

Value Creation Story

We will meet the challenge of generating innovation with our unique motion control technology.

P19 Management of Various Categories of Capital

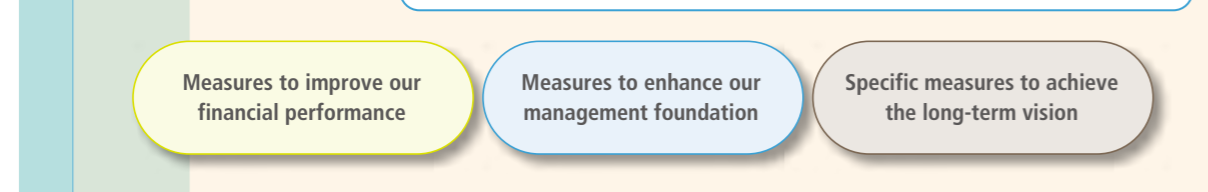
Purpose With our unique motion control technology, we will provide safety, comfort and a sense of security in daily lives as well as in any form of transportation.

Long-term Vision P35 Leaders in Innovation for the Future

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

Management Materiality P37 Important challenges for the achievement of the long-term vision



Medium-term management plan P41 Declaration to embrace challenges



For a shift to "new motion control" Continuous enhancement of the management foundation

- Outlook for the External Environment**
- [Risks]**
- Impact on business caused by short-term demand changes
 - Loss of competitiveness due to delayed implementation of IoT, DX and electrification promotion measures
 - 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

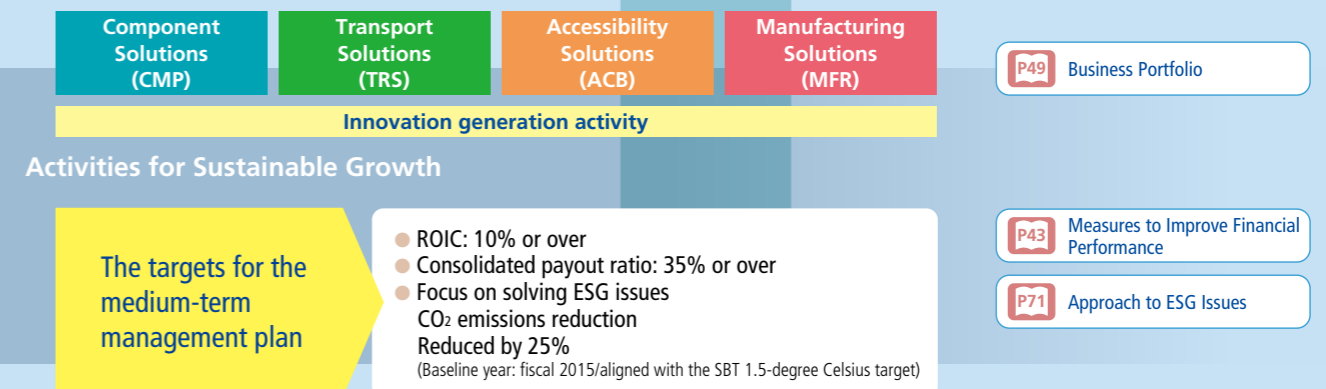
OUTCOME

Created Value

| | Value for the Nabtesco Group | Impact on 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"> - Customer bases founded on top-class market shares - Trust in the management team and high-scoring ESG evaluation - Responsible supply chain management - Improvement of recognition through community investment | <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 | |
| Manufacturing capital | <ul style="list-style-type: none"> ● 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 and biodiversity | |
| Intellectual capital | <ul style="list-style-type: none"> ● Acquisition of technology for "new motion control" ● Generation and enhancement of core value for sustainable growth | <ul style="list-style-type: none"> ● Open innovation through co-creation | |
| Organizational capital | <ul style="list-style-type: none"> ● Highly ethical corporate culture based on a global compliance system | <ul style="list-style-type: none"> ● Management transparency based on the autonomous improvement of its functions by the Board of Directors | |
| Human capital | <ul style="list-style-type: none"> ● Optimization of human capital to become "Leaders in Innovation" | <ul style="list-style-type: none"> ● Respect for diversity and various expertise in the workplace | |

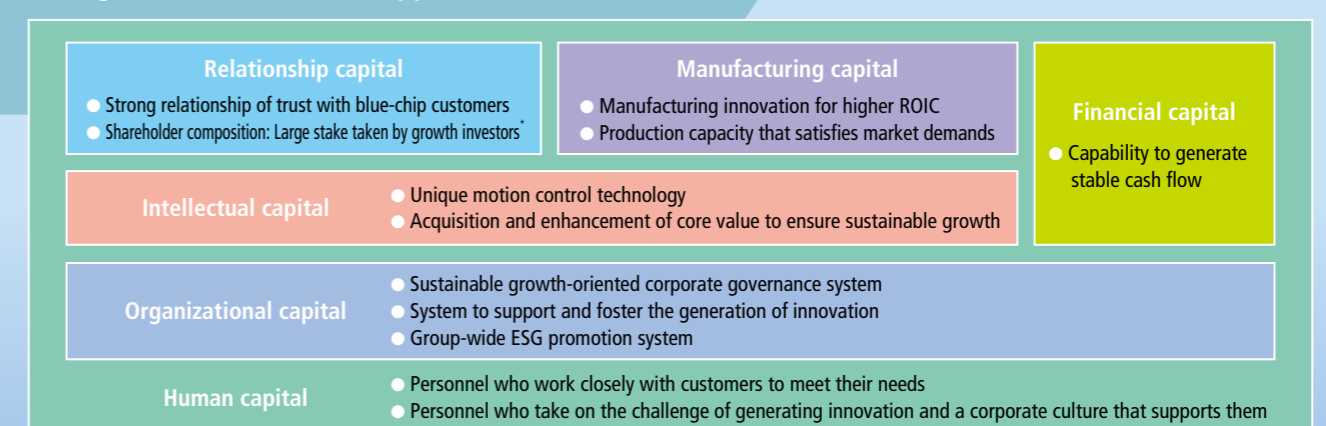
Value Creation Process

OUTPUT



INPUT

Managerial Resources that Support Value Creation



P17 Acceleration of Value Creation throughout the Value Chain

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

Acceleration of Value Creation throughout the Value Chain

We will make combined use of the various types of capital uniquely available to us to enhance our competitiveness.

We will speed up our value creation process by making combined and advanced use of the various categories of capital available to us across the value chain.

Effective use of the various categories of capital across Nabtesco's value chain

| R&D | | |
|-----------------------------|--|---|
| Major categories of capital | Characteristics of capital that help "meet expectations" | Actions and direction to "exceed expectations" |
| Relationship capital | <ul style="list-style-type: none"> Relationships of trust with blue-chip customers, which helps in identifying their needs in real time | <ul style="list-style-type: none"> Promotion of innovation through collaboration with both domestic and foreign universities and research institutes |
| Financial capital | <ul style="list-style-type: none"> Balance sheet that supports proactive R&D investment | <ul style="list-style-type: none"> Acquisition of latest technologies through CVC and others Proactive R&D investment to generate innovation (Budget for 2022 to 2024: ¥40 billion) |
| Intellectual capital | <ul style="list-style-type: none"> Unique motion control technology <ul style="list-style-type: none"> Cutting, polishing & processing, assembly and inspection technologies Fluid control and opening/closing control technologies CAE analysis technology Intellectual property management to secure the competitiveness of "current core value" | <ul style="list-style-type: none"> Model-based development, and use of metal additive manufacturing and other technologies Advancement and acceleration of development activities by the use of digital twin technology Governance over intellectual property to acquire "future core value" |
| Organizational capital | <ul style="list-style-type: none"> In-house company support system provided by the Technology and R&D Division Certification system for environment-friendly/energy-saving products | <ul style="list-style-type: none"> Promotion of the technological innovation of products in which they are used, including electrification and systematization Enhancement of product development system to contribute to the solution of social issues |
| Human capital | <ul style="list-style-type: none"> Human resources equipped with sufficient mechanical skills Robust training system to develop personnel with advanced skills Innovation system that encourages employees to embrace challenges | <ul style="list-style-type: none"> Acquisition and development of human resources for soft/power electronics and DX Development of an innovation-oriented corporate culture through the revitalization of the innovation system |

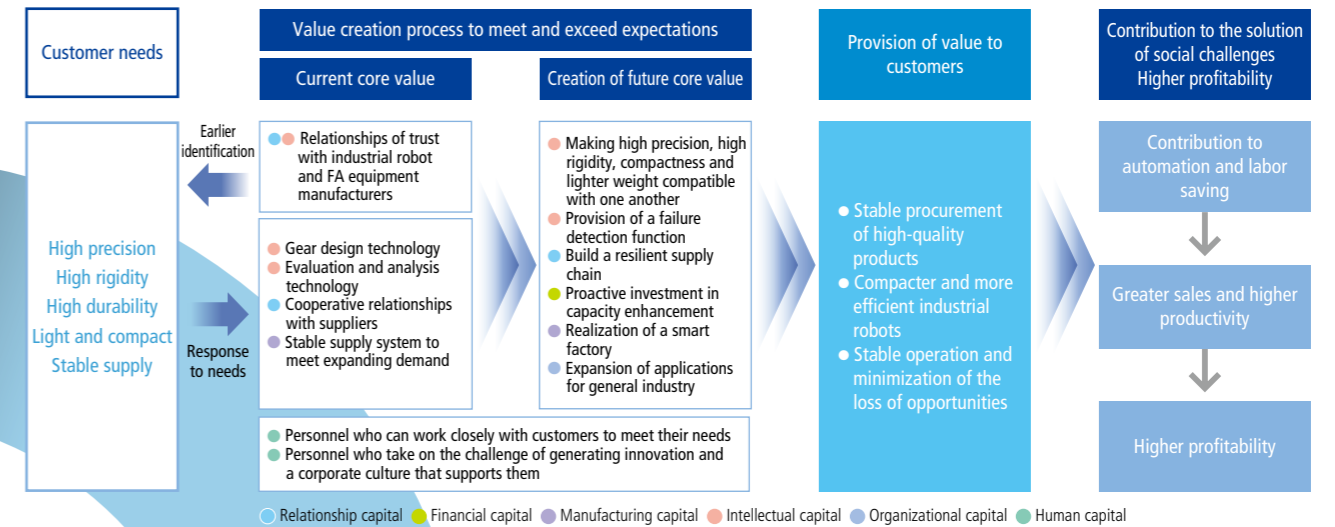
After-sales service/MRO

| Major categories of capital | Characteristics of capital that help "meet expectations" | Actions and direction to "exceed expectations" |
|-----------------------------|--|--|
| Intellectual capital | <ul style="list-style-type: none"> Sensing technology and expertise for the effective use of IoT technologies Ability to develop OEM products so as to promote the sales of after-sales services | <ul style="list-style-type: none"> Creation of new customer value through the effective use of sensing, AI and IoT technologies |
| Organizational capital | <ul style="list-style-type: none"> Network to provide MRO services in an attentive manner | <ul style="list-style-type: none"> Promotion of DX to expand opportunities for and increase the efficiency of MRO services |

Production and production management

| Major categories of capital | Characteristics of capital that help "meet expectations" | Actions and direction to "exceed expectations" |
|-----------------------------|---|--|
| Relationship capital | <ul style="list-style-type: none"> Close relationship with production equipment manufacturers | <ul style="list-style-type: none"> Maintenance and enhancement of relationships with production equipment manufacturers |
| Financial capital | <ul style="list-style-type: none"> Balance sheet that supports proactive capital investment | <ul style="list-style-type: none"> Proactive capital investment (Budget for 2022 to 2024: ¥88 billion) |
| Manufacturing capital | <ul style="list-style-type: none"> Ability to supply products to meet the demand <ul style="list-style-type: none"> System to mass-produce high-precision products Steady energy conservation & creation activities System to flexibly produce a variety of products in small lots | <ul style="list-style-type: none"> Manufacturing innovation for higher ROIC <ul style="list-style-type: none"> Reduction of the inventory turnover period Innovative production management enabled through DX Creation of an environment-friendly smart factory |
| Intellectual capital | <ul style="list-style-type: none"> High-precision processing & assembly and surface processing know-how Advanced automation, combined processing and other innovative production know-how | <ul style="list-style-type: none"> Promotion of advanced automation Development of unique production technologies |
| Organizational capital | <ul style="list-style-type: none"> Production management system to support QCDS performance | <ul style="list-style-type: none"> Even higher QCDS performance |
| Human capital | <ul style="list-style-type: none"> Experienced workers for high-precision assembly and processing Quality-oriented culture nurtured since before the integration of the two companies to create Nabtesco Unique human resources education, such as the Quality University courses | <ul style="list-style-type: none"> Maintenance of the skills of experienced engineers and incorporation of such skills into automated processes Continuous achievement of product safety-related targets <ul style="list-style-type: none"> Full achievement of product safety education plans Full achievement of product safety inspection implementation plans |

Causal path for value creation by precision reduction gears



By making combined use of the various categories of capital uniquely available to us across the value chain, we have been able to enjoy a very strong market position for our precision reduction gear business, which drives our corporate growth.

