	—	—	—	—	-2	4,611	4,609	704	5,312
Closing balance	10,000	26,274	26,274	1,077	188	139,964	141,229	-3,943	173,560

	Valuation and translation adjustments			
	Valuation difference on securities	Total valuation and translation adjustments	Stock acquisition right	Total net assets
Opening balance	912	912	61	169,220
Change during the year				
Dividend of surplus	—	—	—	-9,506
Reversal of reserve for reduction entry of assets	—	—	—	—
Net Income	—	—	—	14,694
Purchase of treasury stock	—	—	—	-789
Disposal of treasury stock	—	—	—	913
Net change in items other than shareholders' equity	301	301	-16	285
Total changes in current term	301	301	-16	5,597
Closing balance	1,214	1,214	44	174,818

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

(Million yen)

	Shareholders' equity								
	Common stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal reserve	Other retained earnings		Total retained earnings		
					Special Tax Purpose Reserve	Retained earnings brought forward			
Opening balance	10,000	26,274	26,274	1,077	188	139,964	141,229	-3,943	173,560
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	—	—	—	—	—	7,581	7,581	—	7,581
Purchase of treasury stock	—	—	—	—	—	—	—	-2	-2
Disposal of treasury stock	—	—	—	—	—	-34	-34	307	272
Net change in items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes in current term	—	—	—	—	-21	-2,083	-2,104	304	-1,800
Closing balance	10,000	26,274	26,274	1,077	167	137,881	139,124	-3,638	171,760

	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	174,818
Change during the year				
Dividend of surplus	—	—	—	-9,651
Reversal of reserve for reduction entry of assets	—	—	—	—
Net Income	—	—	—	7,581
Purchase of treasury stock	—	—	—	-2
Disposal of treasury stock	—	—	—	272
Net change in items other than shareholders' equity	840	840	-28	812
Total changes in current term	840	840	-28	-987
Closing balance	2,054	2,054	16	173,831

[Notes]

(Significant accounting policies)

1 Marketable 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.

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, 2023)	End of current fiscal year (as of December 31, 2024)
Stocks of subsidiaries and affiliates	17,999	17,999

(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 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.

(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, 2023)	End of current fiscal year (as of December 31, 2024)
Short-term monetary claims	23,712Million yen	22,275Million yen
Short-term loans payable	18,222	18,564

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, 2023)	End of current fiscal year (as of December 31, 2024)
Nabtesco Automotive Corporation	27Million yen (191Thousands of USD)	38Million yen (243Thousands of USD)
Nabtesco Oclap S.r.l.	346Million yen (2,200Thousands of Euro)	412Million yen (2,500Thousands of Euro)
OVALO GmbH	1,436Million yen (9,139Thousands of Euro)	1,996Million yen (12,102Thousands of Euro)
CMET, Inc.	1Million yen	80Million yen
Gilgen Door Systems AG	7,117Million yen (42,300Thousands of CHF)	6,488Million yen (37,000Thousands of CHF)
Deep Sea Technologies SMPC	－Million yen －Thousands of Euro)	412Million yen (2,500Thousands of Euro)
Total	8,926Million yen	9,427Million 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, 2023)	End of current fiscal year (as of December 31, 2024)
Notes receivable	41Million yen	46 Million yen

(Notes to Income Statements)

※1 Transaction volume with affiliated companies is as follows

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Turnover with business transaction		
Net sales	51,262Million yen	50,447Million yen
Purchases	15,414	15,204
Excluding operating transactions with subsidiary		
Dividends income	7,149	8,208
Rent income	123	86

※2 Major items of selling, general and administrative expenses and their approximate percentages are as follows:

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Travelling expenses	527Million yen	565Million yen
Salaries and Wages	3,510	3,588
Bonus	1,321	1,461
Retirement benefit costs	83	77
Legal welfare expense	789	831
Rent expenses	740	740
Depreciation and amortization	1,128	1,059
Research and development costs	6,997	7,457
Approximate percentage		
Selling expenses	15.9%	14.6%
General and administrative expenses	84.1%	85.4%

※3 Breakdown of gain on sale of property and equipment

	Previous fiscal year (January 1, 2023 to December 31, 2023)	Current fiscal year (January 1, 2024 to December 31, 2024)
Buildings	1Million yen	—Million yen
Structures	0	—
Machinery and equipment	3	2
Vehicles and transportation equipment	—	7
Tools, furniture and fixtures	1	0
Land	264	—
Total	269	9

※4 Gain on government subsidiaries

Previous fiscal year (from January 1, 2023 to December 31, 2023)

Not applicable.

Current 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

※5 Gain on sales of stock of affiliates

Previous fiscal year (from January 1, 2023 to December 31, 2023)

Gain on sales of shares of subsidiaries and associates was due to the transfer of shares of TS Precision Co., Ltd.

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

Not applicable.

