

Summary of Consolidated Financial Statements for the Fiscal Year Ended December 31, 2022 (IFRS)



February 10, 2023

Name of listed company: Nabtesco Corporation

Stock listed on: Prime section of the Tokyo Stock Exchange

Code number: 6268

URL: <https://www.nabtesco.com>

Representative: Title: President and CEO

Name: Kazumasa Kimura

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Scheduled Date of Annual Shareholders Meeting: March 23, 2023

Scheduled Date of Dividend Payment: March 24, 2023

Scheduled Date of Issue of Financial Report: March 24, 2023

Quarterly material to supplement the financial results: Yes

Quarterly financial results conference: Yes (Teleconference for institutional investors and financial analysts)

(Amounts rounded to the nearest million)

1. Consolidated Results for FY 2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Net sales		Operating income		Income before tax		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2022	308,691	3.0	18,097	(39.7)	15,763	(84.5)	11,387	(83.2)	9,464	(85.4)	20,505	(72.9)
FY 2021	299,802	7.3	30,017	5.2	101,966	202.4	67,893	188.8	64,818	216.1	75,795	225.4

	Total basic earnings per share	Diluted earnings per share	Return on net income attributable to owners of the parent	Ratio of income before tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2022	78.87	78.85	3.9	3.4	5.9
FY 2021	534.67	534.53	29.6	24.5	10.0

(Reference) Equity in earnings of affiliates: FY 2022: 2,787million yen FY2021: 2,099 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
FY2022	459,293	263,228	248,696	54.1	2,071.87
FY2021	481,718	254,995	239,910	49.8	1,999.10

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at fiscal year-end
	Million yen	Million yen	Million yen	Million yen
FY 2022	7,717	13,231	(13,456)	124,413
FY 2021	36,340	67,147	(57,960)	112,771

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Year end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2021	–	38.00	–	39.00	77.00	9,265	14.4	4.3
FY 2022	–	39.00	–	39.00	78.00	9,385	98.9	3.8
FY 2023 (Forecast)	–	40.00	–	40.00	80.00		49.2	

3. Forecast of Consolidated Operating Results for FY 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year change for full year and quarter-on-quarter change for quarter)

	Net sales		Operating income		Income before tax		Net income attributable to owners of the parent		Total basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending June 2023	161,000	13.2	10,500	33.1	12,700	–	7,400	–	61.67
FY 2023	339,000	9.8	26,200	44.8	29,200	85.2	19,500	106.0	162.50

“Income before tax” and “Net income attributable to owners of the parent” in forecast of consolidated operating results shown above are expected to show substantially higher year-on-year increases than “Operating income” because of the absence of valuation loss recorded on the closing price of Harmonic Drive Systems Inc. shares at the end of the previous fiscal year (FY2022).

* Matters of note:

- (1) Changes in significant subsidiaries during the FY 2022 (Changes in specified subsidiaries resulting in a change in the scope of consolidation): None
Newly added: 0 (Company name: -) Excluded: 0 (Company name: -)
- (2) Changes in accounting policies and accounting estimates
 - 1) Changes in accounting policies required by IFRS: None
 - 2) Other changes in accounting policies: None
 - 3) Changes in accounting estimates: None
- (3) Shares outstanding (Common shares)
 - 1) Number of shares outstanding (including treasury stock) as of the end of the term
 - 2) Amount of treasury stock
 - 3) Average number of shares during the term

1)	As of December 31, 2022	121,064,099	As of December 31, 2021	121,064,099
2)	As of December 31, 2022	1,058,550	As of December 31, 2021	1,091,211
3)	FY2022	119,997,749	FY2021	121,228,465

[Reference] Overview of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for FY 2022 (January 1, 2022 to December 31, 2022)

(1) Non-Consolidated Operating Results (Percentages indicate the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2022	167,511	2.6	5,095	(47.4)	19,606	5.3	37,756	(26.7)
FY 2021	163,288	8.8	9,688	1.6	18,624	20.3	51,529	327.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY 2022	314.64	314.57
FY 2021	425.06	424.95

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2022 (as of December 31, 2022)	292,573	169,220	57.8	1,409.60
FY 2021 (as of December 31, 2021)	311,735	170,375	54.6	1,419.51

(Reference) Shareholders' equity: As of December 31, 2022: 169,160 million yen

As of December 31, 2021: 170,303 million yen

2. Forecast of Non-Consolidated Operating Results for FY 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate the year-on-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six-month period ending June 2023	87,600	10.7	8,800	(28.2)	8,200	1.9	68.33
Fiscal year ending December 2023	188,000	12.2	14,600	(25.5)	12,600	(66.6)	105.00

"Net income" in forecast of non-consolidated operating results shown above is expected to show a substantially higher year-on-year decrease than "Ordinary income" because of the extraordinary gains recorded due to the sale of Harmonic Drive Systems Inc. shares in the previous fiscal year (FY2022).

Notes:

* The Summary of Consolidated Financial Statements is not subject to audit by a certified public accountant or an audit firm.

