

挑戦

Leaders in Innovation for the Future



Toward the achievement of the medium-term management plan launched in FY2022 under the theme "TIME FOR CHALLENGE," we selected "挑戦" (meaning "Challenge") as the title of this integrated report. The two Kanji characters in the title were written in Japanese traditional style calligraphy-brush by Atsushi Habe, Managing Executive Officer of Nabtesco, who is responsible for the report.

Nabtesco will realize “All Stakeholders’

The Nabtesco Way is a collective term that means our Corporate Philosophy, Our Promises and Action Guidelines. We aim to realize “All Stakeholders’ Dreams” through the implementation of The Nabtesco Way by the management and individual employees.

The Nabtesco Way

Corporate Philosophy

Reason for corporate existence and value:

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 Promises

What we value in implementing the Corporate Philosophy:

1. Value close communications with our customers worldwide
2. Value each individual’s spirit of challenge and innovation
3. Continue to expand our business and profit
4. Continue to reinforce our sense of ethics and highly transparent business activities
5. Value the environment and promote harmony with local communities and cultures

Action Declaration

By implementing these promises, we will realize “All Stakeholder’s Dreams.”



Editorial Policy

We publish the Nabtesco Value Report to ensure our management transparency and achieve sustainable growth through dialogue with our stakeholders.

Under the new management team, we launched the new medium-term management plan (“MTMP”) in the early FY2022. We formulated the plan in a backcasting method based on our long-term vision for 2030, in which we uphold “Leaders in Innovation,” and in the MTMP we clearly showed our commitment to taking on “three challenges.”

In Nabtesco Value Report 2021, we brief on how we will create value under our long-term vision, in line with our management materiality and based on the MTMP, while working to make the explanations as easy to understand as possible for readers.

In the report we also introduce the new management team and the profiles of our top executives. Moreover, we introduce the results of our innovation creation activities in the Special Feature pages as a representative

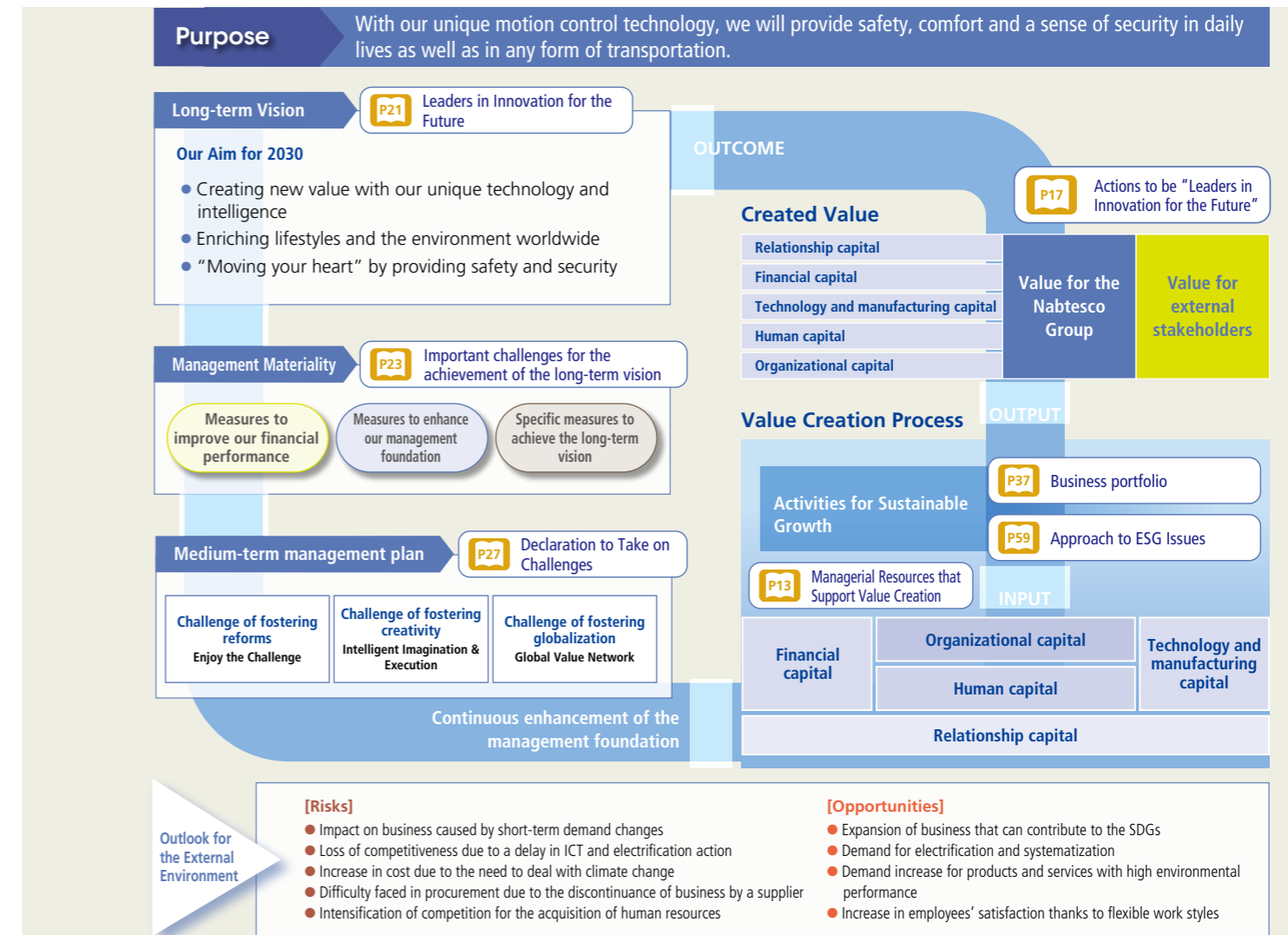
item that shows how we are committed to three challenges.

In preparing this report, we referred to the International Integrated Reporting Framework and various other guidelines on sustainability to ensure the objectivity and transparency of the report. Also, we edited in such a manner as to ensure the “connectivity” of information and also make it “concise.” Specifically, we limited the amount of data included while posting comprehensive information on our corporate website. For detailed information, please visit our official website.

Going forward, the Nabtesco Group will manage its business by attributing importance to dialogue with stakeholders and to the empathy generated through it toward meeting their expectations. We hope this report helps you to deepen your understanding of our value creation story.

Dreams” by maintaining profitable growth.

P11 Value Creation Story



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Nabtesco Value Report 2021

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Consolidated Financial Statements
(With Independent Auditors’ Report, a separate volume)

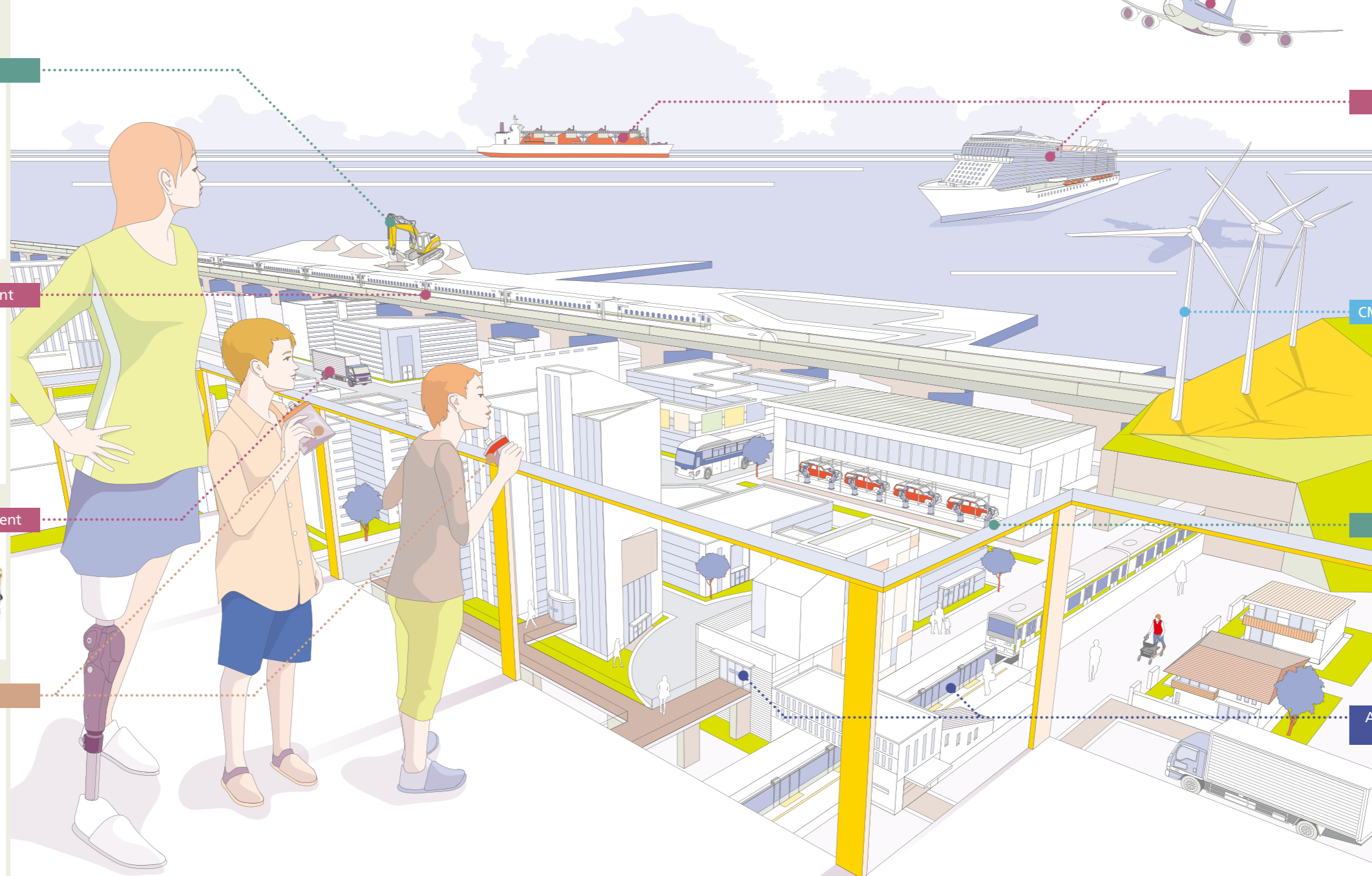
Nabtesco Value Report provides a summary of information that would be of interest to stakeholders, while on the Nabtesco Group’s corporate website we post the latest information and more detailed data. We would like you to take a look at both the report and the website.

Top page <https://www.nabtesco.com/en/> Investor Relations <https://www.nabtesco.com/en/ir/index.html> Sustainability <https://nabtesco.disclosure.site/en>

With its motion control technology based on the the Nabtesco Group strives to provide safety,


key concept of “Moving it. Stopping it.,” comfort and a sense of security in daily lives.

We contribute to the solution of social issues in a broad range of fields surrounding us including “transportation of people and goods,” “manufacturing and Infrastructure,” “daily lives and welfare” and “production of daily commodities.”



Hydraulic equipment


Providing equipment that is essential for the establishment of infrastructure



Traveling units for excavators

Railroad vehicle equipment


Contributing to the safe and punctual operation of railroad transportation systems



Brake operating units for railroad vehicles

Commercial vehicle equipment


Reducing environmental impacts through electrification



Electric air compressor

Packaging machines

Contributing to the reduction of food loss and the effective use of limited resources



Super high-speed automatic filler/sealer

Aircraft equipment




Contributing to the safe operation of aircraft

Flight control actuation system

Marine vessel equipment

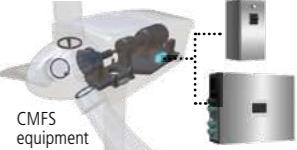
Contributing to the safe operation of marine vessels and stable maritime transportation



Electronically controlled hydraulic valves

CMFS equipment for wind turbine


Contributing toward prolonging the life of wind turbines and providing failure preventive monitoring system



CMFS equipment

Precision reduction gears

Contributing to the automation of manufacturing processes through the advancement of industrial robots



Precision Reduction Gear RV7M™

Automatic doors and platform screen doors

Contributing to the solution of ESG issues through the provision of safety, comfort and a sense of security in daily lives



Automatic doors for buildings

Transportation of people and goods

- Railroad vehicle equipment
- Aircraft equipment
- Commercial vehicle equipment
- Marine vessel equipment

Manufacturing and infrastructure

- Precision reduction gears
- Hydraulic equipment

Daily lives and welfare

- Automatic doors

Production of daily commodities

- Packaging machines

Growth History

Steadily achieving growth based on the our two predecessors

Nabtesco Corporation was formed in 2003 through the merger of Teijin Seiki Co., Ltd. and NABCO Ltd. Since then, the of its business passed down from the two predecessors. Toward the achievement of the long-term vision for 2030,

business foundations passed down from

company has been steadily achieving growth through disciplined portfolio management, while solidifying the foundations we will unwaveringly implement the newly launched medium-term management plan for sustainable growth.

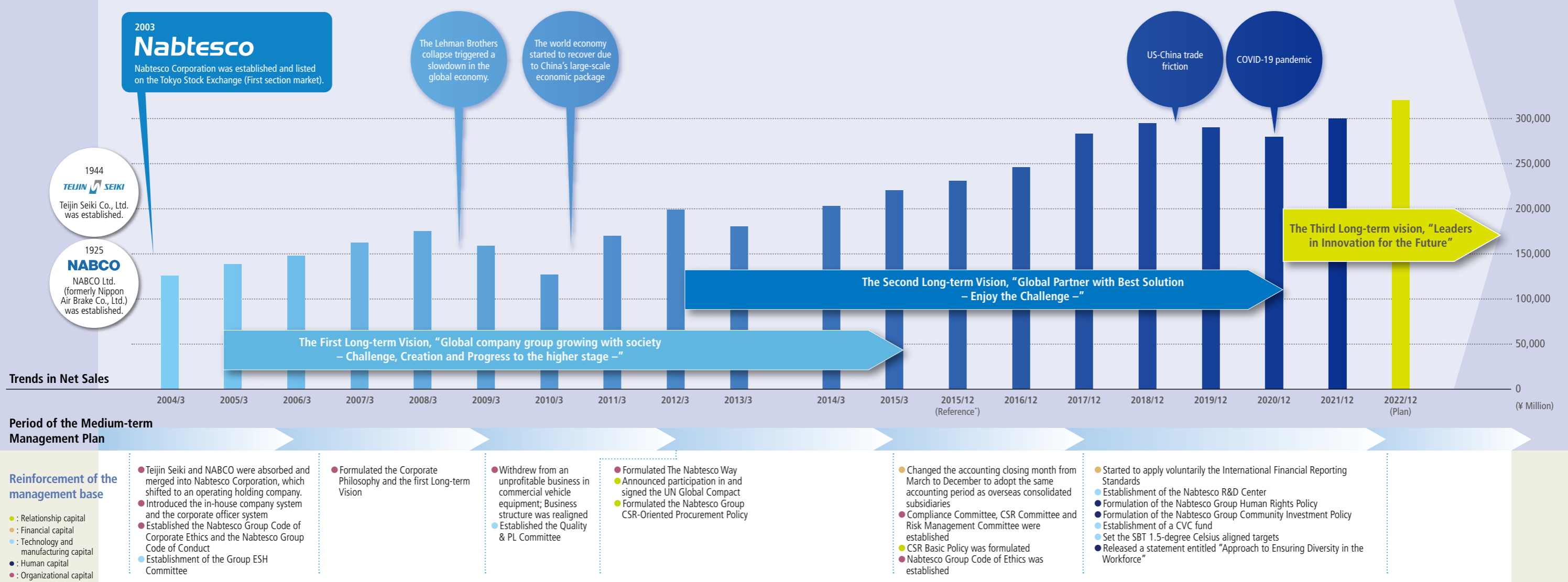
Disciplined portfolio management for growth

| Businesses discontinued/restructured after the integration | |
|---|--|
| Discontinued businesses | Restructuring |
| <ul style="list-style-type: none"> IT-related product business Automobile and motorcycle component business Textile machine maintenance business Vacuum equipment business etc. | <ul style="list-style-type: none"> Divestiture of commercial vehicle equipment business (Nabtesco Automotive Co., Ltd. established) Restructuring of production bases in the hydraulic equipment business in China New Energy Business Development Division was abolished |

| Companies that joined the Group through M&A | | | | Co-creation of business through the CVC fund |
|--|--|--|--|--|
| Automatic doors | Railroad vehicle equipment | Hydraulic equipment | (Head office) Technology and R&D Division | Investments in startups (examples) |
| <ul style="list-style-type: none"> Gilgen Door Systems AG (Switzerland) NABCO DOOR Ltd. NABCO SYSTEMS Co., Ltd. | <ul style="list-style-type: none"> OCLAP S.R.L. (Italy) | <ul style="list-style-type: none"> Hyst Corporation | <ul style="list-style-type: none"> OVALO GmbH, adcos GmbH (Germany) | <ul style="list-style-type: none"> Electrification technology Power electronics technology Battery technology |

Current portfolio (main businesses)

| Component Solutions (CMP) | Transport Solutions (TRS) | Accessibility Solutions (ACB) | Manufacturing Solutions (MFR) |
|--|---|---|--|
| <ul style="list-style-type: none"> Precision reduction gears Hydraulic equipment | <ul style="list-style-type: none"> Railroad vehicle equipment Aircraft equipment Commercial vehicle equipment Marine vessel equipment | <ul style="list-style-type: none"> Automatic doors | <ul style="list-style-type: none"> Packaging machines |



*Due to the change in the accounting closing date, the figures have been estimated for the 12-month period to make a comparison.

To Our Stakeholders



Nabtesco

Taking up the Baton with a Spirit of Challenge

After being approved at the general meeting of shareholders held in March 2022, a new management system was started under Chairman Teramoto and CEO Kimura. At the same time, a new medium-term management plan (“MTMP”) for the years up to 2024 has been launched as the first step for the Nabtesco Group to achieve its long-term vision for 2030. We interviewed the two leaders of the Group.

Katsuhiro Teramoto
Representative Director
and Chairman of the Board

Kazumasa Kimura
Representative Director,
President and
Chief Executive Officer (CEO)

New Medium-Term Management Plan **Declaration to Take on Challenges**

We will seek to become
“Leaders in Innovation” by “Change Yourself”
and “Change the World”
through three challenges.

- Challenge of fostering reforms**
- Challenge of fostering creativity**
- Challenge of fostering globalization**

Leading the implementation of the new MTMP, “TIME FOR CHALLENGE” under the new system

Q. Chairman Teramoto and President Kimura, how do you share roles under the new management system?

Teramoto: President Kimura will lead the management of Nabtesco as the CEO and “face” of the company. I am still a representative director but no longer an executive officer. I will support the president as a director and as a supervisor of and adviser to the executive officers. Also, as the chairman of the Board of Directors, I will work to increase its effectiveness and make Nabtesco an even better company by receiving guidance and advice from outside directors.

Kimura: By following the path that Chairman Teramoto has been pioneering for years, I will take specific actions with increased speed toward the achievement of the long-term vision that we formulated in 2021. We are firmly committed to working to achieve the vision over the course of the coming decade. As the first step to this end, we also formulated the new MTMP, which I can compare to the first hurdle in a hurdle race. First of all, I will devote myself to clearing this hurdle.

Q. What makes the new MTMP different from the previous one?

Kimura: In order to achieve sustainable growth, we implemented the previous MTMP with a focus on “Market Creation,” “Technology Innovation” and “Operational Excellence.” In the new MTMP, under the theme “TIME FOR CHALLENGE,” to foster innovation, we will

work to create businesses that will become our new growth pillars, further expand our business overseas and build the foundation for the achievement of the long-term vision.

Teramoto: We have set out the issues that are material to our management (management materiality) for the achievement of the long-term vision. We are implementing the new MTMP based on the management materiality, taking on challenges in a more aggressive manner than before. There is a saying about “putting new wine into new wineskins,” and I think we were able to build a new system to implement the new MTMP, which is intended to be an exciting and challenging plan that will benefit our stakeholders including employees.

During the last two years of my term as CEO, we were unable to implement the previous MTMP as initially planned due to COVID-19. However, we made important management decisions, including the decision to make a large investment in the construction of a new plant in Hamamatsu and to sell our shares in Harmonic Drive Systems. We also posted record-high net sales and operating income for FY2021.

Unfortunately, however, we were unable to achieve “ROE: 15% or over,” which is one of the three commitments that we made in the previous MTMP. Going forward, we will pursue higher profitability as an important challenge of the new MTMP.

Shift from ROE to ROIC

Q. Could you talk about the specific targets that you will pursue as new challenges?

Kimura: Led by Chairman Teramoto, we have been steadily pursuing higher capital

To Our Stakeholders

efficiency—upholding “ROE: 15% or over” in the previous MTMP and making a company-wide effort to this end. We were unable to achieve this target, partially because of the changes in the external environment, but I think the pursuit of higher capital efficiency has become a proposition that is now deeply embedded in Nabtesco’s culture.

For capital efficiency, we took a further step to replace ROE with ROIC when setting the management targets of the new MTMP, as ROIC more directly indicates how much we can earn from capital investment. Internally we have been using ROIC for the management of our business performance, and by also disclosing Nabtesco’s overall ROIC externally, I mean to show investors and other stakeholders our strong commitment to increasing capital efficiency.

Addressing ESG issues squarely

Q. Solving ESG issues is upheld as one of the important targets in the new MTMP, as in the previous plan. What will you particularly focus on for their solution?

Teramoto: I regard it as my role to further enhance the effectiveness of the Board of Directors. Although we do engage in free and open discussions at Board meetings, I would like to discuss our medium- to long-term strategies in more depth. I also want to serve as a bridge between inside and outside directors based on my detailed knowledge of the company.

Kimura: I think Nabtesco has been fostering sustainability-oriented management as an expression of its corporate DNA since the company’s founding. We uphold numerical targets for CO₂ emissions reduction in the MTMP and also attribute importance to diversity promotion, human resource development and other social issues.

We will proactively promote globalization, paying a lot of attention to supply chain management, and will enhance ESG-oriented sustainable procurement.

Teramoto: Nabtesco is committed to contributing to society as its corporate purpose, which aligns with our long-term vision, “Leaders in Innovation,” and for which we need to help employees demonstrate their abilities and reward them for their achievement.

We can find answers on-site

Kimura: Nabtesco is an engineering company, and we have a natural tendency to think, “It would be fun to combine our current technologies with new technologies.” Nevertheless, we must constantly ask ourselves whether or not what we are thinking about will truly help customers solve their problems and contribute to society at large. We can always find an answer to this question on-site and in order to find it, we should be sufficiently aware of what is going on in the market, problems faced at our manufacturing sites and the needs of customers. Regardless of how digitization has progressed, we need to continue to maintain this approach going forward.

Teramoto: Also, when deciding on the direction of the company, it is important to share the frank and unfiltered opinions of personnel working on-site.

Kimura: We need to share their opinions as they are presented and discuss them in depth for mutual understanding, which I think is a precondition for us to provide new value.

Each one will become an innovator

Q. Why did you change the goal of the long-term vision from the conventional “Partner with Best Solutions” to “Leaders in Innovation”?

Kimura: Innovation tends to be associated with dramatic changes, such as the emergence of smartphones. For us, however, innovation means to exceed the expectations of customers and society, whereas we used to attribute importance to meeting our customers’ needs to be a “Partner with Best Solutions.” If our personnel can exceed expectations even a little at our manufacturing sites as well as at our procurement and administrative departments, it will collectively lead to tremendous innovation on our part.

For the company to become an innovation leader, each of us should become an innovator. To this end, we work with a spirit of excitement, as implied by the concept, “Enjoy the Challenge.” We will continue to uphold this concept and have therefore also included it in the updated long-term vision. Under the new MTMP, we will proactively devise measures to encourage employees to come up with new ideas for innovation.

Teramoto: In order to become true leaders in innovation in 10 years’ time, we will foster co-creation through CVC, open innovation, M&A and collaboration with other companies in addition to making full use of our own capacity to lead reforms needed by society. In particular, it is urgently necessary to promote innovation in the combat against climate change.

Kimura: Through the unique motion control technology that we have long honed, we can contribute to the solution of global issues, such as global warming and the need for carbon-free business operations. For example, we unveiled our CMFS^{*1} equipment for wind turbines last year to offer a service that helps prolong the life of wind turbines. “Innovation in Action” means that we intend to speed up this kind of initiative.

*1: “Condition Monitoring with Fail-Safe” (failure-preventing monitoring system for yaw drives used in wind turbines)

For the achievement of the long-term vision

Q. Please share your messages for investors and other stakeholders.

Teramoto: Nabtesco is a company with great potential to achieve further growth. We will work to identify and meet the needs of the age ahead of others to promote innovation and further expand our potential by shifting from a business focusing on components to one that is focusing on IoT-based systematization. We hope you will look forward to seeing how Nabtesco has achieved growth in 2030.

Kimura: We formulated the MTMP as the first step to achieve the long-term vision for 2030. We might make investments before building a solid growth foundation, but I believe this is necessary for our future growth. I would like to create more opportunities for us to engage in dialogue with our stakeholders to help them deepen their understanding of our ideas, including about our investments and our “TIME FOR CHALLENGE” concept.

As the CEO who is taking up the baton from Mr. Teramoto, I will be striving to meet the expectations of our stakeholders, for which I would ask for their continued support.

Value Creation Story

We will meet the challenge of generating innovation



Outlook for the External Environment

[Risks]

- Impact on business caused by short-term demand changes
- Loss of competitiveness due to a delay in ICT and electrification action
- Increase in cost due to the need to deal with climate change
- Difficulty faced in procurement due to the discontinuance of business by a supplier
- Intensification of competition for the acquisition of human resources

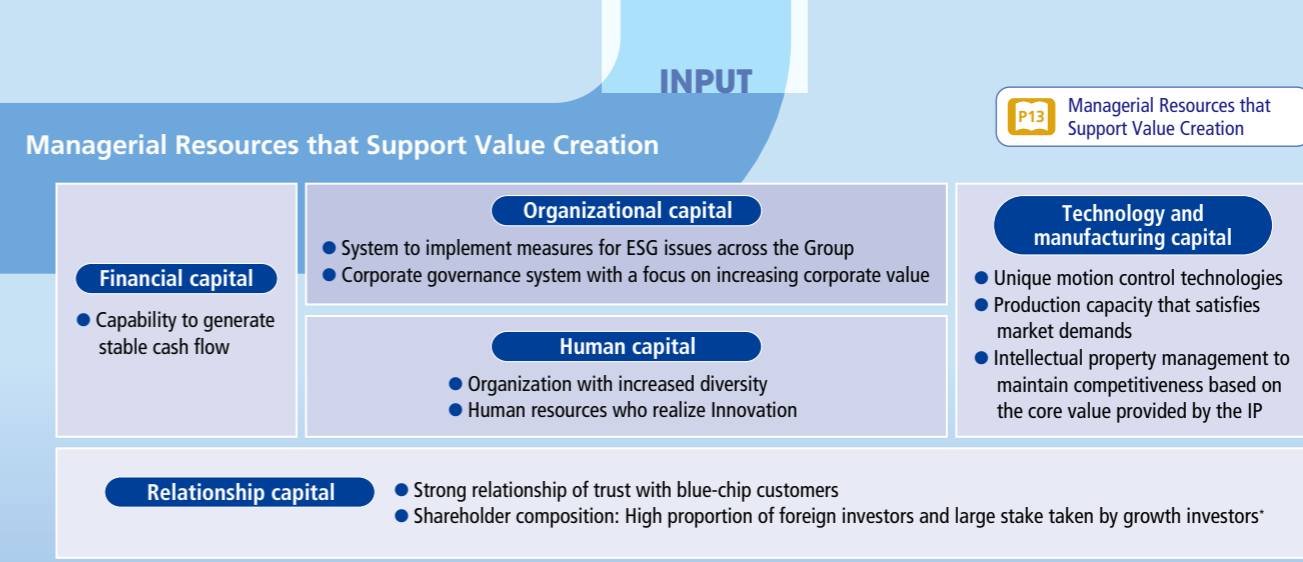
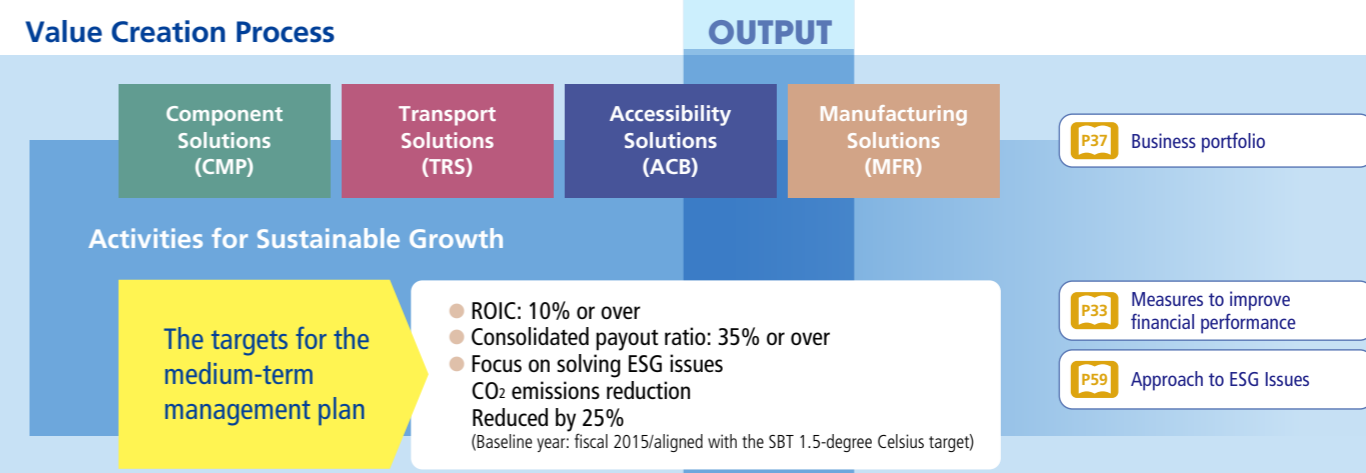
[Opportunities]

- Expansion of business that can contribute to the SDGs
- Demand for electrification and systematization
- Demand increase for products and services with high environmental performance
- Increase in employees' satisfaction thanks to flexible work styles

with our unique motion control technology.

Created Value **P14** Created Value

| | Value for the Nabtesco Group | Value for external stakeholders |
|---|---|---|
| Relationship capital | <ul style="list-style-type: none"> ▶ Relations of trust with customers ▶ Relations of trust with shareholders ▶ Relations of trust with suppliers ▶ Relations of trust with local communities | <ul style="list-style-type: none"> - Deliver solutions for social challenges through business - Enhancement of partnership with stakeholders - Increasing the resilience of the supply chain - Contribution to the solution of social challenges in the fields of the environment, education and welfare fields |
| Financial capital | <ul style="list-style-type: none"> ● Robust balance sheet that realizes growth investments | <ul style="list-style-type: none"> ● Capital efficiency and stable return of profit that meet shareholders' expectations |
| Technology and manufacturing capital | <ul style="list-style-type: none"> ● Creation of new businesses and promotion of smart manufacturing process | <ul style="list-style-type: none"> ● Provision of safety, comfort and a sense of security and contribution to climate change mitigation |
| Human capital | <ul style="list-style-type: none"> ● Securing of human resources who implement The Nabtesco Way | <ul style="list-style-type: none"> ● Respect diversity and various expertise in the workplace |
| Organizational capital | <ul style="list-style-type: none"> ● Highly ethical corporate culture based on a global compliance system ● Enhancement of work style reforms | <ul style="list-style-type: none"> ● Management transparency based on the autonomous improvement of its functions by the Board of Directors |

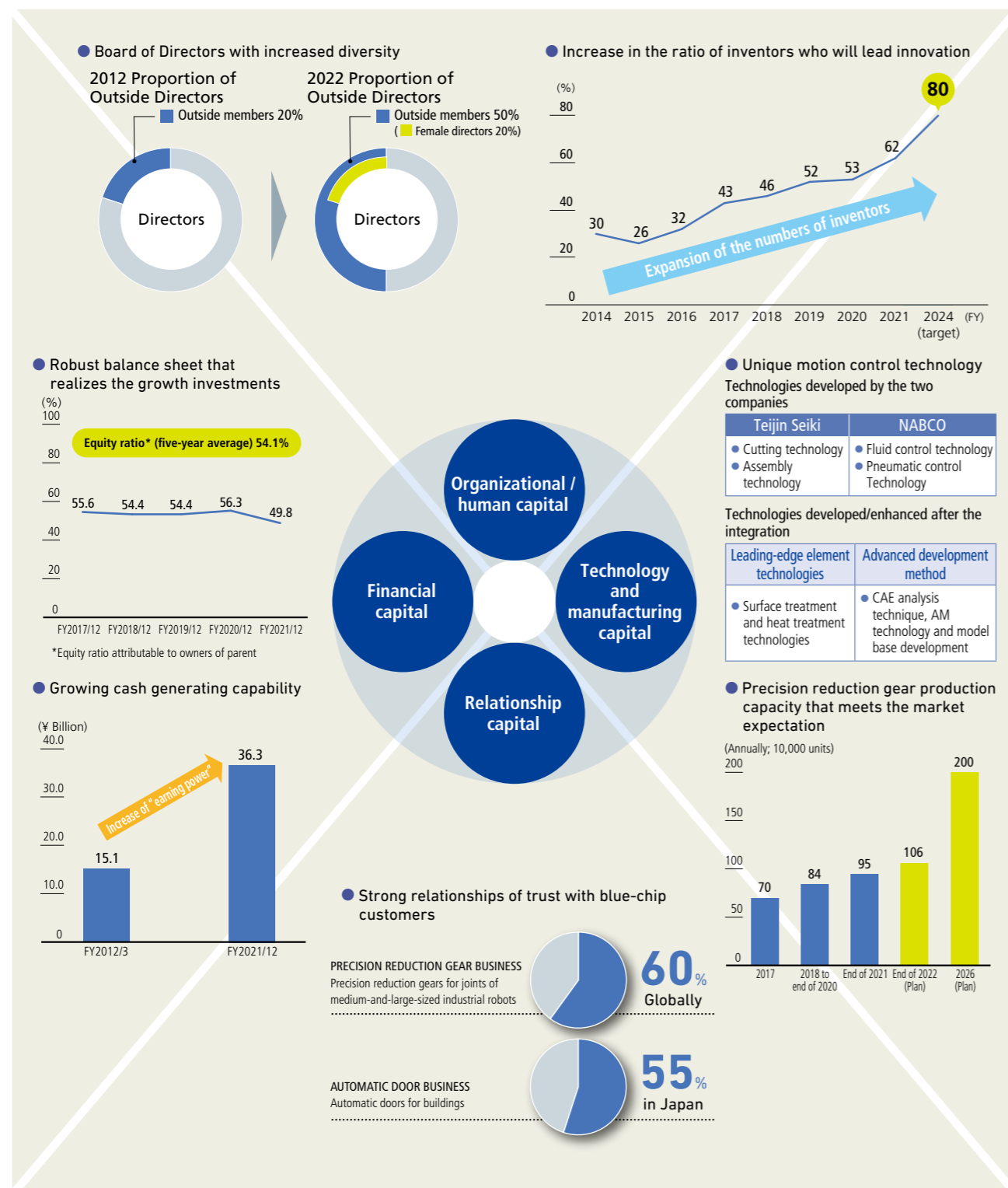


* Growth investors: Investors who make investments with a focus on the growth potential of companies

Managerial Resources that Support Value Creation

We have built inimitability to competitors through combining our unique capital resources.

The Nabtesco Group has been forming its unique and diversified capital assets through continued growth over many years. We will further boost our competitive superiority by taking advantage of these resources.



Created Value

We will deliver unique value to become “Leaders in Innovation for the Future.”

We will advance our value creation process by promoting the management of our business portfolio and the solution of ESG issues, thereby delivering unique value on a continual basis.

Relationship capital



Created Value

Financial capital

| Value for the Nabtesco Group | Value for external stakeholders |
|---|---|
| <p>Robust balance sheet that supports steady growth investments</p> <p>Strong balance sheets realize growth investments and the stable return of profit to employees and shareholders. The Nabtesco Group is fostering the improvement of capital efficiency and disciplined financial management, being rated A by the credit rating agencies. As a result, the equity ratio has been around 55% for the most recent five years, and this means that we are on a level that allows us to make steady growth investments and stably return profit to stakeholders.</p> <p>Financial Data → P87</p> <p>Approach to capital allocation → P34</p> | <p>Capital efficiency and stable return of profit that meet shareholders' expectations</p> <p>In the medium-term management plan, we are upholding "ROIC: 10% or over" as one of our management targets. We use ROIC as the internal indicators for performance management of in-house companies and also as an indicator for performance-linked compensation provided to directors (excluding outside directors). Based on ROIC, we will foster capital efficiency-oriented management. In the medium-term management plan, we are also upholding "Consolidated payout ratio: 35% or over" as another management target. We have steadily increased the dividend amount in line with the expansion of profit and have been maintaining a payout ratio of 35% or over.</p> <p>Return On Invested Capital (ROIC) / Consolidated payout ratio → P35</p> |

Human capital

| Value for the Nabtesco Group | Value for external stakeholders |
|---|---|
| <p>Securing of human resources who implement The Nabtesco Way</p> <p>The Nabtesco Group continues to conduct activities aimed at making all employees aware of The Nabtesco Way, while encouraging them to attain their own targets and uniting the Group as one. In order to maintain and improve our competitiveness on a long-term basis, it is essential for us to secure human resources. The rate of employees who have quit working for the Group for their own reasons has been as low as 1% to 2%, providing evidence that our workplaces are favorable for employees.</p> <p>Rate of Those Who Resigned for Personal Reasons → P93</p> <p>Satisfaction Survey on Communication within the Organization → P70</p> | <p>Respect diversity and various expertise in the workplace</p> <p>In line with the Nabtesco Group Code of Ethics and the Nabtesco Group Human Rights Policy, we regularly implement a human rights due diligence process to limit human rights-related risks in our business. Moreover, in 2021, we made a statement entitled "Approach to Ensuring Diversity in the Workplace" and have been promoting workplace diversity accordingly. In order to achieve the long-term vision for 2030, in which we uphold "Innovation in Action," we will implement human resource development measures to take action to enjoy the challenges with high motivation and encourage them to take on challenges in their business operations.</p> <p>Human Rights Due Diligence → P92</p> <p>Employment-related Data/ Fostering Workplace Diversity → P93</p> |

Technology and manufacturing capital

| | |
|---|--|
| <p>Creation of new businesses and promotion of smart manufacturing process</p> <p>By enhancing our technology and manufacturing capital, we can make appropriate responses to changes in the social and business environments to increase our competitiveness in the existing businesses, while also adding value to our products by including more mechatronic products and systematized products. Moreover, we can foster the development of new products and services through open innovation, IP landscape analysis using intellectual property information and strategic M&A projects toward the creation of a new business foundation.</p> <p>Furthermore, our unique manufacturing innovations, including the enhancement of our production capability, production management ability and procurement ability, are designed for the establishment of an overwhelmingly competitive production system and for the provision of a basis to prevail in global competition.</p> <p>Specific Measures to Achieve the Long-term Vision → P79</p> | <p>Provision of safety, comfort and a sense of security and contribution to climate change mitigation</p> <p>For the Nabtesco Group, which is engaged in the manufacturing industry, safety means to manufacture products safely; manufacture safe products; and ensure that the manufactured products can continue to be used in a safe manner. Based on this recognition, we are working to provide customers with safety, comfort and a sense of security by implementing a range of measures at our manufacturing sites.</p> <p>The Nabtesco Group is also addressing climate change issues, which are global challenges, and supporting the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). We are speeding up measures to achieve our long-term CO₂ emission reduction targets and are also helping suppliers reduce their CO₂ emissions for emission reduction across our supply chain.</p> <p>Product Safety-Related Targets → P68</p> <p>Global CO₂ emissions (Total) → P36</p> |
|---|--|

Organizational capital

| | |
|---|---|
| <p>Highly ethical corporate culture based on a global compliance system</p> <p>The Nabtesco Group conducts business globally, and compliance provides the basis for the Group to implement our corporate philosophy through business operations. Each and every employee supports the Group's business activities by behaving in a highly ethical and transparent manner. Toward building a highly ethical corporate culture, we are applying the Nabtesco Group Code of Ethics globally to all Group members and raising their compliance awareness through training and by other means.</p> <p>Compliance → P92</p> <p>Enhancement of work style reforms</p> <p>The Nabtesco Group has been engaging in work style reforms from the aspects of "personnel affairs," "operations," "production" and "corporate culture." In the past, we have focused on measures to improve employees' work-life balance, likewise including encouraging them to take holidays, limiting their overtime hours to an appropriate level and improving the workplace environment. During the period of the current medium-term management plan, we will further enhance our work style reforms with a view to promoting innovation, as stated in the long-term vision. This includes promoting human resource development and increasing employees' job satisfaction by providing them with opportunities to embrace various challenges.</p> <p>Operational improvement made at administrative departments → P71</p> | <p>Management transparency based on the autonomous improvement of its functions by the Board of Directors</p> <p>In order to improve the functions of the Board of Directors, Nabtesco makes a yearly analysis and evaluation of the effectiveness of the Board based on the self-evaluation of the directors. In FY2021, as in the previous fiscal year, it was confirmed that both the number of Board members and composition of the Board were appropriate and that the members were able to discuss issues in an open and constructive manner.</p> <p>In FY2020, the proportion of female directors was increased from 10% to 20%, and in FY2022, the proportion of independent outside directors was increased from 40% to 50%. As a result, the Board now benefits from a wider range of viewpoints and its effectiveness is thus assessed as well secured.</p> <p>Nevertheless, it is deemed necessary to manage Board of Directors meetings in a more efficient manner to secure enough time for the deliberation of important management issues such as growth strategies, and to this end, we are continuing our efforts for improvement.</p> <p>Nabtesco will further enhance its corporate governance system and increase its corporate value by continuously enhancing the functionality of the Board of Directors.</p> <p>Governance → P92</p> <p>Skill Matrix of directors and Audit & Supervisory Board members → P74</p> |
|---|---|

Actions to be “Leaders in Innovation for the Future”

Creating new value with our unique technology and intelligence

Enriching lifestyles and the environment worldwide

“Moving your heart” by providing safety and security

These are what we aim for in 2030 in the long-term vision, and we are beginning to implement a range of measures to achieve it.

