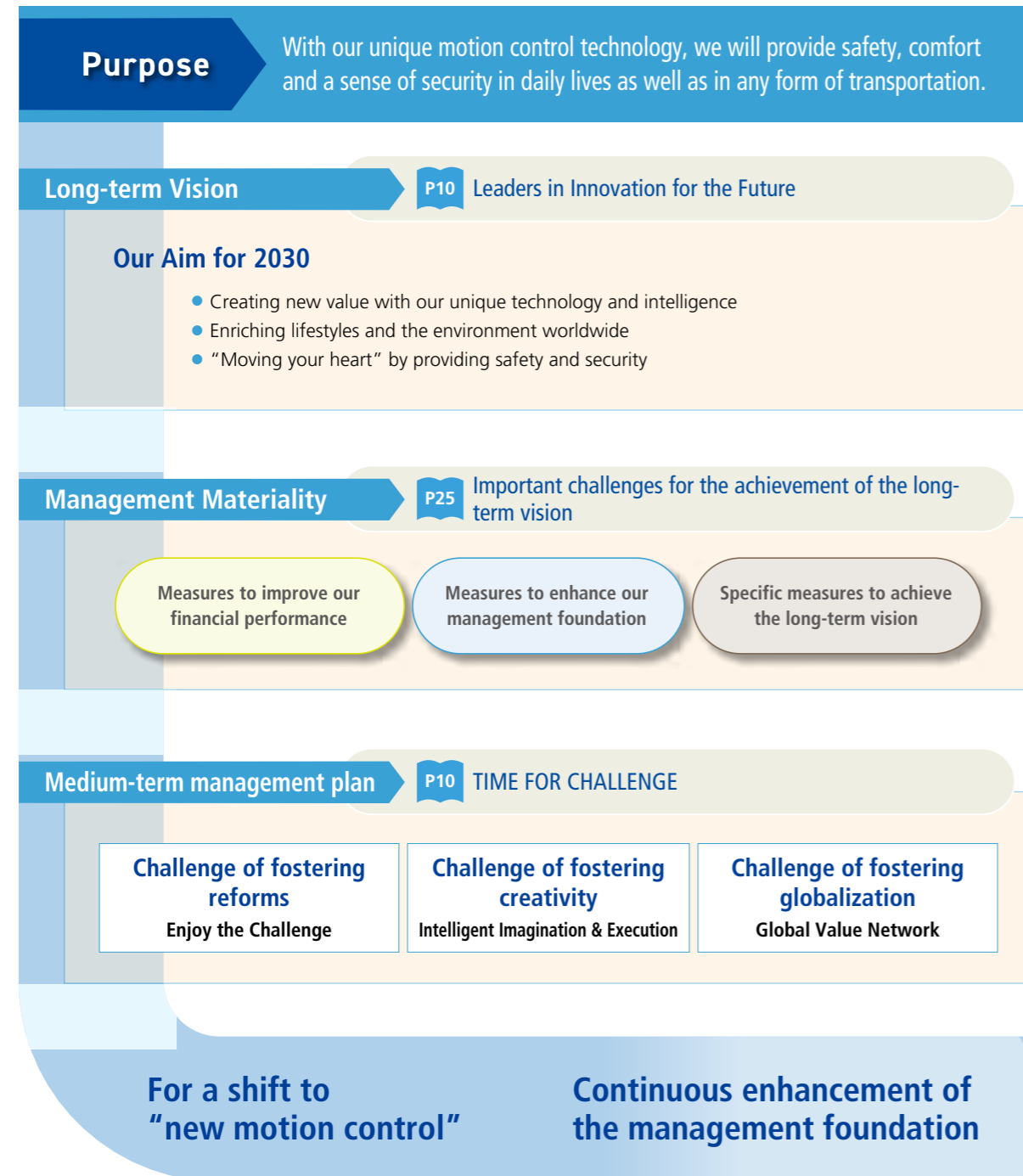


## Value Creation Story

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



**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
- Increase in procurement cost due to inflation and other factors
- Intensification of competition for the acquisition of human resources

**[Opportunities]**

- Expansion of business that can contribute to solving social issues
- Demand for electrification and systematization
- Demand increase for products and services with high environmental performance
- Creation of innovation through the optimization of human capital

**Web** FY2023/12 Annual Securities Report, P37 Business and Other Risks  
<https://www.nabtesco.com/cms/wp-content/uploads/Annual-Securities-Report-FY2023-.pdf>

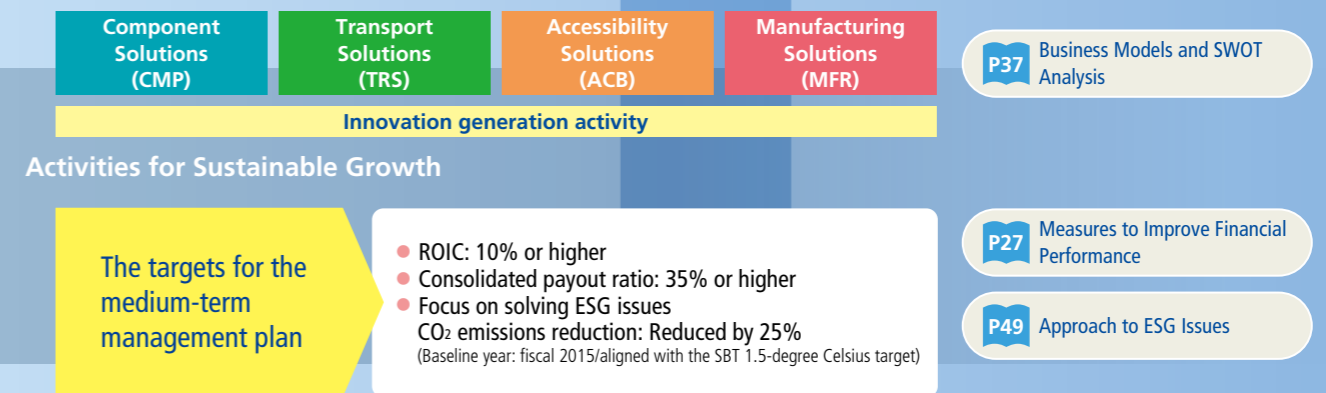
### Created Value: Establishment of new motion control

P35 Acquire Next-generation Technologies and Create New Businesses

	Value for the Nabtesco Group	Impact on external stakeholders
<b>Relationship capital</b>	<ul style="list-style-type: none"> <li>• Customer bases founded on top-class market shares</li> <li>• Trust in the management team and high-scoring ESG evaluation</li> <li>• Responsible supply chain management</li> <li>• Improvement of recognition through community investment</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver solutions for social challenges through business</li> <li>• Enhancement of partnership with stakeholders</li> <li>• Increasing the resilience of the supply chain</li> <li>• Contribution to the solution of social challenges in the environment, education, and welfare fields</li> </ul>
<b>Financial capital</b>	<ul style="list-style-type: none"> <li>• Robust balance sheet that realizes growth investments</li> </ul>	<ul style="list-style-type: none"> <li>• Capital efficiency and stable return of profit that meet shareholders' expectations</li> </ul>
<b>Manufacturing capital</b>	<ul style="list-style-type: none"> <li>• Promotion of smart manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of safety, comfort, and a sense of security, and contribution to climate change mitigation and biodiversity</li> </ul>
<b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>• Acquisition of technology for smart motion control</li> <li>• Generation and enhancement of core value for sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>• Open innovation through co-creation</li> </ul>
<b>Organizational capital</b>	<ul style="list-style-type: none"> <li>• Highly ethical corporate culture based on a global compliance system</li> </ul>	<ul style="list-style-type: none"> <li>• Management transparency based on the autonomous improvement of its functions by the Board of Directors</li> </ul>
<b>Human capital</b>	<ul style="list-style-type: none"> <li>• Optimization of human capital to become "Leaders in Innovation"</li> </ul>	<ul style="list-style-type: none"> <li>• Respect for diversity and various expertise in the workplace</li> </ul>

