



February 10, 2021

To whom it may concern,

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Announcement on Recording of Extraordinary Gains in the Individual Settlement Accounts (Japanese GAAP) associated with the Partial Sale of Shares Held by Nabtesco Corporation

Nabtesco Corporation (hereinafter, “the Company”) hereby announces that the Company expects to record extraordinary gains in the individual settlement accounts (Japanese GAAP) for the fiscal year ending December 31, 2021, associated with the sale of half of the shares of Harmonic Drive Systems, Inc. (hereinafter, “HDS”) held by the Company as follows:

1. Recording of Extraordinary Gains and Summary Thereof

As of today, the Company sold half of the shares of HDS held by the Company as announced in the “Announcement on Partial Sale (Planned) of Shares Held by Nabtesco Corporation” dated January 29, 2021 (hereinafter “Jan. 29 Announcement”).

As a result, the Company expects to record gains of approximately JPY 75.4 billion (approximate figure based on the closing price of the previous day, i.e., February 9, 2021) on sales of subsidiaries and affiliates shares as extraordinary gains in the individual settlement accounts (Japanese GAAP) for the fiscal year ending December 31, 2021. Please note that the actual amount of the extraordinary gains may differ from the above since the sale price will be fixed based on the closing price of February 10, 2021.

[Summary of the Sales of Shares]

- (1) Subject Shares: Common shares of HDS (JASDAQ 6324)
- (2) Number of shares to be sold: 9,160,200 shares
- (3) Total Sale Price: Approximately JPY 76.9 billion
- (4) Status of stockholdings before and after the sale
 - Number of shares held before the transfer: 18,320,400 shares
(Ratio to the total number of issued shares: 19.03%) [Note 1]

- Number of shares held after the transfer: 9,160,200 shares

(Ratio to the total number of issued shares: 9.51%)

[Note 1] It is calculated by subtracting the number of treasury shares (52,270 shares) from the total number of issued shares as of September 30, 2020.

- (5) Purchaser: Nomura Securities Co., Ltd. [Note 2]

[Note 2] As announced in the Jan. 29 Announcement, Nomura Securities Co., Ltd., which expects to become the purchaser, makes it a principle to sell the shares in the market over time in order to avoid the impact on the market supply and demand as much as possible. Nomura Securities Co., Ltd. intends to sell the shares in a manner that, it believes, will avoid the impact on the stock prices as much as possible, with taking into consideration to resale to investors who intend to hold them for a long period of time. Please note that the difference between the average of volume weighted average prices through the sale period and the initial share sale price will be adjusted at completion of the sale by Nomura Securities Co., Ltd.

2. Future Outlook

Impact of the subject matter herein on business performance has been factored into the earnings forecast for the fiscal year ending December 31, 2021 which the Company announced today.

In the individual settlement of accounts (Japanese GAAP), from the settlement of accounts for the 1st quarter of the fiscal year ending December 31, 2021, the HDS shares will be revaluated based on the share price as of the end of each quarter, and the difference in valuation is expected to be recorded as net unrealized gains on securities (net assets).

In the consolidated settlement of accounts (IFRS), the Company expects to recognize JPY 125.1 billion (the closing price of January 29, 2021) as valuation gains accompanying the exclusion from the scope of application of the equity method, including remaining shares, in the settlement accounts for the 1st quarter of the fiscal year ending December 31, 2021. With respect to the partial sale of shares, the Company continues to recognize the shares as its assets because the transfer of risks and economic values of the shares from the Company to the purchaser has not yet been substantially completed. Therefore, from the settlement of accounts for the 1st quarter of the fiscal year ending December 31, 2021, all the HDS shares will be revaluated based on the share price as of the end of each quarter and valuation gains and losses (financial income or financial expenses) will be recognized, if any. This may have an impact on future consolidated earnings.

[End]