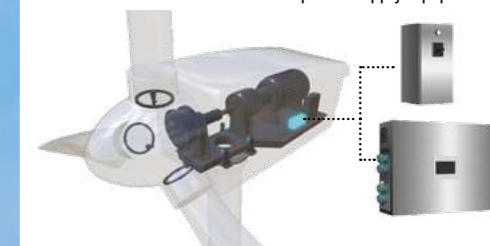
Meeting the market requirement to reduce costs and increase the operation rate by optimizing the maintenance for wind turbines

—Contribution to efficient wind power generation, which is attracting a lot of attention in relation to decarbonization—

CMFS^{*1} failure preventive monitoring system

Wind power is regarded as a promising renewable energy source, and an increasing number of wind turbines are being introduced in Japan and abroad. They are often installed on hills and in offshore locations, where sudden gusts or turbulence can impose a heavy load on the turbines. Nabtesco’s CMFS equipment detects such loads with a high-precision sensor, and the obtained data are processed and analyzed on the edge computing system. Based on the analysis results, the equipment quickly controls the yaw drive unit^{**2} of a wind turbine to prevent it from failing and also prolong its life.

Composition of the CMFS equipment: External load detection sensor and controller & power supply equipment



*1 Condition Monitoring system with Fail-Safe (CMFS): Failure prevention monitoring system for yaw drive units used in wind turbines

**2 A yaw drive unit is designed to optimize the movement of the blades of wind turbines according to wind direction and is subject to external forces, not only when the turbines are in operation and generating power but constantly. It is therefore necessary to implement measures to prevent the unit from quickly becoming worn or damaged due to such forces.

Cloud-based diagnostic service

By using the CMFS equipment, we provide a cloud-based diagnostic service in which analysis data about external forces and the record of past abnormalities are visualized in real time. The CMFS system gives warnings about abnormalities and predicts the remaining life of wind turbines, thereby contributing to the highly reliable maintenance of wind turbines and meeting the needs of both wind power generation utilities and turbine manufacturers.

Diagnostic service: Visualization of diagnostic information



Proactive sales promotion in overseas markets, making use of the unique features of new product

The yaw drive unit is prone to sudden load variations and has a high failure rate. If it fails, it will be expensive to repair, and there will also be an opportunity loss while the turbine is inoperable. CMFS is the only solution that can prevent the failure of the drive unit and has the feature of being able to be installed on existing wind turbines. Going forward, we will also promote sales of the CMFS equipment overseas, where the amount of wind power generated is said to be several hundred times that of Japan.

Osamu Nohara

General Manager, System Development Department, Nabtesco R&D Center, Technology and R&D Division



Special Feature Actions to be “Leaders in Innovation for the Future”

Deliver the Solution to Meet the Social Challenges for the Maritime Industry

—Contribution to safe operation to reduce environmental impacts—

Participating in a joint development project to deal with the future shortage of seafarers

For coastal shipping, due to the aging of seafarers and a decrease in the number of new job applicants, there are concerns about a shortage of professionals able to perform engine operation and other duties. Under such circumstances, Nabtesco has been participating in an R&D project on the use of remote engine monitoring technologies for next-generation coastal ships* with a view to jointly developing a highly innovative system that will enable the operation of ships with fewer seafarers but at the same level of safety.

* This project is subsidized under the project launched in FY2021 by the Japanese Ministry of Land, Infrastructure, Transport and Tourism to encourage companies in the maritime industry, such as shipbuilders and marine vessel equipment manufacturers, to join forces to develop technologies for next-generation ships.

| Outline of the remote engine monitoring system development project | | |
|---|---|---|
| | Target of development | Expected Effect |
| Develop a system for estimating the cause of engine-operation failure and for judging/making a decision on how to recover | Develop a failure-recovery-judgment system that utilizes simulators as the core technology | <ul style="list-style-type: none"> Improving the accuracy of failure-recovery judgment Utilizing simulators, which will be a core system of future automatic operation, in the maritime industry |
| Conduct demonstration tests of highly automated operations of marine engines utilizing the remote monitoring technology on actual ships | Develop an integrated system that can monitor multiple ships on land by combining the failure-recovery-judgment system and the remote monitoring technology | <ul style="list-style-type: none"> Securing sufficient seafarers' human resources by introducing the on-land working style Providing a stable and effective transportation service Fostering system integrators in the maritime industry |

Providing route optimization and performance monitoring systems for ships

As part of its CVC activity, Nabtesco has started to provide route optimization and performance monitoring systems for ships, which were developed by a Greece-based startup company with advanced AI technology. The route optimization system proposes the optimal route for each ship to minimize fuel consumption based on machine learning using ship operation data and in consideration of the weather and hydrographic conditions as well as the status of the ship, including strains on and damage to the hull. The performance monitoring system monitors fuel consumption by the ship as well as the status of its hull and engine to support the performance management of the vessel. Going forward, we will contribute to the safe operation of ships and the reduction of their environmental impacts by combining the aforementioned systems with our own remote engine control system for ships.



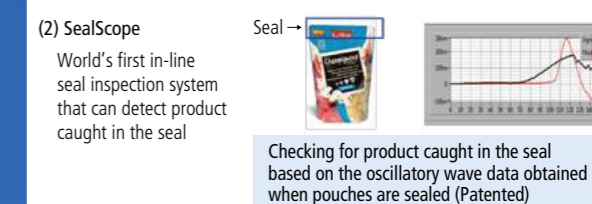
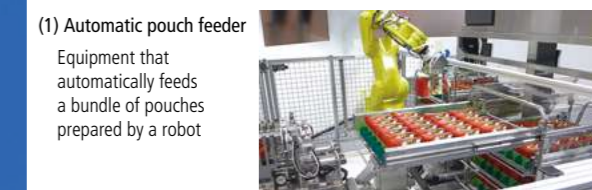
Deliver total automated packing solution to customers

—Meeting labor-saving needs with an epoch-making proposal—

Becoming a system integrator with a focus on packaging machines

Nabtesco has been working to provide automatic pouch feeders by utilizing industrial robots, thereby reducing the need for labor in the packaging process at manufacturing sites for food, chemical products and others.

In 2021, we welcomed Engilico of Belgium into the Nabtesco Group. Based on synergies generated with this manufacturer of seal inspection systems for soft packaging materials, we started to provide a solution to automate the product inspection process. Engilico's SealScope is the world's first in-line seal inspection equipment able to detect product in the seal. Whereas we used to be slow to make new proposals, going forward we will propose new epoch-making solutions to meet labor-saving needs by automating the pouch feeding process and increasing the precision of product inspection.



Long-term vision

Leaders in Innovation for the Future

In 2021, we set our new long-term vision, "Leaders in Innovation for the Future." Based on this vision, we will create new value in the market by making proposals that anticipate our customers' needs and respond to them in a precise and meticulous manner. In doing so, we aim to acquire the trust of our customers and make Nabtesco a leading innovative and proposal solution company which can compete with global competitors around the world.

Innovation In Action Vision 2030

2030 Vision

Leaders in Innovation for the Future



Technology

Creating what the future wants with our unique technology
Designing new ways of "moving"

Globalization

Global standards made in Japan
Becoming a truly global company

Contribution

SDGs & ESG
Contributing to social progress and environmental conservation

Reliable "Monozukuri" and Meisters in Manufacturing
Providing safety, security and comfort

Identity of Nabtesco

Enjoy the Challenge
Realizing each and everyone's dream

Our Aim for 2030

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

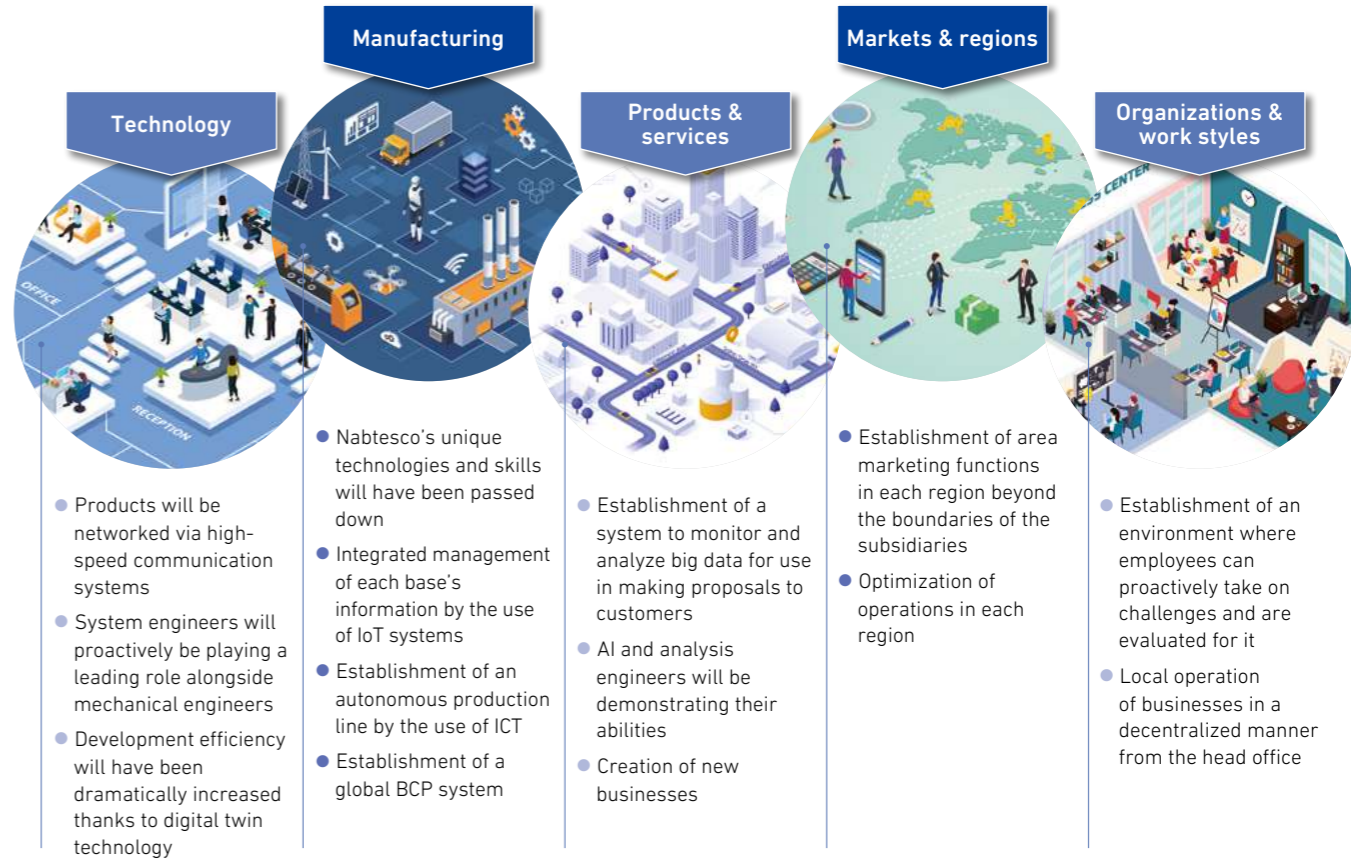
What we will enhance more

- Technology**: Combine mechanical and digital technologies in an innovative manner to design a new way of "moving." Create new value which was never seen in the world as a leader in the industry by making use of Nabtesco's technologies.
- Globalization**: Always be a top runner with overwhelming proposal capabilities and technological prowess among global competitors and create a global standard. We act swiftly to provide new value demanded around the world.
- Contribution**: Each and every employee of Nabtesco will be expected to be strongly committed to social contribution. Guided by the SDGs and an ESG concept at all times, we will spontaneously make contributions to the development of society and protection of the environment through our work styles, technologies, products and services.

What we will continue to value toward the future

- Reliable "Monozukuri" and Meisters in Manufacturing**: The capacity that Nabtesco has built up to meet the trust of customers provides us with a basis for value creation. We will continuously work to hone this capacity.
- Enjoy the Challenge**: We will continue to enjoy embracing challenges together as an expression of our corporate culture, which has driven Nabtesco's growth to the present. Each of us has dreams, and we will persist in taking on challenges to make those dreams come true.

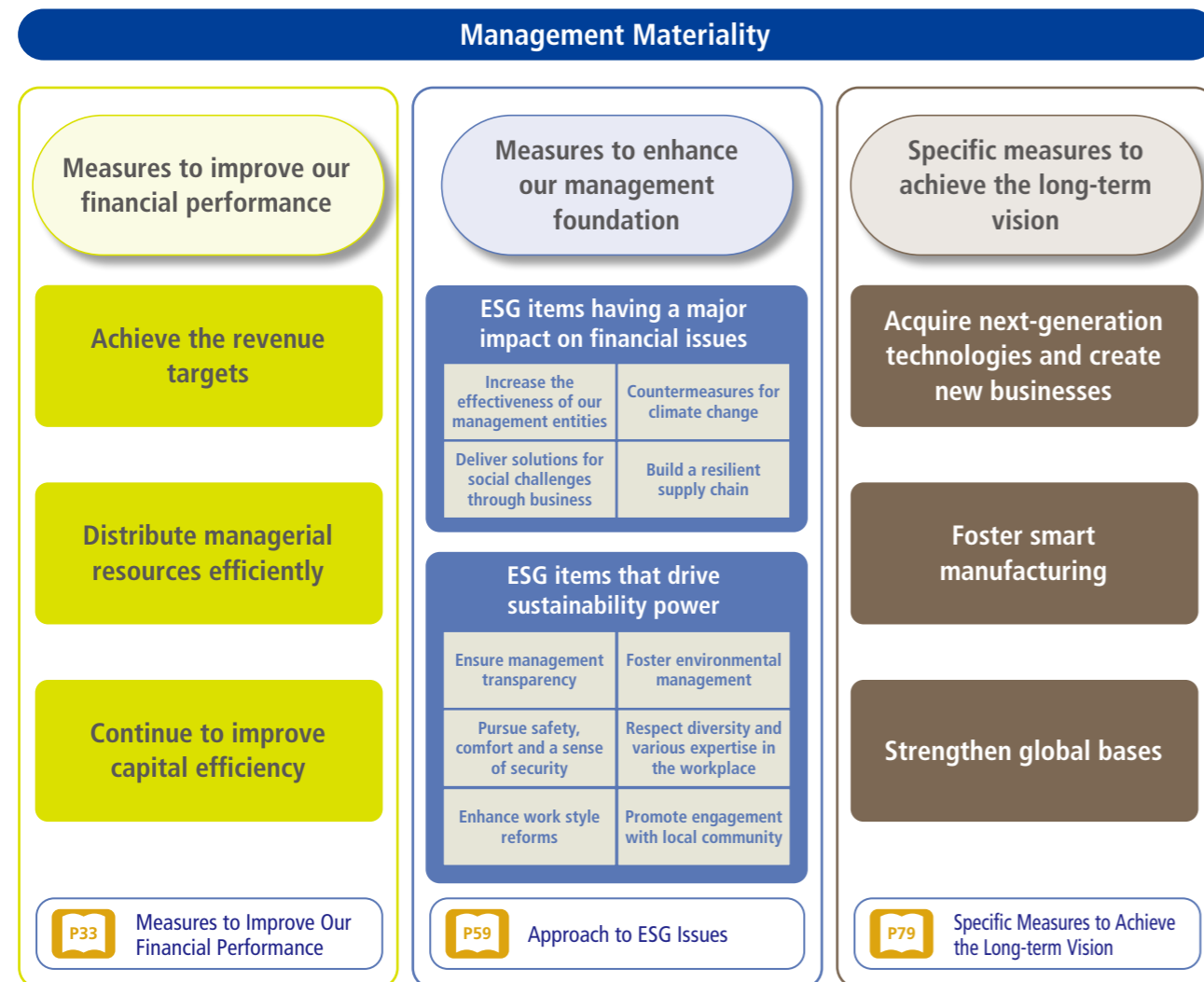
Image for growth



Management Materiality

Identifying the Issues to Be Addressed for the Achievement of the Long-term Vision

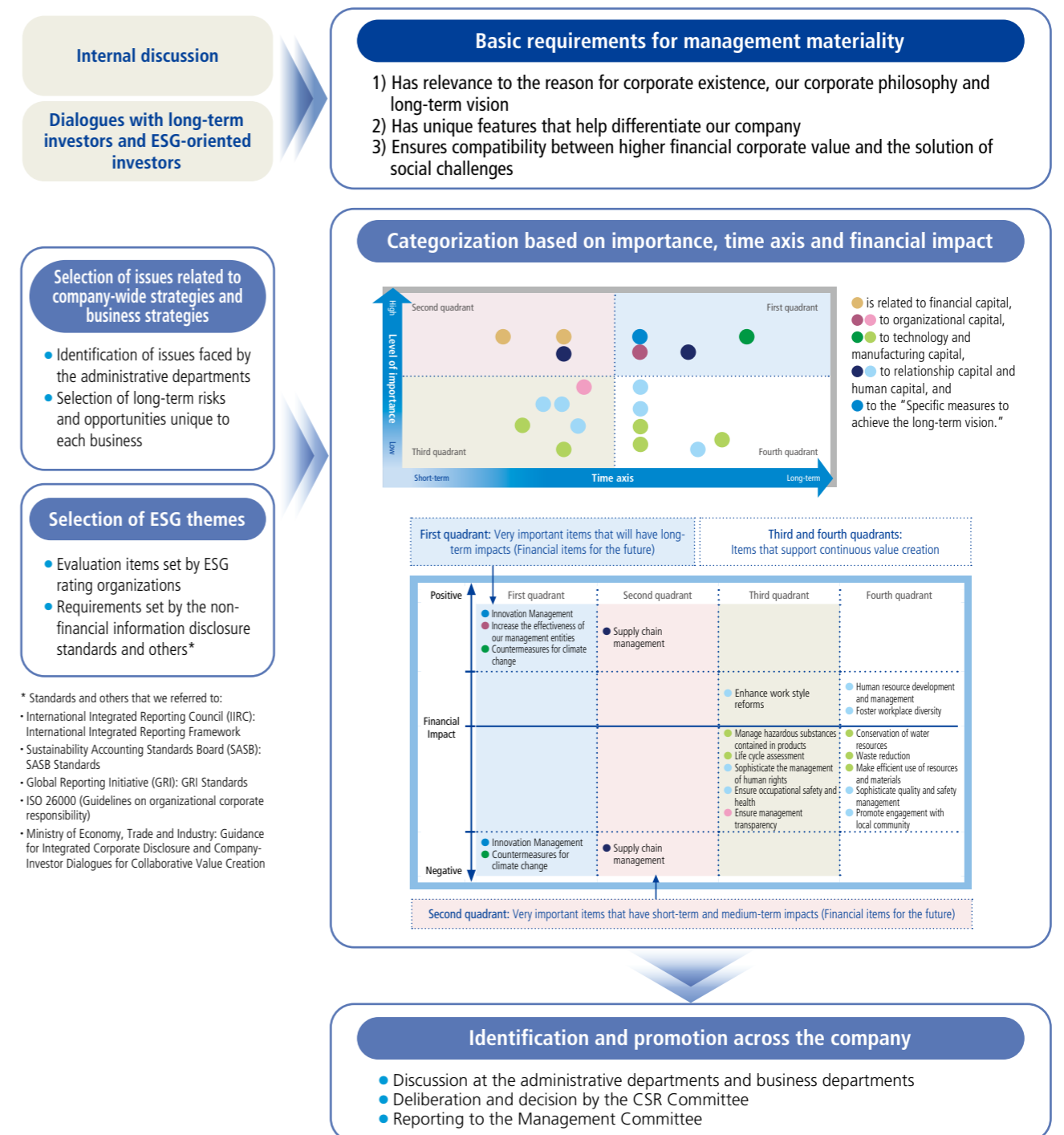
The Nabtesco Group has identified the material management issues to be addressed for the achievement of its long-term vision. Our management materiality comprises three pillars. By fostering financial and non-financial measures, we will create both economic and social value from a long-term perspective, thereby providing our stakeholders with value on a continual basis, while maintaining our own profitable growth.



The Nabtesco Group deems it important to "dynamically" change the focus of its management materiality according to changes in the business and management environments. Based on the concept of "dynamic materiality," we will regularly review our management materiality so as to respond to such changes in a nimble manner.

Management Materiality Identification Process

In order to identify the issues important to our management materiality, we summarized the "requirements for materiality" as the following three points based on suggestions received through dialogues with multiple long-term investors and ESG investors. For the enhancement of our corporate value, we take a broader view of materiality so that it covers not only CSR issues but also the specific issues that we need to address for the attainment of our long-term vision for 2030. In the identification process, we held a series of discussions on a company-wide basis and made a final decision after deliberations by the CSR Committee and reporting to the Management Committee.



* Standards and others that we referred to:
 • International Integrated Reporting Council (IIRC): International Integrated Reporting Framework
 • Sustainability Accounting Standards Board (SASB): SASB Standards
 • Global Reporting Initiative (GRI): GRI Standards
 • ISO 26000 (Guidelines on organizational corporate responsibility)
 • Ministry of Economy, Trade and Industry: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

New Medium-Term Management Plan

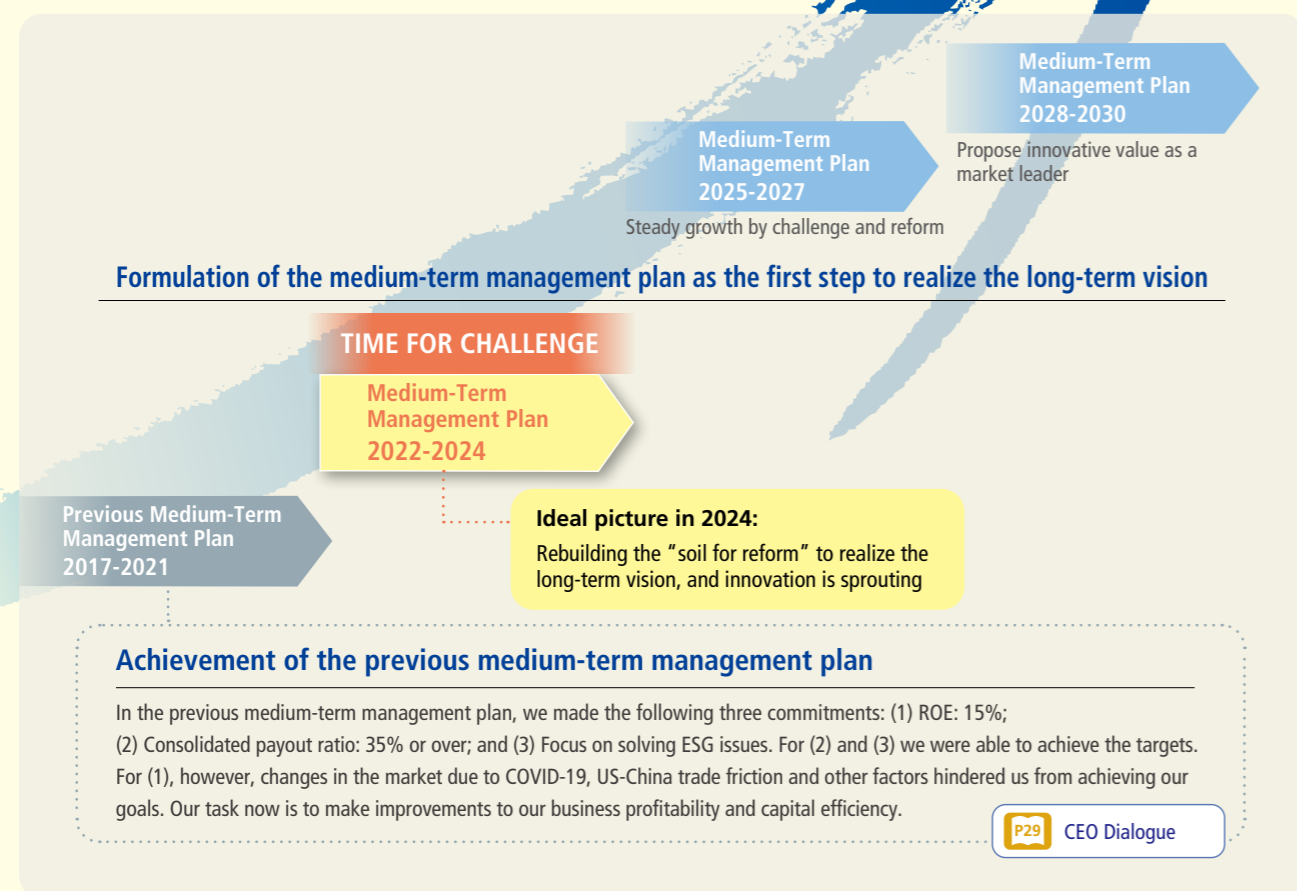
Starting to Embrace Challenges for the

The Nabtesco Group has formulated a three-year medium-term management plan (“MTMP”) to implement measures for its management materiality and to build a foundation for the achievement of the long-term vision. Based on the recognition that we need to embrace new challenges in a more proactive manner to become “Leaders in Innovation,” we decided to uphold “TIME FOR CHALLENGE” as the theme for the MTMP. Under the plan, we will take on three challenges for the priority items that we mean to deal with during over the coming three years.

Vision 2030

Third long-term vision 2021-2030 “Leaders in Innovation”

- Create new value by taking one step ahead of our customers
- Serve customers closely and attentively for the creation of a new market
- Proactively make proposals to win global competition



Achievement of the Long-term Vision

| Management materiality | | New Medium-Term Management Plan | | | |
|---|---|--|---|---|----------------------------------|
| | Issues | Our challenges in medium-term management plan | | | |
| Measures to improve our financial performance | Achieve the revenue targets | Raise motivation of all employees for “Change ourselves” and enjoy challenges | | | |
| | Distribute managerial resources efficiently | | | | |
| | Continue to improve capital efficiency | | | | |
| Measures to enhance our management foundation | ESG items having a major impact on financial issues | Improve employee engagement through work style reform to achieve optimal work-life balance | Challenge of fostering reforms Challenge of fostering creativity Challenge of fostering globalization | | |
| | | | | G Increase the effectiveness of our management entities | |
| | | | | E Countermeasures for climate change | |
| | ESG items that drive sustainability power | S Deliver solutions for social challenges through business | | Create new value with innovative products and services | |
| | | | | | S Build a resilient supply chain |
| | | | | | G Ensure management transparency |
| S | Pursue safety, comfort and a sense of security | Realization of smart manufacturing through minimization of environmental burden and digital technology | | | |
| | | | E Foster environmental management | | |
| | | | S Respect diversity and various expertise in the workplace | | |
| | | | S Enhance work style reforms | | |
| Specific measures to achieve the long-term vision | Rebuild global management systems and secure and train up local leaders | Build a resilient global value network | | | |
| | Promote engagement with local community | | | | |
| | Acquire next-generation technologies and create new businesses | | | | |
| | Foster smart manufacturing | Enforce governance and improve risk management capability | | | |
| | Strengthen global bases | | | | |

Enhance corporate value

Declaration

Nabtesco will continue to take on the challenge for "Leaders in Innovation for the Future."

Enjoy the Challenge
Innovation for New Motion Control

Intelligent Imagination & Execution

Global Value "Network"

| | | |
|--|--|-------------|
| Targets for medium-term management plan | ROIC | 10% or over |
| | Dividend payout ratio | 35% or over |
| | Focus on solving ESG challenges ... CO ₂ emissions reduction Reduced by 25% (Baseline year: fiscal 2015/aligned with the SBT 1.5-degree Celsius target) | |

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

| Challenge | Redefine |
|---|---|
| <ul style="list-style-type: none"> Raise motivation of all employees for "Change ourselves" and enjoy the challenges Improve employee engagement globally | <ul style="list-style-type: none"> Guide for sense of value Action Guidelines to realize our corporate philosophy |

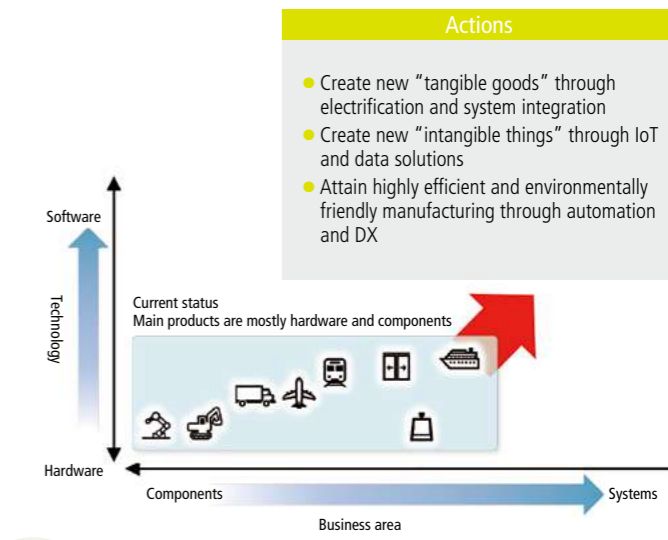
"Change the company"

Implement innovation systems/tools

| Introduce two systems |
|---|
| <ol style="list-style-type: none"> Innovation discovery challenge <ul style="list-style-type: none"> Discover ideas from employees Create new business as an intrapreneurship Business innovation challenge <ul style="list-style-type: none"> Encourage and support each business department by Nabtesco as a whole |

Innovation for "New Motion Control"

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



Challenge of fostering creativity

Intelligent Imagination & Execution

–Create new business models by promoting external collaboration–

| Target |
|---|
| <ul style="list-style-type: none"> Especially focusing on DX, electrification and systematization technologies |

| Actions |
|--|
| <ul style="list-style-type: none"> Promote open innovation utilizing our core values Create new businesses utilizing CVC and M&A Expand to new business areas by accelerating collaboration between each business segment |



Challenge of fostering globalization

Global Value "Network"

–Strengthen global management systems–

| Target |
|---|
| <ul style="list-style-type: none"> Utilize and optimize capitals (Human, technology, information, assets) globally |

| Actions |
|--|
| <ul style="list-style-type: none"> 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 |





Hirotsuke Tai
Chief Analyst,
Daiwa Securities Co., Ltd.

Naoki Hidaka
Outside Director,
Nabtesco Corporation

Kazumasa Kimura
Representative Director,
President & CEO,
Nabtesco Corporation

Yoko Fujii
Senior Portfolio Manager,
UBS Asset Management

As a Leader Set to Implement the New Medium-Term Management Plan for the Achievement of the Long-term Vision for 2030

In March 2022, Kazumasa Kimura has assumed the position of CEO of Nabtesco. He will lead the implementation of the new medium-term management plan (“MTMP”), set on the theme “TIME FOR CHALLENGE,” toward the achievement of the long-term vision. Inviting two people, one analyst and the other representing an institutional investor, and with the participation of Outside Director Naoki Hidaka, we held a dialogue meeting with the new CEO, who talked about the background to the new MTMP and actions for achieving the plan.

Review of the previous medium-term management plan

Kimura: The previous MTMP was ended in December 2021, and we unveiled our new MTMP in February 2022. I would like to review the previous MTMP, which was the basis for our formulation of the new plan.

The previous MTMP was a four-year plan. However, COVID-19 made it difficult for us to take some of the planned actions, and we extended the period by one year. In the previous MTMP, we made the following three commitments: “ROE: 15%,” “Consolidated payout ratio: 35% or over” and “Focus on solving ESG issues.” The level of achievement is as shown for each of the commitments.

- **“ROE: 15% or over”:**
Achieved in 2021 partially due to a special factor. It is necessary to improve our business profitability and capital efficiency to meet this commitment on our own.
- **“Consolidated payout ratio: 35% or over”:**
Maintained the ratio at 35% or over, excluding the impact of the evaluation gain on the shares of Harmonic Drive Systems (HDS)
- **“Focus on solving ESG issues”:**
 - For E (Environment): Carbon-Free Declaration**
-Achieve “carbon-free” by 2050 in alignment with the SBT 1.5-degree Celsius target
-Reduced global CO₂ emissions by about 16% for FY2021 (relative to FY2015 level)
 - For S (Social): Acquisition of resilience certification**
-Acquired the certification at 12 Nabtesco Group bases
 - For G (Governance): Greater percentage of independent outside directors:**
-Increased to 40% in 2020 and reached 50% in 2022



(Kimura)
On the theme “TIME FOR CHALLENGE,” we will embrace new challenges under the new MTMP.

Tai: You ended the final fiscal year of the plan by posting net sales and operating income that were on the same level relative to five years ago, although this was partially due to COVID-19.

Fujii: Indeed, the results for the final fiscal year were not very satisfactory, even though I understand that you faced some unavoidable negative factors, such as COVID-19 and the factors caused by your customers.

Kimura: We were unable to get the return on the investment that we had made to expand the production capacity for precision reduction gears at the timing that we had expected because US-China trade friction caused automakers to reduce their capital investment and demand for industrial robots did not steadily expand as expected. Also in the aircraft equipment business, after making a large investment in the construction of new plants, we faced dramatic changes in the market environment. Moreover, we again posted impairment losses for OVALO. We need to implement a restart plan for this subsidiary as one of our challenges.

Fujii: As for precision reduction gears, demand rapidly recovered in the latter half of 2020 and you did not miss the opportunity provided by the recovery to achieve substantial growth, which I think is attributable to your management decision to invest in the enhancement of your production capacity. I also highly applaud your decision to sell your shares in HDS, thereby solving that long-standing issue.

Tai: Even excluding the effect of selling the HDS shares, your balance sheet has become quite swollen and you need to slim it down while increasing sales. I think you need to pay more attention to the balance between your BS and PL statement.

Kimura: Thank you for your frank opinions about our previous MTMP. For the balance sheet, it is true that our tangible fixed assets increased as a result of investing in the enhancement of our production capacity, mainly in the precision reduction gear business, although selling the HDS shares did have a big effect on the balance sheet. We will continue to work on the improvement of our asset efficiency under the new MTMP.

About the new medium-term management plan

Kimura: The new MTMP is a three-year plan to build the foundation for the achievement of our long-term vision for 2030. To reach the goal we need to embrace new challenges more aggressively than before and so we set the theme “TIME FOR CHALLENGE” for the plan.

Amid changes related to IoT and DX, among others, we have a strong sense of crisis about remaining a conventional component manufacturer, and it is essential for us to develop a new field of business by promoting electrification and systematization based on our current strengths and technologies.

As our quantitative management targets, we set “ROIC: 10% or over,” “Dividend payout ratio: 35% or over” and also a 25% reduction in our CO₂ emissions (from the 2015 level) for “Focus on solving ESG issues.” In order to attain these targets, we will take on three challenges as our mainstay measures.

First, we will take on the “Challenge of fostering reforms” for the development of human resources. In order to enhance our human capital as a source of innovation, we will introduce an “innovation discovery” system and a company-wide system to support our business departments in pursuing innovation by providing them with necessary human resources, goods and funding. Also, for The Nabtesco Way, we will redefine our Action Guidelines, which comprise a code of conduct for employees, from a global viewpoint to transform their way of thinking.

Second, we will embrace the “Challenge of fostering creativity” to foster open innovation. We will conduct R&D through industry-academia collaboration, specifically with both Japanese and foreign universities, using our R&D center in Kyoto as a hub for the activity. We will also make more effective use of CVC.

Third, we will take on the “Challenge of fostering



(Hidaka)
You can expand the possibilities for new innovation by adopting the viewpoint of end users.

CEO Dialogue



(Tai)

I expect the new management team to be flexible in responding to market changes.

globalization,” deeming it urgently necessary to enhance our global management system in view of the growth potential provided by overseas markets. In order to enhance and localize our regional headquarters outside Japan, we need to establish a new personnel system unique to Nabtesco by applying the benefits of so-called “job-based” employment. We will first build such a system in Japan and then gradually expand it to outside the country. To this end we plan to invest around ¥150 billion over the next three years.

Hidaka: Personally, I like the concept of taking on the “Challenge of fostering creativity.” Nabtesco has established a strong position as a component manufacturer and because of that strength the company tends to compete in terms of “things” (products). Under the new MTMP, I expect that the company will create something new from the perspective of application and the viewpoint of end users.

The Board of Directors has been involved in the formulation of the MTMP from an early stage, with four outside directors, including myself, expressing opinions proactively based on their respective expertise in each of their fields of specialization. As a result, Nabtesco has formulated a growth scenario in a quite objective manner. In the process, I truly felt that the Board was functioning very well.

Kimura: In March we welcomed Mr. Takahata as a new outside director and as a result 50% of our directors are now from outside the company. With his participation, we have enhanced the diversity of skills on the Board in terms of DX. We will speed up our business execution, receiving advice from the directors.

Fujii: I don’t think I have ever seen messages that include the strong word “Challenge” from your company before. However, the business performance forecasts that you listed as reference figures are not as ambitious as the word might imply. Because you are in a reform phase, maybe you are getting into a crouch position from which you will spring forward later on. President Kimura, what made you think it was necessary to fundamentally reform the company?

Kimura: We announced the long-term vision last year. But before that, I came to think it was necessary when we

were discussing it at a meeting of the long-term vision committee. I was heading the committee, which was mainly composed of young members, and as we were discussing our vision for 2030, I shared with them my own sense of crisis and of the need to foster reforms.

Fujii: So, through the meeting you were able to discuss and share these ideas, which is difficult to do in your daily operations.

Tai: The numerical targets are not very high compared to those set in the previous MTMP. However, as for the targets set for the next three years, they are by no means below the benchmarks. But the targets for the final year of the MTMP entail a lot of uncertainty due to possible environmental changes. Nabtesco shows the targets as reference figures, and indeed it is more important for the company to continue its growth story. For Nabtesco to demonstrate its potential in the future, I expect the management team to be flexible in how it responds to market changes and natural disasters, which I think is more important than accurately predicting the future.

Transparency of ROIC-oriented management

Tai: Regarding Nabtesco’s MTMP, I talked a lot with investors about the direction of the company’s business portfolio. What measures will you take to increase ROIC?

Fujii: I think it is great for Nabtesco to have added ROIC to its management targets, as it clearly shows the rate of return on its investment. I would like to see you steadily link ROIC with your investment decisions under the new MTMP. Also, I hope that each business unit will disclose its own ROIC. Sharing ROIC improvement scenarios for individual businesses will help you identify what you need to do, for example, the need to systematize your products. Also, for your business portfolio, ROIC will help you evaluate the importance of your individual businesses and how they can be improved.

Kimura: Internally, we have been managing the ROIC of each business unit since the launch of the previous MTMP. However, for the disclosure of ROIC by business unit, we need to conduct careful examinations as the business units are conducting business in different industries and using different business formats. For the improvement of the entire company’s ROIC, we are evaluating the ROIC improvement level for each business and will disclose more information about the improvement measures. For example, in the CMP segment, in which we do the processing work internally, we have lots of assets including production equipment. Accordingly, we need to promote

automation and the compression of inventory assets to make efficient use of invested capital. On the other hand, for the marine vessel equipment and automatic door businesses, we are nearly fabless and are therefore focusing on increasing profit. We are thus making improvements according to the features of each business.

Regarding ROIC for Nabtesco as a whole, we will of course disclose it both inside and outside the company as a management indicator that shows our earnings power.

Future of Portfolio Management

Tai: Discussions will continue regarding pros and cons for portfolio management. Nabtesco used to be an aggregate of businesses having shares in niche markets, but maybe in the future the company will have a business that does not fall in that category. It is therefore important for each business unit to tell its own story.

Hidaka: For growth investment, we are still unable to show the details of our new investments, and you are worried about the lack of specific messages about such investments.

Kimura: In all our businesses, we have been providing value, being strongly committed to supporting society by our unique “Moving it. Stopping it.” motion control technology. In order to continue to do this, I strongly feel it necessary to have in place a system to ensure profitability. Nabtesco has two types of businesses in its portfolio: “Opportunity businesses” that continue to achieve high rates of growth and “Quality businesses” that grow in a stable manner. We will work to tell the growth stories of these two types of businesses more clearly by examining each of them in terms of ROIC, cash flow and profitability on a short-, medium- and long-term basis.

Hidaka: We value ESG in addition to profit. For example, we have recently unveiled our autonomous ship navigation system. Through this business we can contribute to solving the issues of environmental impacts and worker shortages. Although it is still small in size, it has tremendous growth potential and social significance.