With salespeople who can meet customers' needs by working closely with them, we have built a robust customer base in the fields of industrial robots and FA equipment and are contributing to the solution of social challenges by creating next-generation products based on our development ability, which is underpinned by our long experience. Moreover, we have been making investments to enhance our production capacity to meet expanding demand, while honing our mass production technology to ensure the stable supply of high-precision products. The pursuit of these various elements of our capital constitutes a sustainable growth cycle that helps us increase our competitive advantage.

Sales

| Major categories of capital | Characteristics of capital that help "meet expectations" | Actions and direction to "exceed expectations" |
|-----------------------------|---|--|
| Relationship capital | <ul style="list-style-type: none"> Relationships of trust with customers built through the long-term maintenance of large market shares | <ul style="list-style-type: none"> Maintenance and enhancement of the Nabtesco brand |
| Organizational capital | <ul style="list-style-type: none"> Inter-business synergies based on the mutual use of overseas bases System for regional headquarters to support in-house companies' overseas business expansion | <ul style="list-style-type: none"> Establishment of trust with promising new customers Sharing of information about customers' needs across the Group through the notification system to support the creation of intellectual property |
| Human capital | <ul style="list-style-type: none"> Personnel who can work closely with customers with sincerity to meet their needs Open, fair and honest corporate culture | <ul style="list-style-type: none"> Acquisition of the ability to make proposals that "exceed the expectations of customers" |

Procurement

| Major categories of capital | Characteristics of capital that help "meet expectations" | Actions and direction to "exceed expectations" |
|-----------------------------|--|--|
| Relationship capital | <ul style="list-style-type: none"> Supply chain to support stable supply Advanced, sustainability-oriented procurement BCP system built across the supply chain | <ul style="list-style-type: none"> Solution of ESG issues across the supply chain Greater understanding and recognition of the CSR-oriented procurement policy among suppliers Provision of BCP-related support to make the supply chain more resilient |
| Organizational capital | <ul style="list-style-type: none"> Procurement network optimized across the in-house companies Efficient logistics network optimized for procurement based on information sharing | <ul style="list-style-type: none"> Greater synergies for procurement across the Group |
| Human capital | <ul style="list-style-type: none"> "BCP buyer" system Enhancement of employees' procurement ability based on the Certified Procurement Professional certification system (CPP-B grade) | <ul style="list-style-type: none"> Enhancement of the resilience of the supply chain through the development of more "BCP buyers" |

Management of Various Categories of Capital

Meeting and exceeding the expectations of customers and society through human capital management

Story of enhancing corporate value through the optimization of human capital

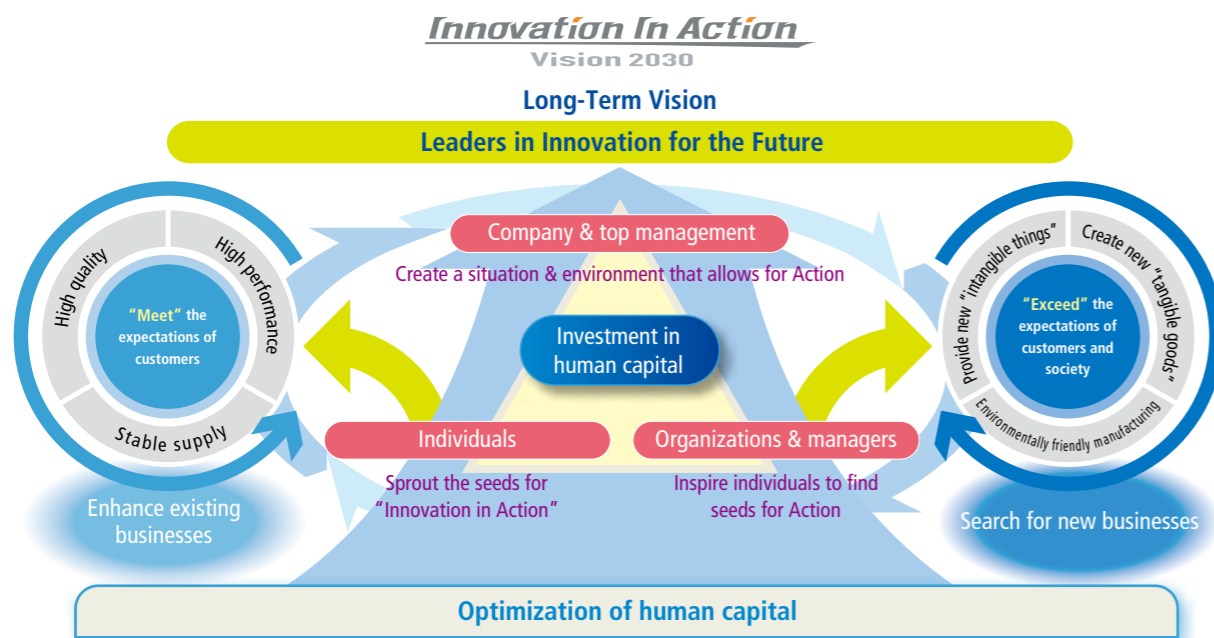
Under the slogan, "Leaders in Innovation," as upheld in its long-term vision, Nabtesco has been striving to increase its corporate value, with a focus on meeting customer needs and exceeding the expectations of both customers and society alike. This effort carries on a long tradition dating back not only to the Company's founding but also to the aims of its two predecessor companies prior to their integration. Toward this goal, we are striving to enhance both our financial impact and social impact by boosting our performance and contributing to the solution of social challenges.

To this end, we need to enhance our existing businesses while also searching for new businesses, as proposed in the theory of organizational ambidexterity. To meet this requirement, we must foster reforms for the various categories of capital that provide us with a foundation for innovation. In particular, human capital is essential for our value creation process, and Nabtesco accordingly aims to manage and optimize its human capital toward becoming "Leaders in Innovation."

In order to "meet" the expectations of customers, we need personnel who are strongly committed to meeting the needs of customers through unyielding technological

innovation, performance & quality improvement and higher productivity. To take the next step of then exceeding the expectations of customers and society, we need to develop and attract personnel who can expand our existing business domains and launch new businesses to create and propose expectation-exceeding value.

As an organization, we also need to gain the ability to respond agilely to changes in our business environment. To this end, managers are required to play important roles to encourage individual employees to take actions autonomously and independently and to serve as an intermediary to foster not only traditional top-down measures taken under the leadership of top management but also bottom-up measures taken at the initiative of general employees. Nabtesco's human capital management is thus based on measures promoted by the three actors: top management, middle managers, and individual employees. Nabtesco will proactively make investments to support these three actors in fulfilling their respective roles and will strongly repeat the cycle of meeting and exceeding the expectations of customers and society toward the achievement of its long-term vision.



Vision for human capital management

Nabtesco believes that the creation of new value will be promoted by the fulfillment of defined roles by the company & top management, organizations & managers, and individual employees. Based on this recognition, we have set a vision for each of the above for the optimization of human capital.

The role of the company & top management is to create a situation & environment that allows for Action. The role of organizations & managers is to inspire individuals to find seeds for Action. The role of individual employees is to sprout those seeds for "Innovation in Action." Nabtesco upholds this vision for its human capital management.



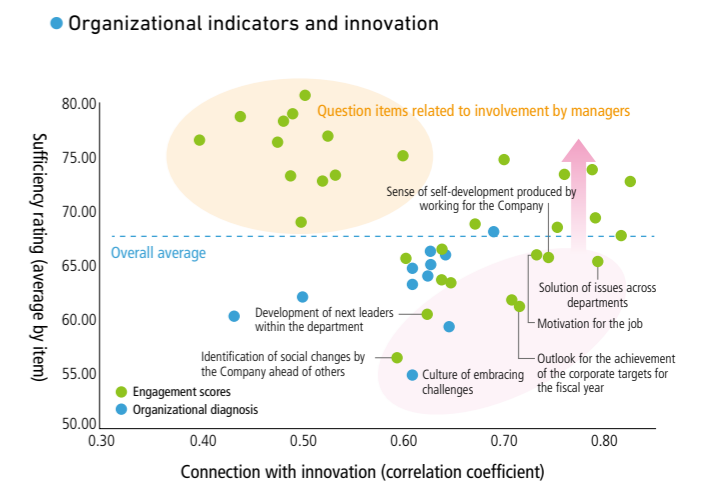
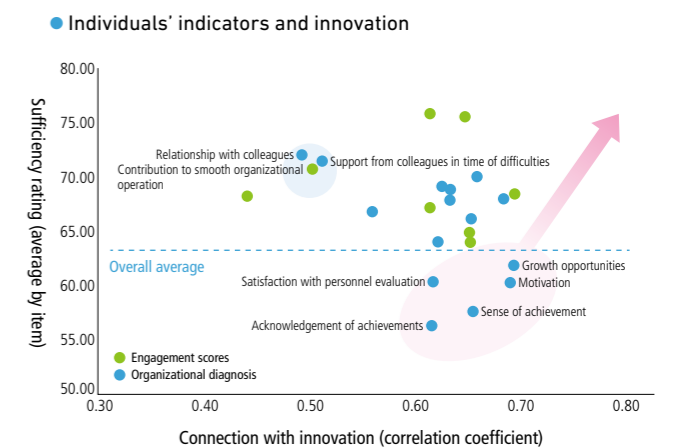
Gaps between reality and vision: Identification of issues

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

When designing the questionnaire for organizational diagnosis, we first set "innovation items" that are thought to be highly related to challenges, co-creation, learning and creativity—elements that help foster innovation. We then classified the questions into those related to individuals (individuals' indicators) and those related to the organization (organizational indicators). For these two types of indicators, we analyzed the survey results with a focus on correlations between the sufficiency rating given to each of the question items, including both innovation items and others, and the item's connection to innovation. The graph shown on the right indicates the level of each item's connection to innovation (horizontal axis) and its sufficiency rating (vertical axis).

The items shown on the lower right side of the two graphs are items that are strongly connected to innovation but for which the sufficiency rating is low. As for individuals, the survey results imply that a driving force for innovation would be individual employees feeling satisfied with their jobs and able to feel a sense of achievement and self-growth.

For the organizational indicators set for the company & top management and for organizations & managers, the key items are "Outlook for the achievement of targets," "Identification of social changes by the company ahead of others" and "Creation of a culture of embracing challenges" for the former and are "Solution of issues across the departments" and "Development of the next generation of leaders" for the latter. Based on the survey results, we have formulated the following hypothesis: To become "Leaders in Innovation," it is essential for Nabtesco to focus more on these key items.



Management of Various Categories of Capital

Setting various indicators for the innovation, linkage and engagement indexes

In order to narrow the gap as described on the previous page, we have set indexes for innovation, linkage and engagement as indicators to realize the vision set for each of the three actors. These three indicators are set based on the results of the organizational diagnosis and the engagement scores, and we aim to increase the score of each indicator to 75 points. We have also set factor-based indicators that are linked with the progress of individual actions to be taken to increase the scores.

The innovation index is an indicator intended for the creation of the situation & environment that allows for Action. We will further instill The Nabtesco Way across the board and enhance our human resources portfolio to encourage both organizations and individuals to take actions toward their shared goal for innovation.

The linkage index is an indicator designed to enhance

support for individual employees through the establishment and improvement of the personnel assignment, education and evaluation systems and new business creation systems toward encouraging employees to take actions to "meet" and "exceed" our customers' expectations, being inspired to find seeds for Action.

The engagement index is an indicator intended to encourage individuals to sprout seeds for "My Innovation in Action" by implementing The Nabtesco Way with ownership, developing their careers in an autonomous manner, and by fostering reskilling to develop an innovation mindset.

We will sophisticate our human capital management by adjusting the KPIs on human capital in line with changes in related issues, while monitoring progress made with the implementation strategies and for each of the indicators.