※6 Net gains on derivative instruments

Previous fiscal year (from January 1, 2023 to December 31, 2023)

Gain on valuation of derivatives represents the difference (settlement gain) between the gross sales proceeds and VWAP averages for the respective dates during the period between the sale and the end of the previous fiscal year for Harmonic's shares that were completed in connection with the sale of Harmonic's shares from us to the brokerage firm.

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

Not applicable.

※7 Breakdown of loss on sales and disposal of property, plant and equipment

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Buildings	148Million yen	162Million yen
Structures	6	0
Machinery and equipment	17	45
Vehicles and transportation equipment	0	0
Tools, furniture and fixtures	11	10
Land	127	50
Others	12	4
Total	322	272

※ 8 Impariment loss

Previous fiscal year (from January 1, 2023 to December 31, 2023)

Not applicable.

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

Location	Usage	Type of asset	Amount of impariment loss
Matsuyama-shi, Ehime prefecture	Property for lease	Land	976Million yen
Total			976Million yen

We target individual properties for lease as the smallest unit grouping that generates cash flow. An impairment loss was recorded in the current 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.

(Notes to Securities)

Previous fiscal year (As of December 31, 2023)

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	38,506
(2) Investments in affiliates	441
Total	38,946

Current 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

(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, the Company entered into foreign exchange forward contracts and foreign exchange forward contracts in the current fiscal year. However, this information is omitted because it is immaterial.

Currency interest rate-related

Previous fiscal year (As of December 31, 2023)

(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	2,585	2,298	-487	-487

Current 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

(Deferred tax accounting)

1 Breakdown of principal origins of deferred tax assets and liabilities

	Previous fiscal year As of December 31, 2023	Current fiscal year As of December 31, 2024
Deferred tax assets		
Liability for retirement benefits	2,056Million yen	1,982Million yen
Accounts payable-other	247	231
Write-down of inventories	94	125
Accrued bonuses	342	471
Warranty reserve	162	206
Accrued indemnification loss on damages	23	13
Valuation loss on shares of affiliates	439	439
Investments in subsidiaries and affiliates due to organizational restructuring	4,749	4,749
Write-down of golf club membership	10	20
Depreciation and amortization	651	394
Allowance for doubtful accounts	3	2
	311	472
Gross deferred tax assets	9,087	9,104
Valuation allowance	-5,244	-5,431
Total deferred tax assets	3,843	3,673
Deferred tax liabilities		
Special tax purpose reserve	878	746
Valuation difference on securities	771	1,131
Total deferred tax liabilities	1,649	1,877
Net deferred tax assets	2,194	1,796

2 Reconciliation of the statutory tax rate to the effective income tax rate

	Previous fiscal year As of December 31, 2023	Current fiscal year As of December 31, 2024
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Items that are not included in permanent deductible expenses such as entertainment expenses	1.8	3.5
Items that are not included to earnings in perpetuity, such as dividend income	-11.7	-29.1
Tax credit for research and development expenses, etc.	-3.1	-1.5
Foreign tax credit	-0.5	-0.7
Impariment loss	—	2.3
Increase in valuation allowance	-0.0	—
Others	-1.3	2.1
Burden rate of income taxes after the application of tax effect accounting	15.8	7.3

(Revenue Recognition)

The notes are omitted because the same information is provided in "Note 23. Revenue from Contracts with Customers" of the "Notes to Consolidated Financial Statements."

The information that forms the basis for understanding revenue arising from contracts with customers is as described in "Important accounting policies 6 Basis for Accounting for Revenue and Expenses."

(Significant subsequent events)

Not applicable.

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	20,375	16,648	143	1,908	34,972	23,575
Structures	1,074	954	0	134	1,894	1,828
Machinery and equipment	20,779	7,776	47	3,711	24,797	51,078
Vehicles and transportation equipment	173	172	4	55	286	290
Tools, furniture and fixtures	2,859	1,619	35	1,464	2,979	18,064
Land	13,970	—	1,031 (976)	—	12,939	976
Construction in progress	25,028	14,467	27,056	—	12,439	—
Tangible fixed assets total	84,258	41,638	28,316 (976)	7,273	90,307	95,811
Intangible assets						
Software	3,441	1,318	0	1,298	3,461	—
Others	785	—	98	1	686	—
Intangible fixed assets total	4,226	1,318	98	1,299	4,147	—

(NOTE) (1) Major components of the increase during the fiscal year were as follows:

Buildings	Precision reduction gears business 15,440 Million yen、Hydraulic equipment business 1,071 Million yen
Structures	Precision reduction gears business 911 Million yen
Machinery and equipment	Precision reduction gears business 6,946 Million yen
Tools, furniture and fixtures	Precision reduction gears business 841 Million yen、Hydraulic equipment business 189 Million yen、Railroad Vehicles equipemtn business 174 Million yen、Automatic doors business 183 Million yen
Construction in progress	Precision reduction gears business 11,297 Million yen、Hydraulic equipment business 1,914 Million yen
Software	Corporate etc. 929Million yen、Precision reduction gears business 165Million yen

2 () in Decreased during current term is the amount of impairment loss.