Each of our businesses has potential and stories to tell in a range of areas and I think it is important to specifically communicate this to stakeholders.

Tai: Yes, indeed. You have interesting stories for each of your businesses. For example, you have attractive stories about the “Increase in demand for retort packages overseas” in the packaging business and about the “Expansion of business in overseas markets” in the automatic door business.

(Fujii)

It is great that Nabtesco decided to introduce ROIC to its management targets, as it clearly shows the rate of return on its investment.



Shift from components to solutions

Fujii: Many Japanese companies are pursuing a shift from hardware to solutions. They have got the direction right, but it is not easy for them to achieve it. According to my understanding, by taking on the “Challenge of fostering reforms” you are striving to reform your corporate culture and way of doing business to promote this shift.

Hidaka: It is indeed an issue shared by Japanese manufacturers, and to solve it, it is necessary to build a platform.

Kimura: To this end, I think it is important to discern the true needs of customers by serving them on-site and to launch a new business with a strong commitment to making it a success. We aim to reform our business into a solution business and to contribute to the solution of social issues through our business, which is identical to our third management target, “Focus on solving ESG issues.” Also, we have gradually achieved results, including the autonomous ship navigation system and CMFS equipment for wind turbines.

Hidaka: Nabtesco has built trust with its customers as a talented developer and can work with them to foster innovation, which I think is a strength unique to Nabtesco.

Management that values dialogue and the sharing of ideas

Kimura: Finally, I would invite each of you to give your concluding comments for today’s meeting.

Tai: I would like to see you to engage in dialogue with the capital market in a more frequent and timely manner.

Fujii: For the aforementioned portfolio management, I hope that you will constantly review it and share necessary information with investors. I would ask you to enhance your ability to communicate, including increasing synergies between your businesses.

Kimura: We will work to clear the hurdles under the new MTMP and communicate the related information in an easy-to-understand manner. We will manage the company while valuing dialogue and the sharing of ideas through dialogue, and would ask for your continued advice. Thank you very much for giving us your valuable opinions today.

Measures to Improve Financial Performance

Financial strategy to achieve the long-term vision

We have set out the management materiality to achieve the long term vision, including the implementation of “Measures to improve our financial performance.” we would like to demonstrate the financial strategy in the medium-term management plan (“MTMP”).

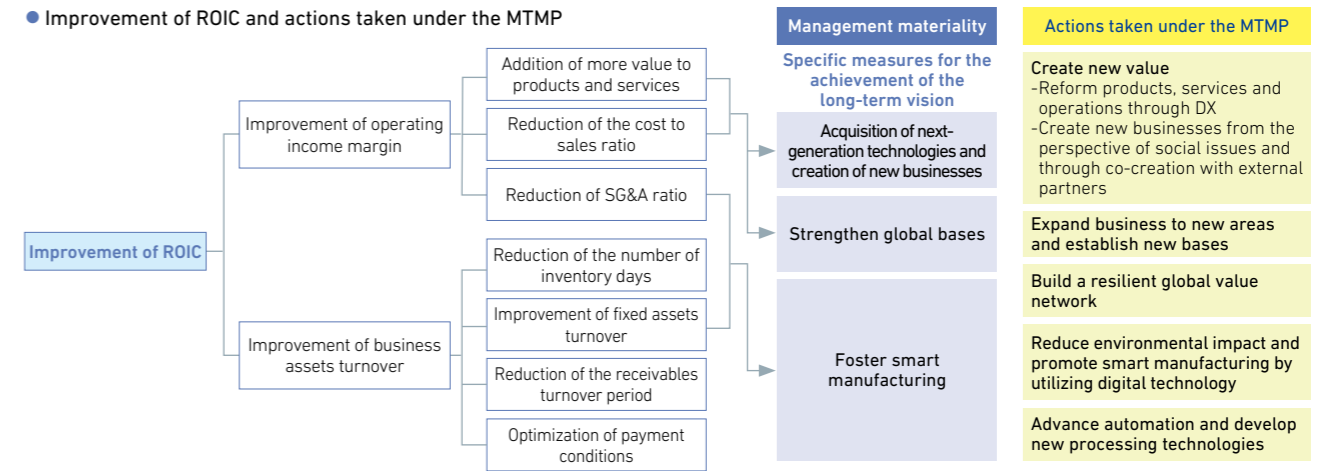
Atsushi Habe

Director, Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems, Business Transformation and Corporate Communication

Management targets set in the medium-term management plan

- ROIC: 10% or over
- Consolidated 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)

● Improvement of ROIC and actions taken under the MTMP

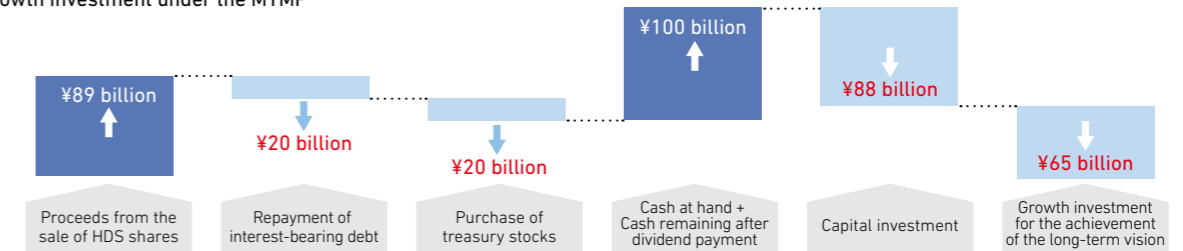


improvements in each business on a long-term basis rather than evaluating the businesses based on the same hurdle rate.

We of course use WACC as the hurdle rate to make decisions on investment across the company, but for businesses with longer business cycles, we need to evaluate them on a longer-term basis. For a business with high medium-term growth potential, we might need

to make an investment decision in consideration of the potential profitability of the business even if the investment return is dropping on a short-term basis. If we focus only on ROIC, we might end up diminishing the size of our overall investment while maintaining the investment balance between the businesses. We therefore need to make use of ROIC as a tool to evaluate our business from a medium- to long-term basis, rather than by fiscal year.

● Growth investment under the MTMP



Approach to capital allocation

We formulated the new MTMP as a plan to achieve the long-term vision. As we tend to make investments that precede the achievement of growth, I would like to outline our funding for growth investment and the financial rules that we will follow in making investments.

For the funds used for growth investment, we plan to use the proceeds from the sale of the shares of Harmonic Drive Systems as a feature of our funding plan set for the MTMP. We made the decision to sell the shares with an eye to using the proceeds for growth investment. We have already used part of the funds to repay interest-bearing debts and purchase our own treasury stocks to increase the return to our shareholders. For growth investment, we will make use of cash at hand and the funds remaining after distributing dividends to shareholders as planned under the current MTMP. We will continue to implement our basic policy on liquidity at hand, setting the amount at equivalent to about two months' sales. For shareholder return, our basic policy is “Consolidated payout ratio:

35% or over.”

For the improvement of ROIC, we will of course make investment decisions on capital investment and growth investment (through M&A and CVC) based on the precondition that the future return, including synergy effects, exceeds the capital cost. Although the capital cost differs by project, we are making calculations based on the WACC of the entire company, while giving consideration to country risk and others.

For the funds used to make investments during the current MTMP period, we do not plan to take out any large loans. We aim to maintain our A rating from credit rating agencies and to this end we will keep our capital adequacy ratio at at least 50%.

For the improvement of our financial performance, we will make daily efforts to achieve our short-term profitability targets while striving to achieve the target of “ROIC: 10% or over” by distributing our management resources in a balanced manner as well as by increasing our asset efficiency.

Approach to achieve “ROIC: 10% or over”

The Nabtesco Group has a business portfolio that covers a range of businesses, each of which has a different business cycle and value chain. In the precision reduction gear and hydraulic equipment belonging to the CMP segment, the high reliability of our products provides us with an important differentiator. We therefore need to ensure the capacity to process and assemble raw materials including castings in large quantities and with high precision as the source of our high-level competitiveness. In these businesses, effective investment in processing equipment and others directly helps increase ROIC. Based on this recognition, we will build a more efficient production system to further increase our productivity.

In all the businesses belonging to the TRS, ACB and MFR segments, the expansion of the Maintenance, Repair and Overhaul (MRO) business contributes to higher profitability. In order to expand the MRO business, it is important to increase orders placed with us for the maintenance of the products that we have delivered to customers, for which we will introduce a system to check the customers' maintenance cycle in a precise manner, add a failure detection function to our products, and expand our MRO service bases to offer speedy maintenance services. All these will help increase ROIC. In the marine vessel equipment, automatic door and packaging machine businesses, we mainly assemble procured components and do not engage in much processing. Accordingly, one of the features of these businesses is that the amount of capital invested in them is relatively low as a proportion of our total investment amount.

We thus need to consider different elements for different businesses. Accordingly, having introduced ROIC, we are now attributing importance to making

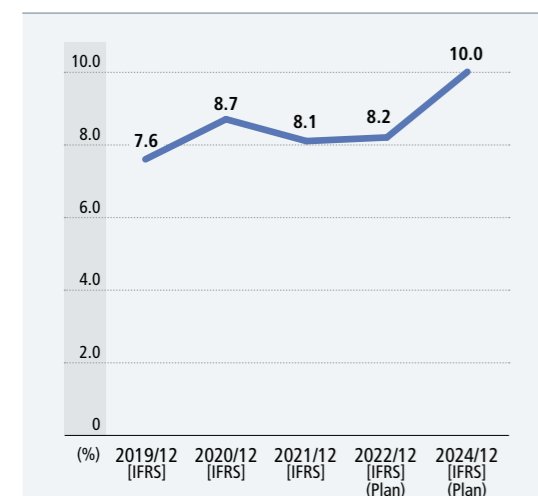
In this new MTMP, we newly introduced ROIC as a KPI.

Introducing ROIC to the management targets of the MTMP

Nabtesco set an ROIC target as one of the management targets of the MTMP. ROIC can be broken down into elements in the form of an ROIC tree and can be used as an easy-to-understand management indicator closely related to operational improvements at production facilities, including reducing the number of inventory days. Also, from the perspective of financial strategies, ROIC helps us check our capital efficiency against the amount of procured funds including debt, as well as against the amount of shareholder equity. We have been using ROIC internally since the launch of the previous MTMP for the management of business performance and as an additional criterion to calculate the performance-linked remuneration for employees and directors, excluding outside directors. Under the new MTMP, we externally uphold an ROIC target as one of our management targets in order to focus more on capital efficiency in our business management.

Financial/Non-Financial Highlights

ROIC



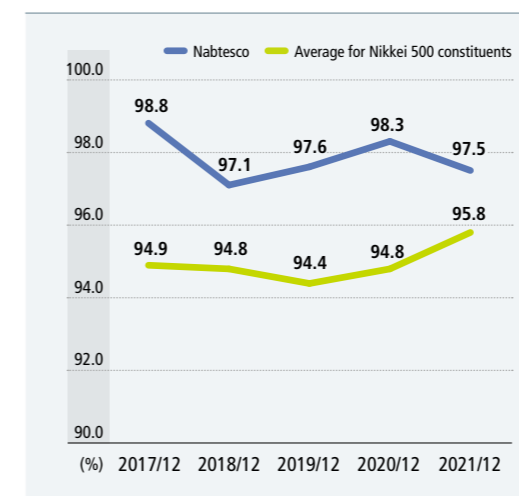
Since 2017, we have started to use the improvement figure of ROIC as an internal management indicator and have been using the ROIC tree to make operational improvements at our production sites. Moreover, in order to foster capital efficiency-oriented management, we upheld "ROIC: 10% or over" as one of our management targets for FY2024 under the medium-term management plan. In order to achieve this target, we will accelerate actions for improvement. For FY2021, we recorded 8.1% for ROIC on a consolidated basis.

Operating Income Margin



For FY2021, we had favorable results for two businesses in the CMP segment and hit a record high for consolidated net sales and operating income. We will continue to improve our profitability by expanding the MRO business and adding more value to our products through electrification and systematization.

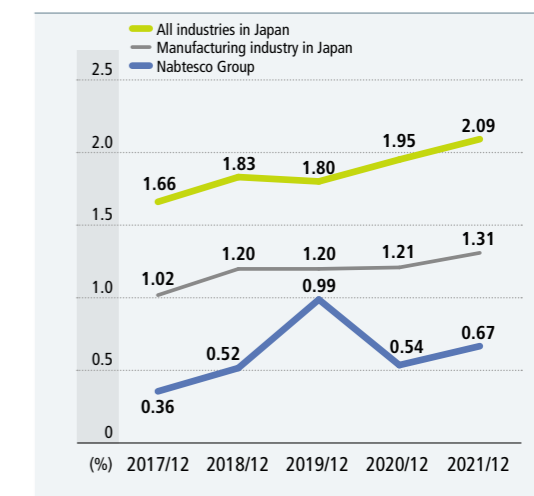
Affirmative Vote Rate of Selected Directors



Nabtesco defines an affirmative vote rate for selected Directors at the general meeting of shareholders as an indicator of confidence in management. The affirmative rate has been over 97% for the past five years, exceeding the average for listed companies in Japan. At the ordinary meeting of shareholders held in March 2022, the rate for Nabtesco was 97.5%.

(Note) Nabtesco's affirmative vote rate of selected Directors is the average rate calculated based on the affirmative vote rates recorded for each of the selected Directors at the ordinary general meeting of shareholders for the fiscal period. For Nikkei 500 constituents' affirmative vote rates of selected Directors, the average rate was calculated for companies that submitted temporary reports on their general meetings of shareholders held in June by early July.

Lost Time Injury Frequency Rate

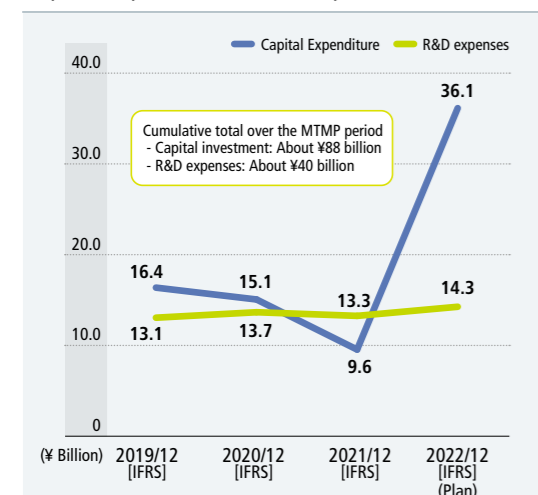


Ensuring safety is a basic precondition for business activities. As "pursue safety, comfort and a sense of security" which is included in our management materiality, we take various actions to eliminate occupational accidents.

Although Nabtesco's lost time injury frequency rate has been lower than the average in all industries and the manufacturing industry in Japan, we have not yet achieved the goal of zero occupational accidents including commuting-related ones. For the achievement of the target, we will continuously conduct activities to build the culture of safety in our own way.

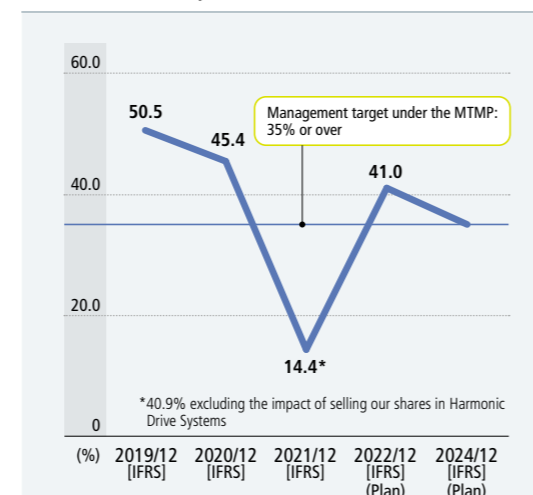
(Note) Data for the all-industries average and the manufacturing industry average in Japan are from the 2021 Survey on Industrial Accidents, Ministry of Health, Labour and Welfare.

Capital Expenditure /R&D Expenses



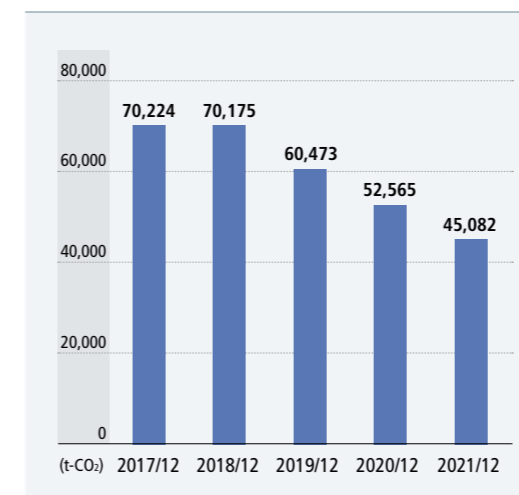
Under the medium-term management plan, we will make aggressive investments for future growth. As for capital investment, we will make large investments for the construction of a new plant in Hamamatsu city to expand our production capacity of precision reduction gears as well as in the rebuilding of the Tarui Plant to make it an eco-friendly plant in the hydraulic equipment business. For R&D, we will focus on the development of electrified and systematized products.

Consolidated Payout Ratio



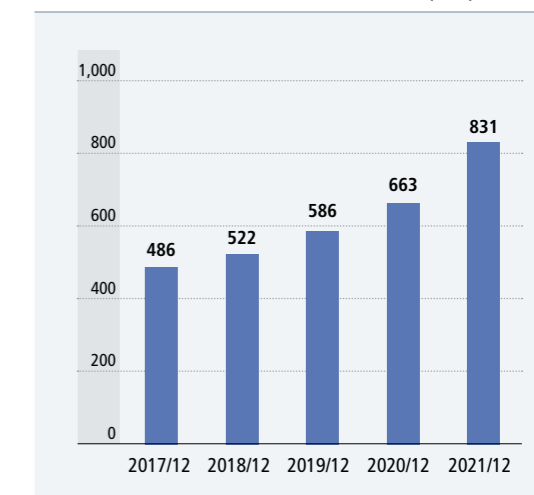
We have been maintaining the consolidated payout ratio of 35% or over as committed under the previous medium-term management plan. In 2021, we acquired our own shares and cancelled them by setting the upper limit at ¥20 billion. As one of our management targets, we will continue to maintain the consolidated payout ratio of 35% or over to pay dividends in a stable manner to our shareholders and investors.

Global CO₂ Emissions (Total)



As "Countermeasures for climate change," which is included in our management materiality, we set a new long-term target in 2021 to declare that we will achieve "100% carbon free" for energy used in our production activities by 2050. This target is certified to be aligned with the 1.5 degrees Celsius scenario by the Science Based Targets (SBT) initiative. In addition to continuing our conventional energy conservation and creation activities, we will also foster the procurement of renewable energy (by purchasing the certificates) to achieve our emissions reduction target.

Number of Notifications on Intellectual Property Creation



We have set the creation of intellectual property as one of the performance indicators for in-house company. In order to foster a corporate culture toward innovations, we encourage creative activities by engineers for new business generation, new technology development and accumulation of design/production know-how. Consequently the number of notifications on intellectual property creation has been increasing year on year. Moreover, increasing employees' motivation toward creative activities, we give commendations to excellent inventors who have contributed to our business.

Business Portfolio

We will provide high value-added products and services through unique motion control technology.

The Nabtesco Group continues to achieve profitable growth with a portfolio of multiple mutually complementary businesses in different industries.



Business Features by Segment

| Business segment | Characteristics | Growth driven by market growth | | |
|-------------------------------|--|--|---|--|
| | | "Growth engine" business | "Stable growth" business | "Regrowth" business |
| Component Solutions (CMP) | Significant impact of changes in production/sales volume on profitability | ● Precision reduction gears | ● Hydraulic equipment | |
| Transport Solutions (TRS) | After-sales services (MRO) that mitigate impacts from changes in OEM production volume | ● Marine vessel equipment | | ● Railroad vehicle equipment ● Aircraft equipment ● Commercial vehicle equipment |
| Accessibility Solutions (ACB) | | | ● Automatic doors | |
| Manufacturing Solutions (MFR) | | ● Packaging machines | | |
| Strategic direction | | <ul style="list-style-type: none"> High growth driven by expanding demand Technological reform through systematization | <ul style="list-style-type: none"> Stable growth by global business expansion Development of new products and services through DX/electrification | <ul style="list-style-type: none"> Recovery from the impact of the pandemic Entry into new fields with new products and services |

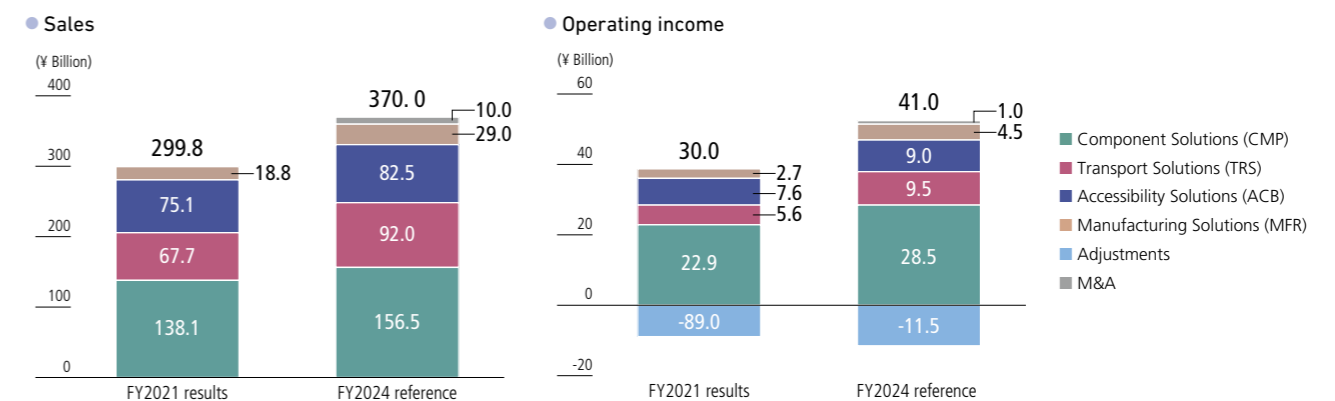
Component Solutions (CMP)
In the Component Solutions Segment, which comprises the precision reduction gear business and the hydraulic equipment business, we focus on Original Equipment Manufacturer (OEM) production. These businesses provide social value by contributing to automation, labor saving and infrastructure improvement mainly in the domain of "Manufacturing and Infrastructure." Compared with other businesses, the profitability of these two businesses can be easily influenced by changes in market demand, while great synergy effects can be generated in the segment through the joint procurement of materials and flexible use of core production staff.

Transport Solutions (TRS)
The Transport Solutions Segment, which is composed of the railroad vehicle equipment business, aircraft equipment business, commercial vehicle equipment business and marine vessel equipment business, contributes to higher safety and greater comfort in the domain of "Transportation of people and goods." We provide the MRO services in all of the businesses and can share MRO bases and know-how to generate synergy effects among the businesses.

Accessibility Solutions (ACB)
The Accessibility Solutions Segment, in which we conduct the automatic door business including the platform door business, contributes to higher safety and greater comfort in public spaces and to the creation of a barrier-free society in the domain of "Daily lives and Welfare." In the automatic door business, we have adopted the following business model: expand the sales and service network through M&A and enhance the value chain (manufacture, sales, installation, maintenance and aftersales service) to integrate the production and marketing processes to generate more profit.

Manufacturing Solutions (MFR)
In the Manufacturing Solutions Segment, we mainly operate the packaging machine business, which contributes to food safety and labor saving at production facilities food and for daily necessities.

Medium-term Management Plan: Referential figures by segment





Precision Reduction Gear Business

Precision Equipment Company

Contributing to the Automation of Manufacturing



SDGs related to our business

Outline of the Precision Reduction Gear Business

In 1986, Nabtesco launched the precision reduction gear business by applying the technology developed in its hydraulic equipment business. By overcoming the technological challenges faced by precision reduction gears at that time, such as those related to durability and resistance against vibrations, we have built close relationships with our customers, who are mainly involved in the automotive industry. In the global market for precision reduction gears used in the joints of medium- and large-sized industrial robots, we now boast a share of nearly 60%.

Product Features

- Nabtesco's precision reduction gears are highly rigid, precise and durable, and are therefore used mainly in medium- to large-sized robots with heavy load capacity.
- As our products are compact, they contribute to reducing the size and weight of robots.
- They help boost the controllability of robots based on our proprietary mechanism designed to reduce vibrations and increase behavioral precision.
- We need to have the technology and ability to mass-produce a medium variety of products in order to meet customers' requirements.
- It takes us about four weeks on average from the receipt of an order to the delivery of the product.

Social Value Provided by Products

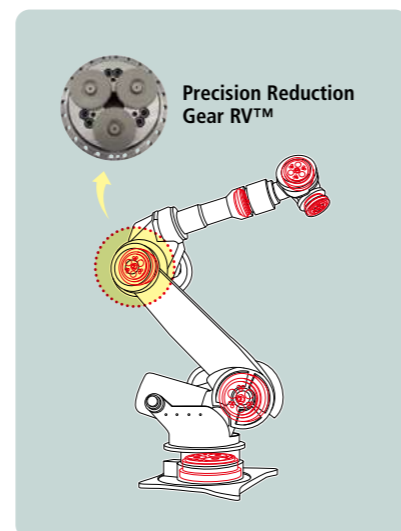
- Industrial robots contribute to reducing dangerous manual labor, solving the issue of labor shortages and stabilizing quality and increasing productivity at factories.
- Nabtesco supplies high-quality precision reduction gears to industrial robot manufacturers, thereby bringing safety and higher efficiency to manufacturing factories across the world.

Business Performance for FY2021/12

- Thanks to the large scale of capital investments made mainly by the automotive industry, we were able to receive more orders to increase net sales to ¥77.5 billion.

Business Overview (Fiscal year ended December 31, 2021)

| | |
|---|---|
| Market share | Precision reduction gears for the joints of medium- to large-sized industrial robots: Approx. 60% global market share |
| Production bases | Tsu City, Mie Prefecture, Japan/Jiangsu Prefecture, China/Hamamatsu City, Shizuoka Prefecture, Japan (To be constructed) |
| Major customers | Industrial robots: FANUC CORPORATION, YASKAWA Electric, Kawasaki Heavy Industries, KUKA AG (Germany), ABB Robotics (Sweden) Machine tools: YAMAZAKI MAZAK, Okuma, DMG Mori |
| Sales by geographic segment (Full-year results)** | Sales to Japanese robot manufacturers: Approx. 60%; Sales to overseas robot manufacturers: Approx. 40%* *1 Sales to industrial robot manufacturers *2 Including sales to the overseas plants of Japanese robot manufacturers |



| |
|--|
| Strengths <ul style="list-style-type: none"> • Close relationships with major customers • High-performance and high-quality products • Capability to develop technologies to meet customers' needs • Capability to build a highly efficient automated production line • Wide product lineup for general industry |
| Opportunities <ul style="list-style-type: none"> • Growth in demand from industrial robot manufacturers and from general industry due to the needs for labor saving and automation • Structural increase in demand for industrial robots in China |
| Weaknesses <ul style="list-style-type: none"> • High level of dependence on demand for industrial robots |
| Threats <ul style="list-style-type: none"> • Large fluctuations in demand due to changes made by end users to their equipment investment policies • Inability to maintain technological lead over existing competitors as well as manufacturers in emerging markets |



Providing our precision reduction gear, we will contribute to automation of manufacturing processes and to solving labor shortages due to the forthcoming aging society. Moreover, we will continue to provide our products that contribute to stabilizing customers' product quality and the automation of logistic operations.

President, Precision Equipment Company
Toshiya Fujiwara

Processes through the Advancement of Industrial Robots

Competitive Advantage

Products and Technology

- Precision Reduction Gear RV™ products are light and compact but provide high durability and high positioning accuracy.
- We are selling precision reduction gears and servomotors in a package for use by general industry. We are thus expanding our product lineup to meet various customer needs.

Production

- We will foster leading-edge automation by building a highly efficient automated production line that cannot be imitated by competitors.

Business Environment

According to the International Federation of Robotics (IFR), global demand for industrial robots will recover from the impact of COVID-19 in and after 2021 and will expand going forward. The needs for digital and automated production equipment will continue to increase, driving steady growth for industrial robots on a medium- to long-term basis. Accordingly, we expect that the market will grow at a compound average growth rate (CAGR) of around 10%.

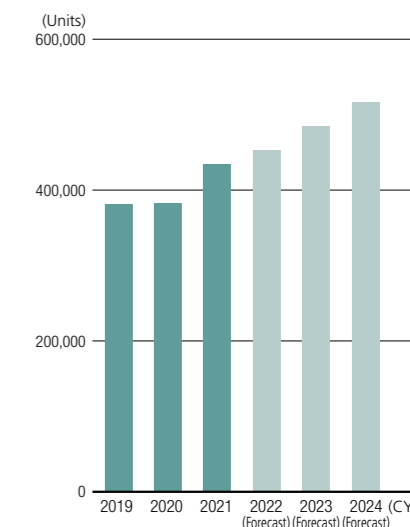
Opportunities and Risks

- Driven by expanded demand for EVs and HVs, production lines will be modified and newly installed by the automotive industry, which is a major customer of industrial robots.
- Also, in other industries, labor-saving and automation needs will dramatically increase, leading to the introduction of more robots and automation equipment.
- We regard technology catch-up by existing competitors and manufacturers in emerging market countries as a potential risk.

For the Achievement of the Medium-Term Management Plan

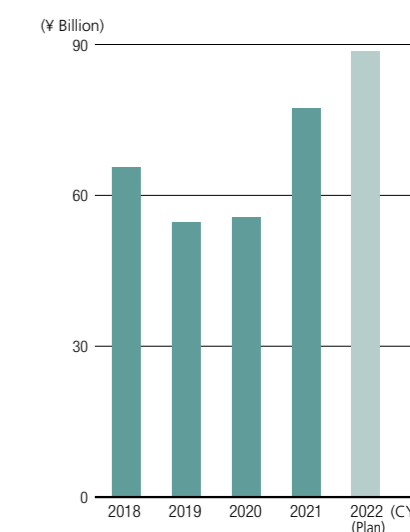
- By advancing the existing technologies to reduce the weight and size of precision reduction gears and fostering R&D for the use of optimal materials, we will expand our lineup of highly competitive products.
- We will expand the product lineup for general industry, which could provide us with more business opportunities.
- In order to meet automation needs, which will further expand, we will build a new plant in Hamamatsu City in addition to our existing plants in Tsu City in Japan and Changzhou in China, with a view to nearly doubling our production capacity to two million units per year by 2026.

Worldwide Annual Shipment of Industrial Robots



Note: Above IFR data includes the number of small- and medium-large and large-sized robots.
Source: International Federation of Robotics (IFR) 2021

Net Sales in the Precision Reduction Gear Business



Focus on solving ESG issues

Making the Hamamatsu Plant a smart plant

We aim to make the new plant in Hamamatsu City a smart plant equipped with a state-of-the-art logistics system, highly efficient automated and digital equipment and an AI system. As part of our untiring efforts to work on ESG issues, we also aim to make the plant carbon-free through energy conservation and the effective use of leading-edge energy generation technology.



Hydraulic Equipment Business

Power Control Company

Providing Equipment that Is Essential for the

Establishment of Infrastructure



SDGs related to our business

Outline of the Hydraulic Equipment Business

Both Teijin Seiki and NABCO, which were integrated into Nabtesco, had already been conducting the hydraulic equipment business before the integration. In our long history of the business, which dates back to 1930, we have built up the capacity to develop high-quality, high value-added products. In addition to expanding our product lineup, we will work on the further systematization of our products and foster research into electric control technologies to pursue innovation and meet the needs of our customers even before they identify them.

Product Features

- Our traveling units are compact but highly efficient and produce large amounts of power. They provide energy-saving performance and have the durability and reliability required for use in harsh environments.
- We have a product lineup that includes traveling units, swing units, control valves, pumps and other control units for construction machines.
- We produce our products in regions where there is demand for them.
- It takes us about a week on average from the receipt of an order to the delivery of the product.

Social Value Provided by Products

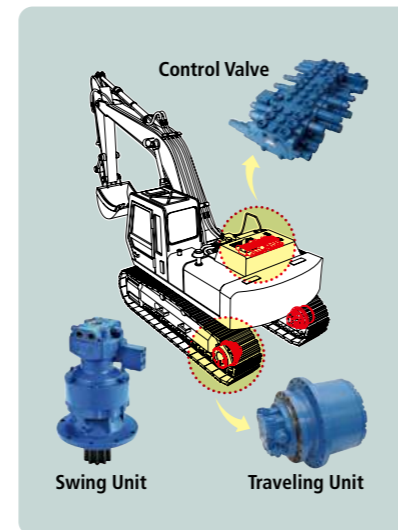
- We are building the foundation for further industrial development and supporting daily life by providing products to be used in construction machinery that plays an essential role in the creation of physical infrastructure.
- We are also contributing to the development of local industries by manufacturing our products in regions where there is demand for them.

Business Performance for FY2021/12

- Although demand slowed down in China market in the latter half of the term, full-year excavator demand reached a record high. Also, thanks to the recovery of the European, American and Southeast Asian markets, we posted net sales of ¥60.6 billion.

Business Overview (Fiscal year ended December 31, 2021)

| | |
|---|---|
| Market share | Traveling units for hydraulic excavators: Approx. 25% global market share |
| Production bases | Tarui-cho, Fuwa-gun, Gifu Prefecture, Japan/Kobe City, Hyogo Prefecture, Japan/Shanghai, China/Chonburi, Thailand |
| Major customers | KOMATSU, Sumitomo Construction Machinery, Kobelco Construction Machinery, Sany Heavy Industry (China), XCMG Construction Machinery (China), LiuGong (China) |
| Sales by geographic segment (Full-year results) | Japan: Approx. 25%, China: Approx. 60%, Others: Approx. 15% * In terms of the final destinations of excavators |



| Strengths |
|--|
| <ul style="list-style-type: none"> • Highly efficient and durable products • Wide product lineup • Global production system to respond flexibly to changes in demand |
| Opportunities |
| <ul style="list-style-type: none"> • Expand the use of ICT in construction machinery and electrification • Demand for infrastructure driven by the boost of economic stimulus packages |
| Weaknesses |
| <ul style="list-style-type: none"> • Lineup of systematized products |
| Threats |
| <ul style="list-style-type: none"> • Change in demand for construction machinery • Emergence of competitors in developing countries |



We will continue to supply highly efficient equipment for construction machinery used for infrastructure development, while enhancing the lineup of our system products. We will also promote R&D for ICT and electrification in the construction machinery market and innovate to meet our customers' needs, thereby contributing to social and industrial developments.

President, Power Control Company
Kiyoshi Ando

Competitive Advantage

Products and Technology

- We are capable of developing high-quality and high value-added products that meet our customers' needs.

Production

- The Tarui Plant, which is the mother plant for our hydraulic equipment, has a range of advanced machining technologies and boasts high productivity through the automation of its processing and assembly work and logistics reforms.
- Based on the principle of local production for local consumption, we can further increase our production efficiency.

Business Environment

In China, which recovered from the impact of COVID-19 earlier than other countries, demand continued to be brisk until the beginning of 2021, resulting in record-high sales of excavators in that market. Since then, however, demand has remained at the same level. In other regions, demand has been gradually recovering from the impacts of the pandemic.

From a medium- to long-term viewpoint, we can begin to see new trends that will help value creation in the construction machinery industry, such as the spread of ICT, progress of electrification and the need to comply with exhaust gas regulations.

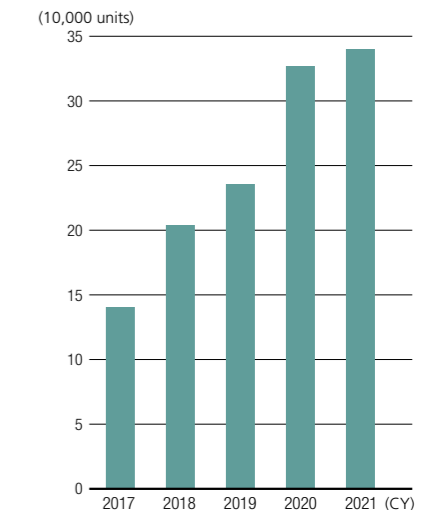
Opportunities and Risks

- Helping the construction machinery industry to meet the needs for the greater use of ICT and electrification will provide us with tremendous business opportunities.
- A rapid change in demand might cause an excessive inventory of construction machinery, which will in turn cause stagnant demand.
- We regard the market entry of highly cost competitive manufacturers from emerging market countries to be a risk.

For the Achievement of the Medium-Term Management Plan

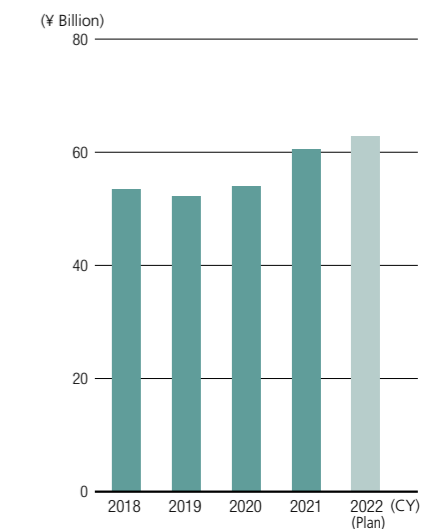
- We will develop products that contribute to fostering ICT and electrification for construction machinery.
- We will implement measures to promote sales of our products for new applications other than excavator use and further boost our market share.
- We will enhance our ability to make proposals to customers by focusing more on system products.
- By making investments to transform the Tarui Plant into a smart plant, we will further increase its productivity and reduce its environmental impacts.

Annual Volume of Excavators in China



Source: China Construction Machinery Association

Net Sales in the Hydraulic Equipment Business



Focus on solving ESG issues

We are refurbishing the aged Tarui Plant to transform this mother plant into an environment-friendly facility equipped with highly efficient systems. Also, with an eye to contributing to the local community, we installed an emergency power supply system at the plant and have made it possible for it to be used as an evacuation center for local people in times of natural disaster.



Railroad Vehicle Equipment Business

Railroad Products Company

Contributing to the Safe and Punctual Operation

of Railroad Transportation Systems



SDGs related to our business

Outline of the Railroad Vehicle Equipment Business

Since receiving our first order for air brake equipment from the former Japanese Ministry of Railways in 1925, we have long nurtured the ability to develop technologies to provide customers with products that meet their individual needs as well as the high reliability and durability requirements set for railroad vehicle equipment. By capitalizing on this ability, we are contributing to railroad transportation within and outside Japan.

Product Features

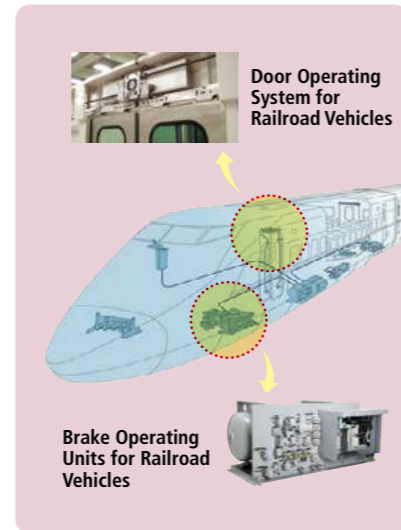
- Our brake control systems, door operators and others are adopted for railroad vehicles both in Japan and abroad.
- Our products contribute to the weight reduction and higher energy efficiency of railroad vehicles in addition to increasing their safety.
- The user tends to place an order for MRO services about four years after we deliver a product.
- It takes us about four to six months on average from the receipt of an order to the delivery of the product.

Social Value Provided by Products

- By providing highly safe and reliable products, we are contributing to the safe and punctual operation of railroad transportation systems.
- Optimization of railroad transportation helps reduce traffic congestion as well as CO₂ emissions from automobiles.

Business Performance for FY2021/12

- We faced a delay in bidding for the Chinese market as well as stagnant sales of new rolling stocks and decreasing demand for MRO services in Japan. As a result, net sales came to ¥25.8 billion.



Business Overview (Fiscal year ended December 31, 2021)

| | |
|--|--|
| Market share | Brake systems: Approx. 50% domestic market share Door opening systems: Approx. 60% domestic market share |
| Production bases | Kobe City, Hyogo Prefecture, Japan/Jiangsu Prefecture, China/Piedmont, Italy |
| Major customers | Japan Railways (JR) companies, private railway companies, Kawasaki Heavy Industries, bullet train and subway projects in China |
| Sales by geographic segment (Full-year results) | Japan: Approx. 70%, Overseas: Approx. 30% |

| | |
|----------------------|---|
| Strengths | <ul style="list-style-type: none"> • Ability to customize products to meet the needs of customers • Establishment of MRO Team • Three production footprints for "local consumption" in Japan, China and Europe |
| Opportunities | <ul style="list-style-type: none"> • Expansion of an urban traffic network (including subways) in China • Replacement demand of railroad vehicles in Europe • Increase demand for new railway projects in emerging markets |
| Weaknesses | <ul style="list-style-type: none"> • Customer foundation in Europe and Asia |
| Threats | <ul style="list-style-type: none"> • Delay in the recovery of customers' investments following the end of the COVID-19 |



We will supply important and safety components for railroad vehicles to contribute to the safety, security and comfort of railroad transportation and help the railroad industry become more environment-friendly to deliver solutions for social issues.