* Description concerning proper use of the forecast of operating results and other remarks:

- Descriptions in this document concerning future figures including forecasts for operating results, etc. are based on currently available information and certain assumptions that the Company considers reasonable. Actual results may vary significantly from such forecasts due to a variety of factors. Please refer to "1. Overview of Consolidated Operating Results, etc. (4) Future Outlook" for earning forecast assumptions and notes upon the use of earnings forecasts.
- The Company will hold a financial results presentation meeting on February 17, 2023 for institutional investors and financial analysts. Images and details of the meeting (audio) together with the financial materials distributed at the meeting will be posted on the website immediately after the meeting.

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1. Qualitative Information on Consolidated Operating Results for FY 2022

(1) Analysis of Consolidated Operating Results

During the consolidated fiscal year under review, the Group saw a substantial decrease in demand for hydraulic equipment used in construction machines in the Chinese market. However, demand for precision reduction gears for industrial robots remained brisk, and the depreciation of yen had a positive effect on sales. As a result, the Group's consolidated net sales came to ¥308,691 million.

Operating income was ¥18,097 million, influenced by a decrease in the sales of hydraulic equipment business, rises of raw materials prices in the component solutions business, shortage of electronic components in the accessibility solutions business, and the increase of costs in overseas platform door projects. Income before tax was ¥15,763 million, reflecting the valuation loss caused by the fall in the stock price of Harmonic Drive Systems Inc. (hereinafter, "Harmonic"). Net income attributable to owners of the parent was ¥9,464 million.

1) Amount of orders received, net sales and operating income

The amount of orders received for the fiscal year increased 8.5% year on year to ¥329,698 million. Net sales increased 3.0% year on year to ¥308,691 million, while operating income decreased 39.7% year on year to ¥18,097 million. The ratio of operating income to net sales was 5.9%.

Operating results by business segment were as follows:

[Amount of orders received]

(Million yen)

Reportable Segment	Previous fiscal year (ended December 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (Consolidated basis)	Change (%)
Component Solutions	140,855	146,870	4.3
Transport Solutions	65,973	78,476	19.0
Accessibility Solutions	75,313	86,839	15.3
Others	21,787	17,513	(19.6)
Total	303,928	329,698	8.5

[Net sales]

(Million yen)

Reportable Segment	Previous fiscal year (ended December 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (Consolidated basis)	Change (%)
Component Solutions	138,130	140,629	1.8
Transport Solutions	67,744	70,950	4.7
Accessibility Solutions	75,108	78,561	4.6
Others	18,820	18,551	(1.4)
Total	299,802	308,691	3.0

[Operating income or loss]

(Million yen)

Reportable Segment	Previous fiscal year (ended December 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (Consolidated basis)	Change (%)
Component Solutions	22,903	15,919	(30.5)
Transport Solutions	5,617	6,714	19.5
Accessibility Solutions	7,642	2,830	(63.0)
Others	2,736	1,484	(45.8)
Elimination or Corporate	(8,882)	(8,850)	–
Total	30,017	18,097	(39.7)

[Component solutions business]

The amount of orders received for component solutions increased 4.3% year on year to ¥146,870 million. Net sales rose 1.8% year on year to ¥140,629 million, while operating income decreased 30.5% year on year to ¥15,919 million.

Sales of precision reduction gears recorded a year-on-year increase as demand for industrial robots remained brisk, reflecting strong capital investment mainly related to EVs.

Sales of hydraulic equipment for construction machinery saw a year-on-year decrease due to a substantial drop in demand in the Chinese market.

[Transport solutions business]

The amount of orders received for transport solutions increased 19.0% year on year to ¥78,476 million. Net sales also increased 4.7% year on year to ¥70,950 million, while operating income rose 19.5% to ¥6,714 million.

For railroad vehicle equipment, sales remained flat year on year due to sluggish demand for new vehicles in the Japanese and overseas markets although demand for MRO (Maintenance, Repair and Overhaul) services was favorable.

Sales of aircraft equipment posted a year-on-year increase as demand for private-sector aircraft recovered although the delayed delivery of items imported from overseas affected business with the Ministry of Defense.

Sales of commercial vehicle equipment increased year on year as demand for the equipment expanded in the Southeast Asian market, although customers' reduced production affected sales in Japan.

Marine vessel equipment saw a year-on-year increase in sales due to the favorable shipbuilding and shipping market environment.

[Accessibility solutions business]

The amount of orders received for accessibility solutions increased 15.3% year on year to ¥86,839 million. Net sales increased 4.6% year on year to ¥78,561 million, and operating income decreased 63.0% year on year to ¥2,830 million.

Sales of the automatic door business increased year on year, reflecting the positive effect of the depreciation of yen outside Japan although demand in the construction industry was sluggish and the shortage of electronic components had an impact on the business.

[Others]

The amount of orders received for others recorded a year-on-year decrease of 19.6% to ¥17,513 million. Net sales dropped 1.4% year on year to ¥18,551 million, and operating income decreased 45.8% year on year to ¥1,484 million.

Sales of packaging machines remained at the same level relative to the previous fiscal year, despite the impact on sales of products and MRO services caused by the difficulty of procuring electronic components.