Key performance indicators (KPIs) for human capital

| | Results-based indicator | Important implementation strategy | Factor-based indicator |
|--------------------------|--|--|---|
| Company & top management | Innovation index Actual result for FY2022: 68 Target: 75 | Activity to increase employees' awareness of The Nabtesco Way | Degree of penetration and assimilation of The Nabtesco Way |
| | | Activity to give commendations for innovation | Number of Nabtesco award recipients and total amount of monetary prizes |
| | | Enhancement of the human resources portfolio | Fill rate for employment of digital experts, female employees and non-Japanese personnel |
| | | Development of successors for each position | Succession fill rate |
| Organizations & managers | Linkage index Actual result for FY2022: 63 Target: 75 | Increased mobility of personnel within the Company | Numbers of people assigned to new businesses and those transferred across departments, and number of job rotations per person |
| | | Initiatives to "exceed" expectations: Creation of ideas and knowledge | Number of ideas proposed and commercialized, and frequency of cross-departmental meetings held for knowledge sharing |
| | | Initiatives to "meet" expectations: Higher productivity | Total number of working hours saved through higher operational efficiency, and labor productivity indicator (Value added per person and per labor hour) |
| | | Support for diverse people to thrive | Fill rate for digital experts and hiring rate for female new graduates and non-Japanese people |
| Individuals | Engagement index Actual result for FY2022: 59 Target: 75 | Promotion of the process to implement The Nabtesco Way with ownership | Declaration on "My Innovation in Action," and frequency of one-on-one meetings |
| | | Promotion of measures for autonomous career development | Results related to second jobs, overseas studies and in-house job solicitation as well as to trainees dispatched overseas |
| | | Attendance at training seminars for skill enhancement | Total number of hours spent in training, the cost of training and the number of trainees |
| | | Communication measures to promote innovation and the embracing of challenges | Number of managers playing senior roles (relative to their job grades), and frequency of one-on-one feedback meetings |

Major actions to be taken to increase the index scores

Innovation index

Organizational diagnosis score regarding awareness and assimilation of The Nabtesco Way

| Fiscal Year | Score |
|-------------|-------|
| 2013 | 68.6 |
| 2015 | 65.7 |
| 2017 | 64.3 |
| 2020 | 71.4 |
| 2022 | 67.1 |

Increasing employees' awareness of The Nabtesco Way

The Nabtesco Way provides the management team and individual employees with a basis for their decision-making and actions. Nabtesco has been conducting awareness-raising activities on an ongoing basis and we check the level of awareness annually. Unfortunately, it is yet to reach a sufficient level.

In response, we will revise The Way in 2023 to make it more meaningful for the coming era while ensuring that it continues to reflect our long-held values.

In order to become "Leaders in Innovation" as upheld in the long-term vision, we will work to further raise employees' awareness and assimilation of The Nabtesco Way.

Linkage index

Transfer of personnel

Further mobility of personnel within the Company

To revitalize innovation activities, we attribute importance to the indicator describing the mobility of personnel within the Company. We introduced the in-house job solicitation system in 2019 and have since allowed employees to take second jobs with an eye to providing them with more opportunities to make use of their skills and abilities, thereby boosting their motivation and engagement. In 2022, we introduced the intrapreneurship program "Light" and the in-house company innovation system to enhance our existing businesses to meet the expectations of customers while also searching for new businesses in order to exceed the expectations of customers and society.

*1 Including the number of personnel transferred between the in-house companies and administrative departments and those seconded to other Group companies
*2 Excluding directors, Audit & Supervisory Board members and managing executive officers
*3 Included in the target are those enrolled as of December 1 of each fiscal year.

Engagement index

Cost of training and number of trainees

Attending training seminars for autonomous career development

Due to the pandemic, we substantially changed our training style from traditional face-to-face collective training to online and on-demand training. This shift has eased the attendance burden on employees and also contributed to expanding the scope of training to provide employees with more opportunities for autonomous learning. As a result, the number of trainees increased with the expansion of reskilling opportunities.

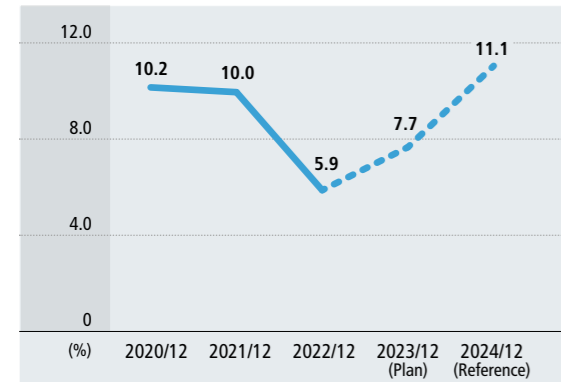
In 2022, we started DX-related training in combination with the assessment of DX skills to help trainees develop their DX skills according to their respective skill levels.

Management of Various Categories of Capital

We will deliver unique value through the enhancement of various categories of capital.

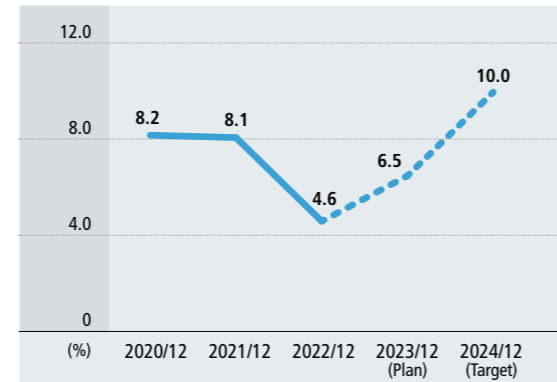
Financial Capital

Operating Income Margin



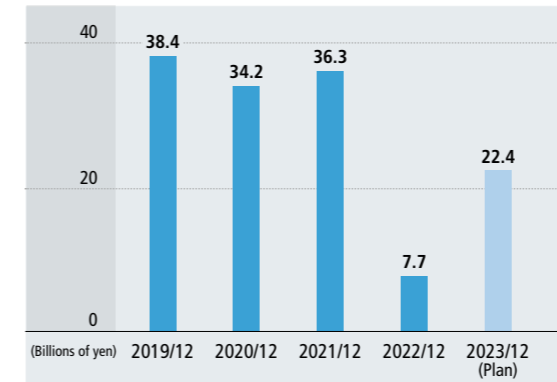
For FY2022, we recorded a decrease in profit in the hydraulic equipment business due to stagnant demand for construction machines in China. Also, influenced by the rise in material and personnel costs, our operating income margin fell sharply year on year. In FY2023, we will implement measures to counter the factors causing a decrease in our profitability, including offsetting rising costs by raising our prices and boosting our productivity. Going forward, we will continue to improve our profitability by expanding the MRO business and adding more value to our products through electrification and systematization.

ROIC



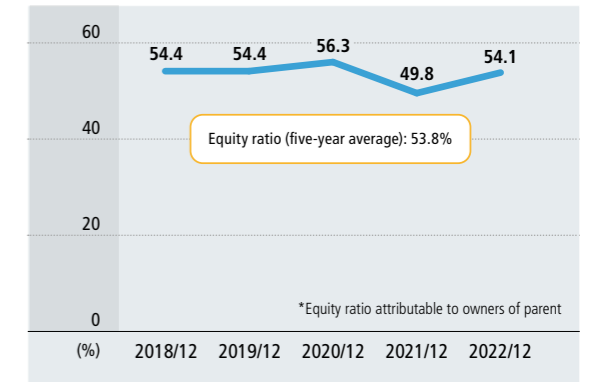
We are working to improve ROIC, upholding "ROIC: 10% or over" as one of our management targets under the medium-term management plan. For FY2022, ROIC was lowered to 4.6% due to a fall in profitability. For FY2023, however, we will raise it again to exceed the level of the previous fiscal year following an increase in profit. In FY2022, we formulated the Basic Policy on the Business Portfolio. By taking actions based on the results of financial and business potential evaluation, we will work to build the optimal business portfolio.

Cash Flows from Operating Activities



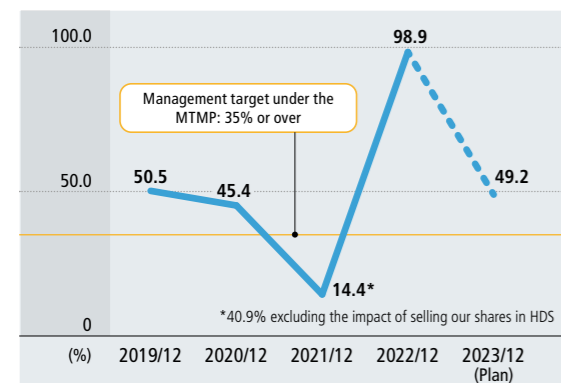
For FY2022, we posted a drop in cash flows as profit before tax decreased because of the payment of corporate tax on the sale of HDS shares. However, we have been able to generate cash flows from operating activities at the level of ¥20 billion to ¥30 billion in a stable manner. We will make effective use of the cash thus generated for capital investment and R&D and also to make growth investments for the achievement of the long-term vision.

Equity Ratio*



The Nabtesco Group is fostering the improvement of capital efficiency and disciplined financial management, being rated A by the credit rating agencies. The equity ratio has been around 53% 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.

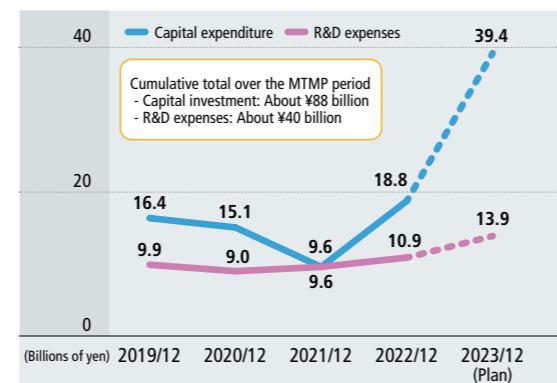
Consolidated Payout Ratio



Due to the posting of financial profit/loss following the selling of HDS shares, the ratio differs between FY2021 and FY2022. However, we have been distributing dividends in a stable manner according to the policy of pursuing a "Consolidated payout ratio of 35% or over" as promised under the medium-term management plan (MTMP). In 2021, we acquired our own shares and cancelled ¥20 billion worth of treasury stock. We will continue to pay dividends in a stable manner to our shareholders.

(Note) HDS: Harmonic Drive Systems Inc.

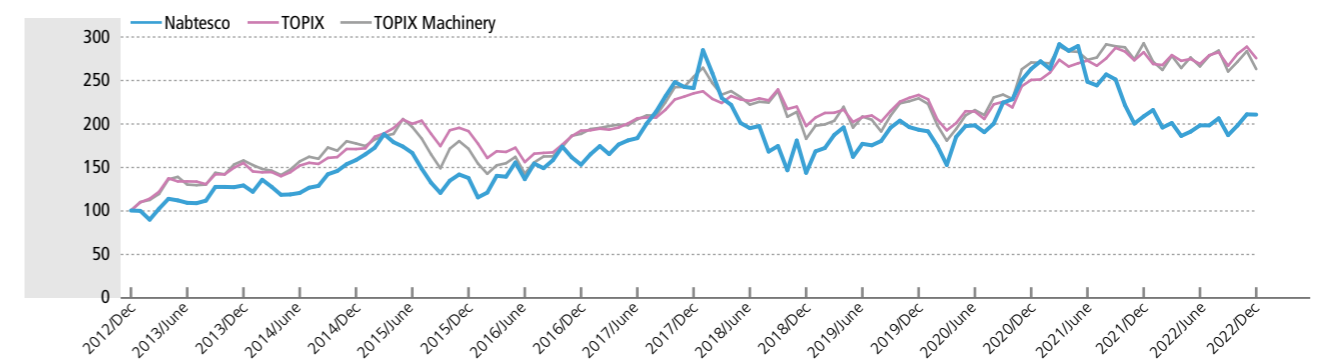
Capital Expenditure/R&D Expenses



Under the medium-term management plan (MTMP), we will make aggressive investments for future growth. As for capital investment, we will make large investments in FY2023 for the construction of a new plant in Hamamatsu city to expand our production capacity for 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.