President, Railroad Products Company
Michihito Suzuki

Competitive Advantage

Products and Technology

- We have nurtured the ability to develop highly reliable and durable products to meet the needs of our customers.

Services

- By using our system to check the maintenance cycle of the products that we have delivered, we will provide MRO services in an appropriate manner.

Production

- We are working to conduct optimal development, procurement, production and sales activities under the product system built across three regions, namely, Japan, China and Europe.

Business Environment

Demand for new railroad vehicles, which comprise part of the country's social infrastructure, will remain stable in the Japanese market on a medium- to long-term basis, despite temporary changes caused by the revision of customers' investment plans. For Chinese subways, demand will continue to expand for the improvement of urban transportation and solving the issue of environmental pollution.

In Europe, demand will be driven by the need to replace old vehicles with new ones, and in emerging markets including those in Southeast Asia, demand is likewise expected to expand.

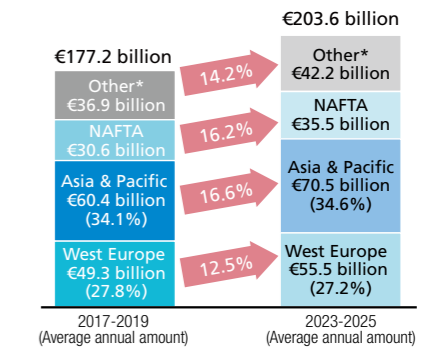
Opportunities and Risks

- We can find more business opportunities in overseas markets by obtaining certification for European standards, which are globally adopted.
- On a short-term basis, we might face stagnant sales due to restrictions on investments caused by the delayed recovery of passenger demand.

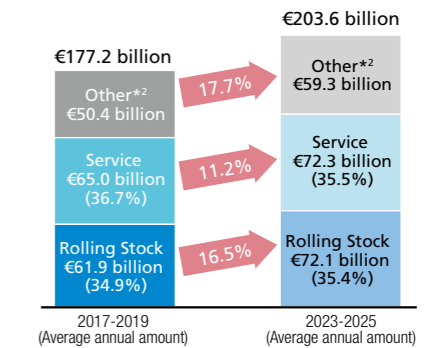
For the Achievement of the Medium-Term Management Plan

- We will develop products that meet our customers' needs to win the next round of the competition for orders for standard vehicles.
- We will make proposals to help reduce maintenance burdens imposed on customers, including MRO-related proposals.
- For subways in China, we will work with partners to win more orders with a strategic focus on certain cities.
- We will develop products and make proposals in line with European standards, which are globally adopted, thereby winning more orders outside Japan.

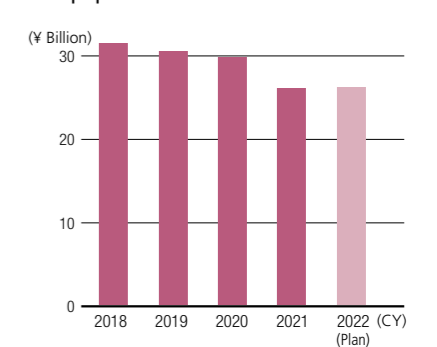
Market Size of Railroad Industry (by Region)



Market Size of Railroad Industry (by Segment)



Net Sales in the Railroad Vehicle Equipment Business



Focus on solving ESG issues

At the Kobe Plant, we are implementing an educational program for employees engaged in the manufacturing processes. By checking the safety awareness and skills of these workers against the required levels through regular skills testing, we will continue producing high-quality products at our manufacturing facilities while also providing employees with a safe environment where they can work with a sense of security.



Aircraft Equipment Business

Aerospace Company

Contributing to the Safe Operation of Aircraft



SDGs related to our business

Outline of the Aircraft Equipment Business

Having launched the aircraft equipment business during the war, we have long been developing technologies and know-how to expand our product lineup.

We are offering highly reliable aircraft components and attentive after-sale service to major aircraft manufacturers and airlines within and outside Japan, thereby contributing to the safe operation of aircraft.

Product Features

- Flight control actuation systems, which represent our core product, control the movements of aircraft in three dimensions. Receiving electric signals from the cockpit, the system tilts the aircraft up and down and left and right and also activates the brake system through hydraulic control.
- The user tends to place an order for our MRO services about five years after we deliver a product.
- It takes us about one year on average from the receipt of an order to the delivery of the product for private aircraft and up to around two years for defense aircraft.

Social Value Provided by Products

- Nabtesco contributes to the safe operation of aircraft and the safe and comfortable travel by large numbers of people by supplying highly safe and reliable aircraft equipment.
- We provide highly reliable products for use by the Japanese Ministry of Defense and thereby contribute to the safe and prompt operation of their aircraft for purposes such as emergency rescues.

Business Performance for FY2021/12

- Affected by a substantial reduction in the production of civil aircraft and sluggish demand due to a lull between equipment procurement periods in the defense industry, net sales came to ¥13.2 billion.

Business Overview (Fiscal year ended December 31, 2021)

| | |
|--|--|
| Market share | Flight control actuation system: Approx.100% domestic market share |
| Production bases | Tarui-cho, Fuwa-gun, Gifu Prefecture, Japan/State of Washington, the United States |
| Major customers | The Boeing Company (U.S.), Kawasaki Heavy Industries, Mitsubishi Heavy Industries, IHI, SUBARU, the Japanese Ministry of Defense, airline companies and others |
| Sales by geographic segment (Full-year results) | Japan: Approx. 50%, Overseas: Approx. 50% |



Strengths

- Know-how and technologies accumulated over 40 years for aircraft equipment business
- Close relationships with major customers and support systems
- Highly environmentally friendly and efficient production system

Opportunities

- Medium- to long-term growth of the private aircraft market
- Stable demand provided by the Japanese Ministry of Defense

Weaknesses

- Less experience for the electrification of aircraft

Threats

- Decrease in the number of flights due to the downturn of the airline market

Competitive Advantage

Products and Technology

- We have long built up the capacity to develop aircraft technologies in both the defense and civil sectors.

Services

- We have our production and MRO bases near the sites of our major customers so that we can offer sufficient support whenever they need it.

Production

- At the Gifu Plant, which is our mother plant for aircraft equipment, we have established a highly environmentally friendly and efficient production system that allows us to excel in QCDS.

Business Environment

In the private aircraft sector, demand for aircraft has been dropping due to a decrease in the number of passengers caused by the spread of COVID-19, and it will take several years for demand to make a full recovery.

In the defense field, the budget for equipment has been slightly decreasing, but there will be no major changes in demand on a medium- to long-term basis and demand will continue to be robust.

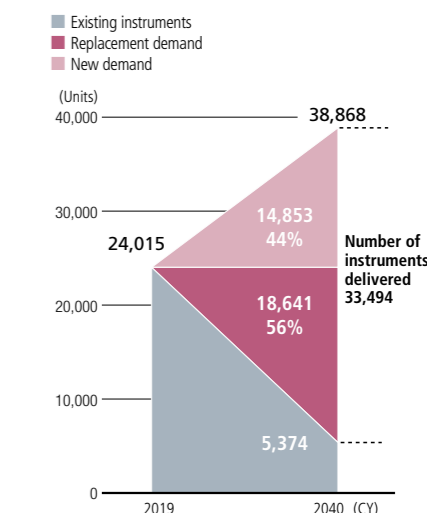
Opportunities and Risks

- If the number of passengers continues to drop due to COVID-19, demand for our OEM and MRO services might diminish for civil aircraft on a short-term basis.
- Demand for aircraft is expected to expand on a long-term basis, which will help us win new orders for our products and increase our business opportunities.

For the Achievement of the Medium-Term Management Plan

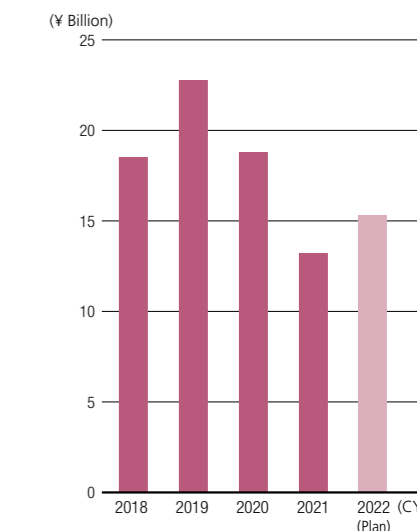
- In the market recovery phase, we will identify changes in our customers' needs to offer them products and services that meet such needs.
- As a unique OEM manufacturer, we will pursue value-added services and expand the MRO business.
- We will proactively promote technological development for future aircraft and solidify our growth foundation.
- We will continue to improve our productivity and rebuild our supply chain to raise our QCDS level in anticipation of the recovery and expansion of the production rate.

Forecast for Jetliner Demand



Source: Japan Aircraft Development Corporation
* Based on the pre-COVID-19 business environment

Net Sales in the Aircraft Equipment Business



We will contribute to society by expanding the production of high-reliability products that support the safety of aircraft in the long-term growth market of civil aviation, while working to reduce our own environmental impacts.

President, Aerospace Company
Norimasa Takagi



Focus on solving ESG issues

We have substantially reduced CO₂ emissions at the Gifu Plant as a result of constructing the buildings for precision components, surface treatment and actuators by adopting advanced environmental technology. We were highly commended for this initiative, including receiving an environmental award at the Boeing Supplier of the Year 2016.



Commercial Vehicle Equipment Business

Nabtesco Automotive Corporation Reducing Environmental Impacts through Electrification



SDGs related to our business

Outline of the Commercial Vehicle Equipment Business

In 1937, we became the first company in Japan to commercialize air brake products, which were adopted for most of the heavy duty commercial vehicles manufactured in Japan. In the commercial vehicle market in which electrification is currently becoming mainstream, we will continue to develop and offer products that meet our customers' requirements, thereby providing them with sustainable value going forward.

Product Features

- Our air brake products have excellent operability and are designed to be light enough to contribute to the fuel efficiency of vehicles.
- We have also succeeded in developing an electric compressor mainly for electric buses.
- The user tends to place an order for our MRO services about two years after we deliver a product.
- It takes us about a week on average from the receipt of an order to the delivery of the product.

Social Value Provided by Products

- Our wedge brake chamber system helps increase the fuel efficiency of vehicles, which in turn contributes to reducing environmental impacts.
- We also contribute to the safety of passengers and drivers of commercial vehicles, for example, by helping increase the safety and reliability of the air control systems of the vehicles by supplying air dryers and also by the release of a new product (EDSS*) into the market.

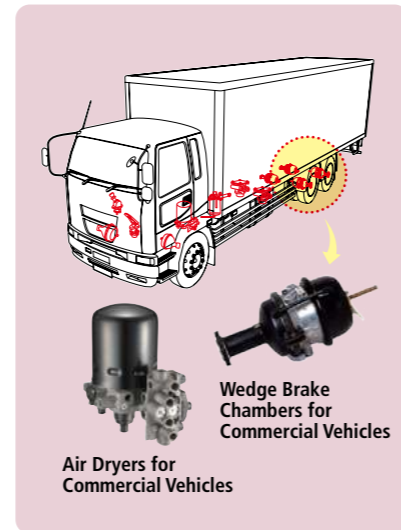
* EDSS stands for emergency driving stop system, which is used when the driver suddenly becomes unable to drive the car due to illness and for other reasons. After being switched on by the driver or others in the vehicle, the system will function to safely reduce the speed of the vehicle and bring it to a gradual halt.

Business Performance for FY2021/12

- Net sales came to ¥12.1 billion thanks to strong demand within and outside Japan following the start of recovery from COVID-19.

Business Overview (Fiscal year ended December 31, 2021)

| | |
|--|--|
| Market share | Wedge brake chambers for commercial vehicles: Approx. 75% domestic market share Air dryers for commercial vehicles: Approx. 70% domestic market share |
| Production bases | Murayama City, Yamagata Prefecture, Japan/Samutprakarn, Thailand/Haryana, India |
| Major customers | Hino Motors, Mitsubishi Fuso Truck and Bus, Isuzu Motors, UD Trucks |
| Sales by geographic segment (Full-year results) | Japan: Approx. 90%, Overseas: Approx. 10% |



| Strengths |
|--|
| <ul style="list-style-type: none"> • Know-how and technologies accumulated over 80 years for air brake systems • Cost reduction at our production bases in Thailand and India • Highly precise and efficient production system established by introducing fully automated equipment |
| Opportunities |
| <ul style="list-style-type: none"> • Expansion of market opportunities driven by the electrification trend • Increasing demand for advanced safety technologies for great changes, as represented by CASE* <p>* CASE: Connected, Autonomous, Shared/Service, Electric</p> |
| Weaknesses |
| <ul style="list-style-type: none"> • Ability to propose systematized products |
| Threats |
| <ul style="list-style-type: none"> • Competition in the market with leading European manufacturers |

Competitive Advantage

Products and Technology

- The technology to separate the oil contained in compressed air gives us an advantage.

Production

- With a view to quickly responding to the needs of automakers, who engage in small lot production for a range of products, all of the equipment at the Yamagata Plant is designed and made in-house by specialists engaged in the various manufacturing processes.
- The plant has also built a quality assurance system in line with global standards and introduced fully automated equipment for highly precise and efficient production, thereby making "high quality" and "cost reduction" compatible.
- We are also strengthening our cost competitiveness while meeting the local quality standards in each region under our global production system.

Business Environment

Since 2021, in the Southeast Asia region in particular, demand for commercial vehicles has been recovering and expanding. On the other hand, the automotive industry is reaching a turning point with the trends for CASE and electrification. Moreover, there are a range of issues to be addressed, including the need to reduce CO₂ emissions and to create a safer automobile society. In Japan it is also necessary to deal with the shortage of drivers and other logistics problems. In response, we are expected to offer more value-added products and services.

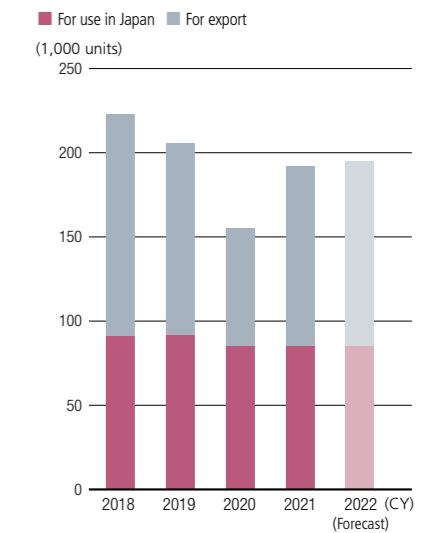
Opportunities and Risks

- By responding to the trend for electrification promptly, we will be able to capture more growth opportunities in line with the expansion of the market.
- If we fall behind our European competitors in meeting the challenges, including fostering decarbonization in transportation by truck, our market share may be negatively impacted.

For the Achievement of the Medium-Term Management Plan

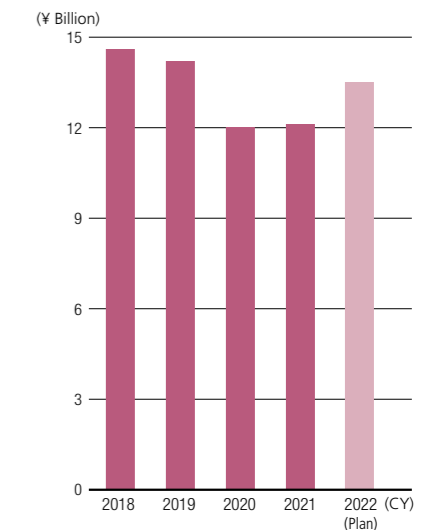
- We will develop various products for electric vehicles, thereby providing customers with a broader product lineup to meet the market requirement.
- We will work to acquire next-generation technologies through open innovation and enhance our development ability.
- We will enhance our position in the Chinese market, which we have newly entered.
- We will strive for further automation and higher productivity at our plants to raise our QCDS level.

Production of Large Trucks and Buses



Source: Estimated by Nabtesco based on materials provided by customer companies

Net Sales in the Commercial Vehicle Equipment Business



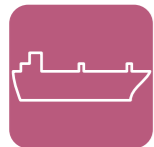
For the decarbonization of society, we will press forward with the development of products that contribute to the electrification of commercial vehicles, thereby contributing to the solutions of social challenges.

President, Nabtesco Automotive Corporation
Ataru Inoue



Focus on solving ESG issues

We developed and started the sale of an emergency driving stop system (EDSS), which can be retrofitted to existing public buses and tourist buses. As many of the buses on the road today are not equipped with such a system, we are contributing to bus safety by promoting the installation of the system on more buses.



Marine Vessel Equipment Business

Marine Control Systems Company Contributing to the Safe Operation of Marine



SDGs related to our business

Outline of the Marine Vessel Equipment Business

In 1963, we became the first company in Japan to develop a pneumatic remote control system for marine vessel engines to meet the standards set by the Classification Society of each country. Since then, we have developed products that meet the needs of customers in line with market trends, thereby broadening our product lineup. With MRO service bases stationed across the globe, we are contributing to safe and stable maritime transportation.

Product Features

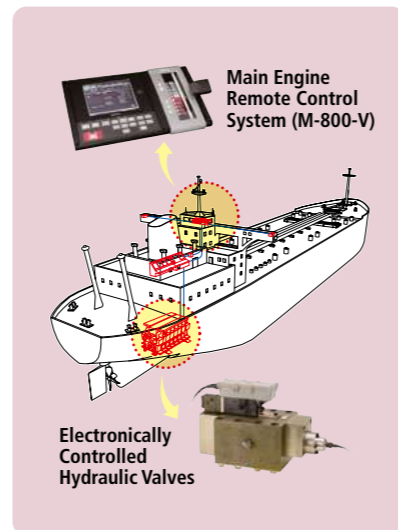
- We provide marine vessel engine remote control systems that are equipped with an advanced networking function and a liquid crystal touch panel and provide excellent operability and scalability.
- Electronically controlled hydraulic valves used in electronically controlled engines contribute to higher fuel efficiency, higher operational efficiency, reduction of NOx emissions and others, thereby helping ensure compliance with environmental laws.
- We tend to receive an order for MRO services for a new ship about five years after its first navigation.
- It takes us about four months on average from the receipt of an order to the delivery of the product.

Social Value Provided by Products

- We supply highly safe, reliable and environment-friendly marine vessel equipment for use in marine vessels, which provide a means of transportation with low environmental impact per unit of measurement and per unit transported.

Business Performance for FY2021/12

- Driven by favorable demand for maritime transportation, domestic and overseas demand for new ships and MRO services steadily increased, and we posted net sales of ¥11.3 billion.



Business Overview (Fiscal year ended December 31, 2021)

| | |
|---|--|
| Market share | 2-stroke main engine control systems: Approx. 50% domestic market share, Approx. 40% global market share |
| Production bases | Kobe City, Hyogo Prefecture, Japan/Shanghai, China/Busan, South Korea |
| Major customers | Kawasaki Heavy Industries, Makita, Hitachi Zosen, Mitsui E&S Holdings, Japan Engine Corporation, Hyundai Heavy Industries (Korea), HSD Engine (Korea), HuDong Heavy Industry Machinery Manufacturing (China), MAN Energy Solutions (Denmark) |
| Sales by geographic segment (Full-year results) | Japan: Approx. 55%, Overseas: Approx. 45% |

| Strengths |
|---|
| <ul style="list-style-type: none"> • Broad lineup of environment-friendly products • Ability to make proposals on entire control systems • Global production and service system • Proposals on preventive maintenance |
| Opportunities |
| <ul style="list-style-type: none"> • Diversification of marine vessel equipment to meet environmental regulations* <p>* Environmental regulations: There exist a range of regulations on the shipping industry for the identification and minimization of its environmental impact. When the existing regulations are enhanced or new regulations are issued, marine vessel equipment is updated to meet them.</p> |
| Weaknesses |
| <ul style="list-style-type: none"> • Cost competitiveness |
| Threats |
| <ul style="list-style-type: none"> • Change in demand for new shipbuilding due to changes in the price of crude oil |



Piling up the technologies and expertise that we have already cultivated, we will work on technological reforms to contribute to the manufacturing of smart ships and decarbonization as well as to the sound development of the shipbuilding and marine vessel equipment industries.

President, Marine Control Systems Company
Yukihiko Mizutani

Vessels and Stable Maritime Transportation

Competitive Advantage

Products and Technology

- We have the product development capability and product lineup to meet customer needs and keep up with market trends.

Services

- We have MRO service bases across the globe in order to be ready to provide MRO services 24 hours a day, 365 days a year.
- We can help customers diagnose their product status in a real-time manner, predict and detect failures, and reduce their maintenance lead time.

Production

- We will foster local production for local consumption at our three bases in Japan, China and South Korea and pursue high QCDS performance.

Business Environment

In the global maritime industry, efforts to reduce GHG emissions and save labor are being pursued as a mega trend, which in turn is driving demand for technologies that help customers comply with environmental regulations as well as technologies for DX-based autonomous operation and status monitoring.

Opportunities and Risks

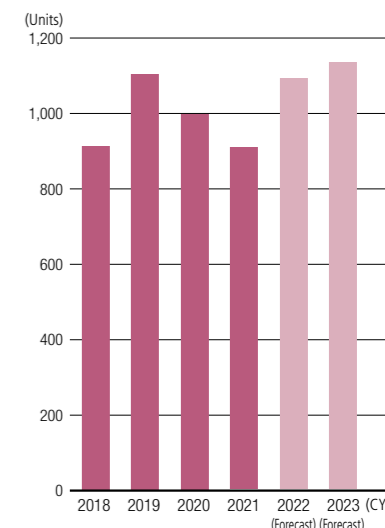
- We can grasp opportunities for growth by developing and releasing new products that help reduce GHG emissions and save labor.
- Our MRO business will get a boost if more customers undertake retrofitting or replace their equipment to ensure compliance with environmental regulations.
- Both for our existing businesses and growth markets, demand might decrease depending upon the global economic situation.

For the Achievement of the Medium-Term Management Plan

- We will expand our product and service lineups to secure revenues in the existing businesses.
- We will speed up open innovation and aggressively develop products that can meet the requirements for the use of new types of fuels, autonomous operation and status monitoring.
- We will expand the scope of our MRO services to include remote support, status monitoring and other DX-based services.

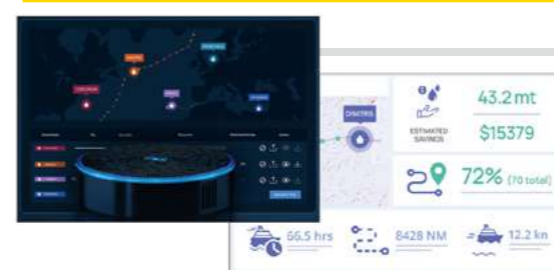
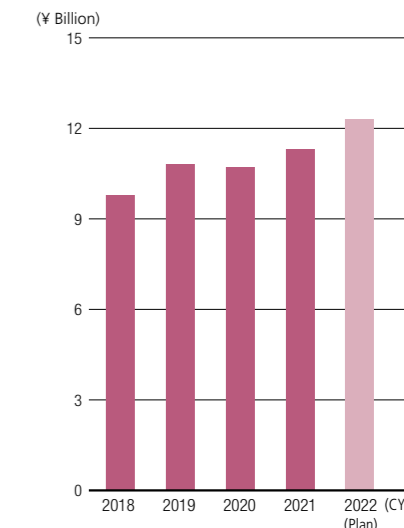
Global Production of 2-stroke Diesel Engines for Marine Vessels

Estimates as of December 2021



Source: Nabtesco estimates (Estimates as of December 2022)

Net Sales in the Marine Vessel Equipment Business



Focus on solving ESG issues

In the marine vessel equipment business, we formed a partnership with Deep Sea Technologies of Greece, which uses its world-leading AI technology to develop solutions for the selection of optimal sea routes and status monitoring. We will sell the systems developed by this Greek company to customers in Japan, China, and South Korea and develop a new product by combining the systems with our own marine vessel engine remote control system to continue to promote DX for the further advancement of ship operations in the future.



Automatic Door Business

Accessibility Innovations Company

Contributing to the Solution and a Sense of Security in

of ESG Issues through the Provision of Safety, Comfort Daily Lives



SDGs related to our business

Outline of the Automatic Door Business

We provide a range of automatic doors, including automatic doors for buildings, barrier-free doors, super-large automatic doors for industrial use and platform doors. We have established our position as a top-level automatic door manufacturer serving customers in the world's major four markets (Japan, the US, Europe and China).

Product Features

- We have developed high-performance and highly energy-efficient automatic doors for buildings by adopting state-of-the-art sensors and advanced door control technologies.
- We have a broad lineup of platform doors, including full height-type doors and movable doors. Our newly developed full-height flexible platform doors are compatible with various railroad vehicles regardless of their door positions, making it possible for the doors to be used at stations serviced by multiple train car models.

Social Value Provided by Products

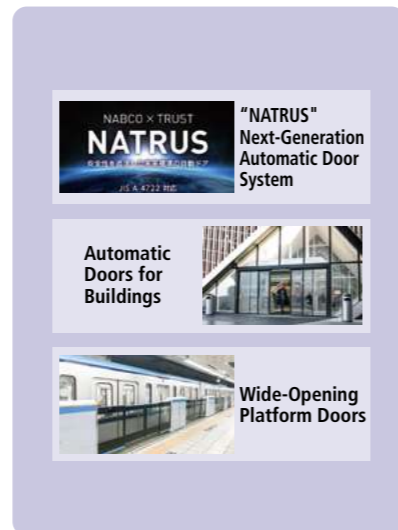
- We contribute to the reduction of environmental impacts by providing energy-efficient automatic doors that discern differences in the movements of pedestrians to avoid unnecessary opening or closing as well as barrier-free and contactless automatic doors.
- Our platform doors are adopted for railway lines in major cities around the world so as to provide safety, comfort and a sense of security to passengers while also contributing to the punctual operation of railroad transportation systems.

Business Performance for FY2021/12

- Demand for automatic doors for buildings was stable both in Japan and abroad, and despite the impact of the postponement of investments in platform doors by railroad companies in Japan, net sales increased year on year in the automatic door business as a whole to reach ¥75.1 billion for FY2021.

Business Overview (Fiscal year ended December 31, 2021)

| | |
|--|---|
| Market share | Automatic doors for buildings: Approx. 55% domestic market share Platform screen doors: Approx. 95% domestic market share (cumulative) |
| Production bases | Kobe City, Hyogo Prefecture, Japan/State of Wisconsin, the United States/Bern, Switzerland/Beijing, China |
| Major customers | Automatic doors for buildings: Major general contractors, sash manufacturers, hospitals, banks, public institutions, etc. Platform doors: Japan Railways (JR) companies, subways in Japan, major railways, subway projects in France, others |
| Sales by geographic segment (Full-year results) | Japan: Approx. 60%, Overseas: Approx. 40% |



| |
|---|
| <p>Strengths</p> <ul style="list-style-type: none"> • Sales network that covers the world's four major automatic door markets • Wide lineup of high-quality automatic doors • Sales, installation and service networks in the major markets |
| <p>Opportunities</p> <ul style="list-style-type: none"> • Stable growth of the automatic door market mainly in developed countries |
| <p>Weaknesses</p> <ul style="list-style-type: none"> • Branding in emerging market countries |
| <p>Threats</p> <ul style="list-style-type: none"> • Long-term tendency for the domestic market to shrink due to maturity |

Competitive Advantage

Products and Technology

- We developed an automatic door ahead of other companies in Japan in 1956 and have continued to differentiate ourselves since with our high-level technological capabilities and abundant experience.

Services

- In Japan we have built up a network of more than 100 service bases to ensure that we can meet the needs of customers at all times, including needs for our products, installation work and MRO services.

Production

- We have built a system to supply our products in the following four major automatic door markets: Japan, North America, China and Europe (North America: NABCO Entrances, Inc.; China: NABCO AUTO DOOR (BEIJING) CO., LTD.; Europe: Gilgen Door Systems AG)

Business Environment

Demand for automatic doors for buildings will continue to be stable worldwide. In Japan, demand will increase due to urban redevelopment projects and in Western countries demand will remain stable. Meanwhile, in Southeast Asia the establishment of infrastructure will be further promoted. For platform doors, demand will expand across the world in line with an increase in the need to provide passengers with greater safety and more barrier-free facilities at stations.

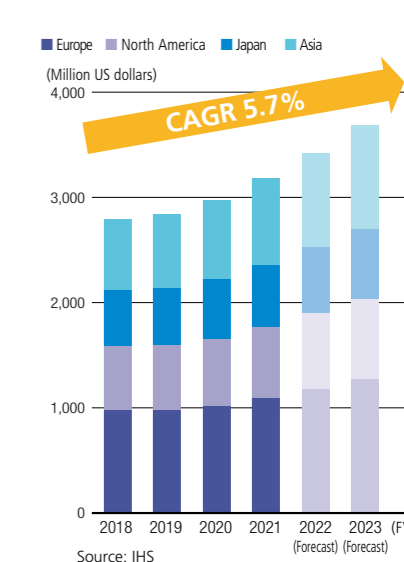
Opportunities and Risks

- The value of contactless automatic doors has recently been getting a lot of attention as a counter measure against the spread of COVID-19, providing us with more sales opportunities.
- On a long-term basis, the Japanese market might shrink due to demographic aging and the declining birth rate. However, the global market will remain brisk.

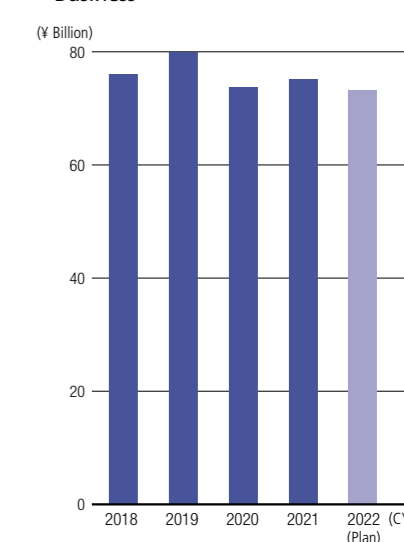
For the Achievement of the Medium-Term Management Plan

- Receiving more orders with a focus on urban development projects in Japan In the domestic market, demand for automatic doors is expected to expand thanks to the implementation of urban development projects. We will boost our sales by seizing the opportunities provided by these projects.
- Enhancing our value chain outside Japan We will establish branches and support our distributors in overseas markets to enhance our local value chain, thereby expanding our share in each market.
- Developing new products and launching automatic door-related businesses By making effective use of IoT technology and enhancing our ties with various networks, we will establish new product systems and services to launch next-generation businesses in the automatic door and peripheral markets.

Automatic Door Markets



Net Sales in the Automatic Door Business



We will continue to provide pedestrians with safety and a sense of security. Providing barrier-free and efficient automatic doors for buildings, we contribute to CO₂ emission reduction and energy conservation. We also provide platform doors that help increase safety and comfort at stations.

President, Accessibility Innovations Company
Daisuke Hakoda



Focus on solving ESG issues

Nabtesco has been supporting "Chikyu Kyoshitsu," which is an environmental education program implemented by The Asahi Shimbun Company for elementary school students.

In FY2021, we provided teaching materials on the technologies adopted for platform doors that contribute to energy conservation, safety, comfort and a sense of security on railway station platforms. We also held online and special classes for the program, thereby providing children across Japan with extra learning opportunities.



Packaging Machine Business

PACRAFT Co., Ltd.

Contributing to the Reduction of Food Loss and

the Effective Use of Limited Resources



SDGs related to our business

Outline of the Packaging Machine Business

Automatic fillers/sealers are machines designed to package things using the packaging materials supplied by their manufacturers. These machines are used for the production of food products, chemical products such as detergents, pet food and various other products. In particular, for automatic fillers/sealers for retort food, we boast a large market share in Japan of around 85%.

Product Features

- We have accumulated know-how for packaging wet contents that are difficult to fill, particularly retort foods.
- We have strengths in measuring performance, space-saving and high-speed packaging, and airtight sealing, which is essential for food safety.
- We provide custom-made packaging machines to meet various requirements of customers, as well as demand for "total line systems."

Social Value Provided by Products

- We can greatly contribute to the reduction of food loss by providing packaging machines that adapt to individual small packaging and help prolong the expiration period of food products.
- Recently, we have provided high value-added fillers/sealers by incorporating X-ray and infrared cameras, thereby contributing to food safety.
- The amount of plastic used to make refill pouches is about 20% of that used to make plastic bottles for chemical products, and the use of the pouches thus contributes to reducing the use of plastic.

Business Performance for FY2021/12

- Due to COVID-19, which caused sales in the food service industry to stall, capital investment was sluggish. However, as more people stayed at home, demand for pouched food for individual consumption increased. Moreover, demand for pet food expanded overseas. As a result, net sales increased to ¥16.6 billion in FY2021.

Business Overview (Fiscal year ended December 31, 2021)

| | |
|---|--|
| Market share | Packaging machines for retort pouch foods: Approx. 85% domestic market share |
| Production bases | Iwakuni City, Yamaguchi Prefecture, Japan/Dalian, China |
| Major customers | Mitsui Sugar, Ajinomoto, MARUDAI FOOD, ARIAKE JAPAN, KENKO Mayonnaise, Procter & Gamble Japan, Kao, Lion, beverage companies in North America, food companies in China |
| Sales by geographic segment (Full-year results) | Japan: Approx. 55%, Overseas: Approx. 45% |



| Strengths |
|--|
| <ul style="list-style-type: none"> • Ability to develop technologies for high-speed, space-saving and highly airtight packaging • Know-how to pack wet contents • Ability to customize packaging machines • Official distributors located in major overseas cities • Mass production system |
| Opportunities |
| <ul style="list-style-type: none"> • Expanded needs for small-lot and lightweight packaging • Expanded needs for labor saving and automation at food processing factories and others • Increased awareness of food safety and the need to reduce environmental impact |
| Weaknesses |
| <ul style="list-style-type: none"> • Lack of global recognition |
| Threats |
| <ul style="list-style-type: none"> • Changes in market share due to participation by manufacturers in emerging market countries and to the release of low cost products |

Competitive Advantage

Products and Technology

- Since developing the world's first rotary packaging machine that integrates a series of processes into one line, we have accumulated the ability to develop technologies as our strength.

Services

- We have local subsidiaries in China, the United States and Germany as well as official distributors in major overseas cities, and have delivered more than 2,000 units in more than 40 countries across the world.

Production

- In addition to the Iwakuni Plant and the production base in Dalian, China, we have enhanced our local production capacity in North America to build a production system that can meet future increases in demand for packaging machines.

Business Environment

Demand for packaging machines will expand on a medium- to long-term basis, being driven by increasing needs for small-lot and lightweight food packaging, factory automation and improved labor productivity.

Also, due to the diversification and sophistication of customer needs, demand for "total line systems," which include both front-end and back-end processes, is on the rise.

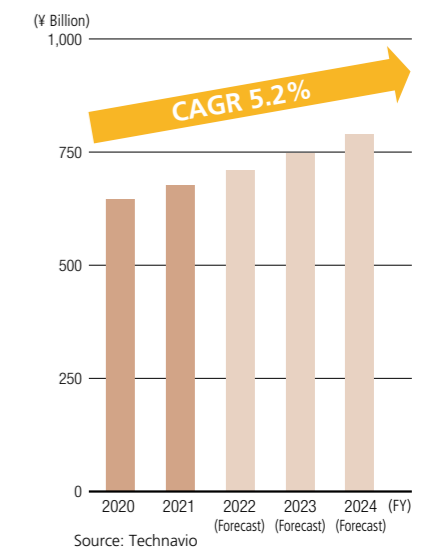
Opportunities and Risks

- Demand for pouch food packaging is expanding, being driven by an increase in the number of individuals who eat alone and in the public's awareness about food safety. This will provide us with an opportunity to expand the business.
- In addition, if we can meet the needs for environment-friendly packaging materials and for value-added products, such as the "total line systems," it will help us find new business opportunities.
- Market entry by manufacturers from emerging markets and the emergence of lower cost packaging machines pose risks to us.

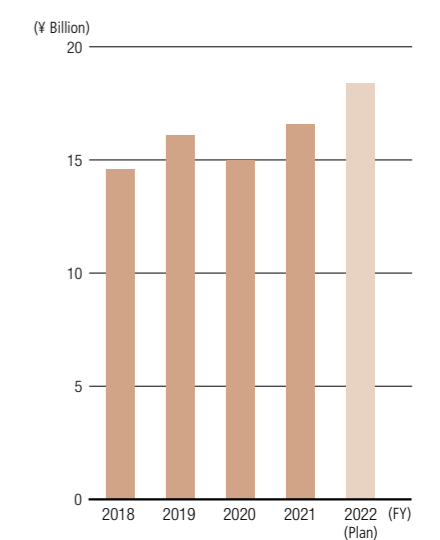
For the Achievement of the Medium-Term Management Plan

- Transforming the company into a system integrator that focuses on packaging machines
- By providing "total line systems" that perform the functions of both packaging and inspection, we will broaden our product lineup and offer more value to customers.
- Expanding our overseas business at a greater speed
- We will establish more bases in Southeast Asia and other regions to boost our overseas sales.
- Enhancing our packaging technologies and digitizing our maintenance service
- We will increase the efficiency of our MRO service by enhancing our element technologies for packaging machines and digitizing our maintenance service for remote maintenance.

Global Pouch Packaging Machinery Market



Net Sales in the Packaging Machine Business



We are contributing to the reduction of food loss and less use for plastic by fostering the packaging of food in small bags and the packaging of refills. We will work to meet the expanding needs for eco-friendly packaging materials, thereby supporting environmentally conscious lifestyles.

President, PACRAFT Co., Ltd.
Akiyoshi Kitamura

Focus on solving ESG issues



Meeting the need to use biomass plastic and mono-material packaging materials
Plant-based biomass plastic packaging materials and easily recyclable mono-material packaging materials are attracting considerable attention for their environment-friendliness, and we are pushing ahead with the development of fillers/sealers that can work with these packaging materials.

Governance Dialogue



Naoko Mizukoshi
Outside Director, Nabtesco Corporation



Katsuhiro Teramoto
Representative Director and
Chairman of the Board, Nabtesco Corporation



Mari Iizuka
Outside Director, Nabtesco Corporation

Promoting Governance to Increase Corporate Value

When Nabtesco set out the issues that are material to its management (management materiality) for the achievement of its long-term vision for 2030, it included “Increase the effectiveness of our management entities” as one of the most important preconditions to be met to enhance corporate value. Chairman Teramoto of the Board of Directors talked with two outside directors of the company about the effectiveness of the Board, the process to appoint the new CEO and the future direction of the Board.

Effectiveness demonstrated in the face of the pandemic

Teramoto: During my five-year term as CEO, I thought constantly about desirable corporate governance in addition to environmental and social issues, as we have been upholding “Focus on solving ESG issues” as one of our commitments made under the medium-term management plan (“MTMP”). When I assumed the position of CEO in 2017, the Board of Directors was composed of three outside and seven inside directors, but this March the composition was changed to five outside and five inside directors, meaning that we can receive even more objective opinions than before. In response to this change in composition of the Board, I attributed more importance to fostering communication between the Board and the executive team. During the same period, we also made important

decisions, including regarding the sale of the Harmonic Drive Systems shares, and I think fostering communication between the Board members and the executive officers greatly contributed to the management of the company.

During the two years in which we faced the COVID-19 crisis, we were unable to take actions as planned under the MTMP and felt frustrated. However, the crisis also provided employees with an opportunity to work as a more unified team.

Iizuka: I became an outside director of the company at the end of March 2020, at the same time as Ms. Mizukoshi. I remember my first Board meeting as being quite tense due to the pandemic. During the period when COVID-19 countermeasures were being sought across society, the Board members were proactively discussing specific risk management measures and I was convinced that the company was heading in a good direction.

Mizukoshi: As we were preparing for the formulation of a new MTMP, we suddenly had to deal with COVID-19. While groping for the proper answers, we continued to implement necessary measures promptly, which I think can be attributed to cooperation between the Board and the executive team.

Provision of opportunities for the free, open, frank and proactive exchange of opinions

Iizuka: I usually teach at a business school and in case studies students talk and exchange opinions in a positive and frank manner to reach a worthwhile conclusion. I think Nabtesco’s Board members are doing this, actually. All members proactively express their opinions while trying to steer the discussion in a good direction, which I think produces a healthy environment for discussion.

Mizukoshi: As I was informed before assuming the position, Nabtesco’s Board of Directors discusses issues freely and openly, and its effectiveness is indeed high.

Also, it has a very effective skill matrix, with each outside director having a different skill and able to give opinions from a different perspective. As a result, the Board can consistently take a broad view.

This March, Mr. Takahata became an outside director as an expert in DX and the functionality of the Board has further been enhanced.

Teramoto: Of course, outside directors sometimes have opinions that are different from those of the executive officers, and the officers are tasked with dealing with those differences. In fact, the officers made discussion items in reference to the different opinions they have as on-site leaders and then showed the opinions to the Board for its approval. In the process, the executive officers had their own management meetings, and inside directors also held their own meetings to examine how to make use of the discussions taking place at Board meetings for the benefit of the company. I think the process contributed to enhancing the effectiveness of the Board and establishing the new management system.

