



(Translated)

January 29, 2021

To whom it may concern

Company name: Nabtesco Corporation
Representative: Katsuhiko Teramoto, Representative Director
(Securities Code: 6268; 1st Section, Tokyo Stock Exchange)
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**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)**

Nabtesco Corporation (hereinafter, as “the Company”) hereby announces that its Board of Directors, at a meeting held on January 29, 2021, resolved to dissolve the cooperative relationship with Harmonic Drive Systems Inc. (hereinafter, as “HDS”) and without exercising the #1 share options issued by HDS, to request HDS to purchase all of them in accordance with the subscription contract.

According to the above, HDS will be excluded from the Company’s equity-method affiliates and the Company expects to record valuation gains of HDS shares held by the Company in the consolidated settlement of accounts for the 1st quarter of the fiscal year ending December 31, 2021.

1. Background to cooperative relationship and reason for dissolution

As indicated in “Nabtesco to include Harmonic Drive Systems as an equity-method affiliate by acquiring additional shares” released on December 11, 2008, the Company and HDS established a joint venture in the United States in December 2005 and further, expanded the cooperative relationship between the two companies into all areas of motion control and created new markets.

Further, as indicated in “Notice on Subscription of Third-Party Share Options Issued by Harmonic Drive Systems Inc.” released on January 5, 2018, the Company decided to subscribe for share options at the time of HDS’s procurement of fund by way of issuance of new shares, etc. and to this day, has included HDS as its equity-method affiliate.

Since both the two companies have recognized, in consideration of approaches taken thus far, that further production of synergy from the cooperation cannot be expected due to the difference in technology, production know-how and marketability of main products owned by each company, the Company has resolved to dissolve the cooperative relationship and to exercise the right to request HDS to purchase the share options held by the Company. The actual business impact from this dissolution will be minimal.

2. Recording of valuation gains

Due to the exclusion of HDS from application of the equity-method as of January 29, 2021, valuation gains of approximately JPY130.6 billion (based on the closing price of the previous day, January 28, 2021) are expected to be recorded in the consolidated settlement of accounts for the 1st

quarter of the fiscal year ending December 31, 2021, with respect to the 18,320,400 HDS shares held by the Company (Ratio to the total number of issued shares: 19.03%).

From the settlement of accounts for the 1st quarter of the fiscal year ending December 31, 2021, 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 net unrealized gains on securities (net assets) in the individual settlement of accounts (Japanese GAAP) and as valuation gains and losses (financial income or financial expenses) in the consolidated settlement of accounts (IFRS).

In association with the dissolution of the cooperative relationship, the Company is planning on selling half of the HDS shares held by the Company and transferring 49% of equity interest in the joint venture (Harmonic Drive L.L.C.) with HDS's U.S. subsidiary (HD Systems, Inc.). Although the Company is planning on selling the remaining half of the HDS shares held by the Company as well, it will consider details including the timing and method with taking into account the impact on stock prices and market supply and demand. Please refer to "Announcement on Partial Sale (Planned) of Shares and the Other Assets Held by Nabtesco Corporation" dated January 29, 2021 for details.

3. Outline of counterparty of dissolution of collaborative relationship

(1) Name	Harmonic Drive Systems Inc.																						
(2) Location	6-25-3 Minami-Oi, Shinagawa-ku, Tokyo																						
(3) Title and name of representative	President and Representative Director Akira Nagai																						
(4) Details of business	Production and sales of power transmission devices, production and sales of components (parts), actuators and systems for power transmission devices, production and sales of machine tools, measurement control devices and computers, real-estate sales and purchase, exchange, lease, management and agency																						
(5) Capital stock	JPY7,100 million (as of September 30, 2020)																						
(6) Date of establishment	February 23, 1989																						
(7) Major shareholders and stockholding ratio (As of September 30, 2020)	<table> <tr> <td>Koden Holdings Co., Ltd.</td> <td>34.79%</td> </tr> <tr> <td>Nabtesco Corporation</td> <td>19.03%</td> </tr> <tr> <td>SSBTC CLIENT OMNIBUS ACCOUNT (Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service Div.)</td> <td>6.19%</td> </tr> <tr> <td>Toyota Motor Corporation</td> <td>4.54%</td> </tr> <tr> <td>Norimitsu Ito</td> <td>2.95%</td> </tr> <tr> <td>Custody Bank of Japan, Ltd. (trust)</td> <td>1.97%</td> </tr> <tr> <td>Control trust (A030) trustee</td> <td>1.92%</td> </tr> <tr> <td>SMBC Trust Bank Ltd.</td> <td></td> </tr> <tr> <td>Mitsumasa Ito</td> <td>1.10%</td> </tr> <tr> <td>Harmonic Ito Foundation</td> <td>1.03%</td> </tr> <tr> <td>Yoshimasa Ito</td> <td>0.84%</td> </tr> </table>	Koden Holdings Co., Ltd.	34.79%	Nabtesco Corporation	19.03%	SSBTC CLIENT OMNIBUS ACCOUNT (Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service Div.)	6.19%	Toyota Motor Corporation	4.54%	Norimitsu Ito	2.95%	Custody Bank of Japan, Ltd. (trust)	1.97%	Control trust (A030) trustee	1.92%	SMBC Trust Bank Ltd.		Mitsumasa Ito	1.10%	Harmonic Ito Foundation	1.03%	Yoshimasa Ito	0.84%
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(8) Relationship between listed companies and subject company																							
Capital relationship	The Company has included HDS as an equity-method affiliate, since the Company owns 18,320,400 common shares (19.03%) and 12,619 share options (100 common shares per share option) of HDS.																						
Personal relationship	No applicable matters																						

	Business relationship	No applicable matters		
	Applicable situation concerning related parties	No applicable matters		
(9)	Consolidated management performance and consolidated financial standing of the subject company for most recent 3 years			
	Fiscal year (consolidated)	Term ending March 31, 2018	Term ending March 31, 2019	Term ending March 31, 2020
	Consolidated net assets	JPY103,325 million	JPY108,401 million	JPY 102,298 million
	Consolidated total assets	JPY133,190 million	JPY 137,996 million	JPY 127,428 million
	Consolidated net assets per share	JPY 1,035.33	JPY 1,082.31	JPY 1,011.90
	Consolidated net sales	JPY 54,340 million	JPY 67,809 million	JPY 37,488 million
	Consolidated operating profit	JPY 12,599 million	JPY 16,904 million	JPY 68 million
	Consolidated ordinary profit	JPY 12,228 million	JPY 17,465 million	JPY 499 million
	Current net profit attributable to owners of the parent	JPY 8,060 million	JPY 11,602 million	JPY -833 million
	Consolidated current net profit per share	JPY 86.90	JPY 120.52	JPY -8.65
	Dividend per share	JPY 26.00	JPY 38.00	JPY 20.00

[End]