### Value Creation Process

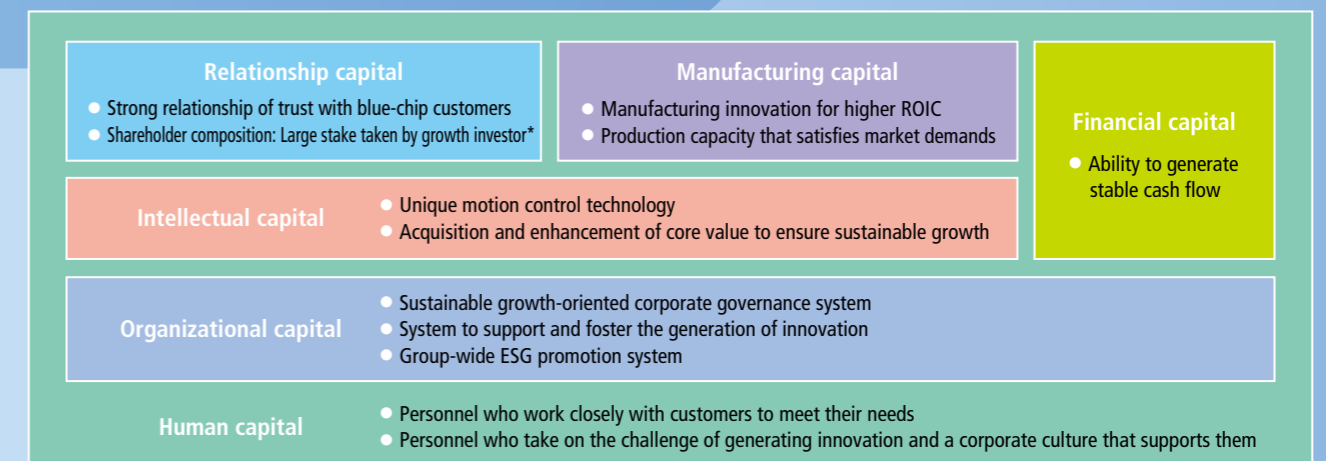
### OUTPUT



### INPUT

### Managerial Resources that Support Value Creation

P39 Characteristics of and Actions to Enhance Various Capital

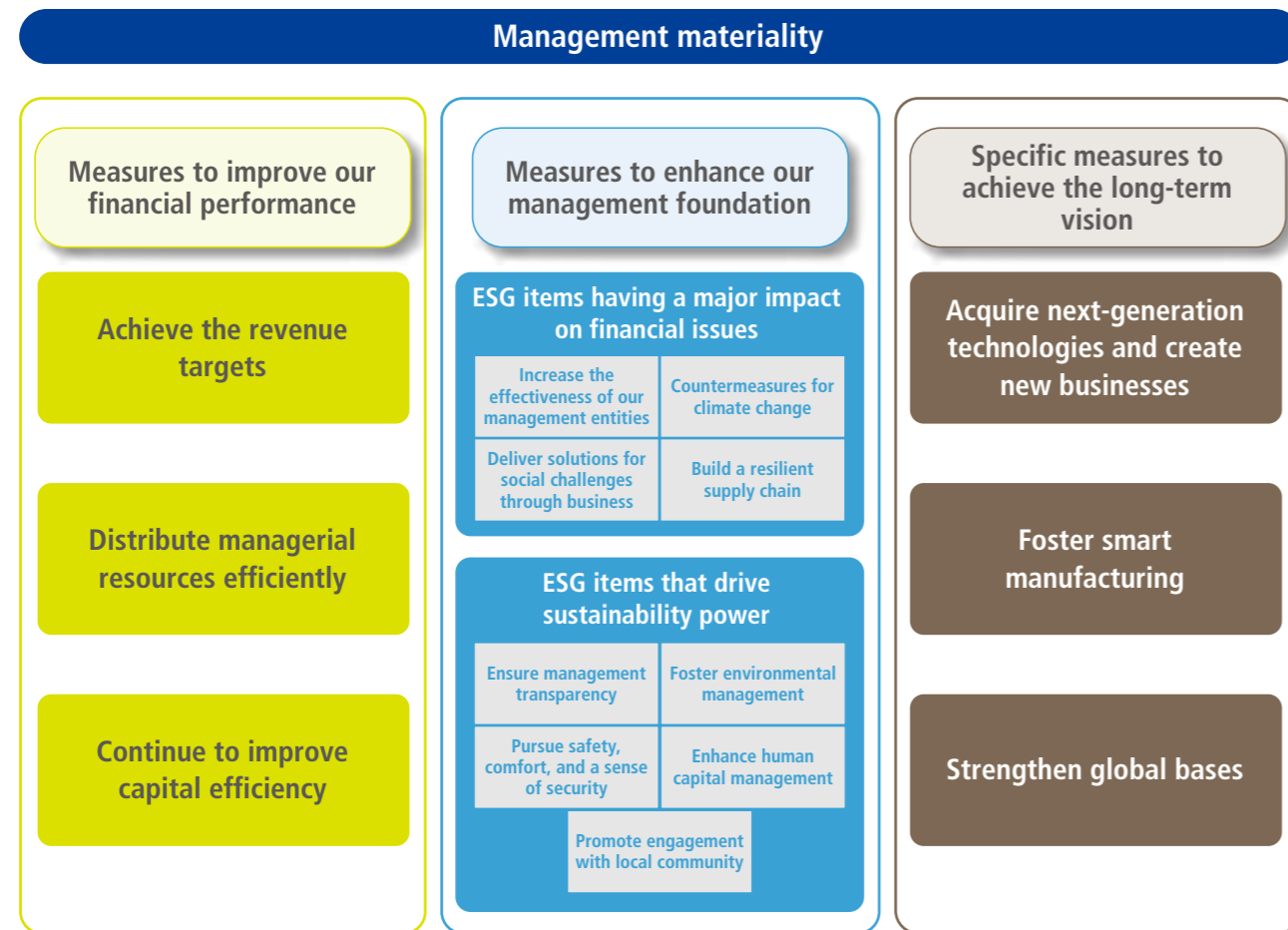


\* Growth investors: Investors who make investments with a focus on the growth potential of companies

## Management Materiality

# The Nabtesco Group has identified material management issues as a top management priority and strengthened its governance.

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 aim to create economic, environmental, and social value from a long-term perspective. We will review these issues in response to social changes and shifts in management awareness, taking action to further strengthen our management base and continually provide value to our stakeholders while maintaining our own profitable growth.