Iizuka: I also want to mention ethics. Even during robust exchanges of opinions, members of the Board have the same ethical outlook—they care about openness, fairness and honesty.

Teramoto: We discuss matters at Board meetings with a

(Teramoto)
As the chairman of the Board of Directors, I would like to serve as a bridge between the Board and the executive team.

level of tension that executive officers will not feel at their own meetings. Directors, as an agent for shareholders, need to think about how to increase the corporate value, and this is closely connected to their highly developed sense of ethics, I think.

Discussion for 2030

Teramoto: In the process of deciding on the long-term vision and the MTMP at Board meetings, I focused on two points: how to further develop the company going forward and how to evaluate the next generation of leaders and appoint candidates for top management positions through the discussions held at Board meetings.

You two gave a range of opinions for the formulation of the long-term vision and the new MTMP. What impressions do you have about the discussions conducted at Board meetings?

Mizukoshi: In the evaluation of the effectiveness of the Board conducted last year, we reached a consensus on the need to spend more time discussing strategic issues, such as the long-term vision and the MTMP. For the formulation of the MTMP, terms such as “global,” “innovation” and “diversity of human resources” were proposed at the initial stage and we made comments about the compatibility of these terms with the strategies and about their feasibility. In order to clearly incorporate the proposed concepts into the vision and MTMP and implement specific measures based on them, we held repeated and successful discussions with the executive team.

Iizuka: Initially, various terms were proposed individually as keywords with no organic links or synergies between

Governance Dialogue



(Iizuka)
The Board of Directors provides a healthy environment for free and open discussions.

them. However, as we continued our discussions, the separate concepts began to organically develop links with one another to form a powerful proposal. At the final stage, the Board of Directors reached an agreement to approve the ideas of the executive officers, who were committed to implementing ideas in which they had confidence.

Teramoto: The long-term vision was formulated under the leadership of the long-term vision committee composed of some 30 young managers. They took ownership in thinking about what kind of future they wanted for themselves and for the company in 10 years' time, and we discussed their ideas a lot at Board meetings to share the recognition that innovation was one of the keys to increasing our corporate value.

For the achievement of the long-term vision in 10 years, we will implement three MTMPs including the current one, under which we will meet three challenges to build the foundation for the achievement.

Mizukoshi: Because I also participated in the discussions, I can understand what Chairman Teramoto has said. Executive officers, including candidates to be the next CEO, followed the process in order to think seriously about how to demonstrate their leadership in implementing the MTMP, which I think has contributed to the perfection of the plan.

Outside directors represent a range of stakeholders, including shareholders, and think about whether or not the corporate targets are too easy and make sure that they are well aligned with changes in society and social expectations. I think I was able to fulfill my role as an outside director by asking the executive team questions that would spur them to make specific plans.

Process to appoint a new president

Teramoto: Concerning the Board of Directors, I said that I focused on two points. Now I would like to talk about the second point, which is the process used to appoint the new management team.

First, in FY2020, we reset the requirements to be met by the new CEO and evaluated all executive officers regarding their compliance, expertise, decisiveness, leadership, response to changes and how they have coped with hardships in the past. Then, in FY2021, we narrowed down the candidate list and applied an external method to measure both potential and existing abilities of the candidates to make an objective human resource assessment.

Iizuka: The process was indeed objective and fair in anyone's eyes. Chairman Teramoto proposed that each candidate be given an opportunity to make a presentation, and that was a great idea. The presentations helped us understand the personality, expertise and character of the candidates.

Mizukoshi: I also highly applaud the fact that the appointment process allowed enough time to complete multiple subprocesses. For the 360-degree assessment, we asked for the opinions of various people including women. When the candidates made presentations, we listened to them with a focus on the feasibility of their plans.

Teramoto: The Nominating Committee, as its next task, needs to supervise the newly appointed CEO and help him achieve growth. You can develop yourself professionally by assuming heavier job responsibilities, which is something I have experience with. I hope that the Nominating Committee will support the new CEO in fulfilling his demanding roles. Also, we need to continuously ensure the transparency of the process followed by the Nominating Committee.

Iizuka: I think the process provided a great learning opportunity not only to the new CEO but to all the candidates.

Mizukoshi: As a result of going through the difficult process, I feel the candidates seem to have elevated their stature at the company. This is proof that we were able to choose the CEO in a fair manner.

Going forward, the Nominating Committee will fulfill the role of finding and developing the next generation of key leaders, promoting diversity and establishing a global personnel system. I also hope that we can create a

succession plan in a more extensive manner.

Iizuka: Our next theme will be to think about a desirable personnel system suitable for our future organization. We will work to meet the tremendous challenge of reforming our corporate culture to foster innovation.

In this context, I think diversity is important. I am afraid that in regard to diversity lots of people are just focusing on numbers. In order for Nabtesco to maintain its organizational strength, I think it is necessary to identify what kinds of people are needed in terms of the corporate strategy, rather than simply trying to increase the number of women or foreign nationals in the organization.

Innovation and sustainability

Teramoto: In its long-term vision, Nabtesco upholds the theme, "Leaders in Innovation for the Future." For the achievement of this vision, I think it is essential to foster innovation and sustainability. Regarding these two, I would like you to share your evaluation of Nabtesco's present situation and point out the issues to be addressed.

Mizukoshi: To foster technological innovation, it is necessary to introduce new technologies from outside the company through measures such as M&A and CVC. To this end, it is important to employ personnel who can skillfully apply new technologies for the creation of new business.

Iizuka: Nabtesco has been creating highly competitive products by using its unique technology. In fostering innovation by utilizing external technologies, I hope that differences in corporate culture between Nabtesco and the technological partner will not hinder the generation of synergies, considering that Nabtesco has long achieved growth by solely using its own resources. This is a problem common to Japanese manufacturers and I want to see Nabtesco transcend the boundaries between companies and organizations to create a new form of innovation.

Mizukoshi: For sustainability, the Board of Directors has also been proactively discussing the theme, "Focus on solving ESG issues." I think we need to make a range of improvements, including enhancing the supply chain from the viewpoint of ESG and dealing with governance and compliance issues in each country where we operate.

As for environmental measures, I expect that Nabtesco will create one new business after another to meet the needs of the age, just like as it has already started a new



(Mizukoshi)
I would like to monitor how the new CEO demonstrates his leadership and leads the implementation of the new MTMP.

business for wind turbines.

Iizuka: Nabtesco is doing very well with ESG and I feel assured. The company is not just checking items off a list. It is doing things naturally as part of its corporate culture. If I have to point out something, it would be that it might be necessary for the company to promote internal communication, including sharing information about the activities of the Board of Directors. If the Board were to better share its important discussion items with employees, Nabtesco would be an even stronger company.

Teramoto: Finally, could you give some closing comments?



























Mizukoshi: I would like the Board of Directors to monitor how the new CEO demonstrates his leadership and leads the implementation of the new MTMP. I expect that the CEO and his team will respond with flexibility to make use of the strengths of the company and compensate for its weak points.

Iizuka: I think the new CEO has a strong affinity with the concept of sustainability and is supported by a diverse team of people who have different characteristics, including a great marketing sense, creativity and a strong commitment to manufacturing. If the CEO can make use of their strengths in an integrated manner, he will have a powerful executive team.

Teramoto: The social and economic environment surrounding us is changing dramatically, including the issue in Ukraine, and the possible next wave of COVID-19. Also, the prices of producer and consumer goods are rising. With the new executive team and the new Board of Directors, I would like us to be flexible in responding to global trends, while ensuring the continuity of our business management.

Approach to ESG issues

The Nabtesco Group has been steadily executing a PDCA cycle for taking actions to enhance its management foundation, which it regards as a pillar of its management materiality, for the solution of ESG issues.

| Measures to Enhance Our Management Foundation | | | Targets for FY2021 | Achievements in 2021 (Extracts) | Important Targets for FY2022 | Major Impacts on Our Corporate Activities | | Major SDGs of Relevance |
|---|---------------------------------------|---|---|--|---|---|---|--|
| General Category | ESG Category | Major Initiatives and Related Pages | | | | Negative Impacts | Positive Impacts | |
| ESG items having a major impact on financial issues | Environment (E) | Countermeasures for climate change ▶ P.61 | <ul style="list-style-type: none"> Make preparations toward the 1.5 degrees Celsius target Set a target for the introduction of renewable energy | <ul style="list-style-type: none"> Set SBT 1.5-degree Celsius target-aligned targets Fostered information disclosure in line with the TCFD's recommendations | <ul style="list-style-type: none"> Foster information disclosure in line with the TCFD's recommendations | <ul style="list-style-type: none"> As a result of the realization of natural disaster risks and energy risks, <ul style="list-style-type: none"> business operations are disrupted. As a result of the strengthening of climate change-related laws and regulations, including the introduction of carbon taxes, <ul style="list-style-type: none"> financial cost increases. | <ul style="list-style-type: none"> As a result of preventing natural disaster risks and energy risks, <ul style="list-style-type: none"> business operations can be secured; or financial risks can be reduced. As a result of selling products with high environmental performance, <ul style="list-style-type: none"> business opportunities increase. |              |
| | Society (S) | Deliver solutions for social challenges through business ▶ P.63 | <ul style="list-style-type: none"> Promote environment- and safety-conscious design and development | <ul style="list-style-type: none"> Released the CMFS equipment for wind turbines | <ul style="list-style-type: none"> Promote environment- and safety-conscious design and development | <ul style="list-style-type: none"> As a result of the lack of meeting of customer and social needs, <ul style="list-style-type: none"> competitiveness in the product market declines. | <ul style="list-style-type: none"> As a result of the provision of products that provide safety, comfort and a sense of security, <ul style="list-style-type: none"> trust of customers is gained. As a result of the contribution to solving social issues through business operations, <ul style="list-style-type: none"> competitiveness in the product market is improved. | |
| | Society (S) | Build a resilient supply chain ▶ P.65 | <ul style="list-style-type: none"> Raise awareness of the revised CSR-Oriented Procurement Policy Identify suppliers' environment- and human rights-related risks Encourage suppliers to set environmental targets | <ul style="list-style-type: none"> Conducted activities to raise awareness around the CSR-Oriented Procurement Policy Conducted an SAQ survey on the risks related to human rights, labor, the environment and others Supported 20 suppliers in monitoring their greenhouse gas emissions | <ul style="list-style-type: none"> Continue to make improvements on the SAQ process Strengthen the management of supply chain risks through supplier audits with a focus on human rights and the environment Encourage suppliers to set their own greenhouse gas emissions reduction targets for the environment | <ul style="list-style-type: none"> As a result of the realization of procurement risks, <ul style="list-style-type: none"> supply of raw materials and components is suspended. As a result of the interruption or suspension of business operations, <ul style="list-style-type: none"> competitiveness in the product market is lowered. | <ul style="list-style-type: none"> As a result of controlling procurement risks, <ul style="list-style-type: none"> raw materials and components are procured sustainably. As a result of securing highly qualified suppliers, <ul style="list-style-type: none"> competitiveness in the product market is improved. | |
| | Governance (G) | Increase the effectiveness of our management entities ▶ P.73 | <ul style="list-style-type: none"> Increase the management efficiency of the Board of Directors | <ul style="list-style-type: none"> Increased the ratio of independent outside directors from 40% to 50% Increased opportunities to discuss management and growth strategies | <ul style="list-style-type: none"> Further raise the management efficiency of the Board of Directors | <ul style="list-style-type: none"> As a result of slow decision-making by the Board of Directors, <ul style="list-style-type: none"> opportunities to increase corporate value are lost. | <ul style="list-style-type: none"> As a result of quick decision-making, <ul style="list-style-type: none"> corporate value can be maintained or improved. | |
| ESG items that drive sustainability power | Environment (E) | Foster environmental management ▶ P.63 | <ul style="list-style-type: none"> Set a medium-term target for waste reduction Enhance the system to manage risks related to chemical substances used in products | <ul style="list-style-type: none"> Set the per-unit reduction targets for non-recyclable waste Conducted risk evaluation regarding the risks related to chemical substances used in our products | <ul style="list-style-type: none"> Review the Environmental Action Plan | <ul style="list-style-type: none"> Due to the lack of the contribution to solving environmental issues, <ul style="list-style-type: none"> reputation is damaged; or trust of customers decline. | <ul style="list-style-type: none"> As a result of the contribution to solving environmental issues, <ul style="list-style-type: none"> reputation is maintained and improved. |              |
| | Society (S) | Pursue safety, comfort and a sense of security ▶ P.67 | <ul style="list-style-type: none"> Encourage more plants to obtain occupational safety and health certification | <ul style="list-style-type: none"> Increased the number of ISO 45001-certified plants (by two) Set product safety-related targets | <ul style="list-style-type: none"> Foster safety management on a global scale Enhance product safety measures | <ul style="list-style-type: none"> As a result of deficiencies, accidents, etc., involving products, <ul style="list-style-type: none"> business operations are interrupted/suspended or financial loss is incurred; or financial cost increases. As a result of the lack of meeting of customer and social needs, <ul style="list-style-type: none"> competitiveness in the product market declines. As a result of labor issues or labor accidents, <ul style="list-style-type: none"> productivity declines. | <ul style="list-style-type: none"> As a result of the provision of products that provide safety, comfort and a sense of security, <ul style="list-style-type: none"> trust of customers is gained. As a result of the pursuit of customer needs, <ul style="list-style-type: none"> in-house technologies are enhanced, or human resources are developed. As a result of the realization of safe and pleasant working environments, <ul style="list-style-type: none"> productivity is enhanced. | |
| | Society (S) | Respect diversity and various expertise in the workplace ▶ P.69 | <ul style="list-style-type: none"> Make a commitment to promoting diversity and conduct awareness-raising activities Foster career planning training | <ul style="list-style-type: none"> Released a statement entitled "Approach to Ensuring Diversity in the Workforce" Held career training and established a contact for career development consultation | <ul style="list-style-type: none"> Implement diversity promotion measures Advance human rights management | <ul style="list-style-type: none"> Due to the lack of ability to develop human resources and the lack of diversity, <ul style="list-style-type: none"> organizational power and loyalty of employees decrease. As a result of the realization of human rights and corruption risks, <ul style="list-style-type: none"> reputation is damaged. | <ul style="list-style-type: none"> As a result of the acquisition and development of capable and versatile human resources, <ul style="list-style-type: none"> organizational capabilities and loyalty of employees improve. As a result of preventing human rights and corruption risks, <ul style="list-style-type: none"> reputation is maintained and improved. | |
| | Society (S) | Enhance work style reforms ▶ P.71 | <ul style="list-style-type: none"> Clearly state the policies on health-oriented management and labor hours Implement measures to prevent the aggravation of medical conditions | <ul style="list-style-type: none"> Formulated the policy on health-oriented management Encouraged employees to undergo health checkups to prevent lifestyle-related diseases and others | <ul style="list-style-type: none"> Implement health-oriented management Increase productivity by introducing flexible work styles | <ul style="list-style-type: none"> As a result of the deterioration of employees' health, <ul style="list-style-type: none"> their QOL decreases, which in turn weakens their motivation to work; or financial cost increases. As a result of failing to provide diverse work style options, <ul style="list-style-type: none"> the efficiency of operational systems decreases, leading to a drop in productivity; or competitiveness in the employment market decreases. | <ul style="list-style-type: none"> As a result of promoting employees' health, <ul style="list-style-type: none"> their QOL increases, which in turn increases their motivation for work; or financial cost decreases. As a result of providing diverse work style options, <ul style="list-style-type: none"> operational efficiency increases, which in turn increases productivity; or competitiveness in the employment market increases. | |
| | Society (S) | Promote engagement with local community ▶ P.72 | <ul style="list-style-type: none"> Promote community investment | <ul style="list-style-type: none"> Promoted community investment in the areas of the environment, education and welfare | <ul style="list-style-type: none"> Promote community investment | <ul style="list-style-type: none"> As a result of sluggish local economy/society, <ul style="list-style-type: none"> the product market shrinks and employment opportunities are lost. | <ul style="list-style-type: none"> As a result of the development of trust with and contribution to the local community, <ul style="list-style-type: none"> reputation is maintained and improved; or the product market expands and employment opportunities are gained. | |
| Governance (G) | Ensure management transparency ▶ P.75 | <ul style="list-style-type: none"> Expand the activity scope of the Risk Management Committee Expand the internal reporting system Enhance the disclosure of non-financial information in line with management materiality | <ul style="list-style-type: none"> Identified serious risks on a group-wide basis Revised the operational criteria for the whistleblowing system Held a briefing session on ESG issues and IR DAY | <ul style="list-style-type: none"> Increase the effectiveness of risk management Conduct a compliance awareness survey on a global scale Enhance the disclosure of non-financial information in line with management materiality | <ul style="list-style-type: none"> As a result of malfunctioning corporate governance, <ul style="list-style-type: none"> corporate value is damaged. As a result of the materialization of a risk or non-compliance, <ul style="list-style-type: none"> business is suspended or discontinued; or financial cost increases. As a result of a decline in stakeholders' trust, <ul style="list-style-type: none"> competitiveness is lowered; or reputation is damaged. | <ul style="list-style-type: none"> As a result of the global enhancement of the compliance system, <ul style="list-style-type: none"> business is continued; or corporate value is maintained and improved. As a result of cooperation and the establishment of relationships of trust with stakeholders, <ul style="list-style-type: none"> business is continued, and more business opportunities are gained; talent is secured; or reputation is maintained and improved. | | |

Countermeasures for Climate Change

Mitigation of Climate Change

Countermeasures for Climate Change

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

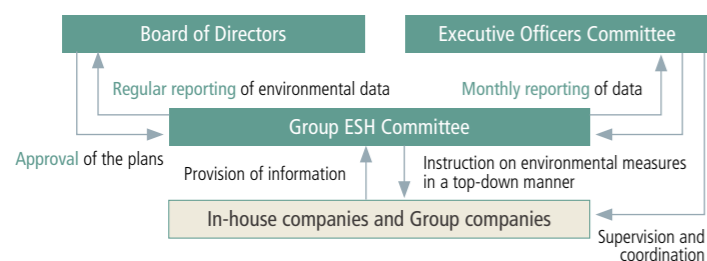
Governance

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, a director in charge of environmental security reports on the progress toward the CO₂ emission reduction targets and the status of major environmental facility investments.

Under the guidance of and supervision by the Board of Directors, the President and CEO establishes the Nabtesco Group Environmental Philosophy, Environmental Action Plan and long-term targets. At the Management Committee (composed of the CEO, directors and executive officers in charge), the director in charge of environmental security reports the status of CO₂ emissions at our 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 ESH management, Nabtesco has established the Group ESH Committee with jurisdiction over the entire Nabtesco Group. The CEO appoints the chairperson and members of the Group ESH Committee from among our officers, including members of the Board of Directors. The chairperson of the Group 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 Group ESH Committee uses the results of this monitoring to evaluate importance and deliberate measures for any issues deemed to be important.

Nabtesco's system to deal with climate change



Strategies

We are analyzing the possible impact of climate change on our business activities based on multiple scenarios developed by external parties. When the result of the audits by the Group ESH Committee shows that any issues (risks or opportunities) associated with climate change have an important effect on our business, they are reflected in our business strategies by the determination of the CEO.

In the future, the following risks are anticipated depending on requests from the market or customers: increase in carbon prices, increase in operating costs due to the purchase of electricity from renewable sources, increase in capital expenditures for the introduction of power generation equipment, etc., using renewable resources and the increase in 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 enactment of new laws and regulations, including those to make energy-efficiency labeling mandatory, is expected to provide new business opportunities. Also, the need to prolong product lives for CO₂ emissions reduction will increase in line with growing public awareness of climate change, which will in turn expand opportunities for our MRO business.

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

Risk management

The Group ESH Committee collects information about climate change-related risks and opportunities from each in-house company and Group company. The Committee evaluates their financial impact on the Group's business activities and the possibility of their materialization. Then the Committee discusses measures to address those that would have a large impact on the activities. For risks, regardless of their financial impact, measures are formulated first of all to deal with risks with a high possibility of materialization and the Group ESH Committee discusses these measures. The Committee also evaluates issues related to water resource conservation, waste, chemical substances, and the safety and health of employees.

Measures taken in line with the TCFD's recommendations: Results of risk assessment (Scenario we referred to: IEA450/RCP2.6/RCP8.5)

● : Risks ● : Opportunities

| Type | Climate change-related risk item | Impact assessment | Business risk/Opportunity | | | | Measures taken by Nabtesco |
|-----------------|---|-------------------|--|--|--|--|--|
| | | | (Short-term) | (Medium-term) | (Medium- to long-term) | (Long-term) | |
| Transition risk | Higher carbon tax rate | Large | | | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Increase in energy conservation cost Larger sales of products with higher fuel efficiency | <ul style="list-style-type: none"> Increase in development cost to deal with regulations (Example: TRS segment) Increase in demand for products that comply with the regulations (Example: TRS segment) | <ul style="list-style-type: none"> 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 | | <ul style="list-style-type: none"> Increase in cost to deal with laws and regulations | | | Invest in the development of technologies and products Strategically disclose climate change-related information |
| | Technology | Medium | | <ul style="list-style-type: none"> Increase in cost to acquire new element technology Entry into a new market by the development of new element technology | | <ul style="list-style-type: none"> 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 | Large | | <ul style="list-style-type: none"> Lagging behind competitors in development activities Need for electrification (Example: CMP segment) | | <ul style="list-style-type: none"> Higher competitiveness based on technologies superior to those of competitors | |
| | Market | Large | | <ul style="list-style-type: none"> Increase in cost due to increased need to reduce CO₂ emissions | | <ul style="list-style-type: none"> 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 | | <ul style="list-style-type: none"> 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 and strategically disclose climate change-related information |
| Physical risk | Frequent occurrence of typhoons | Large | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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) | | | | |
| | Changes in precipitation patterns | Large | | | | <ul style="list-style-type: none"> 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 | | | | <ul style="list-style-type: none"> 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) | |

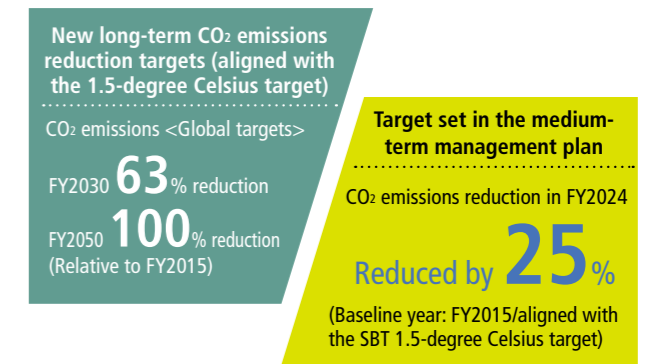
Indicators and targets

In July FY2021, the Nabtesco Group raised the long-term greenhouse gas emissions targets in line with the 1.5 degrees Celsius scenario toward FY2050.

Specifically, the Nabtesco Group aims to reduce the Group's entire CO₂ emissions by 63% by FY2030 and by 100% by FY2050 (baseline year: FY2015). These long-term targets are SBT-certified.

In addition, we have begun to expand activities from our 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 began a survey of our main suppliers (top suppliers that constitute 70% of our annual procurement) to see whether they have set voluntary targets to reduce their greenhouse gas emissions. According to the results of the FY2021 survey, 63% of our main suppliers have set voluntary targets to reduce their greenhouse gas emissions and begun to take initiatives to achieve the targets. We will provide support so that all of

our main suppliers will set voluntary reduction targets by 2025.



Striving for Harmony with Global Environment Combating Climate Change <https://nabtesco.disclosure.site/en/themes/126>

Scope of Environmental and Other Data <https://nabtesco.disclosure.site/en/themes/148>

Foster Environmental Management

Waste Management

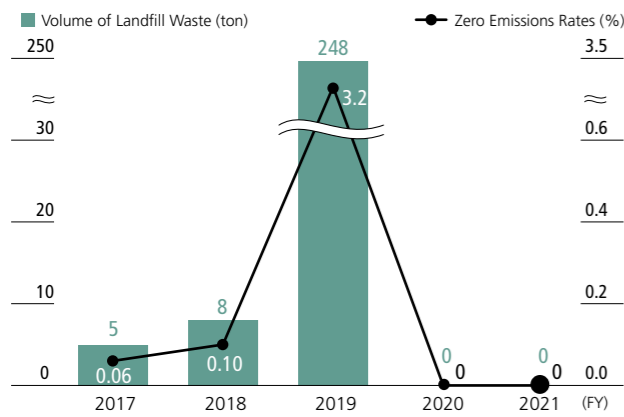
Waste Reduction

For zero emissions, the Nabtesco Group has been working to reduce the amount of landfill waste generated in the course of its business through the 3Rs (reduce, reuse, recycle)—the basic practice for establishing a resource-circulating society.

Until 2019, we sent non-hazardous metal, plastic and glass waste to landfill. However, in FY2020, our zero emissions rate* finally reached 0%, and we were able to achieve the medium-term targets for FY2020. We will continue to promote the 3Rs across the Group to continuously achieve the zero emissions goal of 0%.

* 0.05% or below is rounded to zero

● Volume of Landfill Waste and Zero Emissions Rates



Measures to Reduce Hazardous Waste

The Nabtesco Group was landfilling 0.1 ton per year of waste alkalis, which are hazardous, until FY2014. In FY2015, however, we began to detoxify alkalis, water-soluble waste oil and other hazardous waste prior to their disposal. Accordingly, we have not released any waste containing hazardous substances.

[Management of Waste and Other Emissions](https://nabtesco.disclosure.site/en/themes/127)
<https://nabtesco.disclosure.site/en/themes/127>

Activities to prevent and reduce pollution

The Nabtesco Group is working to identify substances of environmental concern used in its business activities and to reduce their use and prevent their unintended release. When planning reconstruction or other types of work at our plants, we make it a rule to conduct investigations in line with the relevant laws and regulations. If a case of contamination is revealed, our policy is to report it to the local government and implement necessary decontamination measures.

In FY2021, as a result of conducting a voluntary soil contamination investigation at the former site of a surface treatment facility for aircraft equipment located on the premises of the Tarui Plant in Gifu Prefecture, hexavalent chromium was detected in an amount exceeding the standard set by the Soil Contamination Countermeasures Act of Japan. In response, we removed the contaminated soil by excavation and refilled the land with appropriately tested soil. We then submitted a report to the Gifu prefectural government confirming that the remediation work had been completed.

LCA Results

In the precision reduction gear and hydraulic equipment businesses, we work to reduce the weight and increase the recyclability of our products in view of the high CO₂ emission risks posed by materials used in the products. In the automatic door business, we strive to reduce the power consumption and opening/closing frequency of our products, which tend to create large amounts of CO₂ emissions in their use stage.

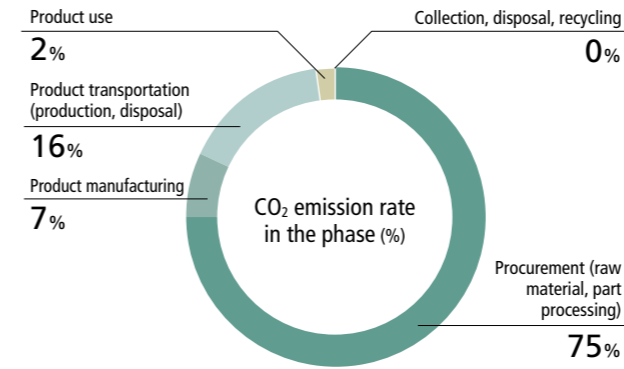
[Mitigation of Environmental Impact Caused by Products and Services](https://nabtesco.disclosure.site/en/themes/126)
<https://nabtesco.disclosure.site/en/themes/126>

Mitigation of Environmental Impact through Products and Services

Product Life Cycle Assessment (LCA)

Our products, which are used in a range of fields, have an impact on the environment throughout their life cycle. We quantify their environmental impact for each of their life cycle stages to implement necessary environmental measures to reduce that impact. The LCA results are widely used for product design.

● CO₂ emission rate in the phase



Certification System for Energy-Saving Products

We established a certification system to foster the research and development of energy-saving products in order to promote environmental protection and the development of a sustainable society. Through this system we are contributing to the mitigation of global warming while increasing the environmental awareness of our employees.

For products that have obtained the certification, we issue certificates, approve the use of the certification mark and make announcements about the certification in our in-house notification system. We internally evaluate our products to be released into the market and certify the following as energy-saving products: those that meet at least one of the certification criteria and that are at least equal to conventional products on all of the unmet criteria.

[Certification System for Energy-Saving Products](https://nabtesco.disclosure.site/en/themes/126#391)
<https://nabtesco.disclosure.site/en/themes/126#391>

Conservation of Water Resources

Conservation of Water Resources

The Nabtesco Group does not require a large amount of water nor water of a certain quality for our business operations. However, we deem it important to manage water resources for environmental conservation, and accordingly, conduct water-related risk analyses, measure the amount of water used and discharged, monitor water quality and implement measures to prevent the leakage of hazardous substances into water.

The amounts of water used and discharged at each base are measured every month, and the Group data are accumulated through the environmental information management tool. As for bases where the amount of water per month fluctuates greatly, we conduct surveys to identify contributing factors for the increased water usage and implement measures to reduce the water use as necessary.

Water Use and Water Discharge Management

The Nabtesco Group uses groundwater mainly to cool test stands and melt snow in snowy regions (Yamagata and Gifu). We discharge the used groundwater to rivers under

the strict water quality control criteria set by the Group. In China in FY2021, we were charged with one environmental law violation and also received administrative guidance on one occasion. In both of these instances we promptly took corrective actions and completed the necessary procedures. We will further promote the management of water use and wastewater.

The total volume of water used by the Nabtesco Group in FY2021 amounted to 743,000m³, showing a slight increase from the level of the previous fiscal year. Due to heavy rain falls caused by recent climate change, the risk of rainwater flooding our plants is increasing. The Nabtesco Group uses oil-based type and water-soluble type cutting fluids in our business operations and recognizes the risk that hazardous substances contained in these cutting might be discharged to rivers if rainwater floods the manufacturing facilities. To prevent this, we have been making capital expenditure to install oil-water separation tanks and oil recovery equipment.

In FY2021 we spent ¥5.54 million to enhance the rainwater discharging function, and make our facilities more water-resistant.

● Targets for water use and FY2021 results

| Item | Targets | FY2021 results | Status |
|--------------------------------------|---|---------------------------------|--------------|
| Global water use (Per unit of sales) | Year-on-year reduction of water use to: 2.45 m ³ /¥1 million | 2.48 m ³ /¥1 million | Not achieved |

[Conservation of Water Resources](https://nabtesco.disclosure.site/en/themes/191)
<https://nabtesco.disclosure.site/en/themes/191>

Build a Resilient Supply Chain

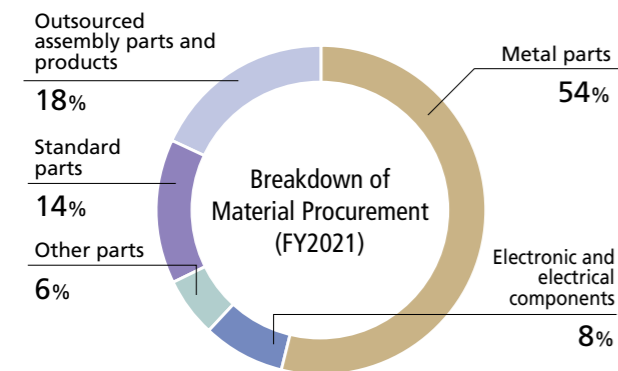
Nabtesco Group's Procurement Activities

Fundamental Approach for Proper, Fair and Transparent Procurement Activities

The Nabtesco Group conducts business with about 1,500 suppliers of various types, centering around the purchase of metal parts, and electronic and electrical components, outsourced machining, assembly and processing. Our business with suppliers is an important factor that affects the Nabtesco Group's cost structure and QCDS performance. It is indispensable to secure the supply chain continuously in order to achieve medium- to long-term growth. Therefore, we develop collaboration systems through proper, fair and transparent business transactions based on the proper cost structure and close partnerships with suppliers.

Also, we are well aware of the importance of meeting the demands and expectations of society regarding social and environmental impacts of activities in our supply chain. Based on this recognition, we are committed to meeting our social responsibilities not just through the efforts of the Nabtesco Group alone but with the cooperation of the entire supply chain, placing emphasis on local procurement and local employment.

Material Procurement in Japan



Nabtesco Group's CSR-Oriented Procurement Policy

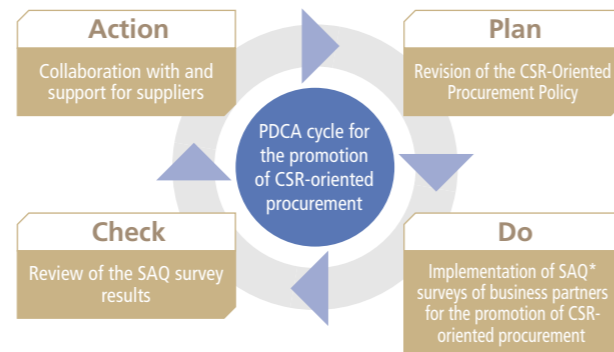
The Nabtesco Group is promoting CSR-oriented procurement to solve ESG issues in its supply chain. In view of the need to prevent the actualization of supply chain risks, which have been becoming increasingly complex and diverse in recent years, we revised the Nabtesco Group CSR-Oriented Procurement Policy in December 2020 and announced that we would further strengthen our supply chain management. As part of the revision, we also integrated our procurement guidelines with the Policy to deepen suppliers' understanding of our commitment to CSR-oriented procurement.

Going forward, we will execute a PDCA cycle based on the Policy (available in Japanese, English, Chinese and Thai) and continue to communicate with suppliers for CSR-oriented procurement.

The Nabtesco Group's CSR-Oriented Procurement Promotion System

We at the Nabtesco Group have been fostering CSR-oriented procurement in collaboration with suppliers with the aim of strengthening our comprehensive procurement capabilities from the perspectives of sustainability, including QCDS and technological development.

In order to promote CSR-oriented procurement, we need to have expertise and know-how on environment- and human rights-related issues, which are not conventionally handled by procurement departments. Therefore, the Procurement Planning Department of the Production Innovation Division, in collaboration with the head office departments, plays a central role in promoting CSR-oriented procurement, including supporting the activities conducted to this end by the in-house companies and Group companies. The Procurement Planning Department discusses and decides on the related policies and measures at the Group Procurement Meeting held with the participation of the procurement departments of each in-house and Group company, providing education and training for procurement managers. Through these Group-wide efforts, we endeavor to fulfill our social responsibility throughout the supply chain in cooperation with our suppliers.



*Self-Assessment Questionnaire (SAQ)

Measures to Raise Awareness of the CSR-Oriented Procurement Policy

- Organization of briefing sessions for suppliers
- Receipt of letters of consent from suppliers

Implementation of Self-Assessment Questionnaire (SAQ) to Suppliers

The Nabtesco Group identifies key suppliers from the perspective of business continuity based on transaction volume, QCDS performance, technical development capability, financial soundness and other factors. To enhance our CSR-oriented procurement, we have been implementing our SAQ for primary suppliers since 2014, including key suppliers both in and outside Japan every year.

In FY2022, we conducted the SAQ survey targeting 1,144 primary suppliers (890 in the previous survey) and received responses from 76% (65% in the previous survey). The response rate for our 100 major suppliers, who account for about 70% of our procurement in terms of transaction amount, was 97% (83% in the previous survey).

We analyzed and evaluated the questionnaire results for each supplier and gave relevant feedback to them. In addition, we have been continuously monitoring and dealing with the risks identified through the survey.

In FY2021, we received no reports of serious non-compliance with labor- and environment-related laws or regulations from any parties engaged in our supply chain.

In 2021, we interviewed 20 major suppliers online and also conducted CSR audits on secondary suppliers via our major suppliers. We will continue to interview major suppliers individually in order to identify their environment- and occupational health and safety-related risks, propose

improvement measures and take corrective actions as necessary. Also, we will continue our efforts to improve the SAQ, including both the questions and the response method. As part of the audits, following the revision of the CSR-Oriented Procurement Policy, we plan to add items related to human rights and environmental due diligence to the audit items. We will conduct individual interviews with major suppliers who do not respond to the SAQ as well as those whose SAQ score was lower than the average. In addition, a collective briefing session will be held for all targeted suppliers to provide education on CSR-related issues. Furthermore, in 2022, we will set the target for the number of suppliers interviewed by us as a medium-term KPI, thereby showing our commitment to boosting opportunities to communicate with suppliers relative to the previous year's level. Through individual interviews with suppliers, we will further raise their awareness of the Nabtesco Group's CSR-oriented procurement activities.

Results of the SAQ conducted on primary suppliers in FY2022 (Average among all suppliers)



Partnership with Suppliers

The Nabtesco Group is proactively helping suppliers increase their productivity. We give instructions to help them improve their quality management for the products to be manufactured and delivered to us, including improvements to ensure compliance with work standards and eliminate human error factors and defective products. We also help suppliers to conduct "5S activities" on a regular basis at their plants. Furthermore, we provide suppliers with training on how to use the value engineering (VE) method to perform functional analyses of their products and daily operations to increase their productivity.

[Promote CSR Throughout Supply Chain](https://nabtesco.disclosure.site/en/themes/129)
<https://nabtesco.disclosure.site/en/themes/129>

Nabtesco Group's BCP Activities

Supporting Suppliers in Enhancing Their BCP*

The Nabtesco Group deems it necessary to increase the resilience of its supply chain in cooperation with suppliers as a premise for fulfilling its corporate social responsibility. To this end, we are deploying procurement personnel from our own business divisions to support each supplier in building their BCP systems.

Since the BCP awareness-raising seminar that we held for suppliers in 2018, we have been providing our suppliers with a range of training opportunities to support them in formulating their business continuity plans and acquiring practical BCP skills, thereby enhancing BCP across our suppliers. For suppliers that we prioritize for BCP, we provide individual support in enhancing their BCP, thereby reducing procurement risks posed to the Nabtesco Group.

Our BCP support activities have attracted the attention of the Ministry of Economy, Trade and Industry, the Small and Medium Enterprise Agency and related local

governments and have been shared as model examples. We have thus also contributed to increasing the public awareness of BCP. Moreover, in order to accelerate our BCP support to suppliers, we have established a unique position ("BCP buyer") within our procurement team and have already trained 13 people in this role.

* BCP usually stands for "Business Continuity Plan." For Nabtesco, however, BCP stands for "Business Continuity Power," and we are striving to enhance the BCP of our organizations and increase our capability to mount effective responses to a crisis.

Support for the Acquisition of Resilience Certification

We are supporting suppliers in acquiring Resilience Certification* for the establishment of their BCP systems, aiming to help 20 suppliers obtain the certification by 2023. As of today, 17 suppliers have already acquired it.

* Resilience Certification is awarded under the certification system implemented by the national government based on the basic law on national resilience. It is granted to enterprises that are steadily increasing their ability to resume their business operations promptly after crises such as disasters.

Pursue Safety, Comfort and a Sense of Security

Management of Occupational Safety

Ensure Safety by a Three-Pronged Approach, Giving First Priority to Protecting People

Nabtesco upholds the pursuit of "safety, comfort and a sense of security" as one of the issues that are material to its management. For manufacturers, "safety" means: (1) manufacturing products in a safe manner, (2) making safe products, and (3) ensuring the safety of products during use. These three requirements should be met together as a precondition for us to deliver safe products to customers.

Manufacturing safe products and ensuring the safety of products during use help our customers ensure the safety of their products and their end users, while ensuring the safety of our manufacturing facilities and providing even safer maintenance and service functions help protect the health and well-being of our employees and their families and reduce social losses. Based on this recognition, the Nabtesco Group is taking a three-pronged approach to safety, with first priority given to protecting people over cost reduction and profit-making.

Centrally Fostering Environmental, Safety and Health Management

The Nabtesco Group has been implementing multifaceted measures to increase the safety of its manufacturing facilities toward achieving the goal of zero work-related accidents in the Group-wide ESH activities.

As an organization to foster ESH activities across the entire Group, we have our Group ESH Committee, which reports directly to the president.

The Group ESH Committee centrally collects, analyzes and evaluates important ESH-related information to formulate necessary measures. In addition, the committee members annually visit each of the Group's sites to carry out ESH audits to check on-site activities and give instructions as necessary. For safety, the members examine whether the accident and disaster countermeasures implemented at the sites are appropriate or not and how these measures are implemented, as well as investigating any remaining on-site safety risks. The members also summarize the audit results and the achievements made by the sites through the ESH activities for review by the Group's management team at the end of each fiscal year, and the review results are utilized to improve the activities for the next fiscal year. We have thus been executing the PDCA cycle to steadily increase the safety of our manufacturing facilities.

 **Nabtesco Group ESH Basic Policy and Management Targets**
<https://nabtesco.disclosure.site/en/themes/121>

Conducting Multifaceted and Steady Activities

All incidents, including minor ones, are required to be reported across the Nabtesco Group for information sharing purposes. In particular, for a serious incident, we conduct an on-site examination to analyze the cause, decide on the items to be focused on and implement measures based on the results. In addition, we enhance our safety patrols and risk detection training to increase employees' sensitivity to risks, as well as promote "near miss"^{*1} incident reporting and safety awareness-raising activities.