Relationship capital

Total Shareholder Return (TSR) for the Past 10 Years



Return on Investment (ROI) as of December 31, 2022

| | 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 | 1.1% | 10.1% | 3.3% | -13.4% | -2.8% | 109.7% | 7.7% |
| TOPIX | -2.5% | 18.1% | 5.7% | 17.2% | 3.2% | 174.2% | 10.6% |
| TOPIX Machinery | -10.2% | 14.7% | 4.7% | 3.5% | 0.7% | 161.8% | 10.1% |

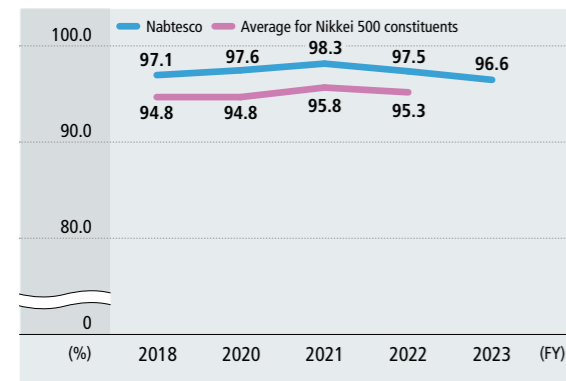
For TSR, cumulative return and annualized return over the past ten years came to 109.7% and 7.7%, respectively, as of the end of 2022. Reflecting a decrease in profit posted for FY2022, Nabtesco's stock price showed a declining trend and was low relative to TOPIX and TOPIX Machinery. We will work to expand TSR by steadily implementing growth investments to generate added value and thereby increase our corporate value.

(Note) The above graphs show ROI as of December 31, 2022 in cases where investments were made on December 31, 2012. 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, 2012 as 100. TOPIX and TOPIX Machinery have also been indexed in a similar manner by using data that included dividends.

(Source) Prepared by the Nabtesco Group based on the Tokyo Stock Exchange's monthly closing stock prices and other data

Management of Various Categories of Capital

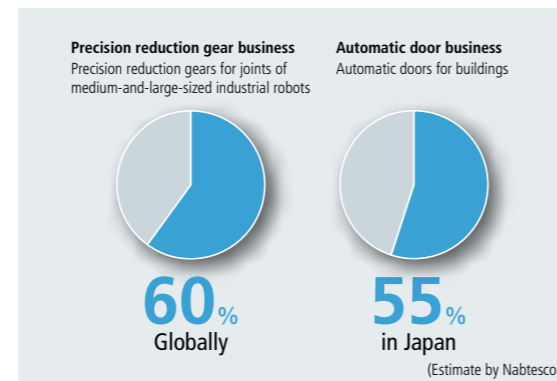
Affirmative Vote Rate of Selected Directors



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 96% for the past five years, exceeding the average for listed companies in Japan. At the general meeting of shareholders held in March 2023, the rate for Nabtesco was 96.6%.

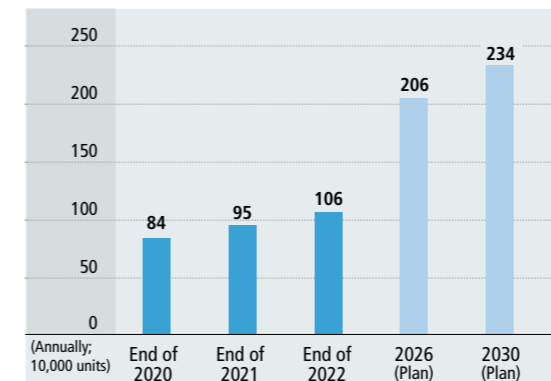
(Note) Nabtesco's affirmative vote rate of selected Directors is the average rate calculated based on the affirmative vote rates recorded for each of the selected Directors at the general meeting of shareholders for the fiscal period. For Nikkei 500 constituents' affirmative vote rates of selected Directors,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

Strong relationships of trust with blue-chip customers



The large market shares we command in each business are proof of the trust our customers have in the Nabtesco Group and provide the basis for us to offer more value to society. The Nabtesco Group boasts leading shares in both domestic and overseas product markets. We will make use of the ability to collect information, which we have gained through holding these leading market positions, to identify more social needs and contribute to the solution of social challenges through our business operations.

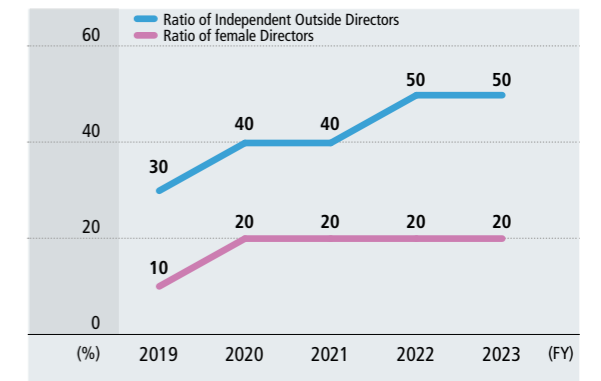
Precision Reduction Gear Production Capacity



Due to expanding needs for EVs, greater labor efficiency and automation, demand for precision reduction gears will remain brisk going forward. In October 2023, the Hamamatsu Plant will be completed as a leading-edge manufacturing base and, in 2030, our regular production capacity for precision reduction gears will reach 2.34 million units per year, almost double that of the current level. We will thus build a system to meet the increasing demand, thereby solidifying our competitive position in the market.

Organizational Capital

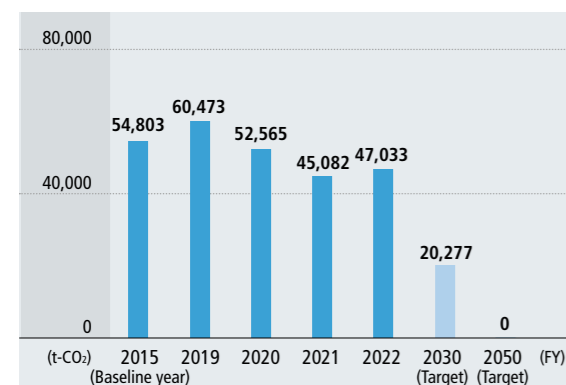
Board of Directors with Increased Diversity



In FY2020, the proportion of female directors on the Board was increased from 10% to 20%, and in FY2022 the number of independent outside directors was also increased by one person, or a proportional increase to 50%. 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.

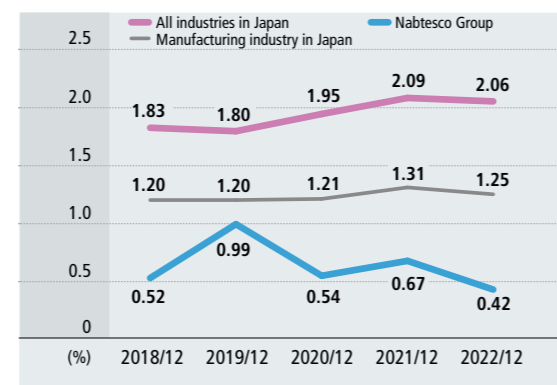
Manufacturing Capital

Global CO₂ Emissions (Total)



As "Countermeasures for climate change," which is included in our management materiality, we set a long-term target of reducing our CO₂ emissions in Scopes 1 and 2 by 63% in FY2030 and by 100% in FY2050 relative to FY2015. We have been steadily conducting energy conservation and creation activities and fostering the procurement of renewable energy (by purchasing certificates) to achieve this target. Also, for Scope 3, we are promoting collaboration with suppliers with the expectation that they will set their own voluntary CO₂ emissions reduction targets in FY2025 and SBTs in 2030. In the meantime, we are urging our primary suppliers, who collectively account for 70% of our procurement in monetary value, to set their targets ahead of schedule in FY2024.

Lost Time Injury Frequency Rate



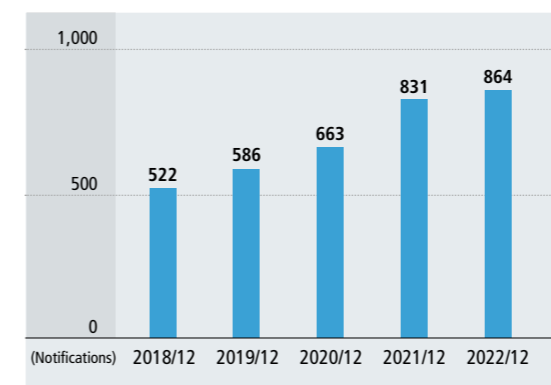
Ensuring safety is a basic precondition for business activities. In the "pursuit of safety, comfort and a sense of security" which is included in our management materiality, we take various actions to eliminate occupational accidents.

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 2022 Survey on Industrial Accidents, Ministry of Health, Labour and Welfare.

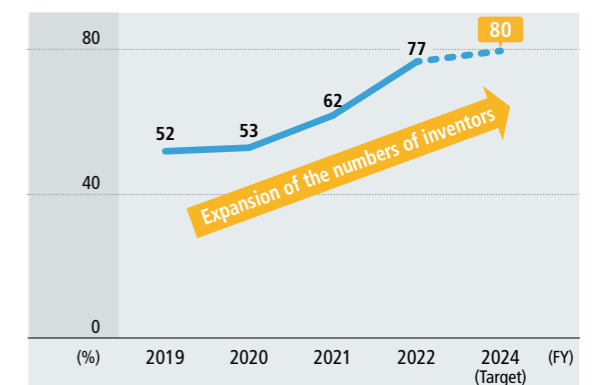
Intellectual capital

Number of Notifications on Intellectual Property Creation



We have set the creation of intellectual property as one of the performance indicators for in-house companies. 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.

Increase in the Ratio of Inventors Who Will Lead Innovation



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.

Special Feature: Talking about the Innovation Strategy Division

Fostering innovation to meet and exceed the expectations of society



| | | | |
|---|--|---|--|
| <p>Masaru Sasaki Corporate Officer General Manager, Human Resources Department, Innovation Strategy Division, and President, Nabtesco Link Co., Ltd.</p> | <p>Koichi Miyaguchi Executive Officer General Manager, Innovation Strategy Division, and CVC Promotion Department</p> | <p>Hiroki Higuchi Executive Officer General Manager, Corporate Planning Department, and Innovation Strategy Division</p> | <p>Tomohiro Kiriyaama Executive Officer Senior General Manager, Technology and R&D Division, and Innovation Strategy Division</p> |
|---|--|---|--|

In January 2023, Nabtesco established the Innovation Strategy Division as an organization to foster measures to become "Leaders in Innovation" as upheld in the long-term vision. The executives who are in charge of corporate planning, technology and human resources at Nabtesco also have concurrent roles in the Innovation Strategy Division.

They talked with the Division head about their perception of innovation-related issues, the desirable corporate culture for promoting innovation and about the direction of reforms to be taken by the Company.



Higuchi

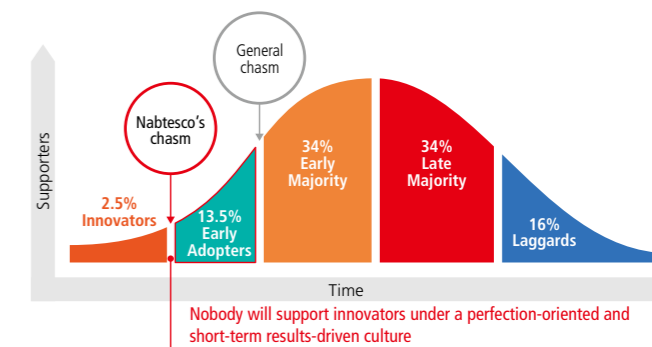
Things that seem to be irrelevant to us might lead us to find something new. We therefore need to broaden our horizons and look beyond the present ahead of society at large, not just ahead of our customers.

To avoid becoming a victim of our own success

Higuchi: Thinking it is essential to foster innovation for the sustainable growth of Nabtesco, we set the catchphrase, "Innovation in Action" for our long-term vision. However, we have not yet successfully fostered innovation to the degree we had hoped for and so the establishment of the Innovation Strategy Division was proposed as a cross-departmental initiative for the strategic promotion of innovation.

Sasaki: Nabtesco was founded in 2003 through the merger of NABCO and Teijin Seiki, which had been founded in 1925 and 1944, respectively, based on the

● Innovation viewed based on Chasm Theory



Japanese government's industrial promotion policy. After the end of World War II, NABCO worked on its pneumatic and hydraulic technologies and Teijin Seiki its hydraulic and speed reduction technologies to contribute to Japan's postwar industrial reconstruction and the establishment of infrastructure while also boosting their own competitiveness. These two companies had been giving first priority to working closely with customers and meeting their needs, and top-class companies adopted our products. This practice of consistently meeting customer needs perfectly and achieving short-term success continued to be valued even after the two companies integrated to become Nabtesco. Amid this prevailing organizational culture, novel ideas unrelated to customers' needs and personnel with unique abilities tended to be overlooked and undervalued. This recognition formed the basis of the hypothesis that is now informing our human capital management.