Reference: Information by region

[Net sales]

(Million yen)

	Previous fiscal year (ended December 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (Consolidated basis)	Change (%)
Japan	162,588	162,716	0.1
China	59,510	53,072	(10.8)
Other Asia	16,546	21,530	30.1
North America	16,623	21,464	29.1
Europe	42,259	46,552	10.2
Other areas	2,277	3,357	47.5
Total	299,802	308,691	3.0

Note: Net sales are classified by country or region based on the location of the buyer.

2) Income before tax

Financial income was ¥708 million, which was mainly composed of interest income and dividend income. Financial costs were ¥5,828 million mainly due to the valuation loss on Harmonic's shares (valuation loss of ¥10,488 million for Harmonic's shares still in possession, which was calculated based on the stock price as of the end of the fiscal year under review, and valuation gain of ¥4,872 million recorded following the completion of the partial sale of the shares). Equity in earnings of affiliates was ¥2,787 million.

As a result, income before tax ended at ¥15,763 million, a decrease of 84.5% on a year-on-year basis. The major cause of this decrease was the posting of the valuation gain of ¥125,107 million (financial income) for the previous fiscal year, which was due to the exclusion of Harmonic from companies to which the equity method is applied, whereas a year-on-year decrease of ¥48,795 million was recorded for the valuation loss (financial cost), which was caused by the fall in Harmonic's stock price.

3) Net income attributable to owners of the parent

In sum, net income attributable to owners of the parent was ¥9,464 million, a decrease of 85.4% on a year-on-year basis, net of income tax expenses of ¥4,376 million and net profit attributable to non-controlling interests of ¥1,923 million.

Total basic earnings per share were ¥78.87, a decrease of ¥455.80 year on year.

(2) Analysis of Financial Position

	As of the end of the previous consolidated fiscal year (December 31, 2021)	As of the end of the current consolidated fiscal year (December 31, 2022)	Change
Total assets (million yen)	481,718	459,293	(22,425)
Liabilities (million yen)	226,723	196,064	(30,659)
Equities (million yen)	254,995	263,228	8,234
Ratio of equity attributable to owners of the parent (%)	49.8	54.1	4.3
ROA (%)	15.6	2.0	(13.5)
ROE (%)	29.6	3.9	(25.7)

[Assets]

Total assets as of December 31, 2022 were ¥459,293 million, a decrease of ¥22,425 million from December 31, 2021, consisting of ¥295,524 million in current assets and ¥163,768 million in non-current assets. The key contributing positive factors were an increase of ¥11,642 million in cash and cash equivalents, an increase of ¥7,330 million in inventories, and an increase of ¥7,062 million in tangible fixed assets caused by capital investment. The key contributing negative factors were a decrease of ¥61,506 million in assets associated with the sale of Harmonic's shares (a decrease of ¥10,488 million in assets held for sale, a decrease of ¥6,499 million in other financial assets (current assets), and a decrease of ¥44,519 million in other financial assets).

[Liabilities]

Total liabilities as of December 31, 2022 were ¥196,064 million, a decrease of ¥30,659 million from December 31, 2021, reflecting ¥172,577 million in current liabilities and ¥23,488 million in non-current liabilities. Despite an increase of ¥4,144 million in operating liabilities and an increase of ¥8,474 million in other liabilities, total liabilities decreased mainly due to a decrease of ¥30,595 million in other financial liabilities associated with the sale of Harmonic's shares, a decrease of ¥9,868 million in deferred tax liabilities, and a decrease of ¥8,054 million in income taxes payable.

[Equities]

Total equity as of December 31, 2022 stood at ¥263,228 million. Equity attributable to owners of the parent was ¥248,696 million, an increase of ¥8,786 million from December 31, 2021. The key contributing positive factors were the increase in retained earnings arising from net income attributable to owners of the parent of ¥9,464 million and an increase of ¥7,682 million in other capital caused by factors such as exchange differences on foreign operations. Meanwhile, the main contributing negative factor was a decrease of ¥9,385 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 54.1%, and equity attributable to owners of the parent per share was ¥2,071.87.

(3) Overview of Cash Flows for the Period under Review

(Million yen)

	Previous fiscal year (ended December 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (Consolidated basis)
Cash flows from operating activities	36,340	7,717
Cash flows from investing activities	67,147	13,231
Free cash flow	103,487	20,948
Cash flows from financing activities	(57,960)	(13,456)

Cash and cash equivalents (hereinafter, "capital") on a consolidated basis as of December 31, 2022 stood at ¥124,413 million, an increase of ¥11,642 million from December 31, 2021, mainly reflecting capital investment, proceeds and costs associated with the sale of Harmonic's shares, and dividend payment.

[Cash flows from operating activities]

Net cash generated from operating activities for the fiscal year totaled ¥7,717 million. The principal positive factors included increases in net income, depreciation and amortization. Meanwhile, the main negative factors were an increase in inventories and the payment of income taxes.

[Cash flows from investing activities]

Net cash generated from investing activities for the fiscal year amounted to ¥13,231 million. The main positive factor was the sale of the shares of Harmonic (proceeds from the sale of investment securities and proceeds from the refund of leasehold deposits). On the other hand, the main negative factor was costs related with the sale of Harmonic shares (payments for settlement of sales price on investment securities) and purchase of property, plant and equipment.