As a result of these efforts, the lost time injury frequency rate^{*2} has been below the industry's average for more than five years. However, in order to achieve zero workplace accidents, which is the Group's overall target, we are implementing even more advanced measures.

^{*1} Near miss: An event that could have resulted in injury or other incidents
^{*2} Lost time injury frequency rate: Please see Financial/Non-Financial Highlights on page 36.

 **Lost Time Injury Frequency Rate**

Starting New Activities to Nurture a Safety Culture

In order to further improve workplace safety, we commenced new activities aimed at nurturing a safety culture and ensuring that the entire organization adopts a more safety-oriented attitude in 2017 in addition to implementing measures against individual risk factors. We will aim to achieve zero-workplace accidents by creating an organization that nurtures a safety culture through our four activities including the STOP3 activity, stratified safety education system, safety model workplaces and environmental safety forums.

Management of Quality

Promotion System Based on the Quality & PL Committee

In an effort to listen to the voices of its customers and the users of its products and to respond to the changes, demands and requests of society, the Nabtesco Group sets forth the Nabtesco Group Quality and PL Policy and promotes manufacturing based on quality engineering, quality management and PL management (including product safety control) under the leadership of the Quality & PL Committee.

At the Group Quality & PL Committee, annual activity policies are determined by clarifying issues and challenges for the entire Group, and actual work is conducted by each in-house company by applying the policies to specific activities. However, since the types of products and target industries significantly vary among in-house companies, it has become increasingly difficult to carry out audits on the activities of all in-house companies in accordance with fixed rules and standards. To address such issues, we strive to grasp the situation of each in-house company, provide advice and identify what the head office can do in order to support improvement at our regular meetings, thus implementing more effective, specific measures.

In line with the Group Quality and PL Policy, each in-house company has set its own quality- and PL-related targets in consideration of the actual situation and is conducting activities to achieve them.

Moreover, in and after FY2022, we will conduct activities in an even more unified manner by setting targets for the entire Group for the two major initiatives to be fostered for product safety.

 **Nabtesco Group Quality and PL (Product Liability) Policy**
<https://nabtesco.disclosure.site/en/themes/117>

Targeted rate for the achievement of the plans to educate employees for product safety: **100%**

Targeted rate for the achievement of the plans to conduct product safety reviews: **100%**

Measures to Enhance the Foundation for Quality

In addition, we provide our young engineers with mandatory education on quality in the form of intensive training and also hold quality training and give improvement instructions on-site at our overseas bases. Furthermore, in response to COVID-19, we are providing employees with more remote quality education and e-learning opportunities. We are thus building a system for continuous quality education.

Continuing to Cultivate a Quality-Oriented Workforce to Create an Advanced Quality Culture

The Nabtesco Group provides a variety of systems and product lineups and believes that we will not be able to increase the quality of all these products by drawing upon a limited stock of technologies and methods. We are therefore introducing IT and other advanced technologies to our quality management, while attributing special importance to the creation of a culture of quality manufacturing for all our products.

Such a culture can be created as a result of long-term education, training and organizational management. We believe that helping employees gain a meaningful experience that allows them to think and act in line with core principles and rules to make really effective use of available technologies will, in turn, help the entire company improve its manufacturing quality on a long-term basis. Based on this belief, we have been providing employees with unique education, including via the "Quality University" courses.

While the Quality University courses were initially targeted at selected design engineers when they were introduced in 2007, a course for managers was added in 2009. Since FY2012, we have designated a mandatory quality education course for Group employees in their third year of employment. Every year, about 30 to 40 young employees participate in this six-month course to learn about quality management to increase their quality awareness. The number of employees who have completed the Quality University courses has been steadily increasing each year. The graduates have been acting as forerunners of the Nabtesco Group's culture of quality manufacturing.



Group photo of past students of the Quality University courses

Respect Diversity and Various Expertise in the Workplace

Fostering Workplace Diversity

Approach to Ensuring Diversity in the Workforce

Nabtesco announced "Approach to Ensuring Diversity in the Workforce" in 2021 and has since been striving to promote workplace diversity. We make employment offers to a range of people regardless of attributes such as age, gender, nationality and desired form of employment, and strive to provide them with jobs that they can perform with high motivation and by demonstrating their respective abilities to the fullest. To this end, we are committed to improving our workplace environment and providing our managements with the education they need.

In order to achieve "Innovation in Action," as upheld in our long-term vision for 2030, we will implement human resource measures that will help diverse employees enjoy and be excited about taking on challenges as part of their work.

Proactive Recruitment of Non-Japanese Nationals Including Foreign Students Studying in Japan

Non-Japanese employees have different ways of looking at things and active attitudes toward working. As such, they are expected to bring fresh perspectives to their workplaces. For new graduates employed by Nabtesco as career-track employees in and after 2023, the company has set the target of increasing the proportion of non-Japanese nationals to 20%. For managerial positions, it has set the target of increasing the proportion of non-Japanese nationals to 2% by 2030. In order to attain these targets, we will proactively recruit non-Japanese nationals while supporting our existing non-Japanese employees in their career development.

Employment of Women

Nabtesco conducts recruitment activities by upholding the target of increasing to 30% the proportion of women among the total number of new graduates employed by the company as career-track employees in and after 2023. The annual number of female graduates employed by Nabtesco varies a lot each year depending on the recruitment plans made (for engineers and others) for the year. In regard to engineering students in particular, women account for a

very small percentage in the total number of our primary recruitment targets (students who major in mechanical engineering, electrical/electronic engineering and information science), and we therefore need to differentiate our company from competitors to attract female students.

To meet this requirement, we will hold events targeting these female students as early as possible and provide them with more opportunities to interact with our employees. Through these measures we will help more of these students learn about Nabtesco throughout the year, while also working to increase the comfort levels at our workplaces and giving due consideration to regional characteristics for ongoing recruitment.

- **Nabtesco's General Employers Action Plan made under the Act on Promotion of Women's Participation and Advancement in the Workplace**
(From April 1, 2020 to March 31, 2023)

Target 1 Before the end of the period of the plan, double the percentage of women in the total number of managers relative to the April 2019 level (from 0.8% to 1.6%)

Measures: Provide career planning training and give follow-up support to employees taking childcare leave

Target 2 Rate of annual paid days off taken by employees: Achieve and maintain "more than 80%"

Measures: Build an environment that makes it easier for employees to take annual paid days off

Employment of Persons with Disabilities

Nabtesco has endeavored to maintain the employment of persons with disabilities. The percentage of persons with disabilities in the total number of regular employees was 2.35% for FY2021, and we have thus continued to achieve the statutory employment rate.

The statutory employment rate was raised from 2.2% to 2.3% on March 1, 2021. In response, we will make further efforts to promote the employment of persons with disabilities for the continuous achievement of the rate.

and the UN Guiding Principles on Business and Human Rights. We regularly review the Policy in response to changes in community standards and expectations and revised it in 2021.

Nabtesco identifies and assesses impacts on human rights and tries to mitigate human rights risks through a human rights due diligence process. We also continuously verify the methods and effects of human rights due diligence to effectively respond to human rights impacts and risks.

Nabtesco's Human Rights Due Diligence
<https://nabtesco.disclosure.site/en/themes/193>

Human Capital Development

Development of Globally Competitive Human Capital

In order to share the company's ideal image of human capital in which it is the people who make the company, and to define the direction that all employees should follow, Nabtesco established the Basic Policy on Human Capital Development and has since been providing a range of educational opportunities in line with this policy.

As overseas business is expected to continue to expand, it is becoming increasingly important to develop globally competitive human capital. In addition to various training programs aimed at enhancing language capabilities, including the intensive study camp for English conversation, we introduced an overseas trainee program for middle-ranking employees, which included both study and work components, in FY2012. Furthermore, in 2017, we introduced short-term overseas job training for young employees with the aim of helping them nurture an international business mindset at an early stage of their career.

Moreover, to develop human resources at Group companies outside Japan, we proactively employ local workers and implement various educational programs aimed at improving the skills of locally hired personnel. In China, we provide business management training for executive candidates to promote more local hires to managerial positions and also appoint local personnel to serve as presidents of our Group companies.

In addition, we offer an OJT-based training program designed for skill enhancement, in which employees of overseas Group companies are assigned for a certain period of time to plants in Japan belonging to various business segments.

We will continue to implement these measures to enhance the foundation of our operations outside Japan and contribute to local economic and social development.

Human Capital Development
<https://nabtesco.disclosure.site/en/themes/123>

Increasing Employees' Awareness of The Nabtesco Way

Activities to Increase Employees' Awareness of The Nabtesco Way

In order to share and instill the values upheld in The Nabtesco Way throughout the Group, we hold workshops and briefings on The Way as part of level-specific training and on other occasions. In addition, we have been organizing the "Nabtesco Way Month" campaign since FY2013, during which each of our workplaces holds a meeting on The Way.

In FY2021 we had a meeting to discuss the newly set long-term vision with the participation of employees at Group companies within and outside Japan.

The Nabtesco Way is translated into seven languages and we regularly conduct awareness-raising activities for The Way at our bases outside Japan. In China in 2019, aiming to encourage local employees to change their behaviors for the better, we held a training seminar in which participants were asked "What does The Nabtesco Way mean to you?" and encouraged them to think deeply about the answer. We will continue to foster The Nabtesco Way across the Group.

The Nabtesco Way
<https://www.nabtesco.com/en/company/greeting.html>

Satisfaction Survey on Communication within the Organization

We regularly conduct an employee awareness survey to improve our organization. We visualize the situations of our organization based on the numerical data gained through the survey and analyze the findings to identify any problems and make improvements as required.

- **Satisfaction with communication within the organization (based on employee questionnaire)**

| (Unit: %) | 2013 | 2015 | 2017 | 2020 |
|----------------------------------|------|------|------|------|
| Ratio of satisfaction | 67.1 | 68.6 | 69.3 | 69.9 |
| (Male) | 67.1 | 69.0 | 69.5 | 70.5 |
| (Female) | | 68.1 | 69.2 | 69.4 |
| Coverage of employee respondents | 100 | 100 | 100 | 100 |

Target for FY2022: Increase the satisfaction rate to 78.6%

* The calculation scope covers only Nabtesco Corporation.
* Held every two years in principle
* We evaluate two indicators ("Relationship between managers and their subordinates" and "Organizational status") according to seven grades: 1: Completely disagree, 2: Disagree, 3: Somewhat disagree, 4: Neither agree nor disagree, 5: Somewhat agree, 6: Agree, 7: Completely agree, and rate the results (4 or more is defined as satisfied).

Increasing Our Employees' Awareness of the Nabtesco Way
<https://nabtesco.disclosure.site/en/themes/123>

Management Materiality

Enhance Work Style Reforms

Work Style Reforms

“Stage-up 2.0” Work Style Reforms

Nabtesco fostered work style reforms collectively dubbed “Stage-up 2.0” throughout the period of the previous medium-term management plan. Under this initiative, we worked to make the following reforms: (1) personnel system reform to improve work-life balance and the work environment; (2) production reform to foster the development of production and automation technologies; (3) operational reform to eliminate wasteful work by making better use of IT, automation and AI; and (4) cultural reform to provide the basis for other types of reform. Under the leadership of the Business Transformation Div. (presently Business Transformation Dept.), the Human Resources Dept., Production Innovation Div., Information System Dept. and other specialist departments worked on the four categories of reform, specifically personnel affairs, operations, production and corporate culture.

Enhance Work Style Reforms under the New Medium-Term Management Plan

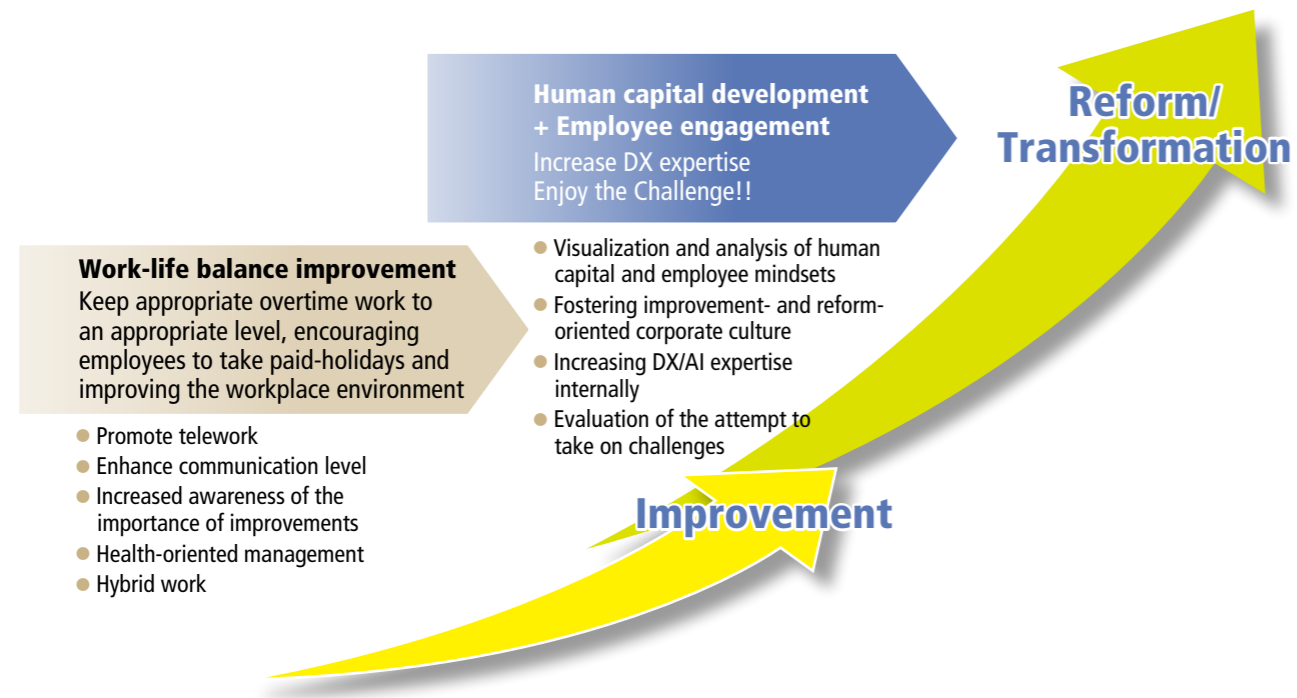
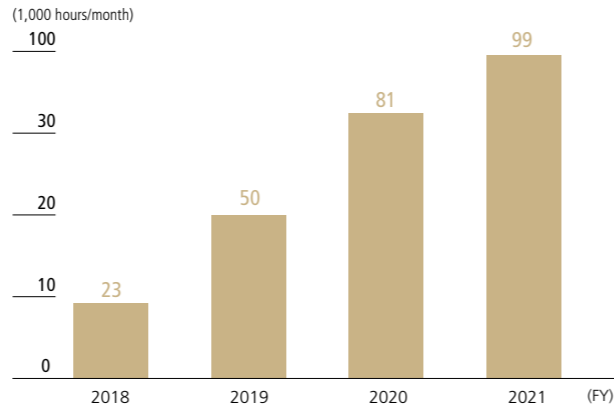
In the past, we have focused on measures to improve employees’ work-life balance, including encouraging them to take holidays, limiting their overtime hours to an appropriate level and improving the workplace environment. During the period of the new medium-term management plan, we will further enhance our work style reforms with a view to promoting innovation, as stated in the long-term vision. This includes promoting human resource development and increasing employees’ job satisfaction by providing them with opportunities to embrace various challenges.

In particular, we will foster the development of employees versed in DX and encourage all employees to adopt new mindsets as a key to generating innovation.

Achievements made through “Stage-up 2.0”

| | | Operational improvement/Achievements |
|-------------------------|--|---|
| Personnel system reform | <ul style="list-style-type: none"> Promote telework Provision of bonus for smart work | <ul style="list-style-type: none"> Smooth shift to teleworking systems amid the COVID-19 crisis |
| Operational reform | <ul style="list-style-type: none"> Company-wide review of existing operations Introduction of RPA Digitization and the establishment of work flows Effective use of AI | <ul style="list-style-type: none"> Improvement of administrative operations: Working hours reduced by 99,000 hours per month (in total for the period from 2018 to 2021) Improvement of work efficiency: Working hours reduced by 34 hours per month per person Average overtime work hours: Reduced by about 30% (relative to 2017) |
| Cultural reform | <ul style="list-style-type: none"> Higher IT literacy Office reform Increased awareness of the importance of improvements | <ul style="list-style-type: none"> Increase in the rate of annual paid days off taken by employees Enhance employee satisfaction |

Operational improvement made at administrative departments

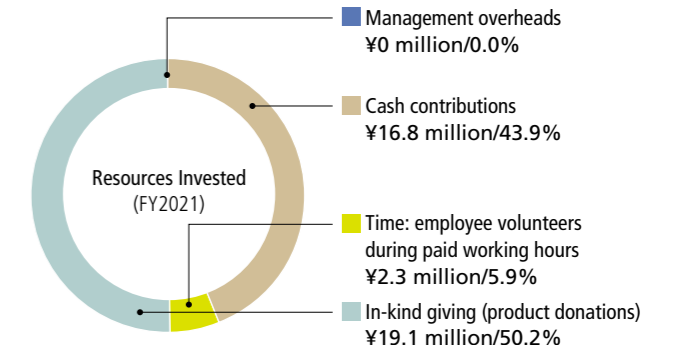
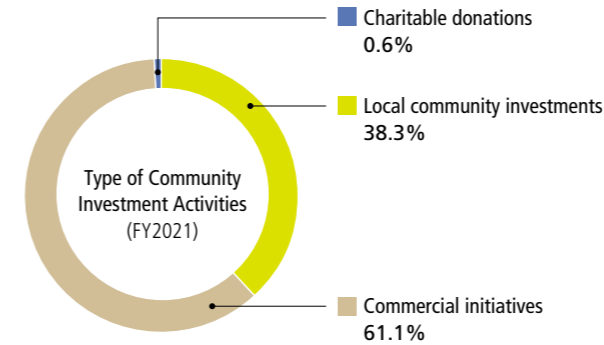


Management Materiality

Promote Engagement with Local Community

Nabtesco Group’s Community Investment

Resources Invested and Impact



* Excluding commercial initiatives

Environment



Education



Welfare



Examples of Activities Conducted in Line with the Community Investment Policy

Based on its Community Investment Policy, Nabtesco has been working to contribute to the solution of global social challenges and challenges faced by local communities in the regions where the company operates as part of its effort to create value for its stakeholders.

Since March 2021, we have been supporting the RIKOCHALLENGE initiative implemented by the Gender Equality Bureau of the Cabinet Office of Japan. In the summer of 2021, we held a RIKOCHALLENGE online event to help female students interested in the fields of science and engineering to plan their future careers, with 15 students participating from across Japan. We will continue to conduct this activity to encourage more women to work in science and engineering.



Basic Stance for Corporate Citizen Activities
<https://nabtesco.disclosure.site/en/themes/140>

Consideration of Community and Society
<https://nabtesco.disclosure.site/en/themes/140>

Increase the Effectiveness of Our Management Entities


Strengthen Corporate Governance

Measures to Enhance Corporate Governance

Nabtesco is committed to enhancing its corporate governance based on the Corporate Governance Basic Policy, which indicates the Company's basic approach to, framework of and measures for corporate governance. Nabtesco will achieve sustainable growth, increase its corporate value on a medium- to long-term basis and earn even more trust from stakeholders by fulfilling this commitment through the implementation of The Nabtesco Way.

In 2021, we increased by one the number of independent outside directors on the Nominating Committee and the Remuneration Committee, respectively, thereby enhancing the objectiveness of the monitoring of nomination and remuneration activities.

*For Nabtesco's basic approach to and system for corporate governance, please refer to our website.

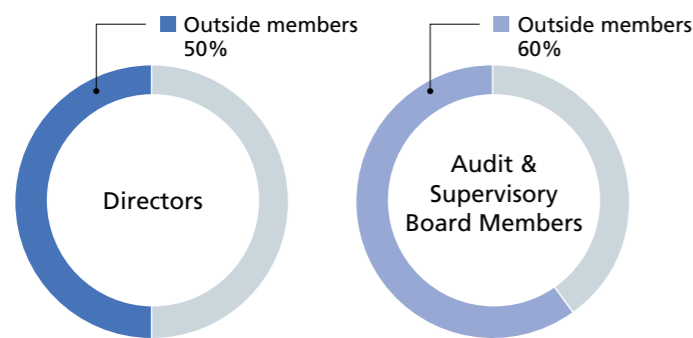
 **Corporate Governance**
<https://nabtesco.disclosure.site/en/themes/133>

Directors and Audit & Supervisory Board Members (as of March 24, 2022)

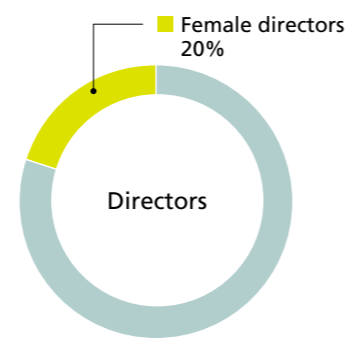
In FY2020, we increased the proportion of female directors from 10% to 20% on the Board of Directors.

In FY2022, we also increased the proportion of independent outside directors from 40% to 50%.

Proportion of Outside Directors



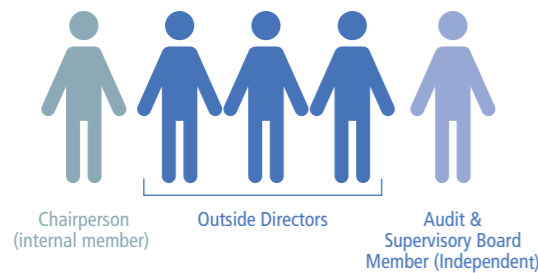
Proportion of Women



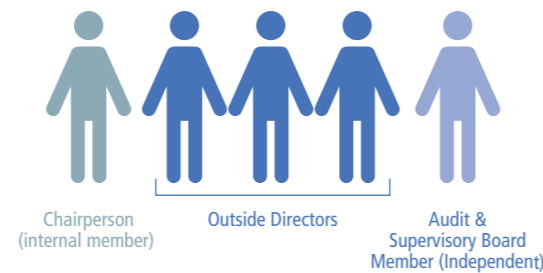
Nominating Committee and Remuneration Committee

Nabtesco is a "Company with Board of Auditors" under the Companies Act of Japan and has the Nominating Committee and Remuneration Committee as advisory organizations to the Board of Directors. The following shows the composition of the committees.

Nominating Committee 5 Members



Remuneration Committee 5 Members



Evaluation of the Effectiveness of the Board of Directors

Nabtesco conducts a yearly analysis and evaluation of the effectiveness of the Board of Directors based on the self-evaluations of the directors to improve the Board's functions. Also, in FY2021, we conducted an anonymous self-evaluation questionnaire survey of all directors and Audit & Supervisory Board members. The survey results were tabulated and analyzed by external lawyers for the evaluation of the effectiveness of the Board of Directors through discussions by members of the Board.

According to the results, the directors believe that the number of members and the structure of the Board are appropriate and that open, natural and constructive discussion is taking place, as was the case in FY2020. In FY2020, the number of independent outside directors increased by one person, bringing the proportion of independent outside directors to more than one-third of the total. Moreover, the number of female directors also increased in FY2020, and the Board is discussing issues

from a wider range of viewpoints. Judging from these facts, the effectiveness of the Board is considered to be well secured.

On the other hand, the following issue was pointed out: it is necessary to further increase the operational efficiency of Board meetings to secure enough time for the Board to deliberate important issues related to management, such as growth strategies. We are continuing our efforts to make improvements regarding this issue.

Skill Matrix of Directors and Audit & Supervisory Board Members

Nabtesco selects its directors and Audit & Supervisory Board members from both inside and outside the company by identifying candidates with the required skills.

In order to make flexible responses to our dynamically changing business environment and to implement management strategies in consideration of the various features of our business, we choose directors with a focus on diversity.

Skill Matrix of directors and Audit & Supervisory Board members (as of March 24, 2022)

| | Term of service | Level of independence | Field of specialization | | | | | | | Nominating Committee | Remuneration Committee | Compliance Committee* |
|-----------------------------------|--------------------|-----------------------|-------------------------|--------|--|----------------------|------------------------------|---------------------|-----------------------------|----------------------|------------------------|-----------------------|
| | | | Corporate management | Global | Legal, personnel & labor affairs and risk management | Financial accounting | Manufacturing and technology | Sales and marketing | Digital transformation (DX) | | | |
| Directors | Katsuhiko Teramoto | 6 yrs. & 9 mths. | ✓ | ✓ | | ✓ | | ✓ | | ✓ | ✓ | |
| | Kazumasa Kimura | 3 yrs. | ✓ | | | ✓ | ✓ | | | | | ✓ |
| | Akiyoshi Kitamura | 1 yr. | ✓ | | | | | | ✓ | | | |
| | Atsushi Habe | 1 yr. | ✓ | ✓ | | ✓ | | ✓ | | | | ✓ |
| | Toshiya Fujiwara | | | ✓ | | | | ✓ | | | | ✓ |
| | Norio Uchida | 6 yrs. & 9 mths. | ✓ | ✓ | ✓ | | | ✓ | | ✓ | | |
| | Mari Iizuka | 2 yrs. | ✓ | | ✓ | ✓ | ✓ | | | ✓ | ✓ | |
| | Naoko Mizukoshi | 2 yrs. | ✓ | | ✓ | ✓ | | | | | ✓ | |
| | Naoki Hidaka | 1 yr. | ✓ | ✓ | ✓ | | | | ✓ | | | ✓ |
| | Toshiya Takahata | | ✓ | ✓ | | | | ✓ | | | | ✓ |
| Audit & Supervisory Board members | Kenichi Kikuchi | 3 yrs. | | ✓ | | ✓ | | | | | | ✓ |
| | Isao Shimizu | 2 yrs. | | | | | ✓ | | | | | |
| | Zenzo Sasaki | 6 yrs. | ✓ | | ✓ | | | | | | | ✓ |
| | Takemi Nagasaka | 6 yrs. | ✓ | | ✓ | | ✓ | | | | ✓ | |
| | Tetsuro Hirai | 3 yrs. | ✓ | ✓ | | | | ✓ | | ✓ | | |

The above does not represent an exhaustive list of the directors' expertise.

* The Compliance Committee is composed of nine members, including four in-house executive officers and one outside expert in addition to directors.

Ensure Management Transparency

Strengthen Corporate Governance

Compensation System for Directors

◆ Basic policy on the compensation system

- By linking compensation more with performance and stock value, ensure that shareholders and management can share profit and risk.
- Make the system function as an incentive to improve the medium- to long-term performance.
- Determine compensation for directors through a highly objective and transparent process.

◆ Method for determining compensation

For the policy on compensation for directors, the structure of the compensation system, the compensation level and the specific amount to be paid to each director, the Remuneration Committee composed of one inside director, three outside directors and one Audit & Supervisory Board Member (Independent) deliberates and reports the results to the Board of Directors for final decisions.

For compensation for auditors, details are determined through discussions by the Audit & Supervisory Board Members.

◆ Structure of the compensation system

Compensation to Directors is composed of monthly compensation, comprising fixed basic compensation and short-term performance-linked compensation, and stock compensation based on the degree of achievement of the medium-term management plan as well as share value.

[Basic compensation]

Basic compensation is fixed compensation according to the position of each Director and is paid as monthly compensation.

[Performance-linked compensation (Monthly compensation)]

The amount of performance-linked compensation (monthly compensation) to be paid is determined according to the following formula, based on the degree of achievement of annual results.

[Short-term performance-linked compensation]

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

*Performance evaluation coefficient: Determined by a matrix table using ROIC and profit (attributable to owners of the parent) for the previous fiscal year within a certain threshold as indicators (coefficient: 0.00 – 3.00)

For Directors in charge of internal companies, short-time performance-linked compensation is adjusted based on factors including the net sales growth rate, degree of improvement of operating income, degree of ROIC improvement, R&D indicators and environmental indicators of the relevant companies.

[Stock Compensation]

Stock compensation is paid using the Board Benefit Trust (BBT) mechanism, and the amount of payment is determined according to the following formula, based on the degree of achievement of the medium-term management plan.

[Tenure grant-type stock compensation]

Tenure grant-type stock compensation = Share grant points by position × Performance evaluation coefficient × Medium-term management plan achievement coefficient

* Performance evaluation coefficient: Determined by a matrix table using ROIC and profit (attributable to owners of the parent) for the previous fiscal year within a certain threshold as indicators (coefficient: 0.00 – 3.00)
 * Medium-term management plan achievement coefficient: Set based on the degree of achievement of the net sales and operating income stated in the Medium-term management plan (0 – 0.5)

Grant points will be vested on the day of the Annual General Meeting of Shareholders relating to the final fiscal year ending within three years from the awarding of points.

[Retirement grant-type stock compensation]

Retirement grant-type stock compensation = Share grant points by position

Grant points will be vested on the day that the Director retires.

◆ Nabtesco's approach to indicators for performance-linked compensation

The basic indicators for performance-linked compensation paid to Directors (excluding Outside Directors) are ROIC and profit (attributable to owners of the parent), which reflect the fruits of all employee activity and are principal indicators linked to the improvement of ROE.

In this way, the Company encourages all Directors to take note of capital costs and the payout ratio, and promotes management that is mindful of the sustainable growth of the Group. Furthermore, indicators for Directors in charge of businesses have the added functions of incentivizing them to improve performance in the medium- to long-term by including R&D indicators to encourage the creation of intellectual property and environmental indicators showing how much CO₂ emissions were reduced, in addition to management indicators such as the degree of ROIC improvement.

Furthermore, net sales and operating income are adopted as indicators for the degree of achievement of the medium-term management plan, as they reflect the business activities of all Directors and employees, with the aim of aligning all business activities in one direction.

However, in case of impacts from events not triggered by the Company's management decisions, above indicators may be adjusted.

◆ Composition of compensation

- The composition of Directors' compensation emphasizes the link with performance and shareholder value.
- Compensation, etc., for Outside Directors and Audit & Supervisory Board Members consists only of fixed compensation, with no performance-linked compensation, as these officers are in a position independent from business execution.

◆ Clawback clause

As a result of having to revise the financial results of past fiscal years due to inappropriate accounting, etc., the Company has stipulated a clawback clause in the internal compensation regulations so as to demand the return of all or part of performance-linked compensation

in the event of material revisions in the performance of past fiscal years which was the basis of the calculation of performance-linked compensation, or in the event that the Company incurs material loss due to an officer's wrongful or illegal act.

● Composition of compensation

| Position | Fixed compensation | | Performance-linked compensation | |
|---------------------------------|--------------------|--|--------------------------------------|--|
| | Basic compensation | Short-term performance-linked compensation | Tenure grant-type stock compensation | Retirement grant-type stock compensation |
| Chairman of the Board/President | 30% | 30% | 20% | 20% |
| Director | 35% | 30% | 20% | 15% |

Model set based on the assumption that the achievement level is 100% for the targets included in the criteria to decide on the amount of performance-linked compensation, with a median value for each position being used for calculation.

Amount of Compensation Paid to Directors (FY2021)

● Total amount of compensation by managerial position, total amount of compensation by type of compensation and number of recipients

| Directors/Audit & Supervisory Board Members | Total amount of compensation (¥ Million) | Types of compensation (¥ Million) | | | | Number of Directors and Audit & Supervisory Board Members |
|---|--|-----------------------------------|---------------------------------|--------------|---------------------------|---|
| | | Fixed compensation | Performance-linked compensation | | Board Benefit Trust (BBT) | |
| | | | Monthly compensation | Tenure grant | | |
| Directors (Outside Directors) | 352 (39) | 172 (39) | 78 | 7 | 95 | 13 (5) |
| Audit & Supervisory Board Members (Independent) | 78 (24) | 78 (24) | - | - | - | 5 (3) |
| Total | 429 | 250 | 78 | 7 | 95 | 18 |

(Notes)

- The "Number of Directors and Audit & Supervisory Board Members" for Directors includes three Directors (including one outside director) who retired during the fiscal year under review.
- Monthly compensation consists of basic compensation and short-term performance-linked compensation paid out in total on a monthly fixed basis.
- The Board Benefit Trust (BBT) amount is the amount expensed during the fiscal year under review according to J-GAAP, based on the number of share grant points awarded or expected to be awarded during the fiscal year under review.
- The upper limit on compensation as resolved at the 14th Annual General Meeting of Shareholders (March 28, 2017) is set at ¥400 million per year for Directors (of which ¥50 million is for Outside Directors), and ¥90 million for Audit & Supervisory Board Members.
- In addition to the compensation amounts stated above, the Company has introduced a Board Benefit Trust (BBT) system for Directors (excluding Outside Directors) as resolved at the 14th Annual General Meeting of Shareholders (March 28, 2017). Based on the Regulations for Provision of Shares to Officers established under this system, the Company is making contributions to the Trust, with upper limits of ¥450 million (for three business years) for the tenure grant, and ¥420 million (for three business years) for the retirement grant, respectively. With regard to this system, upper limits for share grants were set at 56,000 points for the tenure grant (for a single fiscal year) and 51,000 points for the retirement grant (for a single fiscal year) separately from the upper limits on compensation stated in 4. above at the 14th Annual General Meeting of Shareholders (March 28, 2017).

● Actual performance of principal indicators related to performance-linked compensation (FY2021)

| ROIC | Net sales | Operating income | Profit |
|------|------------------|------------------|-----------------|
| 8.2% | ¥279,358 million | ¥28,533 million | ¥20,505 million |

As for performance-linked compensation for FY2021, we calculated the amount based on the actual results for FY2020. During the period, we posted a valuation profit with regard to the stock acquisition right for the shares of Harmonic Drive Systems owned by Nabtesco. We made an adjustment about this profit for the principal indicators.

Treatment/Reduction of Cross-Shareholdings

Nabtesco makes it a rule to dispose of cross-holdings of shares that are revealed to have lost their significance as of the end of the most recent fiscal year. In line with this basic policy, the Board of Directors annually makes examinations based on certain criteria about the purpose, benefit and capital cost-based risk of cross-shareholdings to decide whether to continue holding each of the stocks and on the number of shares to be kept.

At the Board meeting held on February 28, 2022, the directors confirmed the appropriateness of keeping the

cross-holdings of shares issued by 10 companies (as of the end of FY2021) as a result of examining the significance of the cross-holding as well as the economic rationality for each of the stocks. However, the Board also reaffirmed its policy of reducing cross-shareholdings in light of changes to the environment related to such shares, including the revision of the Corporate Governance Code in June 2018.



Consolidated Financial Statements (With Independent Auditors' Report) <https://nabtesco.disclosure.site/en/themes/141>

Management Materiality

Ensure Management Transparency

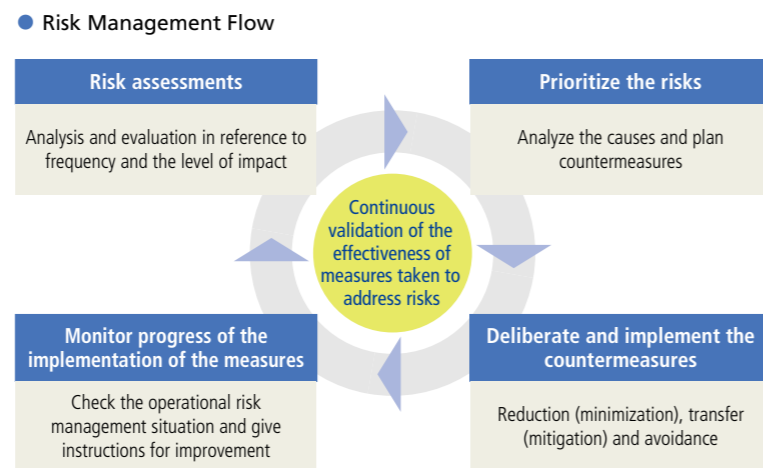
Advancement of Risk Management

Risk Management in General

The Nabtesco Group seeks to understand and manage the range of risks attributable to its business activities, mitigate the damages and losses if such risks were to actually occur through the exercise of appropriate risk management and maintain and enhance the Nabtesco Group's corporate value. With this stance in mind, we undertake risk management on a Group-wide basis.

Risk Management System

In 2016, the Nabtesco Group established the Risk Management Committee as an organization that deliberates important issues related to risk management. It directly reports to the CEO, who appoints the members of the committee. Since 2017, this 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. Moreover, the chairperson of this committee holds discussions and makes adjustments as required with members of the CSR Committee, the Group Quality & PL Committee and the Group ESH Committee. The chairperson also regularly reports on the committee's risk management measures to the management entities, such as the Executive Officers Committee and the Board of Directors.



Principal Risk Management Activities
<https://nabtesco.disclosure.site/en/themes/136>

Crisis Management

In preparation against incidents, accidents, disasters and quality problems that might have serious impacts on the Nabtesco Group's performance, financial situation or reputation, we have our own in-house reporting rules as well as prompt and appropriate emergency information communication and response systems in place. Moreover, we have established a crisis management system, under which, in the event of a serious incident that could force us to suspend our business activities or have other material impacts on us, we will immediately establish a crisis response headquarters headed by the CEO. The headquarters will report to the Board of Directors and deal with the incident promptly for its resolution.

Risk Management
<https://nabtesco.disclosure.site/en/themes/136>

Enhancement of Compliance

Our Approach to Compliance

The Nabtesco Group gives first priority to promoting and enhancing compliance management based on the recognition that compliance is a precondition for the Group to achieve its corporate philosophy through business operations and to be selected as a business partner in the global business environment.

Compliance System

We have our Compliance Committee as an advisory board to the Board of Directors. It is chaired by the CEO and includes external experts among its members. In addition, by appointing Chief Compliance Officers and

Compliance Officers who support the chief officers for all of our administrative departments, in-house companies and Group companies within and outside Japan, we are enhancing our compliance system on a Group-wide and global scale. We held a Compliance Liaison Meeting to enable the Chief Compliance Officers and Compliance Officers to share information and exchange opinions, both in Japan and in all overseas regions where we conduct business (China, other Asia regions, North America and Europe).

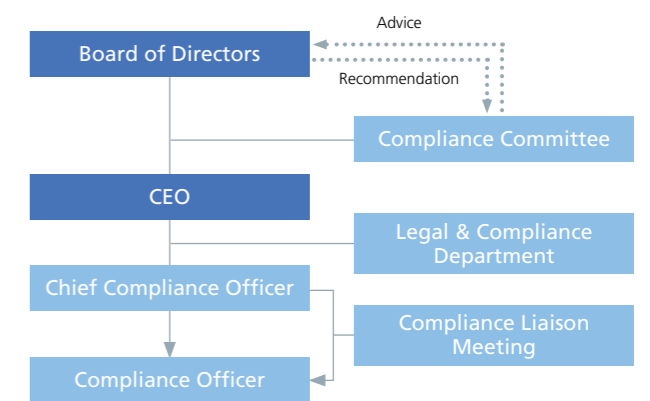
Raising Awareness of the Nabtesco Group Code of Ethics

The Nabtesco Group set the Nabtesco Group Code of Ethics to show each director, officer and employees how they should behave to conduct their business activities in line with the corporate philosophy.

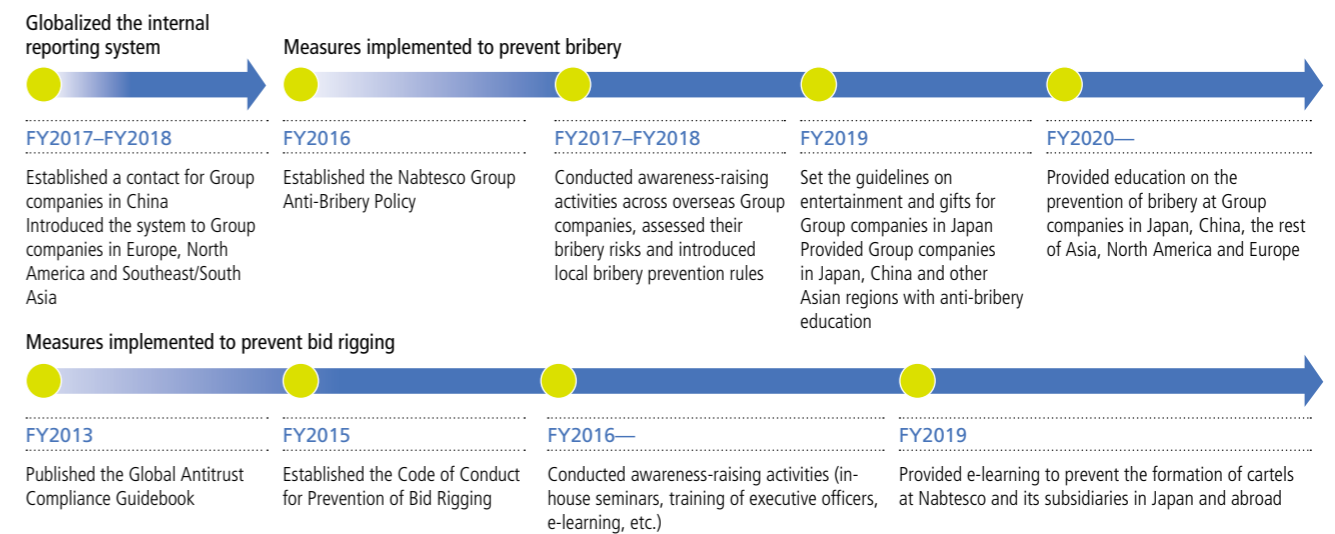
We check the effectiveness of the Code of Ethics every year and revised it in April 2022 in response to the recent revision of related laws and regulations, changes in the global business environment and situation, and the requirements to be met concerning action plans on business and human rights.