Higuchi: We had been feeling a sense of crisis about our slow progress with innovation. In 2018, in order to mitigate this feeling, we founded Nabtesco Technology Ventures AG in Switzerland to conduct corporate venture capital (CVC) activities. Subsequently, in 2021, we established the CVC Promotion Division (presently CVC Promotion Department) out of a need, in these turbulent times, to use unconventional methods to find inspiration and not depend solely on our own resources. For example, in the automobile industry, it is impossible for a company to respond to the EV trend by relying solely on its own technologies. The same applies to our industry and we need to apply digital technologies to our products and processes. Accordingly, we now have the CVC Promotion Department and the Digital Transformation Promotion Department under the Innovation Strategy Division. The two departments will strive to create new value by adopting knowledge and expertise from outside the Company to create new businesses together.

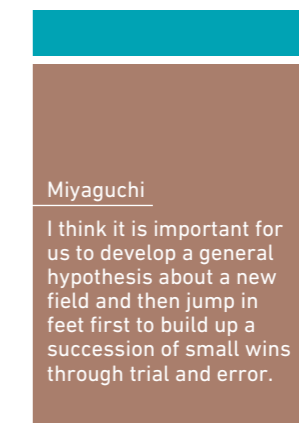
Boosting momentum through both tangible and intangible measures

Sasaki: For the strategic promotion of innovation, it is

essential to conduct CVC and DX activities. We also need to give support to in-house innovators on a company-wide basis toward boosting the momentum for innovation across the board. Chasm Theory has helped us to share an understanding of Nabtesco's innovation-related situation. According to the theory, there is a chasm between early adopters and the early majority, and you can win majority support in the market by successfully crossing the chasm. In the case of Nabtesco, however, the Company might need to cross a chasm to reach early adopters or even to reach innovators. We are concerned that the culture of perfectionism might make it difficult for innovators at the Company, if they appear, to find supporters. I therefore think it is also necessary to create a corporate culture of and momentum for supporting in-house innovators.

Higuchi: Yes, indeed. We have newly established the intrapreneurship program "Light" and the in-house company innovation system with an eye to building a culture for innovation. The establishment of the systems is one of the tangible measures that we have implemented for the Company to proactively listen to employees' ideas for innovation and give support for their materialization.

Sasaki: To support such measures, we also need to implement intangible personnel measures. For human capital management, it is essential to foster both tangible and intangible measures.



Miyaguchi

I think it is important for us to develop a general hypothesis about a new field and then jump in feet first to build up a succession of small wins through trial and error.



Special Feature: Talking about the Innovation Strategy Division



Sasaki

For innovation, it is necessary to implement both tangible and intangible measures.

Kiryama: At the Technology and R&D Division, employees are spending the time saved through work style reforms to participate in the free discussions held for the generation of new ideas under the leadership of younger employees as well as to conduct research independently. I also participate in these activities, thinking it is important for a leader to encourage younger employees to engage in free discussion and provide them with an environment where they can proactively express their opinions, which will in turn help the organization to produce new ideas.

Sasaki: DX-based process innovation is a key factor to save time. DX could be regarded as a purpose rather than a means. If we can increase our operational efficiency through DX to save time and thereby help employees to feel more relaxed, the number of employees who can serve as early adopters might increase. To this end, it is also important to foster communication. Taking the opportunity provided by the 20th anniversary of the founding of Nabtesco, I hope that we will be able to foster communication and thereby promote innovation across the Company.

Exceeding expectations from a long-term viewpoint

Miyaguchi: Nabtesco adopts the in-house company system and each of the in-house companies is responsible for their respective earnings. Accordingly, they tend to pursue short-term profit and inevitably input their resources into their current business activities. A major reason for this is that such activities generate short-term profits. However, activities that are conducted on a long-term basis should also be evaluated, including the struggle to develop new products, the effect of which cannot easily be proven using figures.

Sasaki: In fact, in the performance evaluation of the in-house companies, non-financial elements, such as the creation of intellectual property and the reduction of CO₂ emissions, are becoming increasingly important.

Higuchi: From the viewpoint of profit distribution, it is of course necessary to evaluate short-term results, but focusing too much on them might hinder us from achieving long-term growth. The in-house company innovation system represents one of our tangible measures to support the in-house companies in continuing their innovation efforts, which are absolutely necessary on a long-term basis, and this system is to be implemented in parallel with the intrapreneurship program "Light."

Kiryama: The Technology and R&D Division has created a technological roadmap in collaboration with the in-house companies. We summarize the key technological fields, new market opportunities, and the existing businesses of the in-house companies in a matrix format with a focus on new types of energy, smart robotics and next-generation mobility as new growth fields.

The next challenge for us to meet includes promoting open innovation and M&A based on our existing core technologies. It is also important to identify promising business fields by making effective use of the Intellectual Property (IP) Landscape analysis method. We have already identified the following needs and challenges for the CMFS business, which is a new business that we are currently working on intensively: macro research for patents regarding offshore wind power generation systems; prevention of equipment failures; higher operational efficiency; longer product life and failure detection; and remote monitoring. We are of course also proactively performing IP Landscape analysis in the technological fields of other in-house companies.

Miyaguchi: In the wind power generation field, we are promoting collaboration with eologix, which has advanced technology to monitor the status of wind turbine blades, through CVC investment. We are working to combine eologix's technology with our CMFS to advance it as a condition monitoring system and to contribute to increasing the operational efficiency of wind turbines.

We have two targets to attain through CVC. First, we aim to foster open innovation to support the in-house companies. Second, we are promoting collaboration with startups engaging in new disruptive innovation-related fields. For space development, we have invested in SPACE ONE, and including the space business in our business portfolio has helped us gain great insights. For example, we learned about the strictness of component specifications as well as about the possible scenarios for our future

participation in the satellite business. For new innovative fields, we are committed to speeding up our measures so that we can participate before it is too late for us to become a leader in a niche market or before it has become a mainstream market.

Aiming for 60% rather than being perfect

Sasaki: For us to be innovators, I think we need to jump into a new field when we are 60% ready for it, rather than waiting until we're at 100%, which would be a departure from Nabtesco's perfection-oriented culture. But it is of course important to ensure quality as a precondition for this.

Miyaguchi: For ideas proposed under the Light system, it is absolutely necessary to do so.

Higuchi: From now on, in complete contrast to the past, those proposing new ideas at Nabtesco will be supported by "accelerators," who will guide them toward successful innovation. For the creation of new business ideas, it is important to identify potential needs in society ahead of others, for which we need to take a broader view beyond the scope of our own industry. Things that seem to be irrelevant to us might lead us to find something new. We therefore need to broaden our horizons and look beyond the present ahead of society at large, not just ahead of our customers.

Miyaguchi: I think it is important for us to develop a general hypothesis about a new field and then jump in feet first to build up a succession of small wins through trial and error.

Kiryama: Regarding the free discussion and research activities led by younger employees, which I mentioned earlier, the employees will also be able to learn various new things by participating in trade fairs and seminars, regardless of whether the events are related to their own business field or not. Such experiences will help them make new findings and make connections between those findings and what they are already doing, which will in turn help them hit upon new ideas and make even more findings.

Higuchi: So, you need to learn and know more. It is said that only three out of a thousand ideas lead to innovation, and so we need to increase the number of ideas proposed, for which it is essential to provide employees with an environment where they can gain inspiration.

Kiryama

It is important for a leader to encourage younger employees to engage in free discussion and provide them with an environment where they can proactively express their opinions, which will in turn help the organization to produce new ideas.



Meeting and exceeding expectations as one Nabtesco team

Miyaguchi: Unlike conducting short- and medium-term development activities, in generating innovations that help solve social issues we will face various uncertainties. However, compared with when we started CVC activities, I think the in-house companies and employees have become more open-minded. How should we try to cross the chasm? To cross it, we need a corporate culture that enables employees to think together as an organization, and I would like to create such a culture as a member of this team of four.

Higuchi: Learning lessons from past failures to commercialize new ideas, we set up the Innovation Strategy Division. We will make full use of Nabtesco's resources to implement both tangible and intangible measures toward the commercialization of innovative ideas.

Kiryama: The four of us share the same commitment. We will collaborate with one another to create new products and businesses that will be Nabtesco's next-generation mainstays. I would of course like to cooperate with members of both the administrative departments and in-house companies to work as one Nabtesco team.

Sasaki: Successful innovation depends on whether or not we can motivate personnel and increase the momentum of the entire organization. As for personnel, I would like to make necessary investments proactively and foster measures to increase our corporate value on a medium- to long-term basis.

While valuing the fact that we have long been meeting the expectations of our customers, we will make it part of our corporate culture to strive to exceed customer expectations, even just a little, for which I would like to foster personnel measures to support employees in making such efforts.

All four: It is important for us to keep the momentum for innovation going.

World's first full-height platform screen doors developed through open innovation



Keijiro Nakamura

Vice President, Representative Director, and Executive Officer; Senior General Manager of Railway Operations Headquarters
West Japan Railway Company



Seiji Takahashi

Director, Managing Executive Officer, President, Accessibility Innovations Company
Nabtesco Corporation

The West Japan Railway (JR WEST) Group and Nabtesco have jointly developed the world's first full-height platform screen doors.

Vice President Keijiro Nakamura of JR WEST and Seiji Takahashi, President of the Accessibility Innovations Company talked about the open innovation process used to develop the full-height platform screen doors, the vision set for the "Umekita Area" of Osaka Station, significance of the "JR WEST LABO" as an experimental space for innovation, and the outlook for open innovation.

Making the "Umekita Area" of Osaka Station a "station of the future"

Takahashi: Please again briefly describe the concept of the "Umekita Area" of Osaka Station.

Nakamura: In the lead-up to Expo 2025 Osaka, Kansai,

Japan, we are implementing a project to make the "Umekita Area", located in the north (kita) area of Osaka Station, a JR WEST "station of the future" for the Kansai region.

In the "Umekita Area", which we regard as a center for the "JR WEST LABO", we are conducting experiments to concretize the technological vision of JR WEST, with an eye to developing even more advanced safety systems

by fusing the real and digital worlds while meeting the challenge of providing customers with value that increases their satisfaction.

Specifically, we are promoting co-creation through open innovation with a range of advanced companies, including those in the entertainment and software industries, in way that is similar to Silicon Valley. To make the "Umekita Area" incorporating the LABO center a "station of the future," we have been carrying out demonstrations to introduce a face recognition system at the ticket gates, AI-based guide robots, customized guide services for individual passengers, and guide services for people with visual impairments. We will thereby provide new value in the Area going forward.

Developing a world-first platform screen door unit by thinking outside the box

Takahashi: Let me ask you about the "Osaka Station's new Umekita platform" opened in March 2023.

Nakamura: We relocated the existing freight railway underground and established a new platform for express trains linking Kisei, Kansai International Airport and Kyoto. In the future, the platform will also be used for trains running on the Naniwasuji Line and the Nankai Line, and so we needed to develop and install platform screen doors that would be suitable for a range of train cars. Moreover, because freight trains will run underground, it is necessary to deal with the train wind effect. To meet these requirements, we planned to develop and install full-height platform screen doors and asked your company, which has a proven track record for such doors, to collaborate with us in a co-creation project.

Takahashi: When we were first contacted by your company for the project in the spring of 2017, we were unable to promise you that we would be able to develop a platform screen door unit that could be used for various train cars, as there were many technological problems to be solved. One year later, however, your company proposed a concept for a new platform door unit. Generally, waist-high type platform screen doors are installed into the floor. However, you proposed that a platform screen door unit, which is composed of multiple doors and a door pocket, be hung from the ceiling to make it possible to slide the unit left and right. It really was an out-of-the-box idea and we were impressed by the passion and dedication you demonstrated in trying to come up with an innovative door system.

We are proud of ourselves as a pioneer of platform screen doors, and we decided to draw on our expertise and

resources to engage in the co-creation project.