[Cash flows from financing activities]

Net cash used in financing activities for the fiscal year totaled ¥13,456 million. The main negative factor was dividend payment.

(4) Future Outlook

The Group anticipates that demand for precision reduction gears and marine vessel equipment will remain robust as in the previous fiscal year, demand for automatic doors will expand in the Japanese market for use in large commercial buildings, and demand for aircraft equipment will recover significantly for both private use and for national defense. As a result, net sales for the consolidated fiscal year ending December 2023 are expected to increase 9.8% year on year to ¥339,000 million. Operating income will increase 44.8% year on year to ¥26,200 million, reflecting the progress of passing on rising prices for raw materials costs to products and the recovery of production following the elimination of the shortage of electronic components, as well as due to increased sales.

Overview by segment is as follows.

Forecasts for the fiscal year ending December 2023 by business segment

[Net sales]

(Million yen)

Reportable segment	Result for the current fiscal year (ended December 2022)	Forecast for the next fiscal year (ending December 2023)	Change (%)
Component Solutions	140,629	154,800	10.1
Transport Solutions	70,950	77,800	9.7
Accessibility Solutions	78,561	85,300	8.6
Others	18,551	21,100	13.7
Total	308,691	339,000	9.8

Reportable segment	Forecast for the first six-month period of the next fiscal year (January 1, 2023 to June 30, 2023)		Forecast for the next fiscal year (January 1, 2023 to December 31, 2023)	
	Amount (Million yen)	Composition ratio (%)	Amount (Million yen)	Composition ratio (%)
Component Solutions	75,100	46.6	154,800	45.7
Transport Solutions	36,600	22.7	77,800	22.9
Accessibility Solutions	39,900	24.8	85,300	25.2
Others	9,400	5.9	21,100	6.2
Total	161,000	100.0	339,000	100.0

[Operating income]

(Million yen)

Reportable segment	Result for the current fiscal year (ended December 2022)	Forecast for the next fiscal year (ending December 2023)	Change (%)
Component Solutions	15,919	19,600	23.1
Transport Solutions	6,714	7,600	13.2
Accessibility Solutions	2,830	7,500	165.0
Others	1,484	2,400	61.7
Corporate or Elimination	(8,850)	(10,900)	–
Total	18,097	26,200	44.8

Reportable segment	Forecast for the first six-month period of the next fiscal year (January 1, 2023 to June 30, 2023)		Forecast for the next fiscal year (January 1, 2023 to December 31, 2023)	
	Amount (Million yen)	Operating margin (%)	Amount (Million yen)	Operating margin (%)
Component Solutions	9,000	12.0	19,600	12.7
Transport Solutions	2,600	7.1	7,600	9.8
Accessibility Solutions	3,000	7.5	7,500	8.8
Others	900	9.6	2,400	11.4
Corporate or Elimination	(5,000)	–	(10,900)	–
Total	10,500	6.5	26,200	7.7

[Component solutions business]

Net sales and operating income in the component solutions business are expected to amount to ¥154,800 million (up 10.1% year on year) and ¥19,600 million (up 23.1% year on year), respectively.

Sales of precision reduction gears are expected to increase year on year due to the continued high demand for industrial robots reflecting active capital investment in EVs.

Sales of hydraulic equipment for construction machinery are anticipated to decrease year on year on the back of continuing sluggish demand in the Chinese market and the expected intensification of competition.

[Transport solutions business]

Net sales and operating income in the transport solutions business are expected to amount to ¥77,800 million (up 9.7% year on year) and ¥7,600 million (up 13.2% year on year), respectively.

Sales of railroad vehicle equipment are expected to decrease year on year as restraints on investment in new vehicles will likely continue.

Sales of aircraft equipment will increase year on year as demand for aircraft is anticipated to pick up for both the private sector and for the Ministry of Defense.

Sales of commercial vehicle equipment are anticipated to see a year-on-year increase on the back of continuing brisk demand in the Southeast Asian markets and because the impact of reduction of production by customers will be mitigated.

Sales of marine vessel equipment are expected to increase on a year-on-year basis as the shipbuilding and shipping market environment will remain favorable.

[Accessibility solutions business]

Net sales and operating income in the accessibility solutions business are expected to amount to ¥85,300 million (up 8.6% year on year) and ¥7,500 million (up 165.0% year on year), respectively.

Sales in the automatic doors business are expected to increase year on year as the impact of the shortage of electronic components will be eliminated, demand for doors for large commercial buildings will expand associated with urban development in Japan and demand for platform doors will recover from the damage caused by COVID-19.

[Others]

Net sales and operating income in other businesses are expected to reach ¥21,100 million (up 13.7% year on year) and ¥2,400 million (up 61.7% year on year), respectively.

Packaging machines are expected to see a year-on-year increase in sales as we expect that needs for automation and labor saving will boost demand for both the products and MRO services and that the impact caused by the shortage of electronic components will be mitigated.

2. Management Policy

(1) Basic Policy of the Management of the Company

Based on its corporate philosophy, the Nabtesco Group has formulated a medium-term management plan for the three years from fiscal 2022, with a view to realizing the long-term vision for 2030, which it announced in February 2021.