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	11	—	3	—	8
Warranty reserve	529	373	147	83	672
Accrual for losses on contracts	0	—	0	—	—

(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 83 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	(Special Account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Administrator of Shareholder Registry	(Special Account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Brokerage house	-
Purchase commission	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

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 (21st fiscal period)	January 1, 2023 to December 31, 2023	March 27, 2024 Submitted to the Director of the Kanto Local Finance Bureau.
(2) Internal Control Report and Its attachments	Business year (21st fiscal period)	January 1, 2023 to December 31, 2023	March 27, 2024 Submitted to the Director of the Kanto Local Finance Bureau.
(3) Quarterly Report and Confirmation	(22nd fiscal period) 1st quarter	January 1, 2024 to March 31, 2024	May 14, 2024 Submitted to the Director of the Kanto Local Finance Bureau.
(4) Semiannual Report and Confirmation	(22ndt fiscal period) Half year	January, 2024 to June 30, 2024	August 9, 2024 Submitted to the Director of the Kanto Local Finance Bureau.
(5)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, 2024 Submitted to the Director of the Kanto Local Finance Bureau.
(6) Shelf registration statement (straight bonds) and other attachments			January 19, 2024 Submitted to the Director of the Kanto Local Finance Bureau.
(7) Amended Shelf Registration Statement (straight bonds)			March 27, 2024 Submitted to the Director of the Kanto Local Finance Bureau.

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

March 26, 2025

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	Takashi Inoue

<Audit of financial statements>

Audit Opinion

We have audited the accompanying consolidated financial statements of Nabtesco Corporation for the period from January 1, 2024 to December 31, 2024, 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, 2024, 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." 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.

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 "4 . 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 ¥26,259 million in the consolidated statement of financial position for the fiscal year under review. Goodwill related to Gilgen amounted to ¥17,251 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 ● 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 Gilgen Group 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 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. ● The forecast of the growth rate after the period of the business plan was compared with the relevant market forecast data by an external organization. ● 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 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, 2024, 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, 2024 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." 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].

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

March 26, 2025

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	Takashi Inoue

<Audit of financial statements>

Audit Opinion

We have audited the financial statements of Nabtesco Corporation for the 22ndt fiscal period from January 1, 2024, to December 31, 2024, 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, 2024, 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." 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.

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 ¥39,505 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 7% 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 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.

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 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 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]	Internal Control Report
[Articles of Basis]	Article 24-4-4(1) of the Financial Instruments and Exchange Act
[Submit to]	Kanto Finance Bureau
[Submission date]	March 27, 2025
[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 basic framework for internal control over financial reporting]

Representative Director Kazumasa Kimura is responsible for establishing and operating our internal control over financial reporting. The Company has developed and operates internal control over financial reporting in accordance with the basic framework for internal control outlined in the "Standards for Assessment and Auditing of Internal Control over Financial Reporting and Revision of Implementation Standards for Assessment and Auditing of Internal Control over Financial Reporting (Opinion)" issued by the Business Accounting Council.

Internal control seeks to achieve its objectives to the extent reasonable by organically linking and working together the basic elements of internal control.

As a result, internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

2 [Scope of Evaluation, Record Date and Matters Relating to Evaluation Procedures]

The assessment of internal control over financial reporting was performed as of December 31, 2024 which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested.

We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

The scope of our assessment of internal control over financial reporting was determined to the extent necessary for us, our consolidated subsidiaries and equity-method affiliates from the perspective of the materiality of the impact on the reliability of financial reporting.

The significance of the impact on the reliability of financial reporting is determined by considering the materiality of monetary and qualitative impacts. Based on the results of the assessment of company-wide internal controls conducted for all business locations, excluding business locations with insignificant monetary and qualitative materiality, the scope of the assessment of internal controls related to business processes was reasonably determined.

With regard to the scope of assessment of internal control over business processes, business locations that have generally reached two-thirds of consolidated net sales (after elimination of intercompany transactions) were designated as "significant business locations."

At the selected significant business locations, the business processes leading to sales, accounts receivable and inventories were included in the scope of evaluation as the accounts significantly related to the business objectives of the company.

In addition, we have added business processes related to significant accounts that are highly probable of material misstatements and involve estimates and projections as business processes of significant significance, taking into account their impact on financial reporting.

3 [Items related to evaluation results]

Based on our assessment of our internal control over financial reporting described above, we concluded that our internal control over financial reporting was effective as of December 31, 2024.

4 [Additional Notes]

Not applicable.

5 [Special Note]

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.

[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]	March 27, 2025
[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)

(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.

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 22nd fiscal period (from January 1, 2024 to December 31, 2024) 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.