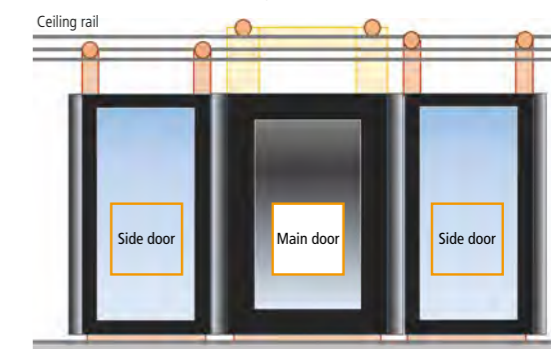
Your company, West Japan Railway Techsia Co., Ltd. and Nabtesco all worked together for the development of the door unit and faced a range of challenges in the development process. In particular, the heavy weight of the unit posed a problem. We at Nabtesco, also by thinking outside the box, changed the design from a structure consisting of "two side doors supported by the main door" to one consisting of "each of the main door and side doors being supported separately by being hung from the ceiling rail" to reduce the weight and distribute the load of the door unit, including the doors and the supporting structure, and to simplify the overall design. As a result, we were finally able to have a clear outlook for the project.

The platform door unit is composed of one main door and two side doors. A total of 50 units are now lined up on the platform, and by controlling their respective main and side doors, you can easily change the locations of the openings. In order to control the doors, however, we had to meet a range of challenges. It was especially difficult to slide the adjacent side doors together without creating a gap between them. By tossing new ideas around among the three companies, we were finally able to meet this challenge. Specifically, we installed electromagnetic locks between the side doors to have the doors pulled closely together by the sliding main door.

Nakamura: In 2019, I saw the prototype doors at Nabtesco's Konan Plant. I am grateful that you were able to develop the doors within a short time frame. After the development, we also faced difficulties when installing the doors.

Takahashi: We paid special attention to ensure safety, as the doors differed from conventional platform screen doors in terms of structure and movement. Giving first priority to ensuring the safety of passengers, even after

● Distributing the load by hanging the main and side doors separately from the ceiling rail



By controlling the unit composed of a main door and side doors, you can freely locate the openings. Platform screen doors are usually installed into the floor, but these doors are hung from the ceiling, which helps distribute the load and has led to the reduction of the door unit weight and the simplification of its structure.



Nakamura

For the fusion of the real and virtual worlds, what digital functions can we give to “doors,” through which you enter/exit real facilities? There are various possibilities, I think.

mass production had started, we changed the design to add a sensor to the door unit. We thus avoided making any compromises. For the installation of the door units, we confirmed the details with West Japan Railway Techsia, including the installation procedures and criteria, so that the door units would be installed with the precision we specified. Through the concerted effort of the three companies, we were able to achieve high safety & reliability as well as a beautiful design for the door unit.

Nakamura: We had only about one month for the trial run of the trains after the railroad track adjustment work was completed for the opening of the platform. All staff made a concerted effort to adjust the schedule and carry out checks on a range of train cars and multiple sets of cars to increase the reliability of the opening/closing operation of the door units as well as sensors mounted on the units. We were able to make functional improvements as planned within a short period of time. We faced various hardships, but Nabtesco completed all its tasks despite the tight schedule. Since the opening of the platform, we have been able to operate the door units with no major problems.

The “Umekita Area” of Osaka Station attracted a lot of attention due to the introduction of a face recognition system at the ticket gates and the installation of the full-height platform screen doors, and soon after the opening of the platform, the number of users, including visitors to the Area, amounted to 30,000 people per day. We expect that the number of passengers will further increase after the completion of the major facilities in the “Umekita Area” and the opening of the Naniwasuji Line.

Takahashi: We were able to meet a range of challenges by collaborating with JR WEST. Especially for the pursuit of safety, we learned a lot from the project.

Speeding up open innovation through the JR WEST LABO

Takahashi: How will JR WEST accelerate open innovation?

Nakamura: JR WEST has previously tended to attribute importance to doing everything independently, but we are in a new age. We need to be flexible and adopt excellent technologies also from outside the company. In the past we were sometimes unable to receive good proposals because we failed to communicate the challenges we were facing and what it would take for us to meet them.

We will change our attitude and search for co-creation partners to embrace challenges through the “JR WEST LABO”. We are eager to make use of our capital and human resources to grasp promising business opportunities.

It is important for us to fuse the real and digital worlds for the railroad business so that we can serve individual customers in a more attentive manner. To this end we are enhancing our WESTER app for customers. With regard to digitalization and virtualization, I hear some people opposed the idea of broadcasting sumo matches on TV as it would mean fewer live spectators at the Ryogoku Kokugikan sumo hall. On the contrary, however, sumo actually became more popular, bringing more spectators to the hall every day. Similarly, I think we can increase the number of passengers by making use of digital technologies to add new functions to our stations.

Takahashi: The COVID-19 brought digitalization forward, including with online meetings and online selling. However, I think it is still important for people to be able to physically touch things and have hands-on experiences in their daily lives, and stations represent a place that can combine the digital and real worlds.

Doors can be an “entrance” to bridge the real and virtual worlds

Nakamura: Also, for tourism, we have started to create a “virtual Osaka Station.” Having a virtual experience of traveling will encourage people to make trips in the real world.

How can we increase the public’s curiosity and interest in traveling? We used to have separate reward programs for customers in our railroad, hotel and retailing businesses but this spring we integrated the programs into the “WESTER point” rewards program. We will also enhance the provision of digital information through WESTER and provide users with convenient interactive

services while giving them “points” as special rewards, thereby contributing to increasing the attractiveness of western Japan and expanding exchange opportunities in the region.

Takahashi: I hear you will add an electronic financial settlement function to “WESTER”, which I think is appealing for those visiting Japan from overseas, as it will make it unnecessary for them to buy actual tickets or exchange money. In the future, it might become possible for hotel guests to automatically complete the check-in procedures by simply passing through the entrance door.

Nakamura: Yes, indeed. For the fusion of the real and virtual worlds, what digital functions can we give to “doors,” through which you enter/exit real facilities? There are various possibilities, I think.

Takahashi: You need to pass through a door to enter a facility. Stations are a starting point for lots of journeys and many people go there. Automatic doors could play additional new roles as entrances to various facilities. In our automatic door business, we are implementing a range of initiatives by creating digital technologies for the launch of new businesses, including those related to digital signage and ads. Going forward, I would like to foster co-creation with JR WEST also in the automatic door business.

Nakamura: The functions served by stations will change over the next five to 10 years. For example, passengers still need to take some action to pass through the ticket gates. The face recognition system introduced to the “Umekita Area” of Osaka Station will become a standard system in the near future. It is one of our innovation themes to make our services even more convenient for customers.

However, ensuring safety will continue to be our first priority. Platform screen doors are a social good and through the barrier-free fare system launched on April 1 this year, our passengers are now sharing the cost of making our facilities barrier-free, and we therefore need to speed up the barrier-free promotion measures even further.

Developing innovation leaders while also meeting social challenges

Takahashi: We will also create more opportunities to interact with start-up companies and experts to foster innovation. Moreover, we will listen to the opinions of end users and make innovative proposals to meet social challenges, such as the labor shortage and the need for decarbonization.

This June, we launched a new business promotion department within the Accessibility Innovations Company to develop businesses for next-generation automatic doors and in peripheral areas and to provide remote maintenance services based on the use of IoT technologies.

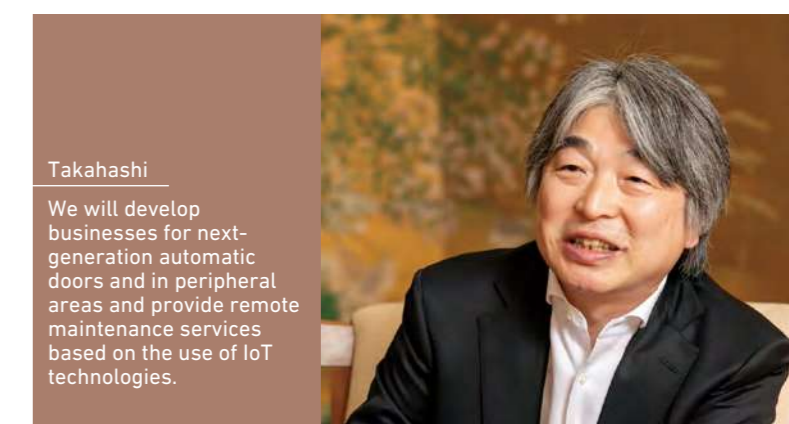
I also think it is important to provide younger employees, who will lead innovation in the future, with workplaces where they can conduct activities in comfort. To this end, we must create a corporate culture that allows employees to fail. I hear from young employees at our company that they were able to freely propose ideas and express their opinions in the co-creation project with JR WEST.

Nakamura: At JR WEST, we also give first priority to safety, and it is true that employees tend to try and avoid failure. However, we need to allow young engineers to be adventurers if we are to become a truly innovative company.

In the project, we were able to innovate largely because the young team members felt comfortable and had the freedom they needed. They were striving passionately to achieve the targets, which I believe has given them great confidence.

Going forward, we will continue to work for the solution of social issues and will generate and deliver innovations for the decarbonization of our society and for the SDGs, for which we would like to embrace challenges with Nabtesco.

Takahashi: We will take measures to contribute to the project that you are implementing to create attractive local communities. Thank you for today.



Takahashi

We will develop businesses for next-generation automatic doors and in peripheral areas and provide remote maintenance services based on the use of IoT technologies.

Long-term Vision

Aiming to become “Leaders in Innovation for the Future”

In 2021, we set our 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

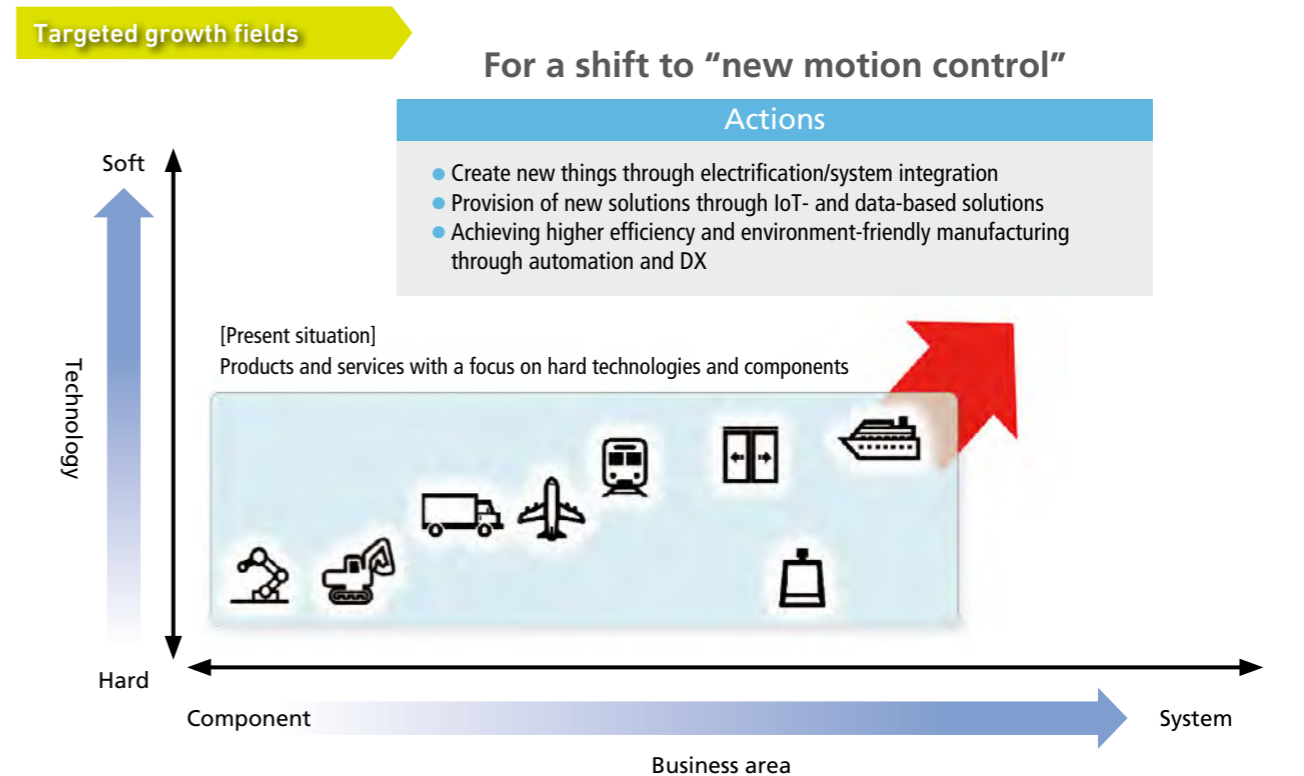
2030 Vision Leaders in Innovation for the Future