### Items reviewed

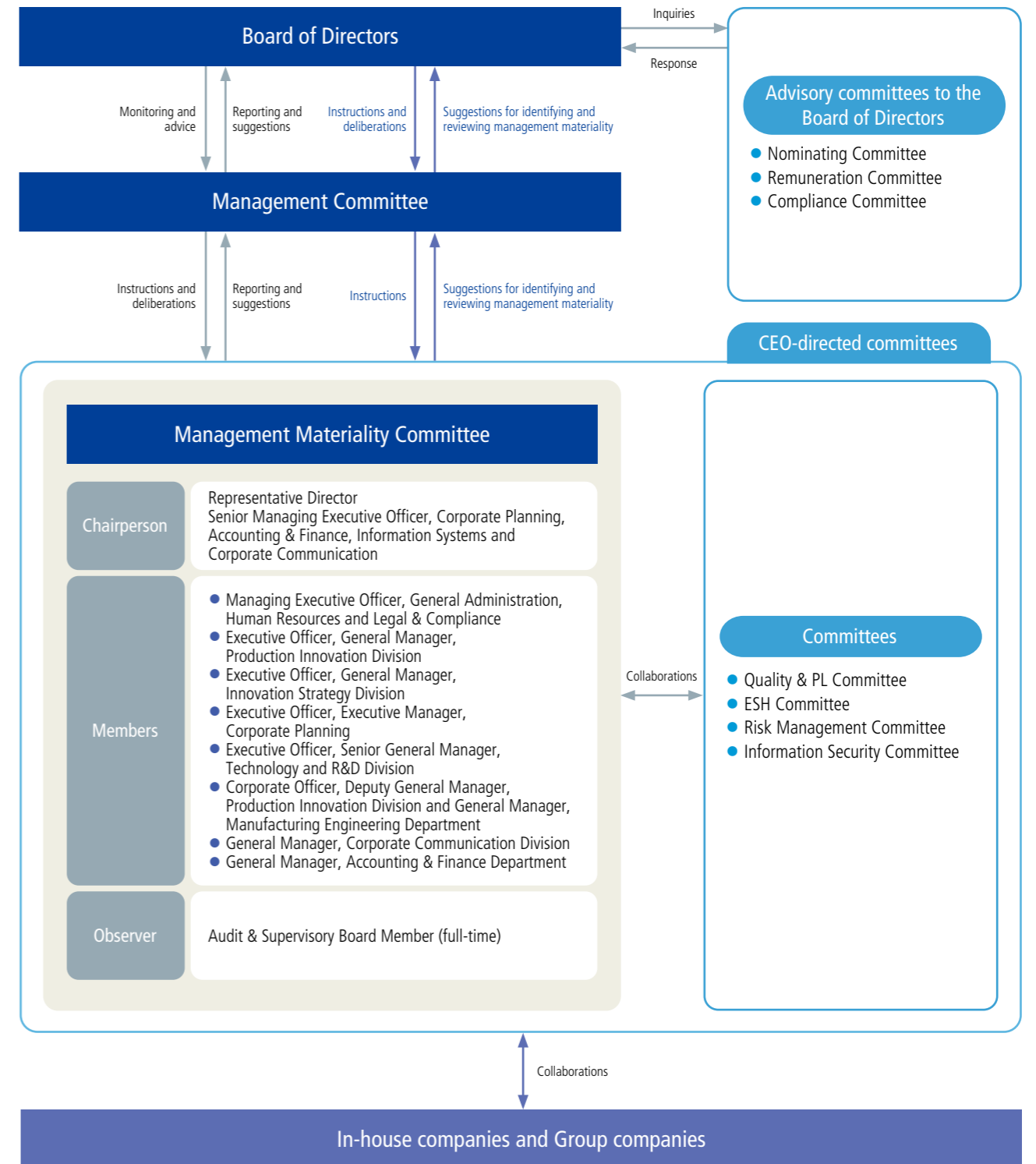
The Nabtesco Group deems it important to “dynamically” adjust the focus of its management materiality in response to changes in the business and management environment. In 2022, to redefine human capital as a primary source of value creation and implement integrated measures based on this new definition, we revised the human capital-related item to “Enhance human capital management” and reviewed the actions to be taken for each related item. In 2023, the Management Materiality Committee reviewed progress and set action plans. The review concluded that no changes to management materiality were necessary. This decision was approved after deliberation at the Management Committee and Board of Directors’ meeting.

Please refer to the following for the process of identifying management materiality and the main initiatives (indicators and targets).

- P27** Measures to Improve Financial Performance
- P49** Approach to ESG Issues
- P35** Acquire Next-generation Technologies and Create New Businesses

**Web** Value creation story and management materiality <https://www.nabtesco.com/en/about/sustainability/s-001/s-002/>

To enhance our sustainability governance, the Group dissolved the previous CSR Committee in 2023 to establish the CEO-directed Management Materiality Committee in its place. The Committee oversees the progress and management of our management materiality, collaborating with other CEO-directed committees, setting targets and KPIs for management materiality items, and regularly reviewing them. The activities are deliberated and determined by the Management Committee and reported to the Board of Directors.



## Measures to Improve Financial Performance

We aim to achieve conglomerate premium transformation by rebuilding our highly profitable and high-growth structure.

# Nabtesco

Under challenging circumstances in FY2024/12, our profits are expected to decline for three consecutive financial periods. To address this, we have initiated a profit-improvement program called "Project 10" to restore our earning potential. By building an optimal business portfolio and fostering the creation of new businesses through innovation, we aim to maximize corporate value and capture conglomerate premiums.

### Atsushi Habe

Representative Director  
Senior Managing Executive Officer  
Corporate Planning, Accounting & Finance, Information Systems and Corporate Communication

### Basic policies for financial and capital management

The current medium-term management plan (MTMP) for 2022-2024 is positioned as the three years of "seeding" aimed at realizing our long-term vision. As the person responsible for planning and accounting, I believe that formulating and executing financial strategies to usher in the era of "new motion control" through innovation is my primary responsibility.

From a short-term perspective, balancing growth investments with capital efficiency is challenging. However, one of the key issues for realizing our long-term vision (management materiality) is improving our financial performance. This factor is a crucial consideration in our financial and capital policies. Accordingly, under the MTMP, we aim to achieve an Return on Invested Capital (ROIC) of 10% or higher by enhancing profitability and capital efficiency. Concurrently, as part of our efforts to increase corporate value, we have secured a strategic investment budget for growth, which includes capital investment of ¥88.0 billion, growth investment of ¥65.0 billion, and R&D expenses of ¥40.0 billion.

### Key points of FY2023 results and FY2024 plan

In FY2023/12 (according to IFRS standards), consolidated net sales increased by 8.1% from the previous fiscal year to ¥333.6 billion. Meanwhile, operating income decreased by 4.0% to ¥17.4 billion (operating profit margin: 5.2%). This decline was primarily attributed to decreased capacity utilization resulting from reduced demand for precision reduction gears for industrial robots, heightened procurement costs (including purchased material costs), and a delay in passing on these costs to product prices, despite the positive impact of increased sales primarily in the Accessibility Solutions Business (ACB) and Transport Solutions Business (TRS). Profit for the year attributable to owners of the parent surged by 53.8% year-on-year to ¥14.6 billion, partly due to the recording of a gain on the valuation of securities. ROIC stood at 4.2% (down from 4.6% in FY2022/12) owing to a decline in operating profit, while our payout ratio reached 66.0% (with a dividend per share of ¥80) as we maintained our initial target, ensuring a stable dividend amount.

The forecast for FY2024/12 was revised at the end of the first quarter, announced on April 30. We anticipate a 3.0% year-on-year decrease in sales to ¥323.7 billion and a 22.3% year-on-year decrease in operating profit to ¥13.5 billion (operating profit margin: 4.2%). In the first

half of the fiscal year, we expect sales in the Component Solutions Business (CMP) to continue their downward trend, declining by 7.1% year-on-year to ¥151.5 billion. This decline is primarily based on the assumption of continued sluggish demand for precision reduction gears due to inventory adjustments. Meanwhile, for the second half of the fiscal year, net sales are forecast to increase by 0.9% year on year to ¥172.2 billion due to progress in eliminating distribution inventories of industrial robots and other factors. The operating profit forecast for the first half is expected to decline by 42.5% year on year to ¥5.0 billion (operating profit margin of 3.3%). Although the forecast for the second half also shows a decline of 2.1% year on year to ¥8.5 billion (4.9%), we anticipate a bottoming out at 70% compared to the first half. This is due to factors such as the impact of higher sales based on demand recovery in precision reduction gears and the positive impact of price revisions. The full-year forecast ROIC is expected to remain sluggish at 3.2%, with a planned dividend per share of ¥80, and a projected dividend payout ratio of 103.3%.