In order to help directors, officers and employees to deepen their understanding of the Code of Ethics and take specific actions based on it, we created the Code of Ethics and the Compliance Handbook in multiple languages for use in compliance education and awareness-raising activities within and outside Japan.

Compliance Promotion System



Established a global compliance system



Fostering Compliance Awareness

In order to raise the compliance awareness of directors, officers and employees, we annually provide a range of compliance education, including level- and theme-specific collective and e-learning seminars.

Also, in order to raise employees' compliance awareness, we annually hold a compliance meeting at each of our workplaces for on-site employees to freely talk about a compliance theme.

Compliance Awareness Survey

Once every year, we check the level of compliance awareness among Nabtesco Group employees. In FY2021, we conducted the survey targeting Group employees not only in Japan and China but also in Thailand and North America.

Internal Reporting System

For the prevention, early detection and correction of wrongdoing, the Nabtesco Group launched an internal reporting system ("Nabtesco Hot Line") and provides both an internal contact (Legal & Compliance Dept.) and external contacts.

In FY2021, we received about 50 reports through the system. In response to each of the reports, we conducted a survey to check the details and make appropriate responses. The operational status of the system is reported regularly to the Compliance Committee.

Compliance
<https://nabtesco.disclosure.site/en/themes/137>

Specific Measures to Achieve the Long-term Vision

Acquire Next-Generation Technologies and Create New Businesses

Toward the Creation of New Businesses

The Nabtesco Group has been providing high-precision and high-efficiency products by evolving its unique motion control technology. Going forward, we will enhance our sensing and IoT technologies, and make more effective use of AI technology to broaden the lineup of our systems and solutions that diagnose failures of products and their surrounding environments for preventive maintenance. We will thereby deliver high value-added products and boost

our maintenance, repair and overhaul (MRO) business. Moreover, by constantly introducing advanced technologies for the future, we will develop world-class components and systems to create new products and businesses that will enrich our society.

Toward these goals, the Technology and R&D Division is providing advice and giving support to the in-house companies to help them meet their challenges and foster human resource development.

● The Technology and R&D Division's Mission

| | |
|---|--|
| 1. Acquire leading-edge technologies in advance with each business unit | Acquiring and R&D on leading-edge technologies (Fostering open innovation) |
| 2. Start up new businesses | Promoting innovation through enhancement of basic technologies and corporate venture capital |
| 3. Cross functional actions for group R&D team synergies | Fostering the sharing of advanced technologies and know-how across the business units and providing opportunities for education. |

 Innovation activities
<https://nabtesco.disclosure.site/en/themes/79>

Accelerating Electrification and Systematization

The Nabtesco Group acquired OVALO GmbH of Germany in March 2017. By making effective use of this company's ability to develop modules that integrate a motor with a control unit, we will speed up the electrification and systematization of all our products toward meeting the increasingly diversified and advanced needs of customers.

For adcos GmbH, which has also become one of Nabtesco's consolidated subsidiaries, we will effectively utilize the technology owned by the company as it provides the know-how to dramatically boost our development efficiency and quality. Specifically, this subsidiary has model-based development technology, which provides the basis for the development of mechatronics products.

Co-Creation of Business with Startups

Through corporate venture capital (CVC), the Nabtesco Group has been identifying the technologies and product domains to be addressed for the Group to develop new products and create new businesses for its long-term growth.

Nabtesco Technology Ventures AG, which is based in Switzerland, has formed a strategic partnership for CVC operations with Emerald Technology Ventures and is searching for co-creation partners by making use of the expertise.

In 2021, we established the CVC Promotion Division to further enhance and speed up the CVC initiative. The division, which is under the direct control of the CEO, is strategically searching for co-creation partners based on the technologies and intellectual properties owned by the Group. The division is playing a role in the management of the invested projects by CVC and aiming to accelerate new business creation.

● Business domains targeted for CVC investment and actual examples

We will foster co-creation through joint development with startups that have the following technologies and will continue to invest in them.

| | |
|---|--|
| Business domains targeted for investment | <ul style="list-style-type: none"> • Domains related to motion control technology, peripheral technologies (including AI and IoT) and those related to "disruptive innovation" • Domains related to robotics, brakes, construction machinery, medical/welfare equipment, 3D printers, motors, sensors and others • Domains related to production technology • Including those for surface treatment, processing technology and model-based development |
|---|--|

| | |
|------------------------|---|
| Actual examples | <ul style="list-style-type: none"> • Electrification technology • Power electronics technology • Battery technology • Route optimization system |
|------------------------|---|

Special Feature 

Intellectual Property Activities to Support Innovation

Intellectual Property-Backed Management Strategies

In order to help all of its stakeholders, including customers and partner companies, to achieve sustainable growth and business expansion, the Nabtesco Group is implementing the management strategies to ensure the competitiveness of its existing and future core value (intellectual properties and intangible assets) in its pursuit for higher corporate value.

Creation of New Business 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, in order to conduct macroanalyses 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

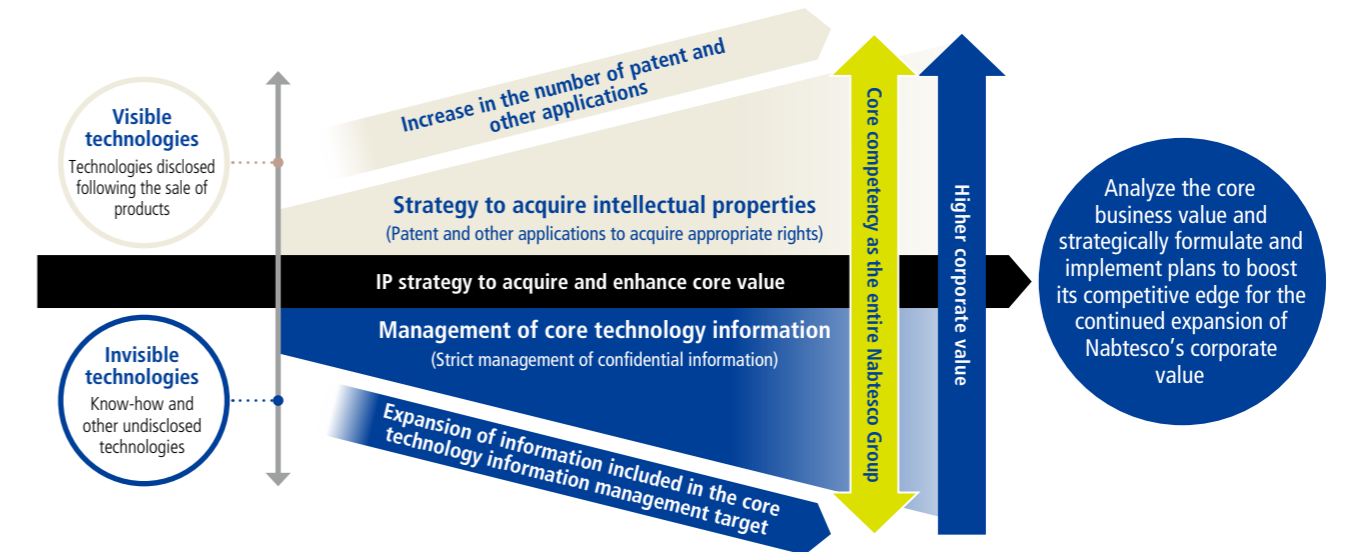
across internal organizations, such as in-house companies, about collaboration with other companies.

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 strategy to acquire and enhance core value



 Intellectual Property Activities to Support Innovative Creation
<https://nabtesco.disclosure.site/en/themes/80>

Intensive Management of Intellectual Property and Promotion of Utilization for Businesses

Following on our plan for core value acquisition and upgrading core value, we intensively manage an "IP information shared system," which contains intellectual

property including idea, know-how, design and analyzed data with IP landscape as well as patents and other rights owned by customers or competitors. Utilizing the system, we widely share such information within the Group and strengthen our businesses.

In the future, we will establish one stop service through

Management Materiality

Specific Measures to Achieve the Long-term Vision

the system, adding technical information related to design, development, manufacturing and services as well as information of suppliers and technological agreements. We will utilize this system for new business creation, M&A and enhancement of our patent portfolio.

Inclusion of the Creation of Intellectual Property in Performance Criteria

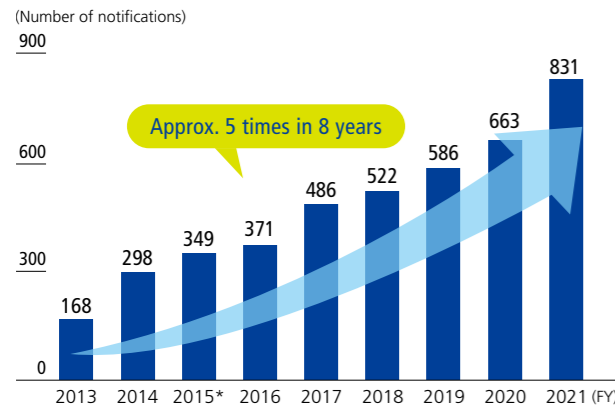
We have been systematically implementing our intellectual property strategy to increase and enhance our core value. In line with the strategy, each of the in-house companies and Group companies has set their action plans in their medium-term management plans.

In FY2017, we included the creation of intellectual property in the performance indicators for the in-house companies and Group companies with the aim of nurturing a culture in which all engineers proactively develop ideas for new businesses and technologies as well as design/manufacturing know-how. In addition to encouraging them to conduct proactive creative activities, we give commendations to excellent inhouse inventors who

have contributed to our businesses at the company's founding anniversary ceremonies, thus recognizing such contributions across the Group and increasing employees' motivation toward creative activities.

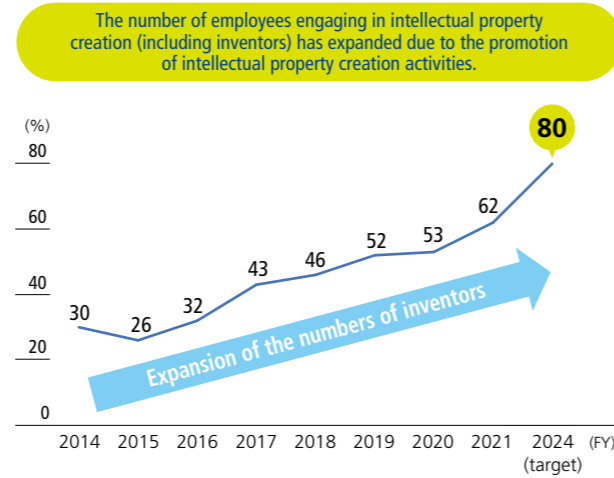
Through these activities, the number of notifications made on intellectual property creation steadily increased by about five times the FY2013 level in FY2021. Moreover, the ratio of inventors to the total number of our engineers has been increasing year on year. In the category of engineers, we include not only those engaging in design and development but also those in charge of production technologies at our plants. We have thus steadily nurtured a mindset oriented to the creation of innovation among engineers across the Nabtesco Group. Furthermore, in FY2022, we launched a system to support the creation of intellectual properties targeting employees who have provided information and others that will contribute to the creation of intellectual property in other business, as part of the company-wide effort that we are making for the creation of intellectual properties.

● Number of notifications on intellectual property creation



* Because the fiscal year-end was changed from FY2015, the results for this fiscal year have been annualized.

● Number of in-house inventors



The number of employees engaging in intellectual property creation (including inventors) has expanded due to the promotion of intellectual property creation activities.

[Intellectual Property Strategy https://nabtesco.disclosure.site/en/themes/80](https://nabtesco.disclosure.site/en/themes/80)

Foster Smart Manufacturing

Promoting Manufacturing Innovation

Since FY2016, the Nabtesco Group has been committed to promoting its manufacturing innovation in order to establish an overwhelming competitive edge and enhance profitability and capital efficiency.

Through manufacturing innovation, we endeavor to further enhance corporate value by pursuing even higher QCDS performance to meet the needs of our customers based on advanced automation, renewed production management, logistics reforms and strengthening of supply chains, while improving profitability and capital efficiency.

Identifying Strengths and Weaknesses through Analysis of the Management KPIs of the Group

We identify the strong and weak points of each in-house company to share the strong points across the board and further enhance them. Presently we have 20 KPIs, based on which we set our daily improvement themes. Among the KPIs, we attribute special importance to the following three indicators (in blue) to strengthen our abilities to manage production and deal with environmental issues toward achieving the following management targets set in the new medium-term management plan: "ROIC: 10% or over" and "Focus on solving ESG issues."

● Management KPIs

- | | |
|---|---|
| 1. Net sales | 12. Procurement cost reduction |
| 2. Operating income (margin) | 13. Procurement-related nonconformity rate |
| 3. Value added per employee | 14. Internal nonconformity rate |
| 4. Labor productivity per employee | 15. Quality complaint rate |
| 5. ROE | 16. CO ₂ emissions |
| 6. ROIC | 17. CO ₂ emissions per unit of sales |
| 7. Inventory | 18. CO ₂ emissions reduction |
| 8. Inventory turnover period | 19. Frequency rate of occupational accidents |
| 9. Production lead time | 20. Frequency of traffic accidents |
| 10. On-time delivery rate for customer services | |
| 11. On-time delivery rate for procurement | |

Building a Visualization (Status Monitoring) System with ICT

For the smooth operation of production lines, it is important to analyze on-site situations in real time and detect problems and implement measures as soon as possible.

To address this issue, we have taken measures to develop a system to promote the visualization and unified management of on-site information as well as the early detection of daily issues through the usage of ICT devices.

We plan to automate decision-making and forecasting, which are currently conducted by people, through the introduction of manufacturing execution systems with the use of AI, thus developing cutting-edge systems to realize production management suitable for each in-house company in the future.

Promoting Automation of Labor-Intensive Work that Requires Advanced Skills

As there are processes that require advanced skills, including machining processes, assembly and inspection in plant operations, the automation of processes that depend on the advanced skills of workers is indispensable looking ahead to the further decline of the working-age population.

To this end, we promote the automation of high-level work processes by introducing and utilizing unique production technologies in addition to advanced robot and sensing technologies. In addition, we aim to develop flexible, advanced automated lines in order to respond to large variety and small quantity production and enable agile changes in variety and quantity.

Logistics Reforms for Overall Optimization across Supply Chains

In our supply chain, we strive to promote information sharing and enhance logistics efficiency through 3rd party logistics (3PL) as well as the milk-run system^{*1} and modal shift^{*2}. For cost reduction, we will review our procurement activities across our in-house companies, create synergies through joint purchasing and foster intensive purchasing from suppliers that consistently demonstrate high QCDS performance. We will thereby further increase our cost competitiveness to outstrip our competitors. Also, during the current medium-term management plan period, we will foster sustainability-oriented procurement and build an optimal procurement system for each area for co-prosperity with our suppliers.

*1 Collecting shipments in a preset route
*2 Modal shift means to shift from cargo transportation by road to more environment-friendly transportation by rail and sea.

● ROIC Improvement by Building Manufacturing Innovation

| ROIC improvement measures | Aim | Direction | Key challenges |
|------------------------------------|--|--|--|
| Increasing operating income margin | Reduce internal costs | Strengthening production capability | <ul style="list-style-type: none"> More advanced automation Standardization/on-site improvement (manufacturing support) Development of unique production technologies |
| | Lower procurement costs | Strengthening procurement ability (strengthening of supply chains) | <ul style="list-style-type: none"> Optimization of "Make & Buy" Cross-organizational procurement Generating cost reduction synergies <ul style="list-style-type: none"> - Centralized/joint procurement Optimal procurement system for each area |
| Increasing assets turnover | <ul style="list-style-type: none"> Shortening production lead times Shortening inventory turnover period | Strengthening production management ability | <ul style="list-style-type: none"> Renewal of production management with the use of ICT Logistics reform <ul style="list-style-type: none"> - Realization of 3PL, milk-run system, etc. |

Development of the Next Generation of Human Resources for Manufacturing

In order to maintain and further develop Nabtesco's unique manufacturing approach over coming generations, we are attributing importance also to the development of employees who are in charge of production and

procurement activities. We are working to increase the operational skills of these employees by supporting their autonomous research activities and providing them with new educational courses.

Management Team



Board of Directors (as of March 24, 2022)

Katsuhiro Teramoto
(Dec. 13, 1955)
Representative Director
Chairman of the Board

- Jun. 2007 General Manager, Sales Department No. 1, Precision Equipment Company of Nabtesco Corporation
- Jul. 2008 General Manager, Overseas Sales Department, Precision Equipment Company of Nabtesco Corporation
- Jun. 2009 General Manager, Planning Department, Accessibility Innovations Company of Nabtesco Corporation
- Jun. 2011 Executive Officer of Nabtesco Corporation
- Oct. 2011 Vice President and General Manager, Planning Department, Accessibility Innovations Company of Nabtesco Corporation
- Feb. 2013 Deputy Senior General Manager, Corporate Planning Division, and General Manager, Corporate Planning Department of Nabtesco Corporation
- Jun. 2015 Representative Director (to present), Managing Executive Officer and Senior General Manager of Corporate Planning Division of Nabtesco Corporation
- Mar. 2017 President and Chief Executive Officer (CEO) of Nabtesco Corporation
- Mar. 2018 President of Nabtesco Corporation
- Mar. 2022 Chairman of Nabtesco Corporation (to present)

Reasons for appointment
Mr. Katsuhiro Teramoto has served as Representative Director since June 2015, appropriately leading and supervising management. He has fulfilled his duties as President, a position bearing the highest responsibilities for business execution, since March 2017 to March 2022.
He has broad management experience at the Company and extensive insight concerning global business in particular. He has therefore been determined to be an appropriate person to realize sustainable improvement in corporate value, and the Company appointed Mr. Katsuhiro Teramoto as Director.
Number of shares of the Company held: 18,220

Akiyoshi Kitamura
(Feb. 12, 1959)
Director
Managing Executive Officer
President, PACRAFT Co., Ltd.

- Jul. 2008 General Manager, Nagoya Sales Department, Precision Equipment Company of Nabtesco Corporation
- Apr. 2010 General Manager, Tokyo Sales Department, Precision Equipment Company of Nabtesco Corporation
- Apr. 2011 General Manager, Sales Department, Precision Equipment Company of Nabtesco Corporation
- Mar. 2016 President, Toyo Jidoki Co., Ltd. (current PACRAFT Co., Ltd.) (to present)
- Mar. 2017 Executive Officer of Nabtesco Corporation
- Jan. 2020 Managing Executive Officer of Nabtesco Corporation (to present)
- Mar. 2021 Director of Nabtesco Corporation (to present)

Reasons for appointment
Mr. Akiyoshi Kitamura has engaged in management of the Company as Director since March 2021, and has effectively fulfilled his roles and duties. He has fulfilled his responsibilities as President of PACRAFT Co., Ltd. since March 2016.
He has broad management experience and extensive insight obtained at the Group. He has therefore been determined to be an appropriate person to realize sustainable improvement in corporate value, and the Company appointed Mr. Akiyoshi Kitamura as Director.
Number of shares of the Company held: 4,619

Kazumasa Kimura
(Aug. 17, 1961)
Representative Director
President
Chief Executive Officer

- Jun. 2011 General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation
- Jun. 2012 General Manager, Manufacturing Department, Tarui Plant, Power Control Company of Nabtesco Corporation
- Apr. 2015 Representative Director and Vice President of Hyst 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 Systems 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
- Jan. 2022 Assistant to CEO
- Mar. 2022 Representative Director (to present), President and Chief Executive Officer (CEO) of Nabtesco Corporation (to present)

Reasons for appointment
Mr. Kazumasa Kimura has engaged in management of the Company as Director since March 2019, and has effectively fulfilled his roles and duties. He possesses diverse operational experience spanning all aspects of the Company's businesses, and fulfilled his responsibilities as Assistant to CEO.
He has broad management experience at the Company and extensive insight concerning production in particular. He has therefore been determined to be an appropriate person to realize sustainable improvement in corporate value, and the Company appointed Mr. Kazumasa Kimura as Director.
Number of shares of the Company held: 3,438

Atsushi Habe
(Nov. 27, 1959)
Director
Managing Executive Officer
Corporate Planning, Accounting & Finance, Information Systems, Business Transformation and Corporate Communication

- Sep. 2006 General Manager, International Sales Department, Aerospace Company of Nabtesco Corporation
- Nov. 2011 General Manager, Planning Department, Aerospace Company of Nabtesco Corporation
- Nov. 2012 General Manager, Planning Department, Precision Equipment Company of Nabtesco Corporation
- Feb. 2016 General Manager, Sales Department, Precision Equipment Company of Nabtesco Corporation
- Oct. 2016 General Manager, Sales Promotion Department, Precision Equipment Company of Nabtesco Corporation
- Mar. 2017 Executive Officer of Nabtesco Corporation
- Mar. 2018 Vice President and General Manager, Sales Promotion Department, Precision Equipment Company of Nabtesco Corporation
- Jan. 2019 President, Precision Equipment Company of Nabtesco Corporation
- Jan. 2020 Managing Executive Officer of Nabtesco Corporation (to present)
- Jan. 2021 Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems, Business Transformation and Corporate Communication of Nabtesco Corporation (to present)
- Mar. 2021 Director of Nabtesco Corporation (to present)

Reasons for appointment
Mr. Atsushi Habe has engaged in management of the Company as Director since March 2021, and has effectively fulfilled his roles and duties. He possesses diverse operational experience in company businesses and corporate divisions, and currently fulfills his responsibilities supervising corporate divisions.
He has broad management experience and extensive insight obtained at the Company. He has therefore been determined to be an appropriate person to realize sustainable improvement in corporate value, and the Company appointed Mr. Atsushi Habe as Director.
Number of shares of the Company held: 8,775

Toshiya Fujiwara
(Mar. 3, 1960)
Director
Managing Executive Officer
Component Solutions Segment, President, Precision Equipment Company, and in charge of Production Innovation, and in charge of Hamamatsu Plant Project

- Jul. 2013 General Manager, Manufacturing Department, Tsu Plant, Precision Equipment Company of Nabtesco Corporation
- Mar. 2017 Plant Manager, Tsu Plant and General Manager, General Administration Department, Precision Equipment Company of Nabtesco Corporation
- Jan. 2019 Executive Officer of Nabtesco Corporation
- Jan. 2020 Responsible for production, Plant Manager, Tsu Plant and General Manager, General Administration Department, Precision Equipment Company, Project Leader, Hamamatsu Plant construction project of Nabtesco Corporation
- Jan. 2021 President, Precision Equipment Company of Nabtesco Corporation
- Jan. 2022 Managing Executive Officer of Nabtesco Corporation (to present), Component Solutions Segment, President, Precision Equipment Company, and in charge of Production Innovation of Nabtesco Corporation
- Mar. 2022 Director (to present), Component Solutions Segment, President, Precision Equipment Company, in charge of Production Innovation, and in charge of Hamamatsu Plant Construction Project of Nabtesco Corporation (to present)

Reasons for appointment
Mr. Toshiya Fujiwara has served as President of the Precision Equipment Company since January 2021, and currently fulfills his duties as Managing Executive Officer, Component Solutions Segment and is in charge of Production Innovation and Hamamatsu Plant Construction Project.
He has broad experience and extensive insight at the Company, primarily regarding production. He has therefore been determined to be an appropriate person to realize sustainable improvement in corporate value, and the Company appointed Mr. Toshiya Fujiwara as Director.
Number of shares of the Company held: 1,251

Mari Iizuka
(Mar. 29, 1959)
Outside Director

- Apr. 1982 Joined Henkel Hokusai Corporation (current Henkel Japan Ltd.)
- Aug. 1987 Joined The World Bank
- Jul. 1992 Assistant Professor of 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)

Reasons for appointment
Although Ms. Mari Iizuka has not been involved in corporate management except as an Outside Director of the Company, she has a high level of expertise in the fields of global management human resources and international management strategies as a Professor of Doshisha Business School. She also held various posts including Chair of Japan Global Compact Academic Network, which was established for collaboration between business and academia for achievement of Sustainable Development Goals (SDGs), and as an Outside Director of the Company from March 2020, she has appropriately supervised management.
Based on her experience and insight, the Company has appointed Ms. Mari Iizuka as Outside Director, as we expect her to provide supervision and advice utilizing her insight.
Number of shares of the Company held: 0

Naoki Hidaka
(May 16, 1953)
Outside Director

- 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)

Reasons for appointment
Mr. Naoki Hidaka has been engaged in the overseas businesses of SUMITOMO CORPORATION. After serving as General Manager of the Transportation & Construction Systems Business Unit, which operates in the same business domain as the Company, he served as Representative Director of SUMITOMO CORPORATION, and has broad experience and extensive knowledge and insight as a corporate manager. As an Outside Director of the Company from March 2021, he has appropriately supervised management.
Based on his experience and insight, the Company has appointed Mr. Naoki Hidaka as Outside Director, as we expect him to provide supervision and advice utilizing his knowledge.
Number of shares of the Company held: 0

Norio Uchida
(Oct. 22, 1950)
Outside Director

- Apr. 1973 Joined Tokyo Optical Co., Ltd. (current TOPCON CORPORATION)
- Jun. 1980 General Manager of Topcon Singapore Pte. Ltd.
- Feb. 1989 President of Topcon Australia Pty Ltd.
- Oct. 1994 Senior Vice President of Topcon Laser Systems, Inc. (current Topcon Positioning Systems, Inc.)
- Jun. 2003 Executive Officer of TOPCON CORPORATION
- Jul. 2005 President and Director of Topcon Sales Co., Ltd. (current Topcon Sokkia Positioning Japan Co., Ltd.)
- Jun. 2005 Director and Executive Officer of TOPCON CORPORATION
- Jun. 2007 Director, Managing Executive Officer, Supervising Sales Promotion Group, and Chief of Positioning Business Unit of TOPCON CORPORATION
- Jun. 2010 Director, Senior Managing Executive Director and Supervising Corporate Planning Group of TOPCON
- Jun. 2011 President & Representative Director of TOPCON CORPORATION
- Jun. 2013 Adviser of TOPCON CORPORATION (retired in June 2015)
- Jun. 2015 Director of Nabtesco Corporation (to present)
- Sep. 2015 External Director of ULVAC, Inc. (to present)

Reasons for appointment
Mr. Norio Uchida has served as Representative Director of TOPCON CORPORATION and has broad experience and extensive knowledge and insight as a corporate manager. As an Outside Director of the Company from June 2015, he has appropriately supervised management.
Based on his experience and insight, the Company has appointed Mr. Norio Uchida as Outside Director, as we expect him to provide supervision and advice utilizing his insight.
Number of shares of the Company held: 0

Naoko Mizukoshi
(Sep. 23, 1967)
Outside Director

- 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-ri Tokyo Bar Association Joined Autodes 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)

Reasons for appointment
Although Ms. Naoko Mizukoshi has not been involved in corporate management except as an Outside Director, she has a high level of expertise as an attorney-at-law. She also held various posts including outside officers of other business entities and posts in public offices including as a member of Unfair Competition Prevention Subcommittee, Intellectual Property Committee, Industrial Structure Council, Ministry of Economy, Trade and Industry. As an Outside Director of the Company from March 2020, she has appropriately supervised management.
Based on her experience and insight, the Company has appointed Ms. Naoko Mizukoshi as Outside Director, as we expect her to provide supervision and advice utilizing her insight.
Number of shares of the Company held: 0

Toshiya Takahata
(Nov. 19, 1963)
Outside Director

- 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)

Reasons for appointment
Mr. Toshiya Takahata has been engaged in operations related to intellectual property, digital transformation, corporate planning, and sustainability at Seiko Epson Corporation. He has also served as a Director of Seiko Epson Corporation, and has broad experience and extensive knowledge and insight as a corporate manager.
Based on his experience and insight, the Company has appointed Mr. Toshiya Takahata as a new Outside Director, as we expect him to provide supervision and advice utilizing his knowledge.
Number of shares of the Company held: 0

* The average term of office of the above Directors is 2.35 years as of March 24, 2022.
* The number of shares of above Directors is as of March 24, 2022.

Management Team

Audit & Supervisory Board Members (as of March 24, 2022)



Kenichi Kikuchi
(Dec. 18 1959)
Audit & Supervisory Board Member

Apr. 2015 Senior Manager, Accounting & Finance Department of Nabtesco Corporation
Jul. 2017 General Manager, Business Auditing Department of Nabtesco Corporation
Mar. 2019 Audit & Supervisory Board Member of Nabtesco Corporation (to present)


Number of shares of the Company held: 2,128



Isao Shimizu
(Sep. 3, 1960)
Audit & Supervisory Board Member

Apr. 2008 General Manager, Production Control Department, Gifu Plant, Aerospace Company of Nabtesco Corporation
Jul. 2010 General Manager, Materials Department, Gifu Plant, Aerospace Company of Nabtesco Corporation
Jul. 2011 General Manager, Supply Chain Management Department, Gifu Plant, Aerospace Company of Nabtesco Corporation
Jun. 2012 General Manager, Gifu Plant, Aerospace Company of Nabtesco Corporation
Mar. 2016 General Manager, Production Innovation Division of Nabtesco Corporation
Mar. 2018 Executive Officer of Nabtesco Corporation
Mar. 2020 Audit & Supervisory Board Member of Nabtesco Corporation (to present)


Number of shares of the Company held: 3,936



Zenzo Sasaki
(Nov. 1, 1952)
Audit & Supervisory Board Member (Independent)

Apr. 1979 Appointed Public Prosecutor
Apr. 2000 Deputy General Manager, Special Investigation Department of Tokyo District Public Prosecutor's Office
Sep. 2002 Manager, Facilities Division, Minister's Secretariat of Ministry of Justice
Jan. 2004 General Manager, Public Safety Department and General Manager, Transportation Department of Tokyo District Public Prosecutor's Office
Aug. 2006 Chief Public Prosecutor of Wakayama District Public Prosecutor's Office
Oct. 2008 Public Prosecutor of Supreme Public Prosecutor's Office
Oct. 2008 Chief Public Prosecutor of Mito District Public Prosecutor's Office
Jul. 2010 Chief Public Prosecutor of Sendai District Public Prosecutor's Office
Aug. 2011 Chief Public Prosecutor of Kyoto District Public Prosecutor's Office
Nov. 2012 Retired as Public Prosecutor
Feb. 2013 Registered with Tokyo Bar Association
Joined Harumi-kyowa Law Offices (to present)
Mar. 2016 Audit & Supervisory Board Member (Independent) of Nabtesco Corporation (to present)


Number of shares of the Company held: 0



Takemi Nagasaka
(Jan. 24, 1956)
Audit & Supervisory Board Member (Independent)

Oct. 1978 Joined Musashi Audit Corporation (currently Ernst & Young ShinNihon LLC)
Aug. 1981 Joined Sony Corporation (currently Sony Group Corporation)
Sep. 1986 Sony Corporation of America / Director, Tax Department
Apr. 2004 Audit & Supervisory Board Member of Sony Financial Holdings Inc. (currently Sony Financial Group Inc.)
Jun. 2004 General Manager, Accounting Department of Sony Corporation (currently Sony Group Corporation)
Jun. 2004 Audit & Supervisory Board Member of Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment Inc.)
Jun. 2006 Auditor of Sony Music Entertainment (Japan) Inc.
Apr. 2007 Senior General Manager, Accounting Division of Sony Corporation (currently Sony Group Corporation)
Jun. 2010 Senior Vice President, Corporate Executive, Senior General Manager, Accounting Division of Sony Corporation (currently Sony Group Corporation)
Jun. 2013 Director of Sony Financial Holdings Inc. (currently Sony Financial Group Inc.)
Jun. 2015 Senior Advisor of Sony Corporation (currently Sony Group Corporation)
Mar. 2016 Audit & Supervisory Board Member (Independent) of Nabtesco Corporation (to present)
Jun. 2016 Audit & Supervisory Board Member of DAIO Paper Corporation (to present)

Number of shares of the Company held: 1,252



Tetsuro Hirai
(Dec. 19, 1955)
Audit & Supervisory Board Member (Independent)

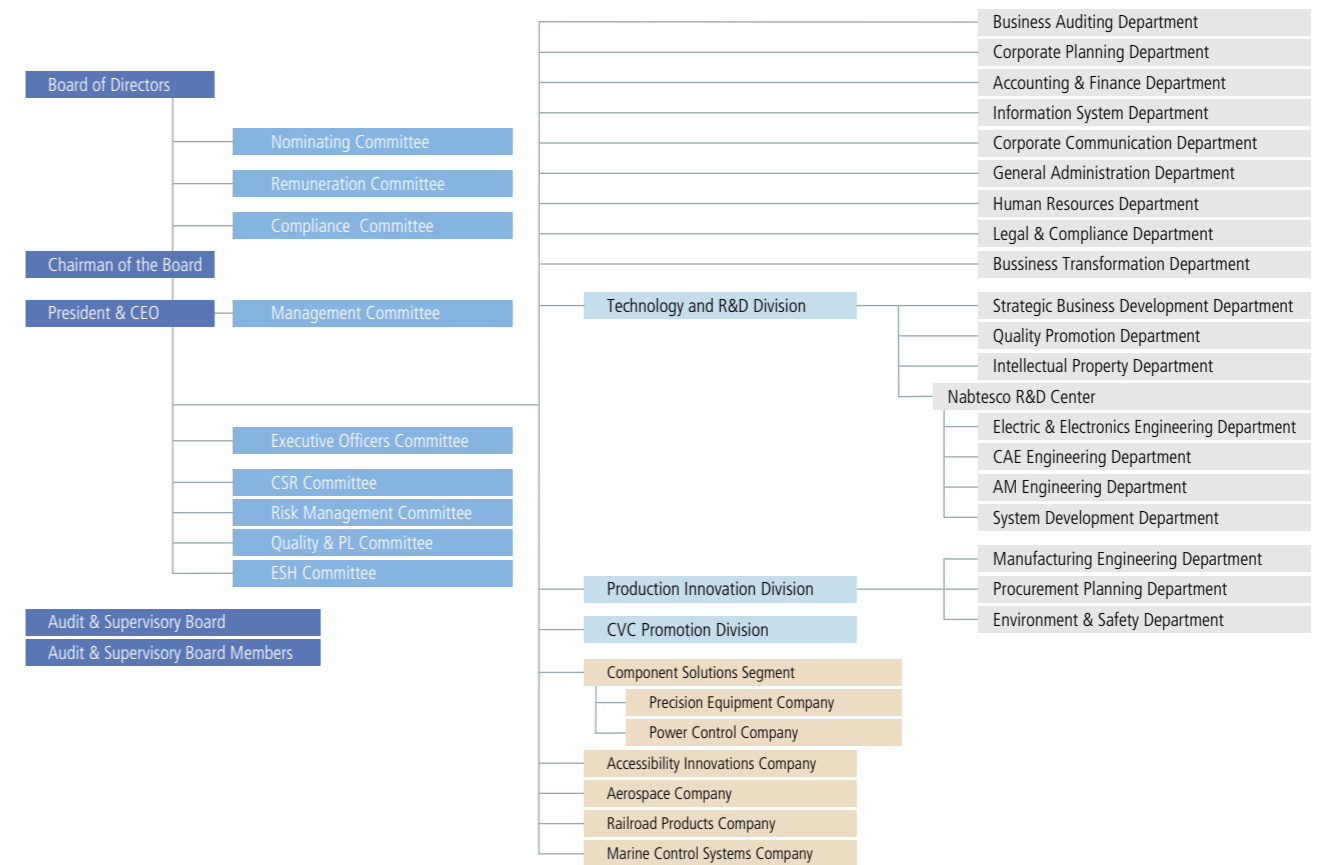
Apr. 1980 Joined Toyota Motor Co., Ltd. (current Toyota Motor Corporation)
Jan. 2006 General Manager, Vehicle Planning Department, Global Strategic Production Planning Division and Project General Manager of China Division of Toyota Motor Corporation
Jan. 2008 General Manager, Machinery Division, Motomachi Plant of Toyota Motor Corporation
Jun. 2010 Executive Officer of Toyota Tsusho Corporation
Jun. 2011 Managing Executive Officer of Toyota Tsusho Corporation
Apr. 2018 Technical Supervisor of Toyota Tsusho Corporation
Mar. 2019 Audit & Supervisory Board Member (Independent) of Nabtesco Corporation (to present)

Number of shares of the Company held: 0

Executive Officers (as of March 24, 2022)

| | | |
|-----------------------------------|-------------------|---|
| President | Kazumasa Kimura | Chief Executive Officer (CEO) |
| Senior Managing Executive Officer | Daisuke Hakoda | President, Accessibility Innovations Company |
| Managing Executive Officer | Akiyoshi Kitamura | President, PACRAFT Co., Ltd. |
| Managing Executive Officer | Atsushi Habe | Managing Executive Officer, Corporate Planning, Accounting & Finance, Information Systems, Business Transformation and Corporate Communication |
| Managing Executive Officer | Shoji Ijuin | Managing Executive Officer, General Administration, Human Resources and Legal & Compliance |
| Managing Executive Officer | Toshiya Fujiwara | Managing Executive Officer, Component Solutions Segment, President, Precision Equipment Company, in charge of Production Innovation and Hamamatsu Plant Construction Project. |
| Executive Officer | Kiyoshi Ando | President, Power Control Company |
| Executive Officer | Norimasa Takagi | President, Aerospace Company |
| Executive Officer | Koji Nakano | Executive Officer, Business Audit |
| Executive Officer | Ataru Inoue | President, Nabtesco Automotive Co., Ltd. |
| Executive Officer | Yukihiro Mizutani | President, Marine Control Systems Company |
| Executive Officer | Seiji Takahashi | Vice President, Accessibility Innovations Company |
| Executive Officer | Michihito Suzuki | President, Railroad Products Company |
| Executive Officer | Yasuhiro Nakagawa | General Manager, Production Innovation Division |
| Executive Officer | Koichi Miyaguchi | General Manager, CVC Promotion Division |
| Executive Officer | Hiroshi Usui | General Manager, Planning Department, Aerospace Company |
| Executive Officer | Masakazu Kurita | Responsible for Production, Plant Manager, Tsu Plant, Precision Equipment Company |
| Executive Officer | Tomoaki Shiramizu | President, Shanghai Nabtesco Hydraulic Co., Ltd. |
| Executive Officer | Akihito Enomoto | Responsible for Sales Management, General Manager, Sales Department, Railroad Products Company |
| Executive Officer | Hiroshi Nerima | President, Nabtesco Technology Ventures AG |
| Executive Officer | Hiroki Higuchi | General Manager, Corporate Planning Department, and CVC Promotion Division |
| Executive Officer | Tomohiro Kiriya | Senior General Manager, Technology and R&D Division, General Manager, Nabtesco R&D Center, and CVC Promotion Division |

Management Structure (as of March 24, 2022)



Financial Data

| | 2012/3 | 2013/3 | 2014/3 | 2015/3 | 2015/12*2 | 2016/12*3 | 2017/12 | 2018/12 | 2019/12 | 2020/12 | 2021/12 |
|---|----------|----------|----------|----------|-----------|-----------|----------|----------|----------|----------|-----------------|
| (¥ Million) | | | | | | | | | | | |
| Major Financial Indicators | | | | | | | | | | | |
| Net sales | 198,527 | 179,543 | 202,292 | 219,657 | 187,000 | 244,968 | 282,422 | 294,626 | 289,808 | 279,358 | 299,802 |
| Cost of sales | 148,184 | 134,859 | 148,321 | 158,693 | 136,576 | 175,508 | 201,982 | 215,043 | 212,105 | 206,166 | 217,759 |
| Selling, general and administrative expenses | 27,484 | 29,670 | 33,877 | 37,347 | 35,129 | 44,294 | 51,285 | 53,184 | 51,998 | 50,655 | 52,520 |
| Operating income | 22,858 | 15,013 | 20,092 | 23,615 | 15,294 | 25,982 | 29,468 | 21,889 | 25,320 | 28,533 | 30,017 |
| Profit before tax | 24,847 | 18,997 | 23,522 | 27,026 | 15,358 | 26,779 | 34,907 | 29,962 | 27,979 | 33,718 | 101,966 |
| Income taxes expense | 8,873 | 5,598 | 8,140 | 9,254 | 5,731 | 7,843 | 8,338 | 6,997 | 8,028 | 10,206 | 34,073 |
| Non-controlling interests*1 | 1,217 | 129 | 404 | 25 | (1,432) | 330 | 1,423 | 1,935 | 2,020 | 3,008 | 3,075 |
| Net income attributable to owners of the parent | 14,756 | 13,269 | 14,978 | 17,746 | 11,059 | 18,606 | 25,146 | 21,029 | 17,931 | 20,505 | 64,818 |
| At year-end | | | | | | | | | | | |
| Current assets | 123,929 | 112,048 | 134,159 | 139,321 | 128,575 | 143,792 | 165,695 | 179,124 | 179,154 | 183,110 | 288,900 |
| Property, plant and equipment | 51,509 | 54,475 | 55,225 | 56,877 | 55,916 | 63,155 | 70,700 | 80,573 | 87,083 | 89,522 | 89,020 |
| Total assets | 208,092 | 203,056 | 233,984 | 245,992 | 233,381 | 256,973 | 301,557 | 328,568 | 344,558 | 351,723 | 481,718 |
| Current liabilities | 70,897 | 52,322 | 73,161 | 64,830 | 73,000 | 74,876 | 96,934 | 112,558 | 109,614 | 113,662 | 191,315 |
| Interest-bearing debt | 31,694 | 26,389 | 26,204 | 16,659 | 15,333 | 16,949 | 27,720 | 45,310 | 43,936 | 39,866 | 17,587 |
| Equity | 107,466 | 120,857 | 139,471 | 158,664 | 148,924 | 155,904 | 177,002 | 189,255 | 199,133 | 211,641 | 254,995 |
| Equity attributable to owners of the parent | 99,092 | 114,038 | 131,043 | 149,862 | 142,068 | 147,929 | 167,537 | 178,702 | 187,398 | 198,031 | 239,910 |
| Cash flows | | | | | | | | | | | |
| Cash flows from operating activities | 15,104 | 12,952 | 27,597 | 19,949 | 8,746 | 27,730 | 23,071 | 24,165 | 38,433 | 34,203 | 36,340 |
| Cash flows from investing activities | (27,464) | (13,693) | (8,064) | (7,880) | (4,886) | (14,989) | (20,186) | (21,823) | (20,086) | (10,710) | 67,147 |
| Cash flows from financing activities | 6,035 | (10,090) | (8,175) | (15,888) | (19,090) | (4,808) | (950) | 8,396 | (13,365) | (17,497) | (57,960) |
| Per share of common stock (¥) | | | | | | | | | | | |
| Basic earnings per share | 116.74 | 104.57 | 117.95 | 140.24 | 88.85 | 150.64 | 203.85 | 169.65 | 144.50 | 165.18 | 534.67 |
| Equity attributable to owners of the parent per share | 784.12 | 894.86 | 1,035.68 | 1,184.17 | 1,150.41 | 1,193.79 | 1,355.72 | 1,438.64 | 1,508.53 | 1,594.10 | 1,999.10 |
| Cash dividends per share | 34.00 | 34.00 | 38.00 | 44.00 | 44.00 | 50.00 | 72.00 | 73.00 | 73.00 | 75.00 | 77.00 |
| Major management indicators (%) | | | | | | | | | | | |
| Operating income margin | 11.5 | 8.4 | 9.9 | 10.8 | 8.2 | 10.6 | 10.4 | 7.4 | 8.7 | 10.2 | 10.0 |
| Return on assets (ROA) | 7.6 | 6.5 | 6.9 | 7.4 | 4.6 | 7.6 | 9.0 | 6.7 | 5.3 | 5.9 | 15.6 |
| Return on equity (ROE) | 15.6 | 12.5 | 12.2 | 12.6 | 7.6 | 13.0 | 15.9 | 12.1 | 9.8 | 10.6 | 29.6 |
| Payout ratio | 29.1 | 32.5 | 32.2 | 31.4 | 49.5 | 35.1 | 35.3 | 43.0 | 50.5 | 45.4 | 14.4 |
| Equity ratio | 47.6 | 56.2 | 56.0 | 60.9 | 60.9 | 57.6 | 55.6 | 54.4 | 54.4 | 56.3 | 49.8 |

*1 Net income or net loss attributable to non-controlling interests

*2 Due to the change of the accounting closing date of the fiscal year since FY2015/12, the results for FY2015/12 are calculated on a basis of 9 months for Nabtesco Corporation and the other consolidated subsidiaries in Japan, and 12 months for the overseas consolidated subsidiaries.

