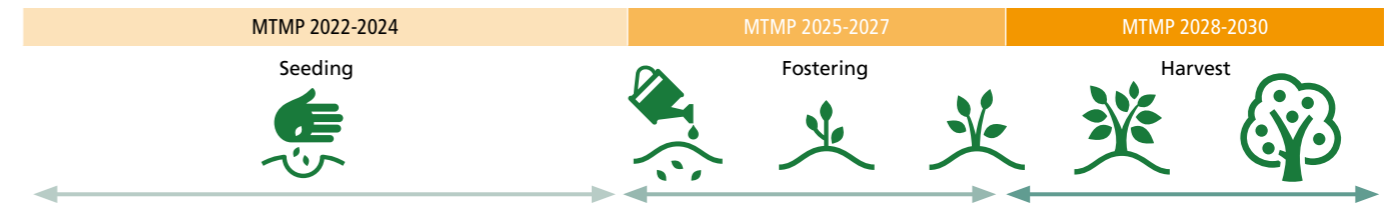


Results and Progress of Long-Term Vision and Medium-Term Management Plan

Toward realization of the long-term vision

Building upon the results and issues of the previous medium-term management plan (MTMP), as well as evaluating the progress and outlook of the current MTMP, we are in the process of formulating the next MTMP slated for launch in 2025.

New business creation phase



Long-term vision	(From FY2012/3 to FY2020/12) Global Partner with Best Solution—Enjoy the Challenge—		(From FY2021/12 to FY2030/12) Leaders in Innovation for the Future Innovation in Action																																									
Medium-term management plan	(From FY2015/3 to FY2016/12) Think Global! Act Local! For the Second Decade		(From FY2017/12 to FY2021/12) Move forward! Challenge the future! –Create “New Value 2020”–																																									
Positioning and policy	Company-wide strategies <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <small>* The plan was originally slated to end in 2020, but the period was extended by one year due to COVID-19.</small>																																									
Strategy	Market Creation <ul style="list-style-type: none"> Launch of new value-added products Acceleration of overseas expansion Enhancement of MRO* Branding buildup Technology Innovation <ul style="list-style-type: none"> Implementation of technological development Acceleration of global production system Transformation of domestic production bases into mother factories Financial Strategy <ul style="list-style-type: none"> Pursuit of asset efficiency Utilization of financial leverage Improvement of stakeholder return <small>* MRO: Maintenance, Repair and Overhaul (after-sales services)</small>		Market Creation <ul style="list-style-type: none"> 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 Technology Innovation <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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→Result	<table border="1"> <thead> <tr> <th>FY2016</th> <th>Target</th> <th>Result</th> <th></th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>¥280.0 billion</td> <td>→ ¥244.9 billion</td> <td>×</td> </tr> <tr> <td>Operating profit</td> <td>¥34.0 billion</td> <td>→ ¥26.0 billion</td> <td>×</td> </tr> <tr> <td>Operating profit margin</td> <td>12.0%</td> <td>→ 10.6%</td> <td>×</td> </tr> <tr> <td>ROA</td> <td>7.5%</td> <td>→ 7.6%</td> <td>○</td> </tr> <tr> <td>ROE</td> <td>15.0%</td> <td>→ 13.0%</td> <td>×</td> </tr> </tbody> </table>		FY2016	Target	Result		Net sales	¥280.0 billion	→ ¥244.9 billion	×	Operating profit	¥34.0 billion	→ ¥26.0 billion	×	Operating profit margin	12.0%	→ 10.6%	×	ROA	7.5%	→ 7.6%	○	ROE	15.0%	→ 13.0%	×	<table border="1"> <thead> <tr> <th>FY2021</th> <th>Target</th> <th>Result</th> <th></th> </tr> </thead> <tbody> <tr> <td>(1) ROE</td> <td>15%</td> <td>→ 29.6%</td> <td>○¹</td> </tr> <tr> <td>(2) Consolidated payout ratio</td> <td>35% or over</td> <td>→ 40.9%</td> <td>○²</td> </tr> <tr> <td>(3) Focus on solving ESG issues</td> <td>Identified management materiality, etc.</td> <td>→</td> <td>○</td> </tr> </tbody> </table> <small>¹ Achieved when including stock valuation gains for Harmonic Drive Systems Inc. (HDS) shares ² *14.4% when including the impact of the sale of shares in HDS</small>		FY2021	Target	Result		(1) ROE	15%	→ 29.6%	○ ¹	(2) Consolidated payout ratio	35% or over	→ 40.9%	○ ²	(3) Focus on solving ESG issues	Identified management materiality, etc.	→	○
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Qualitative evaluation	Expansion of high value-added products and services <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Established the NDEC (as a R&D base for open innovation) Increase of MRO sales <ul style="list-style-type: none"> Increased MRO sales across the Company Progress with production reforms at plants <ul style="list-style-type: none"> Restructuring of production bases in China Maintenance of stable dividend payment <ul style="list-style-type: none"> Maintained the payout ratio at 30% or higher during the period (FY2016/12: 35.1%) 		Establishment of a foundation to pioneer new fields <ul style="list-style-type: none"> Obtained the technologies and a base in Europe for model-based development by acquiring OVALO Achievement of innovation in manufacturing <ul style="list-style-type: none"> Increased operational efficiency through an ICT-based production management system Promoted plant automation Reviewed procurement for total optimization Fulfillment of commitments <ul style="list-style-type: none"> Maintained the payout ratio at 35% or higher during the period Focused on solving ESG issues (Reduced CO₂ emissions, carried out LCA,³ conducted 3R⁴ activities, performed DD⁵ for human rights, reduced the average overtime work hours, increased the rate of outside directors, and identified management materiality) <small>³ Product life cycle assessment ⁴ Reduce, Reuse and Recycle ⁵ Due diligence</small>																																									