In the first quarter of FY2024/12, we have upwardly revised our initial plan to reflect the effects of exchange rate fluctuations and other factors. However, the outlook for the market environment remains unchanged from the time of formulating the initial plan.

### Progress and achievements of the current MTMP: Steady implementation of growth strategies

Under the current MTMP, we have implemented aggressive capital investment based on growth-oriented expectations. However, this has led to a combination of sharp deterioration in the external environment, resulting in difficulties in achieving our target ROIC due to the heavy burden of fixed costs. Even amidst these challenging conditions, we remain committed to future growth investments aimed at increasing demand for precision reduction gears and fostering innovation. We are planning a cumulative three-year capital investment of ¥76.0 billion (compared to ¥41.0 billion in the previous cumulative three-year period from 2019 to 2021), including the FY2024 Plan, and R&D expenses of ¥35.9 billion (compared to ¥28.5 billion). Although this falls below our initial plan, we are steadfast in sowing seeds for future growth.

We are confident in the progress we have made regarding our growth strategy for fostering innovation.

Specifically, we have collaborated with startups through Corporate Venture Capital (CVC), co-creating new businesses. Additionally, we have established an organizational structure dedicated to realizing innovation and launched Light, an intrapreneurship program. Regarding CVC, we conduct due diligence to assess whether investments will strengthen existing businesses and facilitate the creation of new ventures. As of December 31, 2023, we had invested approximately ¥3.2 billion in 10 companies, within our ¥10 billion investment limit. Our investments covered a total of 14 companies, and we have already recovered our initial investment in four of these companies.

In terms of the organizational structure aimed at fostering innovation, we established the Innovation Strategy Office, comprising approximately 30 specialist teams. We also enhanced functions geared towards the commercialization of innovation, such as monitoring CVC investee companies, developing a framework for the commercialization of Light projects, and advancing DX initiatives. Concerning the Light program, employees have the opportunity to cultivate entrepreneurship by voluntarily brainstorming ideas and executing business designs. This initiative also serves as a valuable means of identifying talent. In its inaugural year, which was last year, 21 ideas were proposed. One of these ideas has been earmarked for commercialization, while two others are still under consideration. Furthermore, in May 2024, we inaugurated an Innovation Office in Boston, Massachusetts, USA, to delve into cutting-edge technical information and business models. Through these endeavors, we are steadily executing our growth strategies.

### Profitability Improvement Plan "Project 10" and concept for the next MTMP

In preparation for formulating the next MTMP commencing in 2025, we have initiated discussions on "strengthening profitability in existing businesses" and "strategic measures for growth." Our objective for the upcoming MTMP is to present a highly feasible growth narrative, constructing an optimal portfolio that reflects Nabtesco's unique identity and fostering innovation, while concurrently managing ROIC with a keen awareness of capital costs. To achieve this goal, it is imperative to enhance the profitability of our established business segments, which constitute the numerator of both Return on Equity (ROE)

## Measures to Improve Financial Performance

and ROIC. Consequently, we have launched “Project 10,” a profitability improvement initiative reporting directly to the CEO, slated for completion by 2026. Through this project, we aim to bolster the numerator of our ROIC by enhancing the profitability of our business divisions under corporate leadership, reviewing head office expenses, and implementing cost reduction measures where necessary. Additionally, I am spearheading efforts in planning and accounting to reduce the denominator. By committing to enhancing asset efficiency and constructing an optimal portfolio, I anticipate steering Nabtesco towards a growth phase characterized by sustained profitability throughout the forthcoming MTMP and beyond.

### Designing the ideal business portfolio while considering capital costs

At the Board of Directors’ meeting held at the end of 2022, we formulated the “Basic Policy on the Business Portfolio” to realize optimal business portfolio management. We classify the four segments into 36 business units and conduct a “quantitative financial assessment” and a “business potential evaluation” for each business unit annually. Additionally, we have established a hurdle rate based on the average GDP growth rate for the six fiscal years and the internal target ROIC, visualizing the positioning within our business portfolio. This hurdle rate is determined by our assessment of the sales growth rate and ROIC.

For financial evaluations, we monitor whether each unit generates returns in excess of the cost of capital by calculating the six-period average Economic Value Added (EVA), defined as NOPAT (earnings before interest and taxes) minus the cost of capital, for each business unit. EVA was negative for 13 units in 2022 and 15 units in 2023, prompting discussions on measures to address this issue.

Over the long term, we prioritize evaluating the attractiveness of industries and markets, assessing profitability potential, and considering the business’s contribution to Environmental, Social, and Governance (ESG) factors. We recognize the importance of delineating the organic contributions of individual units to advance the motion controls that the Nabtesco Group aspires to achieve.

### Disclosure of cash allocation under consideration for inclusion in the next MTMP

Under the current MTMP, the Company’s net gain on the sale of shares of Harmonic Drive Systems Co., Ltd. (HDS) after taxes amounts to ¥60.0 billion. Additionally, the cumulative total of operating cash flows from 2022 to 2024 and R&D investments totals ¥68.4 billion. Excluding the impact of the sale of shares of HDS, the sum of cash and deposits at the end of 2021 amounts to ¥35.0 billion. These sources of cash allocations total ¥163.4 billion.

Looking at the allocation of the aforementioned resources, as depicted in Figure 1, capital investment (¥76.0 billion), primarily for capacity expansion at the Tsu Plant and the construction of the new Hamamatsu Plant in precision reduction gears, accounted for approximately 47%. M&A investment (¥13.3 billion), including seeding in new businesses, accounted for approximately 8%, while development investment (¥35.9 billion), encompassing research aimed at new motion control, accounted for approximately 22%. The Hamamatsu Plant is set to start operating in August 2024 as an advanced automation facility, streamlining the production of mass-produced items. The existing Tsu Plant intends to reorganize into production facilities focused on custom products. By aiming for an automation rate of 90% at the Hamamatsu Plant, we will pursue manufacturing that is resilient to demand fluctuations while anticipating a future decline in the labor force.

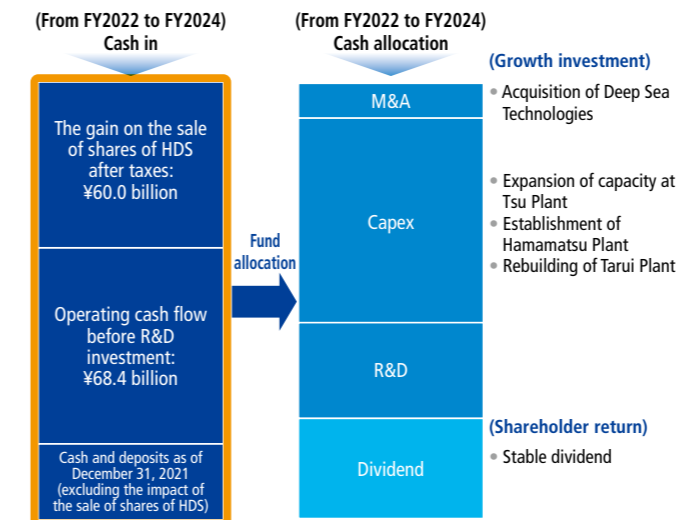
Our target for shareholder returns is a consolidated dividend payout ratio of 35% or higher. However, we anticipate exceeding this target, with a consolidated payout ratio of 86% for the three-year cumulative period, including the FY2024 Plan. In 2021, the Company repurchased up to ¥20.0 billion of its common stock (equivalent to 4.4 million shares, or 3.54% of total outstanding shares) to return the gain from the sale of shares of HDS to the capital market. While we have not established a policy for share repurchases, we will continue to flexibly consider the balance between cash on hand and growth investments.