*3 Adopted IFRS from the fiscal year ended December 31, 2017. Figures for the fiscal year ended December 31, 2016 have been restated in IFRS terms.

Financial Data

(¥ Million)

Consolidated Balance Sheets

| | As of December 31, 2020 | As of December 31, 2021 |
|---|----------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 64,665 | 112,771 |
| Trade receivables | 74,632 | 74,957 |
| Contract assets | 1,230 | 2,065 |
| Other receivables | 1,114 | 1,300 |
| Inventories | 36,505 | 41,880 |
| Other financial assets | 2,582 | 7,821 |
| Other current assets | 2,382 | 3,588 |
| Total | 183,110 | 244,382 |
| Assets held for sale | — | 44,519 |
| Total current assets | 183,110 | 288,900 |
| Non-current assets | | |
| Property, plant and equipment | 89,522 | 89,020 |
| Intangible assets | 3,905 | 4,251 |
| Right-of-use assets | 7,558 | 8,877 |
| Goodwill | 14,658 | 16,184 |
| Investment property | 2,192 | 2,162 |
| Investments accounted for using the equity method | 34,887 | 15,475 |
| Other financial assets | 12,646 | 53,860 |
| Deferred tax assets | 2,016 | 1,997 |
| Other non-current assets | 1,230 | 992 |
| Total non-current assets | 168,614 | 192,818 |
| Total assets | 351,723 | 481,718 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Operating payables | 44,838 | 51,974 |
| Contract liabilities | 5,763 | 5,704 |
| Bonds and borrowings | 37,001 | 14,690 |
| Other payables | 9,723 | 10,776 |
| Income taxes payable | 6,700 | 19,788 |
| Provisions | 1,065 | 1,206 |
| Lease liabilities | 2,209 | 2,158 |
| Other financial liabilities | — | 77,878 |
| Other current liabilities | 6,362 | 7,139 |
| Total current liabilities | 113,662 | 191,315 |
| Non-current liabilities | | |
| Bonds and borrowings | 2,865 | 2,897 |
| Lease liabilities | 6,291 | 7,575 |
| Liabilities concerning retirement benefits | 10,211 | 9,079 |
| Deferred tax liabilities | 4,949 | 13,922 |
| Other financial liabilities | 69 | — |
| Other non-current liabilities | 2,035 | 1,936 |
| Total non-current liabilities | 26,421 | 35,408 |
| Total liabilities | 140,083 | 226,723 |
| Equity | | |
| Capital stock | 10,000 | 10,000 |
| Share premium | 14,998 | 14,961 |
| Retained earnings | 173,988 | 214,791 |
| Treasury shares | (2,471) | (4,784) |
| Other components of equity | 1,515 | 4,942 |
| Equity attributable to owners of the parent | 198,031 | 239,910 |
| Non-controlling interests | 13,610 | 15,084 |
| Total equity | 211,641 | 254,995 |
| Total liabilities and equity | 351,723 | 481,718 |

(¥ Million)

Consolidated Statements of Income

| | FY2020 | FY2021 |
|--|-----------|-----------|
| Net sales | 279,358 | 299,802 |
| Cost of sales | (206,166) | (217,759) |
| Gross profit | 73,192 | 82,043 |
| Other income | 6,515 | 1,180 |
| Selling, general and administrative expenses | (50,655) | (52,520) |
| Other expenses | (519) | (686) |
| Operating income | 28,533 | 30,017 |
| Finance income | 2,291 | 126,977 |
| Finance costs | (573) | (57,126) |
| Equity in earnings of affiliates | 3,467 | 2,099 |
| Profit before tax | 33,718 | 101,966 |
| Income tax expense | (10,206) | (34,073) |
| Net income | 23,512 | 67,893 |
| Net income attributable to | | |
| Owners of the parent | 20,505 | 64,818 |
| Non-controlling interests | 3,008 | 3,075 |
| Net income | 23,512 | 67,893 |
| Net income per share | | |
| Basic earnings per share (¥) | 165.18 | 534.67 |
| Diluted earnings per share (¥) | 165.09 | 534.53 |

(¥ Million)

Consolidated Statements of Comprehensive Income

| | FY2020 | FY2021 |
|---|--------|--------|
| Net income | 23,512 | 67,893 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurement of net defined benefit plans | (578) | 1,148 |
| Net changes in financial assets measured at fair value through other comprehensive income | (528) | 274 |
| Share of other comprehensive income for equity method affiliates | 516 | — |
| Total items that will not be reclassified to profit or loss | (590) | 1,422 |
| Components that may be reclassified subsequently to profit or loss | | |
| Exchange differences on foreign operations | 368 | 6,480 |
| Total components that will be reclassified to profit or loss | 368 | 6,480 |
| Other comprehensive income after taxes | (222) | 7,902 |
| Total comprehensive income | 23,291 | 75,795 |
| Comprehensive income attributable to | | |
| Owners of the parent | 20,201 | 71,444 |
| Non-controlling interests | 3,090 | 4,351 |
| Total comprehensive income | 23,291 | 75,795 |

Consolidated Statements of Cash Flows

| | (¥ Million) | |
|--|-------------|-----------|
| | FY2020 | FY2021 |
| Cash flows from operating activities | | |
| Net income | 23,512 | 67,893 |
| Depreciation and amortization | 13,730 | 13,266 |
| Impairment loss | 3,885 | — |
| Increase (decrease) in liabilities concerning retirement benefits | 79 | 297 |
| Interest and dividend income | (301) | (528) |
| Interest expenses | 205 | 168 |
| Valuation loss (gain) due to exclusion of companies accounted for by the equity method | — | (125,107) |
| Decrease (increase) in valuation on investment securities | (1,983) | 56,958 |
| Equity loss (gain) in earnings of affiliates | (3,467) | (2,099) |
| Loss (gain) on sales of fixed assets | 104 | 382 |
| Decrease (increase) in sales on investment property | (4,892) | — |
| Expenses of income tax | 10,206 | 34,073 |
| Decrease (increase) in trade receivables | (5,242) | 1,545 |
| Decrease (increase) in inventories | 4,613 | (3,846) |
| Decrease (increase) in operating payables | (223) | 5,040 |
| Others | 132 | (355) |
| Subtotal | 40,358 | 47,686 |
| Interest and dividends received | 1,141 | 1,023 |
| Interest paid | (190) | (165) |
| Income taxes refunded (paid) | (7,106) | (12,204) |
| Net cash and cash equivalents provided by operating activities | 34,203 | 36,340 |
| Cash flows from investing activities | | |
| Increase (decrease) in time deposits (Increase) | 2,163 | 1,484 |
| Purchases of tangible fixed assets | (17,148) | (7,738) |
| Proceeds from sales of tangible fixed assets | 112 | 89 |
| Purchase of intangible fixed assets | (1,549) | (1,561) |
| Proceeds from sales on investment property | 6,585 | 17 |
| Payments for acquisition of subsidiaries | — | (746) |
| Proceeds from sale of investment securities | 13 | 79,014 |
| Payments of leasehold and guarantee deposits | (362) | (11,528) |
| Proceeds from refund of leasehold deposits | 308 | 5,031 |
| Proceeds from sale of investments accounted for using equity method | — | 3,156 |
| Others | (831) | (71) |
| Cash flows from investing activities | (10,710) | 67,147 |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term bank loans | (3,805) | (12,601) |
| Proceeds from long-term loans payable | 60 | 30 |
| Repayment of long-term loans payable | (310) | (222) |
| Redemption of bonds | — | (10,000) |
| Payments of lease liabilities | (2,547) | (2,522) |
| Increase in treasury shares | 12 | (20,969) |
| Cash dividends paid | (9,691) | (8,800) |
| Capital contribution from non-controlling interests | — | 51 |
| Dividends paid to non-controlling interests | (1,215) | (2,928) |
| Cash flows from financing activities | (17,497) | (57,960) |
| Increase (decrease) in cash and cash equivalents | 5,995 | 45,527 |
| Cash and cash equivalents at the beginning of term | 58,686 | 64,665 |
| Effect of exchange rate changes on cash and cash equivalents | (16) | 2,579 |
| Cash and cash equivalents at the end of term | 64,665 | 112,771 |

Non-Financial Data

● Governance

| Indicators | | FY2018 | FY2019 | FY2020 | FY2021 | Unit | |
|--|--|----------|--------|--------|--------|---------|---------|
| Number of Directors | Inside Directors | Male | 7 | 6 | 6 | 6 | |
| | | Female | 0 | 0 | 0 | 0 | |
| | | Subtotal | 7 | 6 | 6 | 6 | |
| | Independent Outside Directors | Male | 2 | 2 | 2 | 2 | Persons |
| | | Female | 1 | 2 | 2 | 2 | |
| Total | | 10 | 10 | 10 | 10 | | |
| Ratio of Independent Outside Directors | | 30 | 40 | 40 | 40 | % | |
| Ratio of female Directors | | 10 | 20 | 20 | 20 | % | |
| Number of times Board of Directors' meetings are held | | 18 | 16 | 15 | 15 | Times | |
| Attendance rate at Board of Directors' meetings | | 98.89 | 100 | 100 | 100 | % | |
| Attendance rate of Independent Directors | | 96.29 | 100 | 100 | 100 | % | |
| Number of Nominating Committee members | Inside Executive Officers | 2 | 1 | 1 | 1 | Persons | |
| | Independent Outside Directors and Auditors | 3 | 3 | 4 | 4 | | |
| | Total | 5 | 4 | 5 | 5 | | |
| Number of times Nominating Committee meetings are held | | 3 | 3 | 3 | 6 | Times | |
| Number of Remuneration Committee members | Inside Executive Officers | 1 | 1 | 1 | 1 | Persons | |
| | Independent Outside Directors and Auditors | 2 | 3 | 4 | 4 | | |
| | Total | 3 | 4 | 5 | 5 | | |
| Number of times Remuneration Committee meetings are held | | 2 | 2 | 2 | 2 | Times | |

● Remuneration for Directors and Audit & Supervisory Board Members

| Composition | | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|--|---|--------|--------|--------|--------|-------------|
| Remuneration of Directors (excl. Outside Directors) | Basic Compensation (Fixed Compensation + Performance-linked Compensation) | 301 | 220 | 210 | 211 | Million yen |
| | Performance-linked stock compensation (BBT) | 122 | 101 | 73 | 102 | |
| | Stock options | - | - | - | - | |
| | Total | 424 | 320 | 283 | 313 | |
| Remuneration for Audit & Supervisory Board Members (excl. Independent Members) | Basic Compensation (Fixed Compensation) | 48 | 54 | 54 | 54 | Million yen |
| | Performance-linked stock compensation (BBT) | - | - | - | - | |
| | Stock options | - | - | - | - | |
| | Total | 48 | 54 | 54 | 54 | |
| Remuneration for Outside Directors and Audit & Supervisory Board Members (Independent) | Basic Compensation (Fixed Compensation) | 54 | 53 | 61 | 63 | Million yen |
| | Performance-linked stock compensation (BBT) | - | - | - | - | |
| | Stock options | - | - | - | - | |
| | Total | 54 | 53 | 61 | 63 | |

* Following the introduction of the Board Benefit Trust (BBT) as resolved at the 14th Annual General Meeting of Shareholders held on March 28, 2017, the previous long-term performance-linked stock compensation-type stock option compensation was abolished.

● Shareholder Rights

| | |
|------------------------|------|
| Anti-takeover Measures | None |
|------------------------|------|

● Compliance

| Indicators | Data Coverage | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|--|------------------|--------|--------|--------|--------|----------------------------|
| Whistleblowing program (round number of times used) | Consolidated | 50 | 40 | 40 | 50 | Times |
| Violation of law, etc. | Consolidated | 0 | 0 | 0 | 0 | Times |
| Allowance for financial penalties and settlement money | Consolidated | 0 | 0 | 0 | 0 | Yen |
| Number of participants of Compliance education through e-learning | Consolidated | 4,179 | 10,756 | 8,526 | 25,261 | Persons (cumulative total) |
| Political contributions | Consolidated | 0 | 0 | 0 | 0 | Yen |
| Total amount of membership fees of industrial associations ¹⁾ | Non-consolidated | 53 | 54 | 45 | 45 | Million yen |

¹⁾ Including Japan Association of Rolling Stock Industries, the Society of Japanese Aerospace Companies, the Japan Fluid Power Association and Japan Automatic Door Association.

● Pursue Safety, Comfort and Sense of Security

● Quality Management System

| Indicator | Data Coverage | As of 2018 | As of 2019 | As of 2020 | As of 2021 | Unit |
|---|---------------|--|--|--|--|-------|
| Certification status (including ISO 9001 and industry-specific standards) | Consolidated | Domestic: 12 certifications; Overseas: 19 certifications | Domestic: 12 certifications; Overseas: 19 certifications | Domestic: 12 certifications; Overseas: 18 certifications | Domestic: 12 certifications; Overseas: 18 certifications | Times |
| Certified rate (Ratio to net sales) | | 90% | 90% | over 90% | over 90% | % |

● Management System of Occupational Health and Safety (Acquisition of OHSAS 18001 certification)

| Indicator | Data Coverage | As of 2019 | As of 2020 | As of 2021 |
|------------------------------------|--------------------------|-------------------|-------------------|-------------------|
| Plants certified under OHSAS 18001 | Group companies in Japan | 4 plants in Japan | 5 plants in Japan | 7 plants in Japan |
| OHSAS 18001 Acquisition ratio | Group companies in Japan | 50% | 63% | 88% |

● Occupational Health and Safety

| Indicator | Data Coverage | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|--|---------------------------|---------------|--------|--------|--------|--------|---------------------|
| Lost time injury frequency rate | Group companies in Japan* | 0.36 | 0.52 | 0.99 | 0.54 | 0.67 | % |
| Fatal accidents | | 0 | 0 | 0 | 0 | 0 | Number of accidents |
| Occupational illness frequency rate (OIFR) | | Not available | 0 | 0 | 0 | 0 | % |

*Including employees of Group companies in Japan and their subcontractors

● Efforts to Eliminate Mental Health Issues

| Indicator | Data Coverage | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|---|------------------|--------|--------|--------|--------|------|
| Rate of employees who took part in the stress check | Non-consolidated | 95.3 | 94.9 | 96.1 | 94.5 | % |
| Rate of employees with a high level of stress | Non-consolidated | 11.5 | 11.5 | 9.03 | 11.39 | % |

● Human Capital Development

● Human Capital Development

| Indicator | Data Coverage | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|--|------------------|---------|---------|--------|--------|--------------|
| Accumulated hours taken for training/year | Non-consolidated | 44,556 | 53,200 | 29,921 | 55,212 | Hours |
| Training hours per person/year | | 19 | 23 | 16.9 | 23.8 | Hours |
| Total cost for training/year | | 164,456 | 136,855 | 58,416 | 61,785 | Thousand yen |
| Training cost per person/year | | 73.8 | 60.2 | 25.3 | 26.6 | Thousand yen |
| Number of trainees dispatched overseas (combination of overseas education and work experience) | | 6 | 3 | 0 | 0 | Persons |
| Number of employees dispatched to overseas training | | 30 | 27 | 9 | 24 | Persons |

● Human Rights and Labor Practices

● Human Rights Due Diligence

| Indicator | Data Coverage | FY2018 | FY2020 | FY2022 | Unit |
|---|---------------|--------------------------------------|--------------------------------------|-----------------------------------|-----------|
| Targeted countries of country risk survey | | 16 (countries where offices located) | 16 (countries where offices located) | - | countries |
| Targeted offices of human rights risk survey | | 41 (employee coverage rate: 95%) | 13 (employee coverage rate: 98%) | 54 (employee coverage rate: 100%) | locations |
| Recognized serious human rights risk | Consolidated | None | None | None | - |
| Violation of local laws and regulations and international norms | | None | None | None | - |
| Issues related to the infringement of human rights | | None | None | None | - |

● Fair, Proper and Transparent Procurement Activities

● CSR-Oriented Procurement

| Indicator | Data Coverage | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|--|---------------|------------------------------|-------------|-------------|--------|-----------|
| Number of respondents to the SAQ | Japan, China | 990 (Japan: 862, China: 128) | About 1,000 | About 1,000 | 1,144 | companies |
| Number of engagement by visiting suppliers | Japan, China | 17 (Japan: 12, China: 5) | 9 | 10 | 22 | companies |

● Environmental Management

● Environmental Management System

| Indicator | Data Coverage | FY2018 | FY2019 | FY2020 | Unit |
|--|---------------|----------|---------|---------|--------|
| Situation regarding obtaining of ISO 14001 certification | Consolidated* | 8 | 9 | 9 | plants |
| ISO 14001 Acquisition ratio (to sales) | | About 70 | over 70 | over 70 | % |

* Nabesco Corporation and major Group companies in Japan

Non-Financial Data

● Combating Climate Change

| Indicator | | Data Coverage | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|---------------------------|--------------------------------------|---|------------------|---------|---------|---------|-------------------|
| CO ₂ emissions | Total CO ₂ emissions | Scope of environmental data collection* | 70,175 | 60,473 | 52,565 | 45,082 | t-CO ₂ |
| | CO ₂ emissions (in Japan) | | 50,184 | 41,947 | 35,328 | 27,078 | t-CO ₂ |
| | Scope 1 | | 8,781 | 6,599 | 4,491 | 4,061 | t-CO ₂ |
| | Scope 2 | | 61,395 | 53,874 | 48,073 | 41,021 | t-CO ₂ |
| | Scope 3 | | Non-consolidated | 979,097 | 940,976 | 819,726 | 957,099 |
| Energy consumption | Basic unit sales | Scope of environmental data collection* | 0.238 | 0.209 | 0.188 | 0.150 | - |
| | Electricity Bunker | | 124,899 | 114,740 | 106,048 | 122,409 | MWh |
| | A oil | | 15,440 | 7,251 | 3,215 | 2,537 | MWh |
| | LPG | | 7,523 | 6,669 | 6,118 | 6,355 | MWh |
| | Other | | 17,386 | 17,986 | 12,382 | 9,780 | MWh |
| | Per unit of sales | | 0.561 | 0.506 | 0.457 | 0.471 | - |

* For the tabulation scope of environmental data and others, please click the following link:
<https://nabtesco.disclosure.site/en/themes/148>

● Employment-related Data/Fostering Workplace Diversity

| Indicator | | Data Coverage | FY2018 | FY2019 | FY2020 | FY2021 | Unit |
|--|--------|------------------|--------|--------|--------|--------|---------------------|
| Number of consolidated employees | | Consolidated | 7,687 | 7,596 | 7,544 | 7,672 | Persons |
| | Male | Consolidated | 6,413 | 6,426 | 6,360 | 6,503 | Persons |
| | Female | Consolidated | 1,274 | 1,170 | 1,184 | 1,169 | Persons |
| Female employee rate | | Consolidated | 16.6 | 15.4 | 15.7 | 15.2 | % |
| Number of non-consolidated employees | | Non-consolidated | 2,253 | 2,297 | 2,324 | 2,317 | Persons |
| | Male | Non-consolidated | 2,030 | 2,078 | 2,099 | 2,096 | Persons |
| | Female | Non-consolidated | 223 | 219 | 225 | 221 | Persons |
| Female employee rate | | Non-consolidated | 9.9 | 9.5 | 9.7 | 9.5 | % |
| Number of non-Japanese employees (Non-consolidated) | | Non-consolidated | 70 | 66 | 63 | 57 | Persons |
| | Male | Non-consolidated | 42 | 41 | 40 | 35 | Persons |
| | Female | Non-consolidated | 28 | 25 | 23 | 22 | Persons |
| Number of non-Japanese employees (Consolidated) | | Consolidated | 3,019 | 3,012 | 2,899 | 2,968 | Persons |
| Male | | Consolidated | 2,371 | 2,399 | 2,282 | 2,394 | Persons |
| Female | | Consolidated | 648 | 613 | 617 | 574 | Persons |
| Ratio of non-Japanese employees (Consolidated) | | Consolidated | 39.3 | 39.6 | 38.4 | 38.7 | % |
| Number of employed new graduates | | Non-consolidated | 74 | 70 | 72 | 53 | Persons |
| | Male | Non-consolidated | 68 | 66 | 62 | 51 | Persons |
| | Female | Non-consolidated | 6 | 4 | 10 | 2 | Persons |
| Number of employed mid-careers | | Non-consolidated | 40 | 36 | 38 | 29 | Persons |
| | Male | Non-consolidated | 35 | 31 | 37 | 28 | Persons |
| | Female | Non-consolidated | 5 | 5 | 1 | 1 | Persons |
| Retention rate of employed new graduates (turnover rate 3 years later) | | Non-consolidated | 4 | 6 | 5 | 9 | % |
| Male | | Non-consolidated | 2 | 3 | 4 | 7 | % |
| Female | | Non-consolidated | 13 | 17 | 20 | 33 | % |
| Total turnover rate | | Non-consolidated | 3 | 3.2 | 3.7 | 3.6 | % |
| Male | | Non-consolidated | 2.9 | 2.9 | 3.8 | 3.6 | % |
| Female | | Non-consolidated | 4.1 | 5.8 | 2.7 | 3.1 | % |
| Voluntary retirement rate | | Non-consolidated | 1.5 | 2.2 | 2.3 | 2.1 | % |
| Male | | Non-consolidated | 1.4 | 1.9 | 2.3 | 2 | % |
| Female | | Non-consolidated | 2.8 | 5.4 | 2.7 | 2.7 | % |
| Promotion status | | Non-consolidated | 380 | 387 | 396 | 395 | Persons |
| Male | | Non-consolidated | 348 | 352 | 358 | 362 | Persons |
| Male (non-Japanese) | | Non-consolidated | 6 | 6 | 5 | 5 | Persons |
| Female | | Non-consolidated | 1 | 4 | 4 | 5 | Persons |
| Female (non-Japanese) | | Non-consolidated | 0 | 1 | 1 | 1 | Persons |
| Female managerial position rate | | Non-consolidated | 0.3 | 1.1 | 1.1 | 1.36 | % |
| Number of employed persons with disabilities | | Non-consolidated | 95.8 | 95.6 | 99 | 102.5 | Persons |
| Employment rate of persons with disabilities | | Non-consolidated | 2.28 | 2.23 | 2.28 | 2.35 | % |
| Total working hours/year | | Non-consolidated | 2,058 | 2,024 | 2,002 | 2,055 | hours |
| Overtime work hours/month | | Non-consolidated | 24.2 | 22.5 | 19.7 | 24.8 | hours |
| Rate of paid leave taken | | Non-consolidated | 72.9 | 81.0 | 75.3 | 81 | % |
| Number of Labor Standards Act violations | | Non-consolidated | - | - | - | 0 | Number of accidents |
| Number of employees who used childcare schemes | | Non-consolidated | 10 | 10 | 15 | 14 | Persons |
| Male | | Non-consolidated | 0 | 1 | 10 | 10 | Persons |
| Female | | Non-consolidated | 10 | 9 | 5 | 4 | Persons |
| Childcare leave-taking rate | | Non-consolidated | 11.8 | 12.3 | 21.4 | 24.1 | % |
| Male | | Non-consolidated | 0 | 1.4 | 15.4 | 18.5 | % |
| Female | | Non-consolidated | 100 | 100 | 100 | 100 | % |
| Number of employees who took nursing care leave | | Non-consolidated | 0 | 1 | 3 | 1 | Persons |
| Male | | Non-consolidated | 0 | 0 | 2 | 1 | Persons |
| Female | | Non-consolidated | 0 | 1 | 1 | 0 | Persons |
| Number of re-employed retirees | | Non-consolidated | 25 | 17 | 29 | 30 | Persons |
| Re-employment rate of retirees | | Non-consolidated | 75.8 | 81.0 | 96.7 | 88.2 | % |
| Labor union participation rate | | Non-consolidated | 85.3 | 85.2 | 85.1 | 85 | % |

* Only regular employees are included in the numbers of consolidated and non-consolidated employees.
 * In FY2020, we changed the scope of employees to include locally hired employees and revised the past data accordingly.
 * In FY2020 we changed the period for the calculation of the number of new graduates employed by us from "April to March" to "January to December" and revised the past data accordingly.
 * In FY2020 we began to include employees who were naturalized in Japan in the number of non-Japanese employees and revised the past data accordingly.
 * In FY2020 we revised the definition of "voluntary resignation" to include resignation for all reasons other than involuntary terminations, such as death of the employee and disciplinary dismissals, and revised the past data accordingly.

Glossary

■ Terms related to Nabtesco's business ■ Terms related to financial and non-financial issues ■ Terms related to technologies

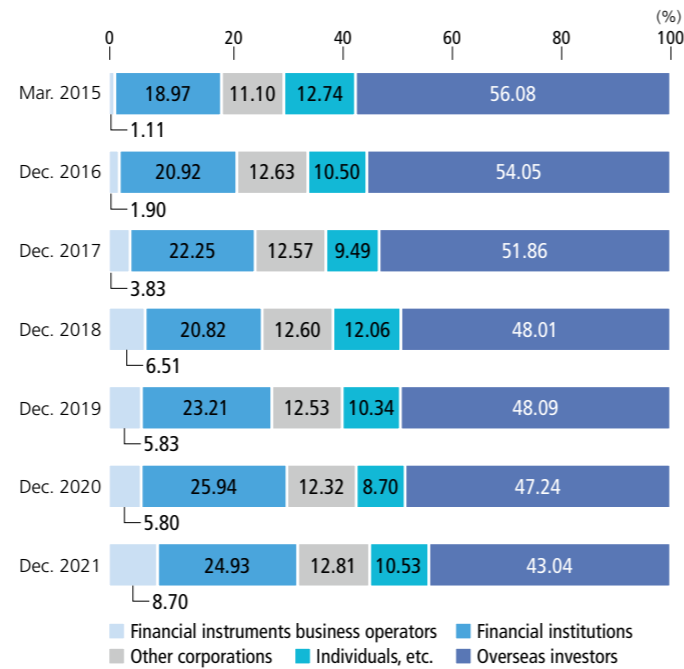
| Term | Meaning |
|-----------------------------|--|
| MRO | To foster after-sale business, Nabtesco provides maintenance, repair and overhaul (MRO) services widely across its Transport Solutions, Accessibility Solutions and Manufacturing Solutions segments. By providing more functions that contribute to the preventive maintenance of equipment in the service, we are helping customers use our products with more safety and a greater sense of security and comfort. |
| OEM | Original equipment manufacturing (OEM) usually means to manufacture products under the brand name of the customer, but for Nabtesco OEM means to manufacture and sell components to be used in its customers' new products. |
| QCD(S) | QCD refers to the following three important elements for manufacturing: quality (Q), cost (C) and delivery (D). QCDS means QCD plus service (S). Nabtesco is working to improve its QCDS levels by promoting automation, increasing its production management efficiency, enhancing its supply chain management and streamlining its logistics operations. |
| Component | A component is a functional part of a device. |
| Systematization | Systematization means to build a system by combining a product with peripheral elements such as engineering and other services for the provision of multifaceted value (and a solution). |
| CVC | Through a corporate venture capital (CVC) fund, a company invests in companies that will generate synergy effects with its own business and in ventures in new business fields. Nabtesco established Nabtesco Technology Ventures AG in Zurich, Switzerland, as a company to lead its CVC activities in 2018. In 2021, we established the CVC Promotion Division as an organization under the direct control of the CEO to accelerate our collaboration with start-up companies. |
| Digital Transformation (DX) | DX means to reform business and operational processes by using the latest digital technologies. Nabtesco is implementing a range of reform projects, such as those for work style reforms and manufacturing innovation. In these projects, we are fostering DX by making more effective use of IoT technologies and introducing advanced digital tools. |
| Retrofitting | Retrofitting means to improve and remodel old-type machines to update them. When new components are necessary to replace old ones for retrofitting, we might win new orders for our products. |
| IP Landscape | Intellectual Property (IP) Landscape refers to an analysis method and a management strategy that makes use of intellectual property-related market information. Nabtesco analyzes IP information across a global market to gain insights into customer needs, technological trends and the situations of competitors in a multifaceted manner. Based on these insights, we search for new markets and new application areas, business partnership opportunities, M&A candidates and others. |
| ROIC tree | ROIC is an abbreviation for Return on Invested Capital. An ROIC tree is a tree-structured diagram that shows the elements of ROIC. You can improve ROIC by improving the elements laid out in the tree structure, and the ROIC tree thus provides a method to improve ROIC. For higher profitability and more efficient use of its operating assets, Nabtesco is working to achieve its improvement targets such as the following by breaking them down into the daily tasks to be fulfilled on-site by the business departments: improve the fixed assets turnover, reduce the inventory/receivables turnover period in terms of days and optimize the payment conditions. Meanwhile, the administrative departments carefully manage the financial affairs, including managing interest-bearing debts and making growth investment and shareholders' return compatible, and are striving to improve the company's capital efficiency. |
| SBT | The Science Based Targets (SBT) initiative helps companies set their greenhouse gas emissions targets on a medium- to long-term basis toward the attainment of the "two-degree target" (hold the "increase in the global average temperature to well below two degrees Celsius above pre-industrial levels") upheld under the Paris Agreement, which is an international agreement to curb climate change and came into force in 2016. Companies have their CO ₂ emissions reduction targets examined and certified under the SBT initiative, and the Nabtesco Group also had its long-term CO ₂ emissions target certified under it. |
| SAQ by suppliers | For the promotion of CSR-oriented procurement across our supply chain, we ask each supplier to complete a self-assessment questionnaire (SAQ), which is intended to increase their awareness of our procurement policy and help them make improvements based on the assessment results. |
| Energy creation | Energy creation means to produce energy internally through photovoltaic power generation and by using fuel cells in addition to promoting energy conservation. |
| Dynamic Materiality | "Materiality" is a concept that was initially conceived in the accounting field to refer to factors that have a serious impact on financial affairs. The scope has since been expanded to mean material corporate, social and economic issues and the concept is now used in the area of sustainability, for example, under the framework used to disclose sustainability information. "Dynamic materiality" implies that materiality changes dynamically according to changes in the environment and that the priorities to be addressed for the creation of economic and social value can change depending upon changes in business and economic conditions. |
| TCFD | The Task Force on Climate-related Financial Disclosures (TCFD) was created in December 2015 by the Financial Stability Board (FSB). It is implementing an international initiative to provide a framework for the disclosure of climate change-related financial information, particularly the risks and opportunities posed by climate change, thereby helping investors and others to make appropriate decisions. |
| AM | Additive manufacturing (AM) refers to a method used to deposit materials into products in layers by using a 3D printer and other devices. The method is attracting a great deal of attention as a promising tool to reduce the time required for product development as well as development costs. CMET Inc., one of the Nabtesco Group companies, manufactures and sells 3D printers. It provides an AM solution that is useful for both development and production by supplying Stereolithography and Sand Casting Meister additive manufacturing systems. These products and know-how are being utilized also within the Nabtesco Group. |
| Digital Twin | Digital twin refers to a technology involving the transmission of a range of information to a digital space to create a digital counterpart of something that exists in physical form. It is expected to increase the precision of monitoring and simulation, which could in turn help speed up R&D activities and improve maintenance services. |

Corporate Profile

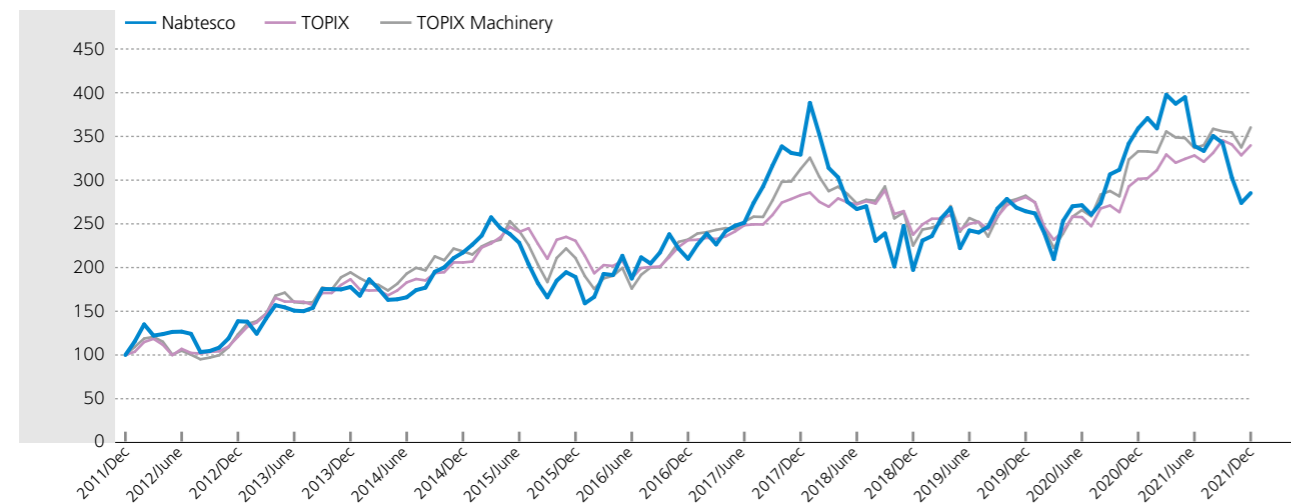
Corporate Profile (as of December 31, 2021)

| | |
|---------------------------------|---|
| Company Name | Nabtesco Corporation |
| Established | September 29, 2003 |
| Address | 7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo 102-0093, Japan |
| TEL | +81-3-5213-1133 |
| FAX | +81-3-5213-1171 |
| Capital | ¥10 Billion |
| Number of Issued Shares | 121,064,099 |
| Minimum Trading Unit | 100 All of our issued shares are common stock with a minimum trading unit of 100 shares. |
| Employees | Non-consolidated 2,369 Consolidated 7,844 |
| Consolidated Companies in Japan | 14 (excl. 3 equity method affiliates) |
| Companies Overseas | 51 (excl. 5 equity method affiliates) |

Breakdown of Shareholding by Investor Type



Total Shareholder Return (TSR) for the Past 10 Years



Return on Investment (ROI) as of December 31, 2021

| | Past one year | Past three years | | Past five years | | Past 10 years | |
|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Annualized return | Cumulative return | Annualized return | Cumulative return | Annualized return | Cumulative return | Annualized return |
| Nabtesco | -22.2% | 53.0% | 15.2% | 39.8% | 6.9% | 185.2% | 11.1% |
| TOPIX | 12.7% | 43.0% | 12.7% | 46.9% | 8.0% | 239.8% | 13.0% |
| TOPIX Machinery | 8.2% | 60.1% | 17.0% | 55.3% | 9.2% | 260.3% | 13.7% |

(Note 1) Total shareholder return (TSR) refers to total investment return for shareholders by combining capital gains and dividends.
 (Note 2) The above graphs show ROI as of December 31, 2021 in cases where investments were made on December 31, 2011. As for the data on Nabtesco shares, investment results calculated based on the stock prices by adding dividends (on the assumption that dividends will not be reinvested) have been indexed by setting the amount of investments as of December 31, 2011 as 100. TOPIX and TOPIX Machinery have also been indexed in a similar manner by using data that included dividends.
 (Note 3) The above chart indicates ROI (dividends included) as of December 31, 2021 based on the cumulative return and the annualized return in cases where investments were made at respective timing during the period between one year ago (on December 31, 2020) and 10 years ago (on December 31, 2011).
 (Note 4) Figures of annualized return indicate annual average rates of return which are annualized using geometric average of ROI during the applicable period.
 (Source) Prepared by the Nabtesco Group based on the Tokyo Stock Exchange's monthly closing stock prices and other data

Disclosure Policy

Boundary of the Report

Nabtesco Corporation and its consolidated subsidiaries

This report covers activities conducted by Nabtesco Corporation and its consolidated subsidiaries. However, a portion of the nonfinancial data pertains to only Nabtesco Corporation.

Period Covered

January 1, 2021 to December 31, 2021

In light of the importance of providing up-to-date information, some activities conducted after the period are also reported.

Date of Publication

Published in June 2022 (Published annually)

Performance Data

Nabtesco has changed the accounting closing date of the fiscal year from March 31 to December 31 since FY2015. In this report, the results for FY2015 are calculated on a basis of 9 months for Nabtesco Corporation and the other consolidated subsidiaries in Japan, and 12 months for overseas consolidated subsidiaries.

Nabtesco has also applied the International Financial Reporting Standards (IFRS) to its accounting since FY2017.

For comparison with the results for FY2017, the results for FY2016 were also recalculated in line with the IFRS.

Note about the Forecasts

Forecasts made in this report about numerical figures and measures for the future are based on currently available information and on certain judgments and assumptions that Nabtesco considers reasonable. Actual results may vary significantly from such forecasts due to a variety of important factors, including the economic situations of the company's major markets in and outside Japan and changes in the foreign exchange market.

Third-Party Assurance

Our environmental and social data is examined by Lloyd's Register Quality Assurance Limited with a view to ensuring the reliability of the calculated data.

Guidelines Referenced

- International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)
- SASB Standards by Sustainability Accounting Standards Board (SASB)
- WICI Intangible Reporting Framework published by the World Intellectual Capital/Assets Initiative (WICI)
- GRI Standards by the Global Reporting Initiative (GRI)
- ISO26000 (International standard on the social responsibilities of organizations)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation, Ministry of Economy, Trade and Industry of Japan

Participation in External Initiatives and External Evaluation

The Nabtesco Group announced our support for the United Nations Global Compact and for the recommendations made by the Task Force on Climate-related Financial Disclosures. Also, our long-term greenhouse gas emissions reduction targets have been officially approved by the SBT Initiative to be aligned with its 1.5 degrees Celsius scenario.



The Nabtesco Group's approach to ESG issues is highly recognized globally, which is evident by the fact that Nabtesco is included in the Dow Jones Sustainability World Indices, FTSE4Good, S&P/JPX CARBON EFFICIENT INDEX and others. In addition, we have obtained the highest evaluations on environmental measures from the CDP in three different fields.

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA



2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