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 | | What we will continue to value toward the future | |
|---------------------------|--|--|--|
| 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. | 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. |
| 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. | 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. |
| 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. | | |

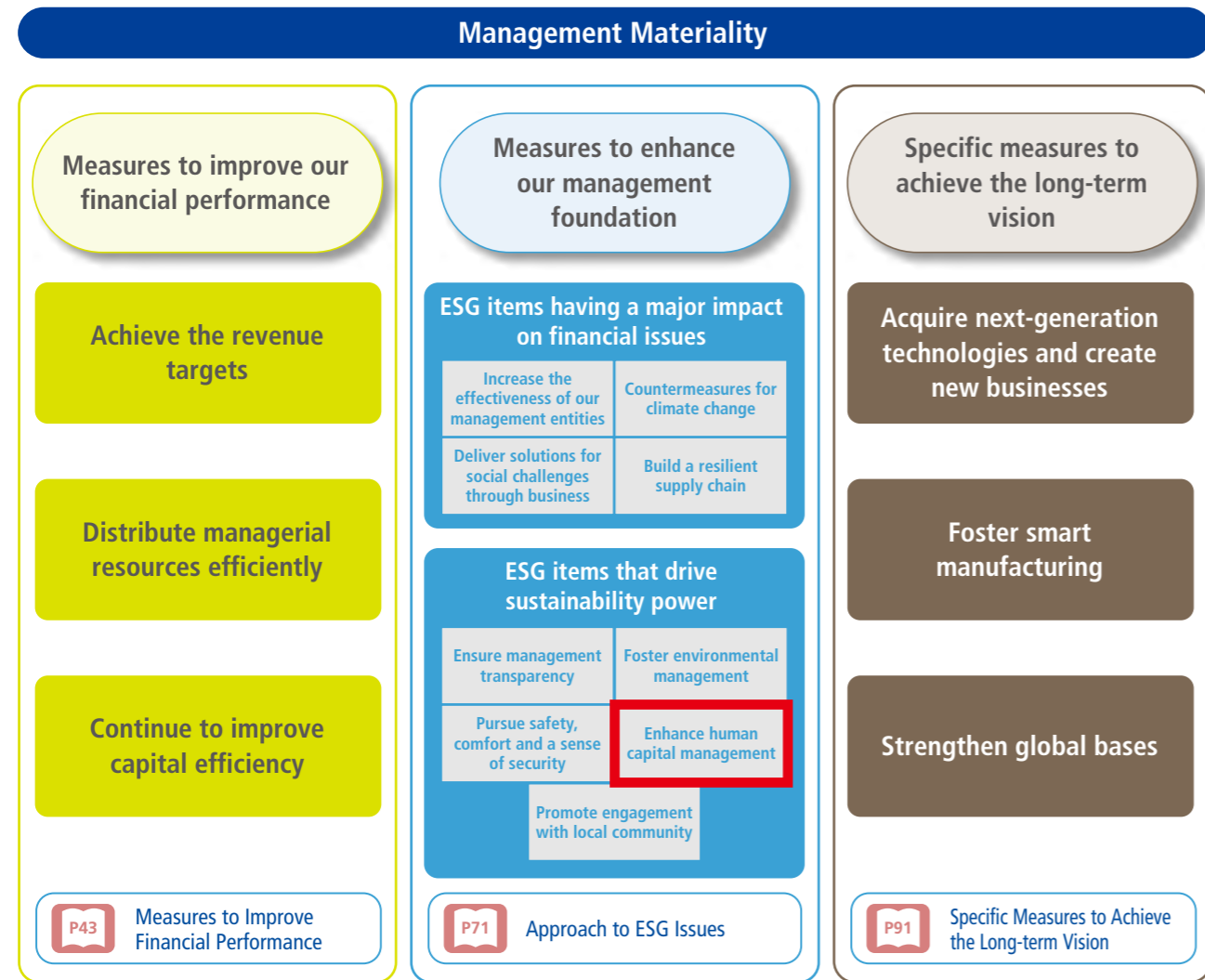


As growth fields for the future, we will focus on new energy, smart robotics and next-generation mobility and advance our core motion control technology to achieve growth in these fields.

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. We will review the issues of management materiality in response to social changes and changes in management awareness of the issues and take actions toward providing our stakeholders with value on a continual basis while maintaining our own profitable growth.



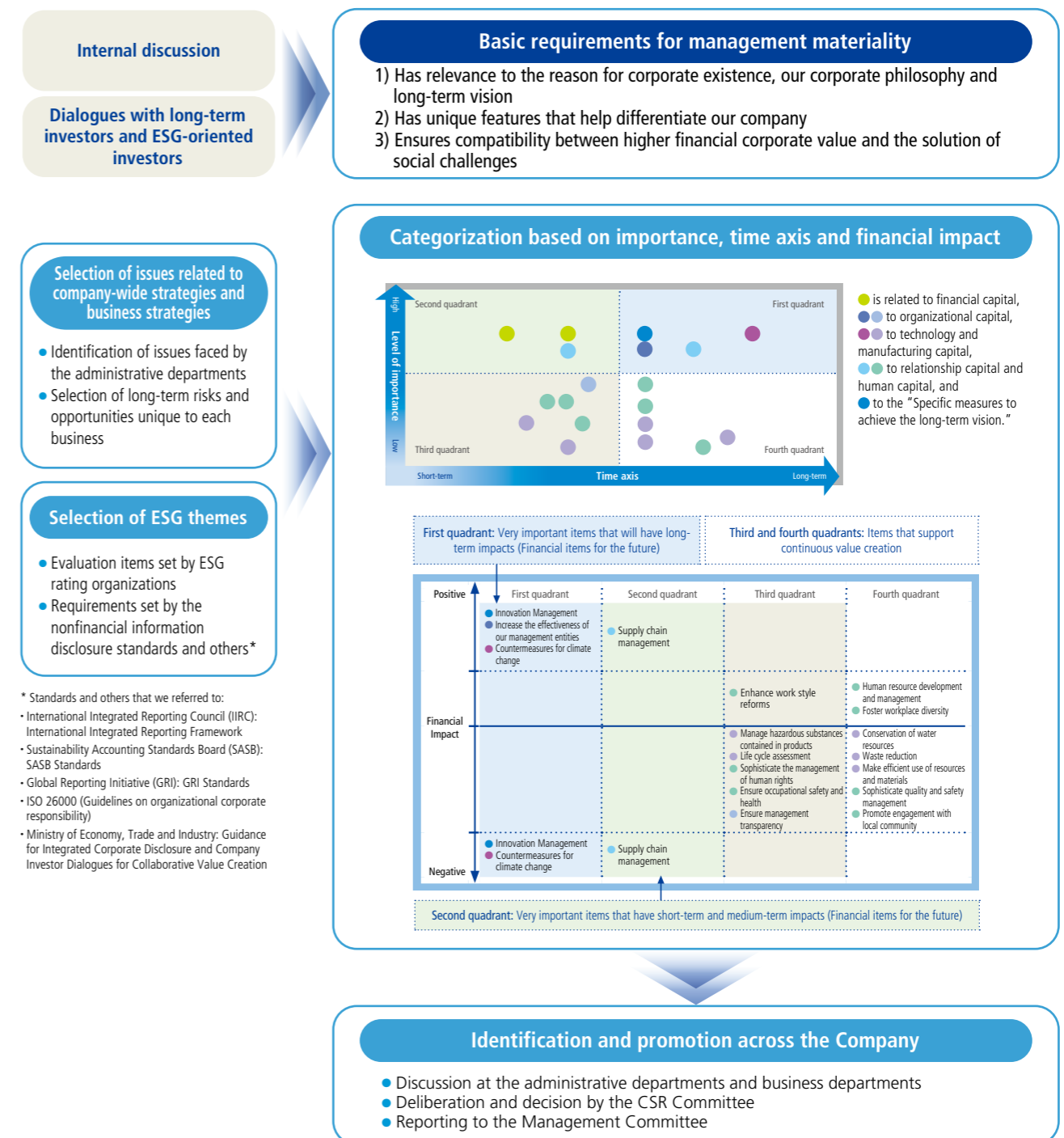
Items Reviewed in 2022

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.

In 2022, in order to redefine human capital as a primary source of value creation and implement integrated measures based on the new definition, we revised the human capital-related item to "Enhance human capital management" and also reviewed the actions to be taken for each related item. The results have already been approved by the Management Committee after deliberation by the CSR Committee and have also been reported to the Board of Directors. We will continue to steadily take actions for the achievement of the long-term vision, thereby further solidifying our management foundation in our pursuit of greater corporate value.

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.

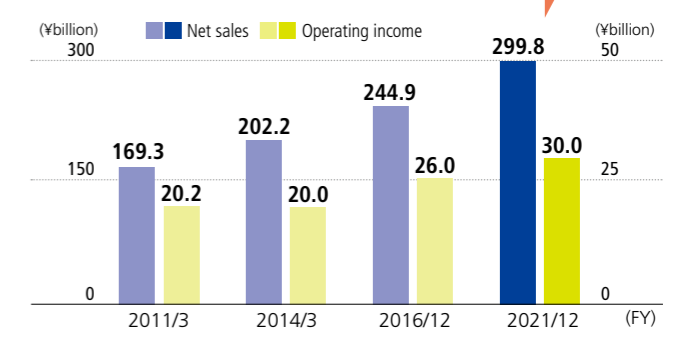


Results and Challenges for the Past Medium-Term Management Plans

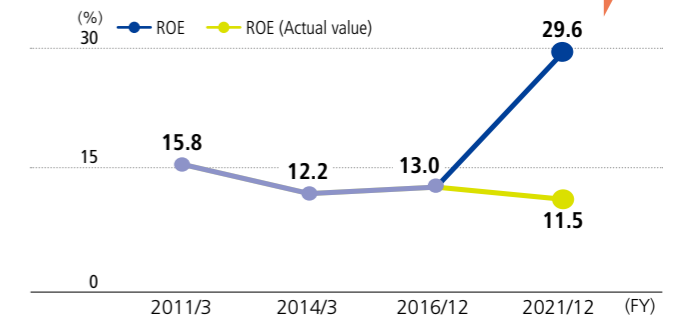
Achieving growth in domestic and overseas markets by maintaining the trust of customers through the provision of solutions