Over the past two years, total equity attributable to owners of the parent increased by ¥20.6 billion to ¥260.5 billion. This growth was primarily driven by an increase in net income and translation adjustments resulting from the depreciation of the yen. As illustrated in Figure 2, we consider maintaining cash equivalent to two to three months’ expenses as the optimal level on our balance sheet. We are mindful of maintaining a credit rating of

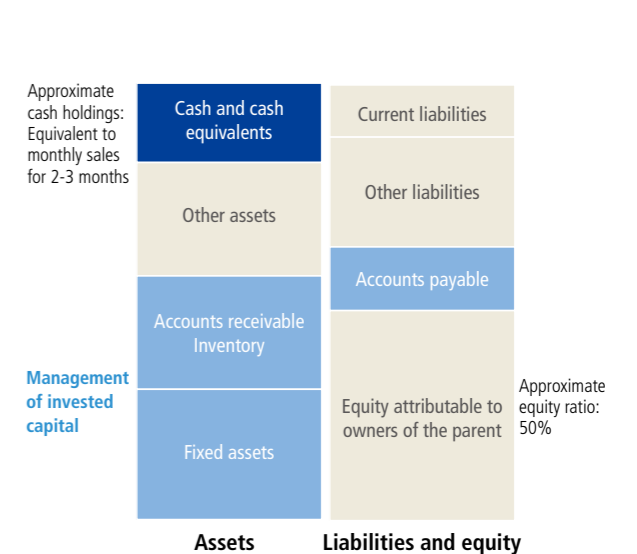
A and aim for an equity ratio of approximately 50%. In the upcoming MTMP, we will also consider providing quantitative disclosure of projected cash allocations. Additionally, we will thoroughly communicate our approach to investing in enhancing corporate value to our stakeholders.



● Figure 1: Approach to cash allocation



● Figure 2: Balance sheet management



### Aiming for a conglomerate premium transformation and a market capitalization of ¥500.0 billion

We are addressing the recent decline in business performance and stock price with a sense of urgency and seriousness. In the upcoming MTMP, we will articulate our vision for the future, outlining our optimal business portfolio and the strategies we will implement to achieve our objectives, along with our anticipated time frame. As part of this effort, we are fully committed to Project 10, a short-term initiative aimed at enhancing profitability.

In the past, our Price-to-Book Ratio (PBR) typically ranged from around 2.0 to 3.0. During this period, our ROE was relatively high, ranging from 12.0% to 16.0%. Additionally, our Price-to-Earnings Ratio (PER) was valued at 15 to 30, reflecting our profitability and growth

prospects. This resulted in achieving conglomerate premiums. However, since the onset of the COVID-19 crisis, our PBR has remained at a little over 1, primarily due to the decline in both ROE and ROIC against the backdrop of deteriorating profitability.

Going forward, our objective is not only to recover earning power but also to acquire conglomerate premiums by establishing a high earnings and high growth structure. This will be achieved by focusing on three key pillars: “high market share,” “high innovation creativity (realizing growth potential through the integration of hardware and systems),” and “strengthening of high-profit MRO\*.” By executing a concerted action plan to complete Project 10, we aim to achieve a market capitalization of approximately ¥500.0 billion, with a PBR of 2 and an ROE of 10%, coupled with a PER of 20.

\*MRO: Maintenance, Repair, and Overhaul (after-sales service)

# Enhance Human Capital Management

## Measures to improve organizational performance



In 2022, Nabtesco initiated human capital management efforts with the objective of optimizing human resources to fulfill its long-term vision of becoming “Leaders in Innovation.” We have defined ideal visions for “company and top management,” “organization and managers,” and “individuals,” and are actively promoting the development of autonomous human resources driving innovation and enhancing management capabilities. We discussed the current progress, challenges, and future initiatives with the Executive Officer and General Manager of the Human Resources Department.

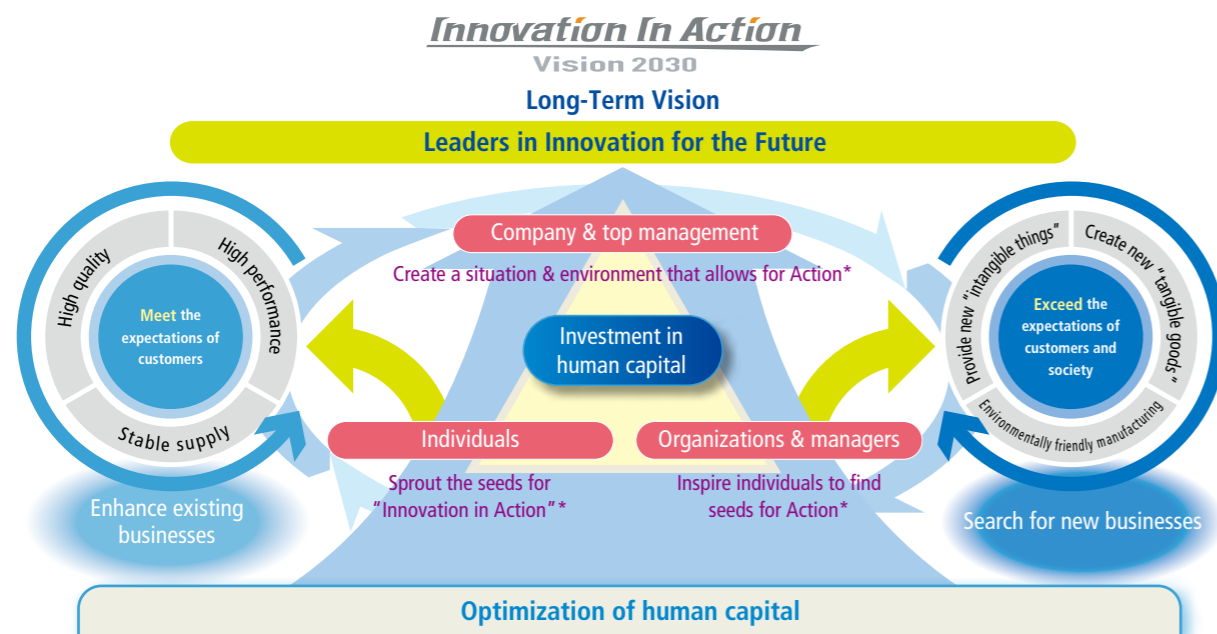
**Masaru Sasaki**  
Executive Officer  
General Manager, Human Resources  
Department, Innovation Strategy Division,  
and President, Nabtesco Link Co., Ltd.

**Web** The Optimization of Human Capital  
<https://www.nabtesco.com/en/about/sustainability/s-004/s-005/>

**Q Please share an overview of the human capital management story of Nabtesco.**

The cornerstone of Nabtesco’s human capital management strategy is innovation. In addition to addressing accumulated customer needs pre-merger, we prioritize meeting and exceeding customer and societal expectations,

optimizing human capital as the foundation of our value creation process. Illustrated in the chart, we outline our vision for “company and top management,” “organization and managers,” and “individuals.” We have established key performance indicators (KPIs) for human capital, under the hypothesis that bridging the gap with current practices will revitalize innovation



\*Visions for each level of the “company and top management,” “organization and managers” and “individuals.”

**Q What is the background behind setting the original KPIs for human capital?**

Nabtesco has established three KPIs for human capital: the “Innovation Index”, “Linkage Index” and “Engagement Index.” These serve as outcome-based metrics to gauge the advancement of innovation initiatives across various levels, including “company and top management,” “organization and managers,” and “individual.” We closely monitor the trajectory of these indices alongside factor-based indicators aimed at enhancing each metric.