[Corporate Philosophy]

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.

[Long-term Vision]

Leaders in Innovation for the Future

[Basic Policy for the Medium-Term Management Plan]

In order to achieve the targets for fiscal 2024, the Nabtesco Group will implement its management strategies based on the following policy.

TIME FOR CHALLENGE
–Change Yourself, Change the World–

(2) Management Targets

The Nabtesco Group has set the targets for the medium-term management plan for 2022 to 2024 as follows.

【The targets for the medium-term management plan】

ROIC : 10% or over

Dividend payout ratio : 35% or over

Focus on solving ESG issues

CO₂ emissions reduction : Reduced by 25%

(Baseline year: fiscal 2015/aligned with the SBT
1.5-degree Celsius target)

(3) Medium- to Long-term Management Strategies

In order to become “Leaders in Innovation for the Future,” which is the Nabtesco Group’s long-term vision for 2030, the Group will take on the following three challenges under the medium-term management plan: “Challenge of fostering reforms,” “Challenge of fostering creativity,” and “Challenge of fostering globalization.”

i. Challenge of fostering reforms

■ Enjoy the Challenge

–Change the corporate culture to embrace failure and encourage employees to take on challenges–

- “Change ourselves”: Redefine our current action guidelines
- “Change the company”: Implement innovation systems/tools

■ Innovation for “New Motion Control”

–Create and provide new value through DX, electrification and systematization–

- Create new “tangible goods” through electrification and system integration
- Create new “intangible things” through IoT and data solution
- Attain highly efficient and environmentally friendly manufacturing through automation and DX

ii. Challenge of fostering creativity

■ Intelligent Imagination & Execution

–Create and build new business models by promoting external collaboration–

- Promote open innovation with our core value
- Create new businesses by utilizing CVC and M&A
- Expand to new business areas by accelerating collaboration between each business segment

iii. Challenge of fostering globalization

■ Global Value Network

–Strengthen global management systems–

- Enhance overseas regional headquarters (Marketing, R&D, MRO and Shared services)
- Establish a global HR system and secure and develop local leaders
- Strengthen marketing activity in regions where the Nabtesco Group has yet to conduct business operations
- Rebuild global supply chain

(4) Issues to Be Addressed by Nabtesco

Nabtesco will address its issues of management materiality by steadily implementing the medium-term management plan to achieve the following:

- Encourage all directors and employees to embrace “change” and enjoy taking on “challenges” as one of their values
- Increase employee engagement by promoting work style reforms to optimize their work-life balance
- Create new value through products and services as “Leaders in Innovation for the Future”
- Reduce environmental impact and make more effective use of digital technologies for smart manufacturing
- Strengthen the global management system and secure and develop leaders
- Establish a robust global value network
- Enhance governance and risk management ability

3. Basic Concept on the Selection of Accounting Standards

The Group has applied IFRS on a voluntary basis to enhance the comparability of financial information in the capital markets on a global basis, as well as to improve the accuracy of management administration within the Group by unifying the accounting standards and accounting periods.

4. Consolidated Financial Statements and Notes on the Consolidated Financial Statement**(1) Consolidated Statement of Financial Position**

(Million yen)

	Note No.	End of consolidated FY 2021 (as of December 31, 2021)	End of consolidated FY 2022 (as of December 31, 2022)
Assets			
Current assets			
Cash and cash equivalents		112,771	124,413
Trade receivables		74,957	77,227
Contract assets		2,065	2,165
Other receivables		1,300	1,301
Inventories		41,880	49,210
Other financial assets		7,821	1,733
Other current assets		3,588	5,445
Total		244,382	261,494
Assets held for sale		44,519	34,030
Total current assets		288,900	295,524
Non-current assets			
Property, plant and equipment		89,020	96,082
Intangible assets		4,251	6,373
Right-of-use assets		8,877	10,129
Goodwill		16,184	17,899
Investment property		2,162	2,066
Investments accounted for using the equity method		15,475	17,729
Other financial assets		53,860	10,041
Deferred tax assets		1,997	2,281
Other non-current assets		992	1,168
Total non-current assets		192,818	163,768
Total assets		481,718	459,293

(Million yen)

	Note No.	End of consolidated FY 2021 (as of December 31, 2021)	End of consolidated FY 2022 (as of December 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating payables		51,974	56,119
Contract liabilities		5,704	7,652
Borrowings		14,690	19,943
Other payables		10,776	19,250
Income taxes payable		19,788	11,734
Provisions		1,206	1,678
Lease liabilities		2,158	2,640
Other financial liabilities		77,878	47,267
Other current liabilities		7,139	6,292
Total current liabilities		191,315	172,577
Non-current liabilities			
Borrowings		2,897	366
Lease liabilities		7,575	8,403
Liabilities concerning retirement benefit		9,079	8,472
Deferred tax liabilities		13,922	4,054
Other non-current liabilities		1,936	2,193
Total non-current liabilities		35,408	23,488
Total liabilities		226,723	196,064
Equity			
Capital stock		10,000	10,000
Share premium		14,961	15,048
Retained earnings		214,791	215,670
Treasury shares		(4,784)	(4,646)
Other components of equity		4,942	12,624
Equity attributable to owners of the parent		239,910	248,696
Non-controlling interests		15,084	14,532
Total equity		254,995	263,228
Total liabilities and equity		481,718	459,293