| | | | | |
|------------------------------|---|--|---|---|
| Previous long-term vision | (From the fiscal year ended March 31, 2012 to that ended December 31, 2020) Global Partner with Best Solution —Enjoy the Challenge— | | | <ul style="list-style-type: none"> - Continue to provide society with new innovative solutions (products, services and business models) - Pursue excellence through continuous technological innovation - Value open communication and creative thinking regardless of language and cultural differences - Encourage each employee to proactively take on challenges with the slogan, "Enjoy the Challenge" |
| Medium-term management plan | (From FY2012/3 to FY2014/3) Global Challenge: Advance to the Next Stage | (From FY2015/3 to FY2016/12) Think Global! Act Local! For the Second Decade | (From FY2017/12 to FY2021/12) —Create "New Value 2020"— | |
| Positioning and policy | In Pursuit of Further Growth in the Global Expanding Market Aiming at surviving global mega-competition and continuing to increase our corporate value through enhancement and expansion of our overseas business, promotion of global management and enhancement of domestic business bases | Company-wide strategies -Endless pursuit of customer satisfaction -Further expansion of international businesses -Development of new technologies and open innovation -Establishment of global production system -Improvement of shareholders' value and corporate value | Key strategies -Obtain new markets by accelerating overseas business and developing new domains -Create new solutions through transition from components to systems and services -Improve corporate value by raising profitability through production reforms and operational reforms as well as by seeking better capital efficiency * The plan was originally slated to end in 2020, but the period was extended by one year due to COVID-19. | |
| Strategy | Basic policies -Development and training of global human resources -Development of emerging markets (Further enhancement and expansion of overseas business) -Further enhancement of strong domestic business bases -Promotion of new business in response to structural changes (in industries and society) -Establishment of a global consolidated management system | Market Creation -Launch of new value-added products -Acceleration of overseas expansion -Enhancement of MRO -Branding buildup Technology Innovation -Implementation of technological development -Acceleration of global production system -Transformation of domestic production bases into mother factories Financial Strategy -Pursuit of asset efficiency -Utilization of financial leverage -Improvement of stakeholder return | Market Creation -Create new markets by accelerating the development of overseas businesses, including through M&A, as well as of new business domains -Expand after-sales services (MRO) business through the effective use of ICT and IoT Technology Innovation -Expand business domains from components to the provision of system solutions -Establish new competitive advantages in products through "manufacturing innovation" including the development of new engineering processes -Realize highly efficient production, high environmental capabilities and a comfortable working environment by introducing smart factory solutions Operational Excellence -Reinforce operation bases through production reforms, structural reforms and operation reforms -Pursue the improvement of profitability and capital efficiency by adding ROIC to the internal management indicators | |
| Target | FY2013 Net sales of ¥240 billion, operating income of ¥31.3 billion (operating income margin of 13.0%), ROA of 9.5% and ROE of 17.0% | FY2016 Net sales of ¥280 billion, operating income of ¥34 billion (operating income margin of 12.0%), ROA of 7.5% and ROE of 15.0% | FY2021 (1) ROE: 15% (2) Consolidated payout ratio: 35% or over (3) Focus on solving ESG issues | FY2020 (FY2021) reference values Net sales: ¥330 billion Operating income: ¥42 billion (operating income margin: 12.7%) |
| Result | FY2013 Net sales of ¥202.2 billion, operating income of ¥20 billion (operating income margin of 9.9%), ROA of 6.9% and ROE of 12.2% | FY2016 Net sales of ¥244.9 billion, operating income of ¥23.4 billion (operating income margin of 9.6%), ROA of 7.6% and ROE of 13.0% | FY2021 Net sales of ¥299.8 billion, operating income of ¥30 billion (operating income margin of 10.0%), ROA of 15.6% and ROE of 29.6% | |
| Evaluation | Qualitative evaluation Expansion of the sales network and service system to speed up overseas business development -Established a sales subsidiary for precision reduction gears/hydraulic equipment (in China) -Made automatic door sales companies consolidated subsidiaries (in Canada) -Established a local corporation for the packaging machine business (in the United States) -Acquired a manufacturer of railroad vehicle doors (in Italy) Promotion of new business -Established the New Energy Business Development Division (Integrated the solar tracking equipment business and the wind turbine drive unit business into one) Formulated The Nabtesco Way -Enhanced unity across the Group and solidified the business foundation | Expansion of high value-added products and services -Released actuators (optimized by the combined use of precision reduction gear and servomotor technologies) into the market Effective use of external resources through proactive M&A -M&A to pioneer a new market (to expand the domestic and overseas sales network for the automatic door business) -M&A to expand the product lineup (for hydraulic equipment/commercial vehicle equipment) Enhancement of the development promotion system -Established the NDEC (as an R&D base for open innovation) Increase of MRO sales -Increased MRO sales across the Company Progress with production reforms at the plants -Restructuring of the production bases in China Maintenance of stable dividend payment -Maintained the payout ratio at 30% or higher during the period | Establishment of a foundation to pioneer new fields -Obtained the technologies and a base in Europe for model-based development by acquiring OVALO Achievement of innovation in manufacturing -Increased operational efficiency through an ICT-based production management system -Promoted plant automation -Reviewed procurement for total optimization Fulfillment of the commitments -Maintained the payout ratio at 35% or higher during the period -Focused on solving ESG issues (Reduced CO ₂ emissions, carried out LCA, ^{*1} conducted 3R ² activities, performed DD ³ for human rights, reduced the average overtime work hours, increased the rate of outside directors, and identified management materiality) <small>*1 Product life cycle assessment *2 Reduce, Reuse and Recycle *3 Due diligence</small> | |
| | Quantitative evaluation | The Great East Japan Earthquake occurred during the MTMP period, which was followed by the European debt crisis and economic slowdown in China. Amid such an extended difficult business environment, we achieved none of the consolidated performance targets, mainly due to stagnant sales in the railroad vehicle equipment and hydraulic equipment businesses, especially in China. | We achieved none of the consolidated performance targets due to the degradation of the Chinese construction machinery market, which had been expected to grow, changes in the solar thermal power generation market and other external factors as well as to internal factors, such as substantially delayed overseas market expansion and failure to achieve sales targets for new products and new businesses. | Due to the COVID-19 pandemic, US-China trade frictions and other unexpected market changes, we were unable to make progress with overseas expansion and development in new fields as planned. We were unable to achieve the target of "ROE: 15%." |
| Challenges for the next MTMP | <ul style="list-style-type: none"> - Build a corporate structure that enables us to pursue growth while minimizing the impact of changes in the business environment - Promote a shift to become a company that can make more value-added proposals | <ul style="list-style-type: none"> - Pursue profitable growth - Speed up development and make recovery in overseas markets - Develop highly value-added products (by using IoT and sensing technologies and developing new engineering processes to offer more value to customers) - Increase manufacturing efficiency for higher profitability | <ul style="list-style-type: none"> - Improve profitability and capital efficiency - Expand the business domain to include new fields - Build a production system that is more resilient to market changes | |

● Net sales and operating income Achieved growth although the targets were unattained

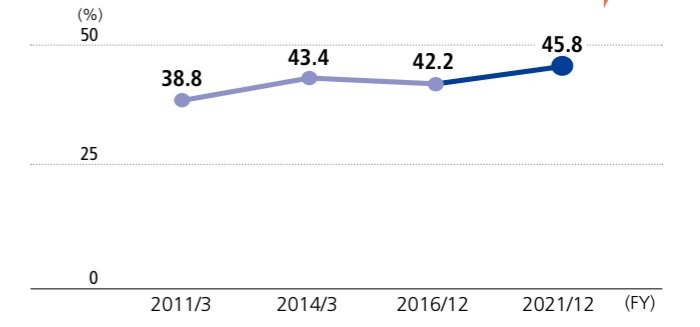


● ROE Achieved "ROE: 15%" due to a special factor, but did not achieve actual value*

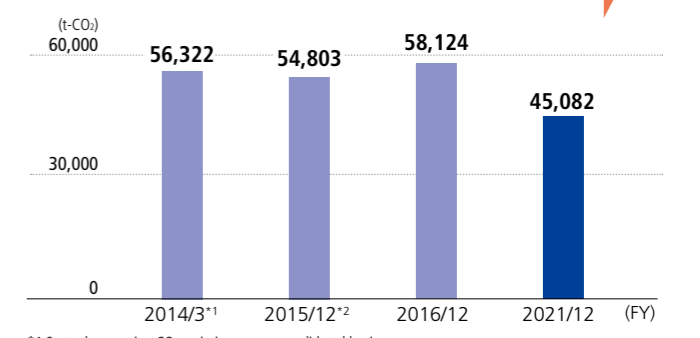


* Actual value calculated by excluding the financial impact of selling the shares in Harmonic Drive Systems

● Overseas sales ratio Expanded sales in emerging markets



● CO₂ emissions Steadily implemented anti-climate change measures



*1 Started measuring CO₂ emissions on a consolidated basis.
*2 Base year for long-term CO₂ emissions target

Progress with the Medium-Term Management Plan

Declaration to embrace challenges

The Nabtesco Group launched the medium-term management plan, "TIME FOR CHALLENGE" in 2022 based on the results of and issues identified under the previous medium-term management plan. We at Nabtesco will continue to embrace the three challenges as described below to transform ourselves and our company into "Leaders in Innovation for the Future."

Medium-Term Management Plan (FY2022 - FY2024)

Enjoy the Challenge

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

"Change ourselves"
Redefine our current Action Guidelines

"Change the Company"
Implement innovation systems/tools

Innovation for "New Motion Control"

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

TIME FOR CHALLENGE

-Change Yourself, Change the World-

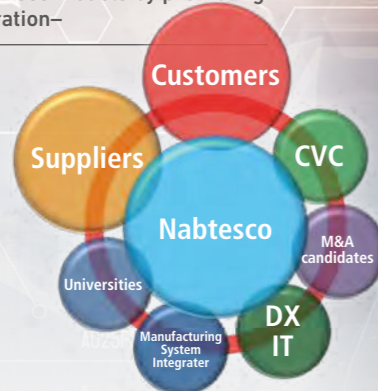
Challenge of fostering creativity

Challenge of fostering reforms

Challenge of fostering globalization

Intelligent Imagination & Execution

-Create new business models by promoting external collaboration-



Global Value "Network"

-Strengthen global management systems-



Targets for medium-term management plan

ROIC 10% or over

Consolidated payout ratio 35% or over

Focus on solving ESG challenges ... CO₂ emissions reduction Reduced by 25% (Baseline year: fiscal 2015/aligned with the SBT 1.5-degree Celsius target)

Measures implemented in the first year of the medium-term management plan and progress made to date



Challenge of fostering reforms

"Change the Company" Implement innovation systems

Intrapreneurship program "Light"

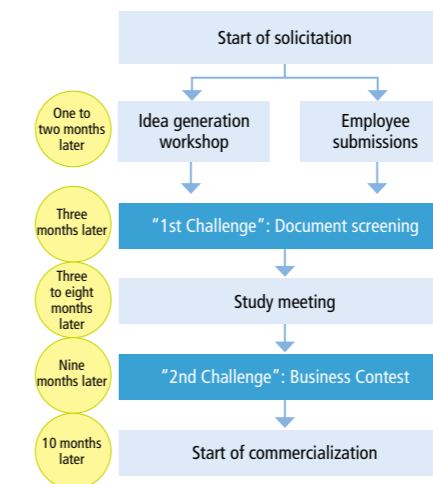
We started to implement the intrapreneurship program "Light" in October 2022. Under the program, we solicit business ideas from employees and then screen and workshop the ideas proposed. The ones thus selected are to be transformed into new businesses with the help of a newly launched in-house venture unit tasked with commercialization. Employees also receive support from "accelerators" to refine their business ideas through study meetings. We allocate a budget for the ideas chosen and internally disclose how they are being transformed into new businesses to encourage more employees to participate in the program. Since the launch of the program, nine ideas out of 21 proposals have been selected through the first screening process. We plan to conduct the second screening process (called the "Business Contest") in July 2023 to determine the business feasibility of the ideas with reference to the results of a vote.

Basic concept of Light

- Provide highly motivated personnel with a range of opportunities to embrace challenges
- Implement the program as a company-wide initiative under the leadership of top management
- Respect and applaud the commitment to embracing a challenge, even when ideas fail to achieve commercialization
- Cultivate an entrepreneurial mindset among employees
- Link, tie and connect people, ideas and expertise in an open manner to boost knowledge creation

In-house company innovation system

Through this company-wide system aimed at promoting the creation of new businesses based on existing businesses and technologies, we support the innovation promotion measures implemented by the in-house companies. As part of this support, we provide a dedicated budget that is separate from the general revenue budget set for conventional businesses. Since the system was launched in August 2022, a total of seven projects have been supported.



"Change ourselves" Redefine our current Action Guidelines

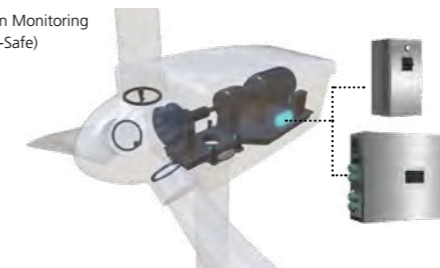
The Nabtesco Way: Redefinition of the Action Guidelines

We are currently conducting examinations with a view to revising The Nabtesco Way by the end of FY2023. Based on the results of the employee survey on the assimilation of The Way in the workplace, we will make revisions toward reforming our corporate culture in alignment with the long-term vision of becoming "Leaders in Innovation."

Challenge of fostering creativity

As part of our new business creation effort, we started the CMFS business in 2021. The CMFS helps prevent failures in wind turbines and prolongs their product life by monitoring their status in real time. To do this, we provide a cloud-based diagnosis service using CMFS equipment in a subscription format. Going forward, we will focus on promoting sales of this service to power generators and wind turbine manufacturers in Europe and other regions.

CMFS (Condition Monitoring system with Fail-Safe)



Challenge of fostering globalization

Each of our overseas bases will build a system to meet the needs of local customers through a local production and local consumption system established under the leadership of the overseas regional headquarters toward the restructuring of our global management system. We will also enhance our overseas bases, including expanding our business into new regions, and will introduce a global personnel management system to develop local leaders.

Overseas bases established in FY2022

- Launch of an office in Indonesia
Function: Local marketing for entry into a new market
- Launch of a hydraulic equipment sales base in Germany
Function: Sales promotion targeting European construction/agricultural machinery manufacturers and provision of support to Japanese manufacturers operating in the region