These KPIs were established based on the aforementioned assumptions to provide a tangible measure of the effectiveness of personnel measures, which had previously been challenging to quantify. By consistently collecting data and iterating through try-and-learn cycles, we aim to verify the causal relationships and their correlation with financial information in the future.

While there were no significant changes in the KPIs for human capital in FY2023, as detailed later on page 33, the individual components comprising these indicators offered insights for future initiatives, particularly regarding issues related to organizational culture. Transitioning from a familiar organizational culture requires time, but fostering a frontline-driven approach is crucial for accelerating momentum in human capital management and consistently implementing proactive measures. We are committed to making persistent efforts to enhance organizational performance, prioritizing the enhancement of driving forces through shared awareness rather than imposing measures.

**Q What aspects do you emphasize when developing measures to enhance organizational performance?**

Improving organizational performance necessitates enhancing both individual capabilities and cultivating an organizational culture. Consistent trends are identified as issues through the analysis of organizational and individual indicators, as detailed later on page 33. To address these issues, we prioritize establishing a foundation for individual capabilities that will facilitate autonomous career development by enhancing “growth opportunities” and “motivation.”

On the other hand, we acknowledge the critical importance of “empathy with the mission and vision” and “understanding of policies and strategies” in fostering organizational culture and behavior. At the “company and top management” level, we recognize the significance of providing a platform for instilling our philosophy

and strategies. Within “organization and managers,” we emphasize the implementation of organizational management practices that foster alignment between top-down and bottom-up approaches. To achieve this, we are implementing a comprehensive array of measures from both tangible and intangible perspectives. Above all, we anticipate the “one-on-one” meetings between supervisors and subordinates, initiated last year, will serve as a catalyst for transforming our organizational culture by bridging the gap between management and individuals. We are particularly focused on this aspect.

**Q In what direction will you proceed to enhance human capital management?**

As mentioned earlier, both enhancing individual capabilities and nurturing an organizational culture are paramount. As a prerequisite for improving individual abilities, we have integrated job-type elements into our management personnel system, thereby clarifying the roles and responsibilities of each individual. Next year, we intend to extend this concept to the human resources system for general employees. Additionally, the use of People Analytics, such as quantifying and visualizing abilities and aptitudes, is essential for enhancing individual capabilities. Through the analysis of data from tools such as 360-degree evaluation and aptitude assessments, we aim to transition from the traditional HR management approach reliant on intuition and anecdotal evidence to a data-driven, objective, and supportive one. Moving forward, we will continue to enhance our human capital by fostering an organizational culture while concurrently implementing these systems.

In cultivating an organizational culture, if personnel policies are perceived as coercive or obligatory, it can lead to resistance from employees. Recently, we have observed a growing number of cases where organizational leaders, such as the presidents of internal companies, voluntarily engage in direct dialogue with young and mid-level employees regarding initiatives such as the “Light” intrapreneurship program and engagement scores. These proactive initiatives by organizational leaders are instrumental in fostering understanding and acceptance of change among managers, creating a virtuous cycle where proactive practices are reinforced. In our management personnel system, we have integrated the roles of human resource development and organizational strength enhancement as essential components for common evaluation criteria for managers. As the Human Resources Department, we are committed to actively promoting human capital investment to support such initiatives.

## Enhance Human Capital Management

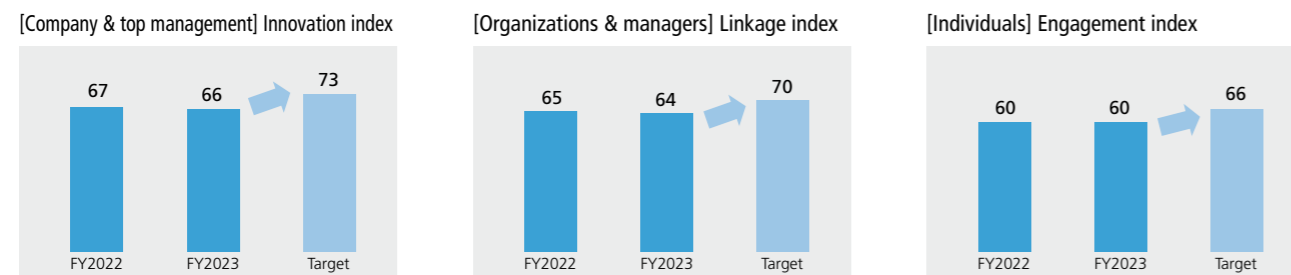
### Progress of KPIs for human capital

At Nabtesco, we have implemented organizational diagnostics consisting of questions tailored to foster "innovation," in line with our long-term vision. The aggregated score for these questions constitutes the "Innovation Index." In addition, we have established the "Linkage Index," reflecting the organizational status, and the "Engagement Index," reflecting individual status. These indices serve as outcome-based measures, synthesizing scores from both organizational diagnostics and Engagement Surveys (ES). We closely monitor trends in these indices alongside factor-based indicators aimed at enhancing individual metrics.

In FY2023, KPIs for human capital remained unchanged for one index and declined for two indices compared to the previous year. Upon reviewing the scores of individual items from organizational diagnostics and ES, it is evident

that there was a decline in scores related to "empathy with mission and vision" and "understanding of policies and strategies" for organizational indicators, as well as "clarification of mission and targets" for individual indicators. In addition, scores for questions pertaining to "philosophy and strategies" have decreased. As we formulate the next MTMP, scheduled for announcement in 2024, discussions are ongoing to enhance the resolution of our long-term vision and embody the direction we are striving for. Through these initiatives, we aim to further elucidate our "philosophy and strategy. Furthermore, with the goal of aligning the various levels of "company and top management," "organization and managers" and "individuals" to elicit autonomous and voluntary actions, we will prioritize implementing communication measures to embed the "philosophy and strategy" within individuals.

#### Key performance indicators (KPIs) for human capital



(Note) The figures for FY2022 have been retrospectively adjusted due to the utilization of divisional averages to align data from both organizational diagnostics and engagement surveys. Concurrently, the target KPIs for human capital have also been retroactively revised to reflect the third quartile figure for FY2022.

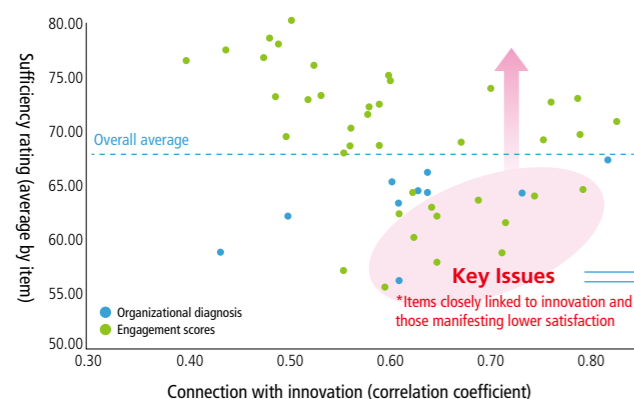
### Changes in key issues

Nabtesco prioritizes addressing areas closely tied to innovation that exhibit low satisfaction levels in both organizational and individual indicators. Consequently, the Company is actively advancing initiatives aimed at improving satisfaction in these specific areas.

In the organizational indicators for 2023, there was an increase in the score for "culture of embracing challenges."