Vision 2030

Leaders in Innovation for the Future

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

Time for Challenge
MTMP 2022-2024

Steady growth by challenge and reform
MTMP 2025-2027

Propose innovative value as a market leader
MTMP 2028-2030

Ideal picture in 2024
Rebuilding the foundation for reform to realize the long-term vision, with innovation flourishing and taking root

Progress toward MTMP targets

ROIC: 10% or higher

In particular, there is a significant disparity in profit margins. Swiftly enhance profitability by executing “Project 10”.

Dividend payout ratio: 35% or higher

Nabtesco expects to maintain a consolidated dividend payout ratio of 35% or more during the period of the MTMP.

CO₂ emissions reduced by 25%

(Baseline year: FY2015/aligned with the SBT 1.5-degree Celsius target)

Proceeding as scheduled

*See page 14 for profitability improvement plan. *14.4% when including the impact of the sale of shares in HDS

Answers to Stakeholder Questions

This section outlines the issues that Nabtesco needs to promptly address and provides answers to related questions.

To facilitate informed investment decisions regarding Nabtesco, this page summarizes the current issues we are aware of and references sections addressing frequently asked questions from investors. We integrate multiple disclosure contents and adhere to an editorial policy focused on presenting condensed yet cohesive narratives within the Integrated Report. For more comprehensive insights into the Company, please consult the relevant sections within our reports and publications.

Can we truly enhance our earning power?

Issue The operating profit margin has been declining since reaching approximately 10% in FY2015/3. The significant decrease in profitability of CMP, a key driver of earnings growth, suggests a loss of "earning power."

Q What is the reason for the downturn in profitability?

- IR** **P13** Launched Project 10 to regain earning power
- P27** Key points of FY2023 results and FY2024 plan
- P19** Reasons for profitability downturn and proposed actions

Q What strategies are in place to improve profitability, and what are the associated milestones?

- RBM** (Results Briefing for the Fiscal Year Ended December 31, 2023) **P11-18** Project 10 (FY2024/12 Q1 Results Briefing)
- P4-11** Revision of FY2024 Forecast

Is business portfolio management being executed to enhance Return on Invested Capital (ROIC)?