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

	Note No.	Previous fiscal year (ended December 2021) (January 1, 2021 to December 31, 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (January 1, 2022 to December 31, 2022) (Consolidated basis)
Net sales	2	299,802	308,691
Cost of sales		(217,759)	(232,007)
Gross profit		82,043	76,684
Other income		1,180	1,373
Selling, general and administrative expense		(52,520)	(59,620)
Other expenses		(686)	(340)
Operating income	2	30,017	18,097
Financial income		126,977	708
Financial costs		(57,126)	(5,828)
Equity in earnings of affiliates		2,099	2,787
Income before tax		101,966	15,763
Income tax expense		(34,073)	(4,376)
Net income		67,893	11,387
Net income attributable to			
Owners of the parent		64,818	9,464
Non-controlling interests		3,075	1,923
Net income		67,893	11,387
Net income per share			
Basic earnings per share (Yen)	3	534.67	78.87
Diluted earnings per share (Yen)	3	534.53	78.85

Summary of Consolidated Statements of Comprehensive Income

(Million yen)

	Note No.	Previous fiscal year (ended December 2021) (Consolidated basis)	Current fiscal year (ended December 2022) (Consolidated basis)
Net income		67,893	11,387
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liabilities (assets)		1,148	586
Net changes in financial assets measured at fair value through other comprehensive income		274	444
Total components that will not be reclassified to profit or loss		1,422	1,030
Components that will be reclassified to profit or loss			
Exchange differences on foreign operations		6,480	8,088
Total components that will be reclassified to profit or loss		6,480	8,088
Other comprehensive income after taxes		7,902	9,118
Total comprehensive income		75,795	20,505
Comprehensive income attributable to			
Owners of the parent		71,444	17,956
Non-controlling interests		4,351	2,549
Total comprehensive income		75,795	20,505

(3) Consolidated Statement of Changes in Equity

FY 2021 (January 1, 2021 to December 31, 2021)

(Million yen)

	Note No.	Equity attributable to owners of the parent					
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2021		10,000	14,998	173,988	(2,471)	(3,348)	4,863
Net income		–	–	64,818	–	–	–
Other comprehensive income		–	–	–	–	5,222	268
Total comprehensive income		–	–	64,818	–	5,222	268
Acquisition, sales, etc. of treasury shares		–	(4)	(19)	(20,707)	–	–
Cancellation of treasury shares		–	–	(18,394)	18,394	–	–
Change in scope of consolidation		–	–	–	–	–	–
Dividends		–	–	(8,800)	–	–	–
Transfer from other components of equity to retained earnings		–	–	3,199	–	–	(2,062)
Share-based compensation transactions		–	(34)	–	–	–	–
Total transactions with owners, etc.		–	(38)	(24,015)	(2,313)	–	(2,062)
Balance as of December 31, 2021		10,000	14,961	214,791	(4,784)	1,874	3,069

	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, 2021		–	1,515	198,031	13,610	211,641
Net income		–	–	64,818	3,075	67,893
Other comprehensive income		1,137	6,626	6,626	1,276	7,902
Total comprehensive income		1,137	6,626	71,444	4,351	75,795
Acquisition, sales, etc. of treasury share		–	–	(20,730)	–	(20,730)
Cancellation of treasury shares		–	–	–	–	–
Change in scope of consolidation		–	–	–	51	51
Dividends		–	–	(8,800)	(2,928)	(11,728)
Transfer from other components of equity to retained earnings		(1,137)	(3,199)	–	–	–
Share-based compensation transactions		–	–	(34)	–	(34)
Total transactions with owners, etc.		(1,137)	(3,199)	(29,564)	(2,877)	(32,441)
Balance as of December 31, 2021		–	4,942	239,910	15,084	254,995

FY 2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Note No.	Equity attributable to owners of the parent					
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	
						Exchange differences on foreign operations	Valuation difference due to change in fair value
Balance as of January 1, 2022		10,000	14,961	214,791	(4,784)	1,874	3,069
Net income		–	–	9,464	–	–	–
Other comprehensive income		–	–	–	–	7,488	437
Total comprehensive income		–	–	9,464	–	7,488	437
Acquisition, sales, etc. of treasury shares		–	–	(10)	137	–	–
Dividends		–	–	(9,385)	–	–	–
Transfer from other components of equity to retained earnings		–	–	810	–	–	(243)
Share-based compensation transactions		–	88	–	–	–	–
Total transactions with owners, etc.		–	88	(8,586)	137	–	(243)
Balance as of December 31, 2022		10,000	15,048	215,670	(4,646)	9,361	3,263