This can be attributed to initiatives such as "Light," an intrapreneurship program where employees propose commercialization ideas, and the commemorative event held for the 20th anniversary of our founding, which reviewed our history and DNA. However, there was a significant decline in the indicator for "anticipation of global change by corporations." We attribute this to the

#### Individuals' indicators / Organizational indicators and innovation (Image of FY2023 result)



#### Organizational indicators

Question items	FY2022	FY2023	Gap
Culture of embracing challenges	55.1	56.2	↑ 1.1
Anticipation of global change by corporations	56.7	55.6	↓ -1.1
Development of next leaders within the department	60.7	60.3	↓ -0.4
Outlook for the achievement of corporate targets for the fiscal year	61.4	61.6	↑ 0.2
Solution of issues across departments	65.5	64.6	↓ -0.9

#### Individuals' indicators

Question items	FY2022	FY2023	Gap
Acknowledgement of achievements	56.3	56.8	↑ 0.5
Sense of achievement	57.7	57.4	↓ -0.3
Motivation	60.3	59.0	↓ -1.3
Satisfaction with personnel evaluation	60.3	59.7	↓ -0.6
Growth opportunities	62.0	60.6	↓ -1.4

ongoing open innovation initiatives, such as the utilization of CVC, where individuals may not yet perceive tangible results. Starting this fiscal year, we have resumed face-to-face results briefings for employees with the CEO, but we recognize the importance of creating and enhancing various opportunities for interactive dialogue between "company and top management" and "individuals."

In terms of personal indicators, there has been an increase in "acknowledgement of results," which we

attribute to enhanced communication frequency and trust-based relationships with supervisors, facilitated by the institutionalization of one-on-one meetings. However, scores for "growth opportunities" and "motivation" have declined compared to the previous fiscal year. We acknowledge that creating and developing environments, venues, and support systems that empower "organizations and managers" to recognize individual potential and foster innovation are critical challenges for the future.

### Major actions to be taken to increase the index scores

#### Introduction of one-on-one meetings to transform organizational culture

In August 2023, we initiated a pilot program for one-on-one meetings in the Corporate Division and the Accessibility Innovations Company, ahead of other divisions. The company-wide rollout was completed by April 2024. Throughout 2023, the implementation rate of one-on-one meetings remained at approximately 70% each month, with

over 96% of surveyed subordinates responding positively to the initiative during the same period. We observed a slight improvement in organizational indicators related to engagement with supervisors, as well as in individual indicators such as "Acknowledgement of achievements." Moving forward, we plan to introduce new methods to establish one-on-one meetings and enhance the quality of dialogue.

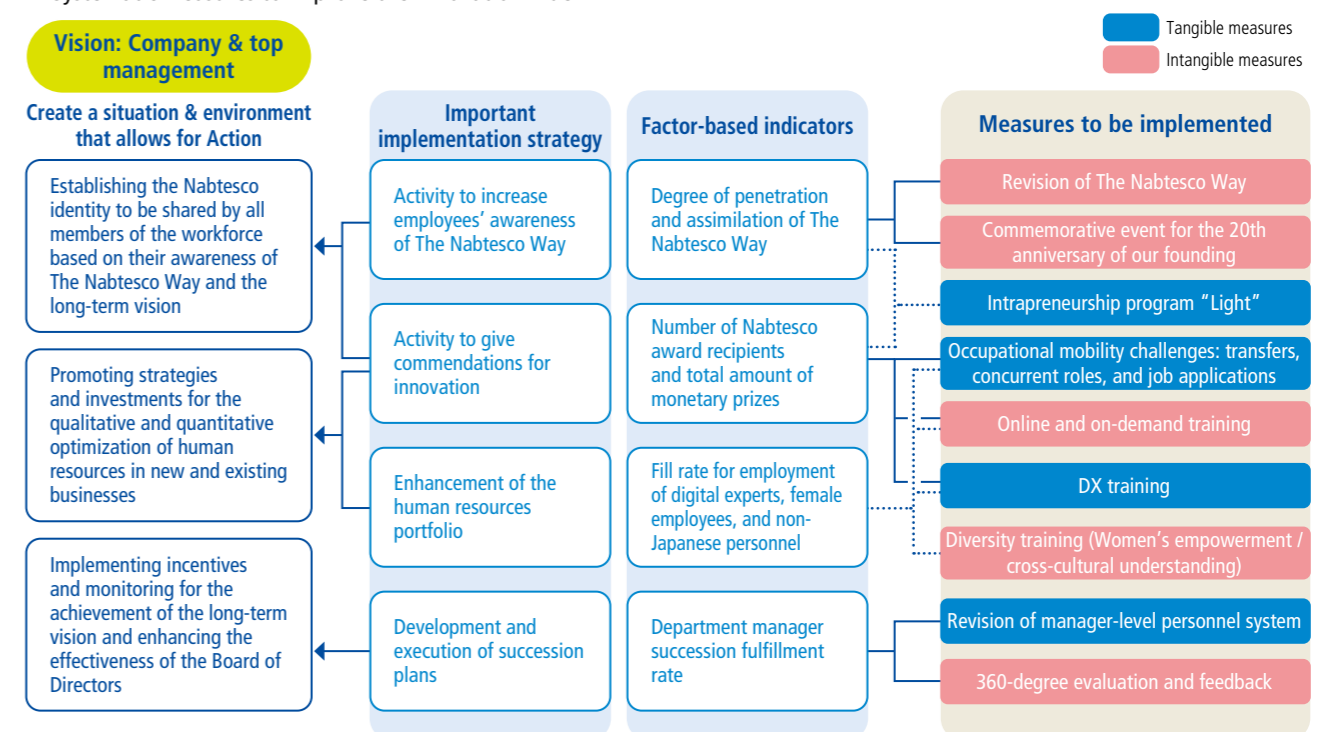
#### Priority measures for improving the innovation index

Factor-based indicators have been established to enhance KPIs for human capital, with individual measures to achieve each indicator being promoted by the Human Resources Department and relevant divisions. For instance, within the Innovation Index, the "department manager succession fulfillment rate" has been designated as a factor-based metric for "development and execution of succession plans," a critical execution strategy. In January 2024, a new management personnel system was introduced to achieve this indicator. Upon its implementation, job descriptions

(JDs) were formulated for all managerial positions, outlining the human resource requirements necessary for assuming these roles. Going forward, we will diligently manage positions from a business perspective and expedite efforts to fulfill succession plans based on JDs. Furthermore, for the 360-degree evaluations conducted for department managers and above, we are fostering behavioral changes by visualizing management styles through the feedback of evaluation results.

By implementing various measures aimed at enhancing factor-based indicators, we aim to achieve sustainable improvements in organizational performance.

#### Systematic measures to improve the Innovation Index



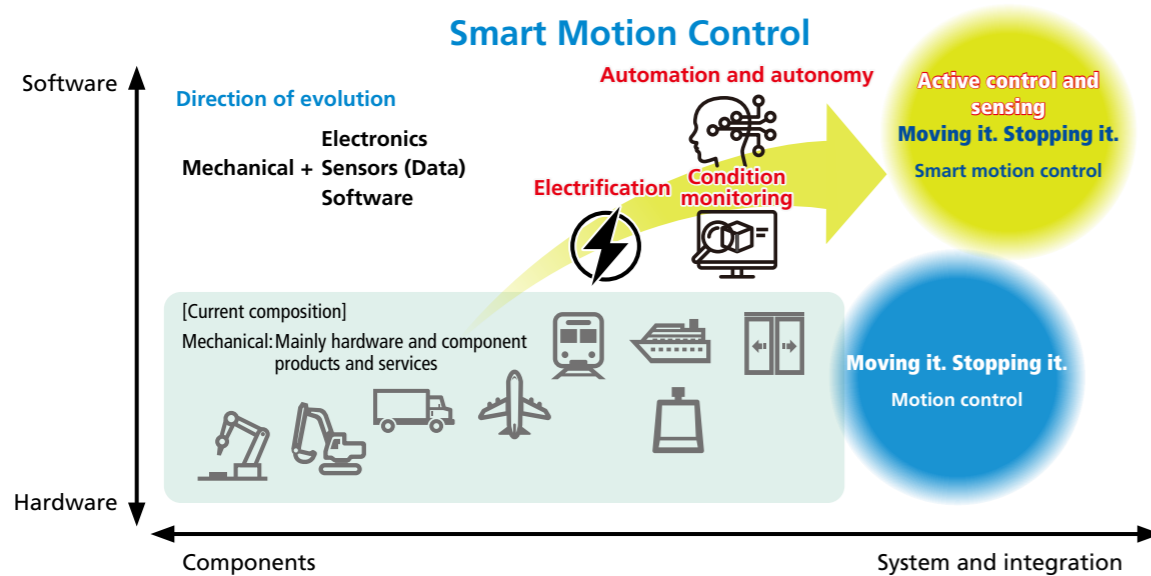
## Acquire Next-generation Technologies and Create New Businesses

