

**《Supplement》
Dissolution of Cooperative Relationship with
Harmonic Drive Systems Inc. and the Other
Announcements**

**January 29, 2021
Nabtesco Corporation**

The forecast data presented herein reflects assumed results based on conditions that are subject to change. Nabtesco Corporation does not make representations as to, or warrant, in whole or in part, the attainment or realization of any of the forecasted results presented in this document.

Announcements dated on January 29, 2021

Nabtesco announces below three news at 4:00PM(JST) on January 29, 2021. Documents are available on our website

1. Announcement on Dissolution of Cooperative Relationship with Harmonic Drive Systems Inc. and Change in Equity-method Affiliates and Recording of Associated Gains (as of the fiscal year ending December 31, 2021)
2. Announcement on Partial Sale (Planned) of Shares and the Other Assets Held by Nabtesco Corporation
3. Announcement on Setting the Maximum Allowance for Acquisition of Own Shares and Cancellation of Treasury Shares
(Acquisition of own shares pursuant to the Company's Articles of Incorporation in accordance with Article 165, Paragraph 2 of the Companies Act and cancellation of treasury shares pursuant to Article 178 of the Companies Act)

Background to cooperative relationship and reason for dissolution

Cooperative
Relationship
With HDS



Dissolution

【Purpose】

- Further increase both our corporate value together
- Utilize technologies each other and create new market together

- December 2005 Establish joint venture in the United States (Harmonic Drive L. L. C.)
 - HDS group own 51% of equity interest
 - Nabtesco group own 49% of equity interest
- June 2009 Include HDS as an equity-method affiliate (Nabtesco own 20% of HDS shares)
- February 2018 Subscribe Third-Party Share Options Issued by HDS when HDS procure the fund by way of issuance of new shares Exercise period by February 2023 (Nabtesco own 19.03% of HDS shares and Share options which counted as 0.97% of HDS shares)

【Background】

- Nabtesco will be required large amount of cash when we exercise share options of HDS by 2023. Current return on capital ratio for the HDS is relatively lower.
- Cooperative relationship with HDS bring some accomplishment in the US. However, both of the companies have recognized that no further production of synergy will be expected through this cooperative relationship

*Harmonic Drive Systems : HDS

Reason of sales of shares

Reason

- Nabtesco needs to utilize cash in order to strengthen the Company's financial foundation under current circumstances and increase its corporate value through solving the mid-to-long term challenges



Usage

Strengthen the financial foundation and solve the mid-to-long term challenges

- Higher liquidity of cash and bond retirement
- Construction of environmental friendly factories to meet SDGs
- Inorganic investment (M&A · CVC)

Improve shareholder value

- Shareholder return through share buyback

Assets Nabtesco will sell after Dissolution of Cooperative Relationship

(1) Third-Party Share Options Issued by HDS

→Exercise the right to request HDS to purchase the share options
(Approx. 0.97% of the total number of issued shares)

(2) Common shares of HDS

→Half of the 19.03% of HDS shares will transfer to Nomura Securities Co., Ltd. Nomura Securities Co., Ltd. intends to sell the shares in a manner that it believes will avoid the impact on the stock prices as much as possible, with taking into consideration to resale to investors who intend to hold them for a long period of time.

(3) Interest in the U.S. joint venture (Harmonic Drive L.L.C.)

→The U.S. subsidiary of NTS (Nabtesco USA Inc.) expects to transfer to HD Systems, Inc. 49% equity interest in Harmonic Drive L.L.C., a joint venture with HDS's U.S. subsidiary (HD Systems, Inc.), as set forth in the Joint Venture Agreement.

*Nabtesco Corporation: NTS
*Harmonic Drive Systems Inc. : HDS

Expected cash gain and usage from the selling

Gain from selling HDS shares would be approx. 100 billion JPY (after tax) when the HDS share price would be 8,000 JPY.

Sell all the HDS shares held by Nabtesco (18,320,400 shares)

Half of the share NTS plan to sell this time (9,160,200 shares)

20 billion JPY for shareholder return

-Buyback and cancellation
(Up to 4.4 million shares or 20 billion JPY)

30 billion JPY for strengthen the financial foundation

- Higher liquidity of cash
- Retirement of 2nd series of unsecured straight bonds (Final maturity date: December 2021)
- Settlement of the difference arising from selling shares

The remaining shares NTS plan to sell in the future (9,160,200 shares)

50 billion JPY for growth investment

-Construction of environmental friendly factories to meet SDGs in Hamamatsu (PRG*¹) and Tarui (HEB*²)