	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, 2022		–	4,942	239,910	15,084	254,995
Net income		–	–	9,464	1,923	11,387
Other comprehensive income		566	8,492	8,492	626	9,118
Total comprehensive income		566	8,492	17,956	2,549	20,505
Acquisition, sales, etc. of treasury shares		–	–	127	–	127
Dividends		–	–	(9,385)	(3,101)	(12,486)
Transfer from other components of equity to retained earnings		(566)	(810)	–	–	–
Share-based compensation transactions		–	–	88	–	88
Total transactions with owners, etc.		(566)	(810)	(9,170)	(3,101)	(12,271)
Balance as of December 31, 2022		–	12,624	248,696	14,532	263,228

(4) Consolidated Statements of Cash Flows

(Million yen)

	Note No.	FY 2021 (January 1, 2021 to December 31, 2021)	FY 2022 (January 1, 2022 to December 31, 2022)
Cash flows from operating activities			
Net income		67,893	11,387
Depreciation and amortization		13,266	14,483
Increase (decrease) in liabilities concerning retirement benefits		297	208
Interest and dividend income		(528)	(603)
Interest expenses		168	199
Valuation loss (gain) due to exclusion of companies accounted for by the equity method		(125,107)	–
Decrease (Increase) in valuation on investment securities		56,958	5,535
Equity loss (gain) in earnings of affiliates		(2,099)	(2,787)
Loss (gain) on sales of fixed assets		382	87
Decrease (Increase) in sales on investment property		–	(65)
Expenses of income tax		34,073	4,376
Decrease (increase) in trade receivables		1,545	2,072
Decrease (increase) in inventories		(3,846)	(5,135)
Increase (decrease) in operating payables		5,040	2,302
Others		(355)	(2,198)
Subtotal		47,686	29,861
Interest and dividend received		1,023	1,267
Interest paid		(165)	(194)
Income taxes refunded (paid)		(12,204)	(23,216)
Net cash and cash equivalents provided by operating activities		36,340	7,717
Cash flows from investing activities			
Increase (decrease) in time deposits (Increase)		1,484	311
Purchases of tangible fixed assets		(7,738)	(8,809)
Proceeds from sales of tangible fixed assets		89	42
Purchases of intangible fixed assets		(1,561)	(2,559)
Proceeds from sales on investment property		17	103
Payments for acquisition of subsidiaries resulting in a change in the scope of consolidation		(746)	–
Proceeds from sale of investment securities		79,014	47,690
Payments for settlement of sales price on investment securities		–	(28,471)
Payments of leasehold and guarantee deposits		(11,528)	(93)
Proceeds from refund of leasehold deposits		5,031	6,573
Proceeds from sale of investments accounted for using equity method		3,156	–
Other		(71)	(1,555)
Cash flows from investing activities		67,147	13,231
Cash flows from financing activities			
Increase (decrease) in short-term bank loans		(12,601)	2,077
Proceeds from long-term loans payable		30	–
Repayment of long-term loans payable		(222)	(232)
Redemption of bonds		(10,000)	–
Payments of lease liabilities		(2,522)	(2,854)
Increase in treasury shares		(20,969)	33
Cash dividends paid		(8,800)	(9,380)
Capital contribution from non-controlling interests		51	–
Dividends paid to non-controlling interests		(2,928)	(3,101)
Cash flows from financing activities		(57,960)	(13,456)
Increase (decrease) in cash and cash equivalents		45,527	7,492

Cash and cash equivalents at beginning of term		64,665	112,771
Effect of exchange rate changes on cash and cash equivalents		2,579	4,150
Cash and cash equivalents at end of term		112,771	124,413

(5) Notes on the Summary of Consolidated Financial Statements

1. Notes Relating to the Going Concern Assumption

None

2. 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

I. FY 2021 (January 1, 2021 to December 31, 2021)

(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	138,130	67,744	75,108	280,982	18,820	299,802	–	299,802
Inter-segment sales	2,539	1,355	4	3,898	391	4,289	(4,289)	–
Total sales	140,669	69,099	75,111	284,880	19,211	304,091	(4,289)	299,802
Segment income (Operating income)	22,903	5,617	7,642	36,163	2,736	38,899	(8,882)	30,017
Financial income				–				126,977
Financial costs				–				(57,126)
Equity in earnings of affiliates				–				2,099
Income before tax				–				101,966
Other items								
Depreciation and amortization	5,166	3,943	2,229	11,338	451	11,789	1,477	13,266
Segment assets	112,697	78,060	75,661	266,418	12,802	279,219	202,499	481,718
Increasing in tangible fixed assets and Intangible fixed assets	5,263	1,952	1,009	8,224	166	8,390	1,181	9,571

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 ¥202,499 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.

II. FY 2022 (January 1, 2022 to December 31, 2022)

(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	140,629	70,950	78,561	290,139	18,551	308,691	–	308,691
Inter-segment sales	2,660	1,455	3	4,118	314	4,432	(4,432)	–
Total sales	143,289	72,405	78,564	294,257	18,865	313,123	(4,432)	308,691
Segment income (Operating income)	15,919	6,714	2,830	25,463	1,484	26,947	(8,850)	18,097
Financial income				–				708
Financial costs				–				(5,828)
Equity in earnings of affiliates				–				2,787
Income before tax				–				15,763
Other items								
Depreciation and amortization	5,970	3,742	2,747	12,459	521	12,980	1,503	14,483
Segment assets	123,729	77,673	86,223	287,625	14,749	302,374	156,919	459,293
Increases in tangible fixed assets and intangible fixed assets	13,850	1,958	1,305	17,113	248	17,361	1,464	18,825

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 ¥156,919 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

3. Per share information

(Yen)

	FY 2021 (Consolidated basis) (January 1, 2021 to December 31, 2021)	FY 2022 (Consolidated basis) (January 1, 2022 to December 31, 2022)
Total basic earnings per share	534.67	78.87
Diluted earnings per share	534.53	78.85
Equity attributable to owners of the parent per share	1,999.10	2,071.87

Note 1: Total basic earnings per share and diluted earnings per share were calculated on the basis of the following data.