# Promoting the establishment of "New Motion Control"

Nabtesco is proactively pursuing initiatives aimed at establishing "New Motion Control," a future direction for our business model. By synergizing our strengths in hardware and component-centered products and services with AI, IoT, and other software technologies, we aim to accelerate the development of high-precision control equipment, drive units, and other devices to address social issues.

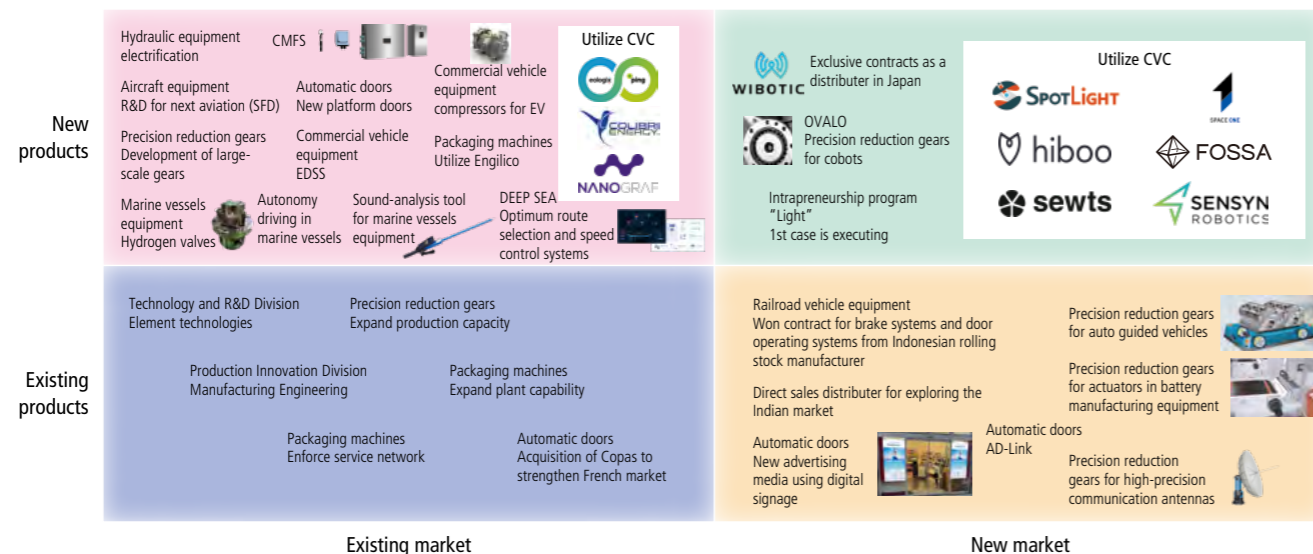
### Direction of product and service evolution

The focal points for the evolution of products and services are "automation and autonomy" and "electrification." By integrating mechanical technologies that underpin hardware and components with electric sensors and software technologies, we aim to pioneer a smart motion control technology that incorporates "active control and sensing" alongside traditional "moving and stopping" capabilities.



### Approach to target markets

Nabtesco is dedicated to advancing existing products and increasing added value across two pivotal axes: new markets and products. Our focus revolves around developing markets poised for future growth, such as "smart robotics," "mobility," and "renewable energy."



### Utilize CVC\*

#### Structure and process of CVC investment activities

Nabtesco utilizes corporate venture capital (CVC) to swiftly identify technologies and product areas essential for deepening existing businesses and cultivating new products and ventures, with a view to long-term growth.

Nabtesco Technology Ventures AG (NTV), headquartered in Switzerland, has forged a strategic partnership with Emerald Technology Ventures for CVC operations, leveraging their expertise to seek co-creation partners.

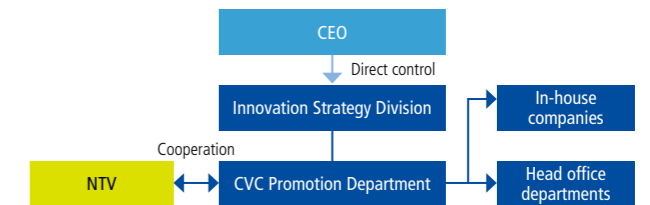
In line with this initiative, we established the CVC Promotion Department to expedite and amplify our CVC efforts. The department strategically seeks co-creation partners, drawing upon the technological and intellectual assets within the Group. Moreover, it oversees CVC-funded projects to accelerate the creation of new businesses.

#### Investment focus areas and portfolio

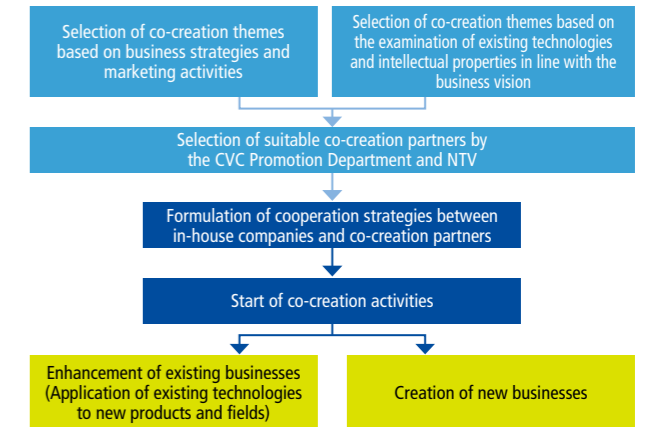
In our CVC investments, in addition to strengthening our existing businesses to lead the charge in new motion control, we are also investing in areas that address social issues such as labor shortages and global warming.

As of the end of 2023, the Company had invested in 10 companies within the €75 million (approximately ¥10 billion) CVC investment fund limit established in 2018. Including investment projects where financial returns have already been realized, our total investment across 14 companies amounts to approximately ¥3.2 billion.

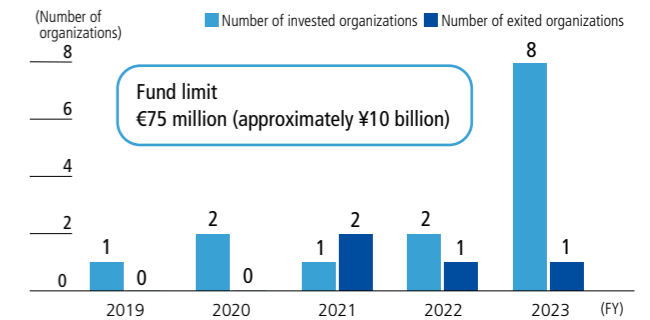
#### Organizational structure for CVC



#### CVC utilization process



#### Investment results



#### Investment focus areas and portfolio