Issue Compared to the ROIC management target of 10% or higher in the current medium-term management plan, the forecast for the final year is 3.2%. The impact of introducing business portfolio management on these results is unclear.

Q What are the specifics of the business portfolio management?

- IR** **P17** ROIC management and business portfolio management
- P29** Designing the ideal business portfolio while considering capital costs
- P30** Approach to capital allocation (figure 1)

Q What strategies are in place to improve ROIC?

- IR** (Nabtesco Value Report 2022) **P94** ROIC Improvement by Building Manufacturing Innovation
- RBM** (Results Briefing for the Fiscal Year Ended December 31, 2023) **P20** Utilization of Business Portfolio Management

What is the management philosophy and what are the goals?

Issue Capturing the behavior and management philosophy of top management is challenging.

Q How do you plan to address conglomerate discount?

- IR** **P23** Value Creation Story
- P9** Results and Progress of Long-Term Vision and Medium-Term Management Plan
- P18** Fulfilling responsibilities as a CEO
- P30** Aiming for a conglomerate premium transformation and a market capitalization of ¥500.0 billion

Q What are the management's goals to be achieved?

- ASR** **P13-16** Management Policies, Management Environment and Issues to be Addressed
- Web** Long-term Vision <https://www.nabtesco.com/en/about/company/vision/>

IR: Integrated Report RBM: Result Briefing Material ASR: Annual Securities Report

What are the business models, strengths, issues, and growth strategies for each business?

Issue As the competitive environment evolves, it is crucial to evaluate our ability to maintain a high market share in each business.

Q What are the strengths, risks, and opportunities of our business, and what are the growth strategies in place?

- IR** **P37** Business Models and SWOT Analysis
- P39** Characteristics of and Actions to Enhance Various Capital
- P41-48** Business Segment Information

Q What are the latest updates on business environments, results, and forecasts by segment?

- ASR** **P5-9** Description of business
- P39-48** Management's Discussion and Analysis of Financial Condition (FY2024/12 Q1 Results Briefing)
- RBM** **P7-11** Segment results and FY2024 forecasts

What is the innovation creation strategy, and what are the accomplishments thus far?

Issue To exceed expectations for customers and society, there is ample opportunity to aggressively pursue the expansion of existing business domains and the creation of new businesses.

Q What are your policies for creating new businesses, including areas of focus, initiatives, and their resulting outcomes?

- IR** **P35** Acquire Next-generation Technologies and Create New Businesses
- P15** Path to conglomerate premium transformation
- ASR** **P32-36** Intellectual Property Management Strategies to Lead Sustainable Innovation Creation
- P45** R&D Activities

Web Innovation <https://www.nabtesco.com/en/innovation/>

How do you advance sustainability activities?

Issue The Company is upgrading its management practices, identifying and regularly reviewing management materiality, to contribute to addressing complex ESG issues.

Management materiality **Q** How do you manage management materiality?

- IR** **P25** Management Materiality
- P49** Approach to ESG Issues

Q What is your approach to addressing ESG factors that significantly impact financial matters?

- ASR** **P17-36** Policies and Measures for Sustainability Management
- Web** Approach to Sustainability <https://www.nabtesco.com/en/about/sustainability/s-001/>

Corporate governance **Q** What does the self-assessment of governance effectiveness and compensation governance entail?

- IR** **P22** Effectiveness of governance
- P51** Increase the Effectiveness of Our Management Entities
- P49** Approach to ESG Issues

- ASR** **P62-83** Status of Corporate Governance
- Web** Corporate Governance <https://www.nabtesco.com/en/about/company/policy/governance/>

Human capital **Q** What is the concept, current issues, and achievements in human capital management?

- IR** **P31-34** Enhance Human Capital Management
- P49** Approach to ESG Issues

- ASR** **P10-12** Employee Status
- P28-31** Enhance Human Capital Management

Web Enhance Human Capital Management <https://www.nabtesco.com/en/about/sustainability/s-004/>