	FY 2021 (Consolidated basis) (January 1, 2021 to December 31, 2021)	FY 2022 (Consolidated basis) (January 1, 2022 to December 31, 2022)
Total basic earnings per share		
Net income attributable to owners of the parent (million yen)	64,818	9,464
Amount not attributable to shareholders of common stock (million yen)	—	—
Net income used to calculate total basic earnings per share (million yen)	64,818	9,464
Average number of common shares during the term	121,228,465	119,997,749
Diluted earnings per share		
Adjustment to net income attributable to owners of the parent (million yen)	—	—
Number of additional common stock shares	32,292	27,392
(Of which, share acquisition rights)	(32,292)	(27,392)
Outline of dilutive shares not included in the calculation of diluted earnings per share due to lack of dilutive effect	—	—

2. Equity attributable to owners of the parent per share was calculated on the basis of the following data.

	End of FY 2021 (Consolidated basis) (As of December 31, 2021)	End of FY 2022 (Consolidated basis) (As of December 31, 2022)
Total equity (million yen)	254,995	263,228
Amounts deducted from total equity (million yen)	15,157	14,593
(Of which, share acquisition rights)	(72)	(61)
(Of which, non-controlling interests)	(15,084)	(14,532)
Equity used to calculate equity attributable to owners of the parent per share (million yen)	239,838	248,635
Number of shares of common stock as of end of the term used to calculate equity attributable to owners of the parent per share	119,972,888	120,005,549

4. Significant subsequent events

(Completion of partial sale of shares)

With regard to the partial sale of shares of Harmonic Drive Systems Inc. on November 15, 2022, for which the settlement of the sale price had not been completed, the Company was notified on February 1, 2023 by J.P. Morgan Securities plc (hereinafter, J.P. Morgan), the seller, that the sale of the shares was completed. On February 8, 2023, following the notification of the completion of the sale, the total sale price was settled based on the average value of VWAP for each day (Volume Weighted Average Price) during the sale period, and the risk and economic value related to the shares were transferred to J.P. Morgan.

As a result, the Company will recognize ¥0.9 billion, the difference between the total sale price based on the average value of VWAP for each day during the sale period and the closing price (fair value) of the shares at the end of the previous fiscal year, as financial income for the first three-month period of FY2023.

- (1) Subject Shares : Common shares of Harmonic Drive Systems Inc.
- (2) Number of shares sold : 4,580,100 shares
- (3) Total Sale Price* : ¥17.9 billion
- *Finalized total price of shares sold by the Company to J.P. Morgan
- (4) Period of sale* : November 16, 2022 through to February 1, 2023
- *Period of sale by J.P. Morgan

* For the above shares sold, assets held for sale of ¥17.0 billion were posted in the Consolidated Statement of Financial Position as of December 31, 2022. On February 8, 2023, the Company paid ¥5.7 billion to J.P. Morgan as the difference between the finalized total amount of the sale price and the deposit of ¥23.6 billion (other financial liabilities) received at the beginning of the sale of the shares.

5. Other Information

(1) Output and Order Backlog by Business Segment

1) Output

Reportable Segments	FY 2021 (From January 1, 2021 to December 31, 2021)		FY 2022 (From January 1, 2022 to December 31, 2022)	
	Amount (Million yen)	% to total	Amount (Million yen)	% to total
Component Solutions	139,287	46.1	140,445	45.2
Transport Solutions	67,652	22.4	72,039	23.2
Accessibility Solutions	75,295	24.9	78,383	25.2
Others	19,662	6.6	19,599	6.4
Total	301,896	100.0	310,465	100.0

2) Order Backlog

Reportable Segments	End of FY 2021 (As of December 31, 2021)		End of FY 2022 (As of December 31, 2022)	
	Amount (Million yen)	% to total	Amount (Million yen)	% to total
Component Solutions	34,260	25.4	40,501	25.9
Transport Solutions	52,139	38.6	59,665	38.2
Accessibility Solutions	38,536	28.5	46,815	30.0
Others	10,134	7.5	9,095	5.9
Total	135,070	100.0	156,077	100.0

(2) Status of Capital Expenditure, Financial Account Balance and Employees

	FY 2021 (From January 1, 2021 to December 31, 2021)	FY 2022 (From January 1, 2022 to December 31, 2022)
Capital expenditure (Million yen)	9,571	18,825
Depreciation and amortization (Million yen)	13,266	14,483
R&D expense (Million yen)	9,618	10,916
Number of employees at end of the term	7,844	7,928