-Investment for R&D

-Investment for M&A and CVC

*1 PRG: Precision Reduction Gears

*2 HEB : Hydraulic Equipment Business

Outline of the scheme of selling HDS shares

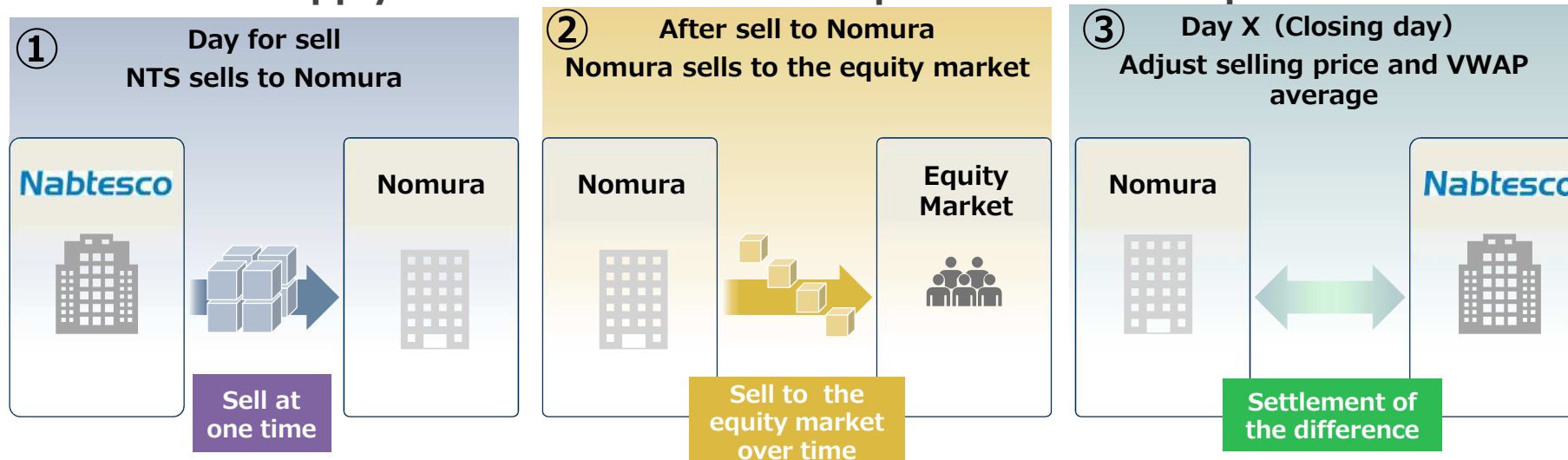
- NTS sells half of the shares of HDS held by NTS with respect to the reason for the dissolution of cooperative relationship with HDS. NTS takes this scheme to avoid the deterioration in the market supply and demand as much as possible as following.

Policy for sell	<p>Sell half of the HDS shares held by NTS</p> <p>NTS plan to sell the remaining half of the shares of HDS held, but would consider details including the timing and method with taking into account the impact on stock prices and market supply and demand.</p>
Purchaser	<p>Transfer to Nomura Securities Co., Ltd. in action trade.</p> <p>(Possible to resale to the some institutional investors)</p>
Highlights of this scheme	<p>Nomura will sell the shares in the market over time in order to avoid the deterioration in the market supply and demand and the impact on the stock price for HDS's share.</p> <p>(Public offering and accelerated book building will NOT be taken)</p>
Amount	<p>9,160,200 shares</p> <p>(the half of shares held by NTS, Ratio to the total number of issued shares: 9.51%)</p>
Scheduled date	<p>Will make an announcement separately once determined.</p>
Disclosure	<p>Disclose the share transfer amount when NTS sells to Nomura. Nomura will disclose the transaction according to applicable law.</p>

*1 Accelerated book building :A form to sell shares to institutional investors through security company within short period of time.

Outline of selling shares (Figures)

- NTS sells the half of HDS shares (9,160,200 shares) to Nomura. Nomura will sell the shares in the market over time in order to avoid the deterioration in the market supply and demand and the impact on the stock price.



Sell based on the closing price of the selling day (Selling price)

- NTS sells to Nomura on the day when both of the parties will agree. The selling price will be calculated based on the closing price of the selling day (hereinafter "Selling price").
- Voting right of the HDS share will decrease when NTS sells.

Nomura intend to sell the shares in a manner that it considers liquidity

- Nomura intends to sell the shares to the equity market in a manner that it considers liquidity, volume and share price trend.
- Nomura considers to resale to investors who intend to hold them for a long period of time.

Adjust Selling price and VWAP* average between Nomura and NTS

- When selling price lower than VWAP average, Nomura will pay the difference to NTS.
- When selling price higher than VWAP average, NTS will pay the difference to Nomura.

* Volume Weighted Average Price: Average price the security has traded throughout the day based on both price and volume

Impact on FY2021 consolidated financial plan

- Impact on net income and the others will be reflected the FY2021 plan which will be disclosed on February 10, 2021 (as planned).
- HDS shares held by the Company will be revaluated based on the share price as of the end of each quarter, and the difference in valuation is expected to be recorded as valuation gains and losses (financial income or financial expenses) in the consolidated settlement of accounts (IFRS).
- Gain on the sales of the half of the shares will be recognized when the settlement of the difference arising from selling shares is completed.
- The actual business impact from this dissolution will be minimal due to the limited direct business transaction.
- HDS and Harmonic Drive L.L.C. will be exclude from January 30, 2021 as its equity-method affiliate.